



# Audit of the Orange County Clerk of the Circuit and County Courts – Personnel and Payroll

## AUDIT REPORT

Report by the  
Office of the County Comptroller

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### Audit of the Orange County Clerk of the Circuit and County Courts – Personnel and Payroll

The Clerk is an elected constitutional official who keeps the progress dockets for both the Circuit and County Courts and issues or attests all appropriate processes, notices, subpoenas, and writs. The approved General Fund budget for fiscal year 1998-1999 was \$10,046,867.

May 2000  
Report No. 288

## TABLE OF CONTENTS

Transmittal Letter.....	1
Executive Summary.....	2
Action Plan .....	5
Introduction.....	8
Background.....	9
Scope, Objectives, and Methodology .....	10
Overall Evaluation.....	11
Recommendations for Improvement.....	12
1. Management Should Comply With Written Guidelines Or Reasons For Deviations Should Be Adequately Documented .....	13
2. Performance Evaluations Should Be Completed For Managerial Employees And Administrative Aides.....	14
3. Exit Interviews Should Be Performed For Terminated Employees.....	15
4. Prior Authorization Should Be Obtained Before Overtime Is Worked.....	16
5. Administration Of Vacation And Other Leave Benefits Should Be Improved.....	16
6. Employees' Salary Histories Should Be Readily Available From Their Personnel Files.....	17
7. A Log Should Be Maintained For Individuals Receiving Payroll Checks From The Payroll Department .....	18
8. The Annual Review of Compensation, Race, And Gender Employment Policies Should Be Documented .....	19
9. Documentation In The Personnel Function Should Be Improved.....	20
10. Internal Controls In The Payroll Processing Function Should Be Strengthened .....	22

May 9, 2000

Linda W. Chapin, Clerk of the Circuit and County Courts

We have conducted an audit of the Office of the Orange County Clerk of the Circuit and County Courts. The audit was limited to an examination of personnel and payroll policies, procedures, and related internal controls. The period audited was October 1, 1997 through December 31, 1998.

Responses to our Recommendations for Improvement were received from you and are incorporated herein.

We appreciate the cooperation of the personnel of your office during the course of the audit.

Martha O. Haynie, CPA  
County Comptroller

c: Orange County Board of County Commissioners

# EXECUTIVE SUMMARY

## Executive Summary

We have conducted an audit of the Office of the Orange County Clerk of the Circuit and County Courts. The audit was limited to an examination of personnel and payroll policies, procedures, and related internal controls. The period audited was October 1, 1997 through December 31, 1998. In our opinion, the Clerk's Office's personnel and payroll policies and procedures were adequate; however, additional improvements are needed as noted below:

One employee, from a sample of twenty-five employees, received a salary increase of nine percent without any documented explanation. Based upon an evaluation score of 79, the employee should have received an increase of five percent. In another instance, a management employee was granted a five percent salary increase within two months after an annual increase without documented explanation.

It was not a practice of the Clerk's Office to complete written performance evaluations for managerial employees and administrative aides. In addition, there was no documentation to support the promotion and corresponding salary increases given to five of seven managers.

No exit interviews were performed. There was also no evidence that the Clerk's Office attempted to perform them as personnel policies and procedures do not require exit interviews be conducted. Instead, the Clerk's Office only requires the completion of an "exit survey" after the employee leaves. None of the fifteen files examined contained completed exit surveys.

No prior written authorization was on file for overtime worked by four of the six employees paid overtime for the pay period ended December 27, 1998. The employees received \$322.20 for 20.50 hours of overtime.

There was no written evidence that prior authorization was obtained by any of the fifteen employees who took vacation leave (167 hours) during the pay period ended December 27, 1998. In some instances, vacation leave forms were completed by the employees but were not signed by department managers.

Personnel files did not contain an employee salary history. In addition, seven of fifteen employee salary histories reviewed from the note section of the payroll system did not contain complete information on employee salary adjustments.

The Accounting Department does not maintain a payroll check receipt log for individuals receiving payroll checks.

Our review also disclosed the following:

- The Personnel Department did not maintain a copy of the actual job advertisement placed in a local newspaper.
- There was no written evidence that information in new employee applications was verified in each of the twenty cases reviewed.
- An employment application was not signed in one instance.
- In two instances, the identification verification section of the INS "Employment Eligibility Verification" form (I-9) was not properly completed.

The Accounting Manager, who reviews the exception report that shows all the changes to the payroll, has access (ability to manipulate data and make changes) to payroll data. In addition, the computer system allows an employee's overtime rate of pay to be changed by the payroll clerk even though the overtime rate is fixed by written personnel policy at one and one-half times the employee's wages.

Except for partially concurring with the recommendations of obtaining prior written authorization for overtime and maintaining complete employee salary history in each employee's personnel file, the Clerk's Office concurred with all recommendations and is taking steps to implement them.

# ACTION PLAN

Audit of the Clerk of the Circuit and County Courts – Personnel and Payroll  
Action Plan

NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
1.						We recommend the Clerk's Office ensures the following:
A)	X			Completed		Management complies with their own written salary guidelines.
B)	X			Completed		Management adequately documents reasons for granting salary increases that deviate from these written guidelines.
2.						We recommend the Clerk's Office ensures the following:
A)	X			Completed		Written performance evaluations are completed for management employees and administrative aides.
B)	X			Completed		Promotions are adequately documented.
3.	X			X		We recommend the Clerk's Office revises personnel policy and procedures to require exit interviews for terminated employees. If a terminated employee refuses to participate, a notation to this effect should be made in the employee's file.
4.		X		X		We recommend the Clerk's Office ensures prior written authorization is obtained for overtime.
5.						We recommend the Clerk's Office ensures the following:
A)	X			Completed		Employees comply with written guidelines requiring prior approval for vacation leave.
B)	X			Completed		A standard form is instituted to report and document sick leave.
6.		X		Completed		We recommend the Clerk's Office develops and maintains complete employee salary history in each employee's personnel file.
7.	X			Completed		We recommend the Clerk's Office institutes a payroll check receipt log for individuals receiving payroll checks.
8.	X			Completed		We recommend the Clerk's Office documents the annual compensation and employment policy review whether or not any discrepancies are found.



Audit of the Clerk of the Circuit and County Courts – Personnel and Payroll  
Action Plan

NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
9.						We recommend the Clerk's Office ensures the following:
A)	X			Completed		Actual advertisements are reviewed and copies are retained as evidence that the advertisements were correctly printed.
B)	X			Completed		Verification of information contained in employee candidate applications is adequately documented.
C)	X			Completed		Applicants sign employment applications.
D)	X			Completed		Form I-9s are properly completed.
10.						We recommend the Clerk's Office considers the following:
A)	X			Completed		Adequately segregating the duties between the payroll recording and review functions.
B)	X			X		Modifying the payroll software to eliminate the ability to make changes in the overtime rate.

# INTRODUCTION

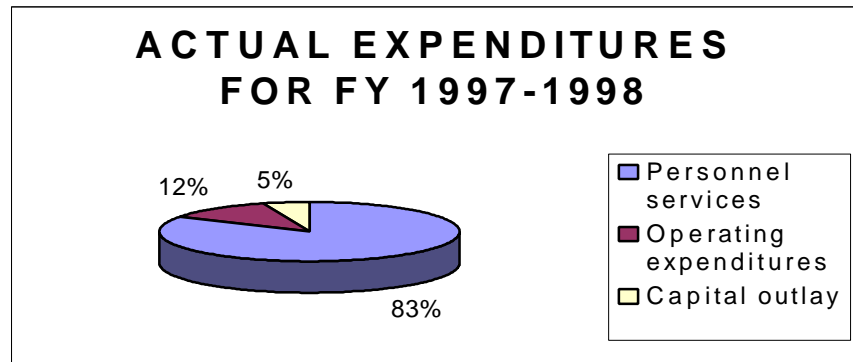


**Background**

The Orange County Clerk of the Circuit and County Courts is an elected constitutional officer governed by the Constitution of the State of Florida. The Clerk of the Circuit and County Courts (hereinafter the Clerk’s Office) keeps the progress dockets for both the Circuit and County Courts and issues or attests all appropriate processes, notices, subpoenas, and writs. The Clerk’s Office also maintains the records and files of both courts as to all litigation, proceedings, and matters within the courts’ respective jurisdictions. These duties are assigned to the Clerk’s Office by Chapters 28 and 34 of the Florida Statutes and various other regulations. The Clerk’s Office performs other duties as prescribed by the Florida Supreme Court and the Chief Judge of the Ninth Judicial Circuit

The approved General Fund budget for fiscal year 1998-1999 was \$10,046,867 which consisted of charges for services to the County (term bill charges) of \$3,912,359 and commissions and fees of \$6,134,508 (County subsidy). Other revenue included \$6,925,899 for fees charged for court services resulting in a total budget of \$16,972,766.

Actual expenditures for fiscal year 1997-1998 were as follows:



Personnel Services	\$13,475,008
Operating Expenditures	1,891,176
Capital Outlay	<u>785,204</u>
<b>TOTAL</b>	<b><u>\$16,151,388</u></b>

The Clerk's Office had 440 authorized employee positions with a projected workload of 373,906 cases to be filed. Top management personnel consist of a Chief Administrative Officer in charge of the Administration, Accounting, Human Resources, and Information Services Divisions; and three Deputy Clerks for Civil, Criminal, and Operations.

In the previous report issued to the Clerk's Office, we noted that the Board of County Commissioners had contracted with a collection agency to collect outstanding fines and court costs. At the conclusion of this review we noted that the collections totaled \$324,710 which is 11.5 percent of the \$2,750,000 submitted for collection.

**Scope, Objectives,  
and Methodology**

The audit scope was limited to an examination of the personnel and payroll policies, procedures, and related internal controls. The audit period was October 1, 1997 through December 31, 1998. The objectives of our review were as follows:

- (1) Determine the adequacy of personnel policies and procedures and whether such were in compliance with applicable laws, regulations, guidelines, and policies;
- (2) Determine if payroll expenditures were properly authorized, accurately calculated and properly recorded for bona fide employees; and,
- (3) Determine if leave earned, calculated, and utilized was accurately recorded and in accordance with applicable policies.

To determine the adequacy of personnel policies and procedures and if such were in compliance with applicable laws, regulations, guidelines, and policies, we reviewed Florida Statutes, the employee personnel manual, operating procedures, and evaluated the system of internal controls. We then selected a sample of personnel files and verified that valid employment requisitions and applications were on file; documentation exists to show that the best candidate

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was selected for each new position; and that positions, rates of pay, salary adjustments, promotions, and other actions affecting employees were properly authorized and adequately documented.

To determine if payroll expenditures were properly authorized, accurately calculated and properly recorded for bona fide employees, we selected a sample of pay periods and transactions and recomputed gross and net pay, and withholding taxes. We also verified that wages were computed on the correct hourly pay, hours used in the calculation were supported by approved time sheets, and that transmittals and payrolls were reviewed and approved by management. In addition, we verified that all miscellaneous deductions were properly authorized. Further, we traced names of employees to personnel files, compared payroll check endorsements with signatures on file, and physically identified employees by means of their driver's licenses.

To determine if leave earned, calculated, and utilized was accurately recorded and in accordance with applicable policies, we recomputed leave accruals for a sample of employees, traced leave used to proper authorization, and scanned leave records to determine any appearance of abuse.

**Overall Evaluation**

In our opinion, personnel and payroll policies and procedures were adequate. Additional improvements are needed as noted in this report.

# RECOMMENDATIONS FOR IMPROVEMENT

**1. Management Should Comply With Written Guidelines Or Reasons For Deviations Should Be Adequately Documented**

A review of employee salary administration revealed that, on occasion, employees were granted salary increases above that permitted by written guidelines without adequate documented explanation.

One employee, from a sample of twenty-five employees, received a salary increase of nine percent without any documented explanation. According to the written salary guidelines, the employee should have received an increase of five percent (based upon an evaluation score of 79).

In another instance, a management employee was granted a five percent salary increase effective November 16, 1998 after receiving an annual increase of five percent as of September 21, 1998. There was no documented explanation for the additional increase.

Deviation from written operating guidelines should be adequately documented. Without adequate documentation, we could not determine whether the increases were justified.

**We Recommend** the Clerk's Office ensures the following:

- A) Management complies with their own written salary guidelines.
- B) Management adequately documents reasons for granting salary increases that deviate from these written guidelines.

**Management's Response:**

- A) Concur. Require written documentation for deviations from pay plan as of October 1, 1999.
- B) Concur. Require written documentation for deviations from pay plan as of October 1, 1999.

Justification for  
interim salary  
increases should be  
documented

**2. Performance Evaluations Should Be Completed For Managerial Employees And Administrative Aides**

Written performance evaluations should be completed for all employees

A review of a sample of thirty personnel folders revealed no written performance evaluations were on file for the five managerial employees and administrative aides included in the sample. Further inquiries revealed it was not a practice of the Clerk’s Office to complete written performance evaluations for managerial employees and administrative aides. We also noted there was no documentation to support the promotion and corresponding salary increases given to five of seven managers.

The Employee Handbook requires that a performance evaluation be completed six months after employment and annually thereafter on the employee’s anniversary date of hire. In addition, the handbook states,

“Important events in each employee’s history with the Clerk’s organization will be recorded and kept in the employee’s file. Performance reviews, change of status records, commendations, corrective action warnings and continuing education certificates are examples of records maintained.”

Without adequate documentation, we were unable to determine the basis for the salary increases.

**We Recommend** the Clerk’s Office ensures the following:

- A) Written performance evaluations are completed for management employees and administrative aides.
- B) Promotions are adequately documented.

**Management’s Response:**

- A) Concur. Written performance evaluations mandatory for management and administrative employees beginning October 1, 1999.



B) Concur. Written documentation is provided on all promotions.

**3. Exit Interviews Should Be Performed For Terminated Employees.**

A review of a sample of personnel files for fifteen terminated employees revealed that no exit interviews were performed. There was also no evidence that the Clerk's Office attempted to perform them as personnel policies and procedures do not require exit interviews be conducted. Instead, the Clerk's Office only requires the completion of an "exit survey" after the employee leaves. Section eleven of the Employee Handbook states, "When you leave employment with the Clerk's Office, we encourage you to fill out the exit survey sent to you in the mail." None of the fifteen files contained completed exit surveys.

Good personnel practices strongly recommend an exit interview with terminated employees especially in a climate of high turnover of staff. We noted that 162 employees left the employment of the Clerk's Office during the fifteen month period reviewed. The office employed 428 persons as of December 1998. An exit interview is a useful tool to help ascertain causes for staff instability as well as to obtain feedback to help improve operations.

**We Recommend** the Clerk's Office revises personnel policy and procedures to require exit interviews for terminated employees. If a terminated employee refuses to participate, a notation to this effect should be made in the employee's file.

**Management's Response:**

Concur. Managers responsible for conducting exit interviews (using exit survey) prior to employee's last day as of May 1, 2000.

**4. Prior Authorization Should Be Obtained Before Overtime Is Worked**

No prior written authorization was on file for overtime worked by four of the six employees paid overtime for the pay period ended December 27, 1998. The employees received \$322.20 for 20.50 hours of overtime.

In addition, we noted that in some instances where prior authorization was obtained, the authorization did not always give an estimated number of hours to be worked, or identified the employees involved.

Section 3 of the Employee Handbook states, “All overtime worked by non-exempt employees must be authorized in advance by your Division Manager.” Prior authorization of overtime helps ensure its justification and guard against abuse.

**We Recommend** the Clerk’s Office ensures prior written authorization is obtained for overtime.

**Management’s Response:**

Partially Concur. Managers are responsible for using the form for authorized overtime as of May 1, 2000 with the exception of Trial Clerks whose overtime can not always be reasonably obtained prior to the need to work overtime. Trial Clerk’s overtime will be periodically audited.

**5. Administration Of Vacation And Other Leave Benefits Should Be Improved**

A review of the administration of vacation and other leave benefits revealed no written evidence that prior authorization was obtained by any of the fifteen employees who took vacation leave (167 hours) during the pay period ended December 27, 1998. In some instances, vacation leave forms were completed by the employees but were not signed by the department manager. In addition, there were no

Utilization of  
leave benefits  
should be  
properly  
documented

documents to support sick leave (23 hours) taken by four employees during the period examined.

Section IV. B of the Employee Handbook states, “Use of vacation leave must be approved by your manager prior to your absence.” The handbook also states that the Clerk’s Office may require a physician’s release when an employee returns to work following disability. However, written procedures do not address how sick leave should be documented.

Prior authorization of vacation leave helps management to maintain adequate staffing of key functions. In addition, sick leave could be misused without adequate guidelines and documentation.

**We Recommend** the Clerk’s Office ensures the following:

- A) Employees comply with written guidelines requiring prior approval for vacation leave.
- B) A standard form is instituted to report and document sick leave.

**Management’s Response:**

- A) Concur. Managers responsible for using form to document scheduled time off (vacation & sick) as of March 1, 2000.
- B) Concur. Form created and implemented as of March 1, 2000 to document scheduled time off including vacation and sick time.

**6. Employees’ Salary Histories Should Be Readily Available From Their Personnel Files**

Personnel files did not contain an employee salary history. In addition, seven of fifteen employee salary histories reviewed from the note section of the payroll system did not contain complete information on employee salary adjustments. In some cases, the information contained the

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## RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Clerk of Courts –  
Personnel and Payroll

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Personnel  
records should  
include  
employee  
salary history

date of the increase but no percentage or amount; in some cases the date and amount was present but no percentage; and, in other cases, no information was found.

Good personnel practices ensure that salary history, including the date, percentage and amount of salary adjustments, are readily available from the employee's personnel file. There are no written policies and procedures addressing the maintenance of the employee salary history.

A readily available and complete salary history helps management to make salary adjustments efficiently. An unusual amount of time could be spent determining past salary adjustments.

**We Recommend** the Clerk's Office develops and maintains a complete employee salary history in each employee's personnel file.

### **Management's Response:**

Partially Concur. ECN's will provide salary history as of October 1, 1999. We do not believe there is sufficient benefit in manually creating salary histories from the past as this would not be cost effective.

### **7. A Log Should Be Maintained For Individuals Receiving Payroll Checks From The Payroll Department**

The Accounting Department does not maintain a sign in log for individuals receiving payroll checks. On a bi-weekly basis, division managers or their designees receive the payroll checks from the Accounts Payable Clerk for distribution to employees. The individuals receiving the checks are not required to sign for them, as the clerk stated she usually knows their identity. Considering that the Clerk's Office is currently divided into eighteen divisions with over 420 employees, tighter access control over payroll checks is required. As a benchmark, individuals receiving checks from the Comptroller's payroll department are required to sign a check receipt log. A payroll check receipt log helps to assign

responsibility for payroll checks until they are delivered to employees.

**We Recommend** the Clerk’s Office institutes a payroll check receipt log for individuals receiving payroll checks.

**Management’s Response:**

Concur. Payroll check receipt log created and maintained as of August 19, 1999.

**8. The Annual Review of Compensation, Race, And Gender Employment Policies Should Be Documented**

There is no written evidence that the Clerk’s Office performed an annual review of compensation, race, and gender employment policies for all persons employed or appointed by the Clerk’s Office within the context of comparable positions, skills, experience, and responsibility. Florida Statute 28.34, states,

“Each Clerk of the Court shall undertake an annual review of compensation, race, and gender employment policies for all persons employed or appointed by the clerk. Within the context of comparable positions, skills, experience, and responsibility, any inequities found to exist on the basis of gender or race shall be eliminated”.

According to the Human Resource Manager, the annual review was performed; however, no documentation was made since the review disclosed no discrepancies. Without adequate documentation, we could not assure ourselves that the annual review was performed.

**We Recommend** the Clerk’s Office documents the annual compensation and employment policy review whether or not any discrepancies are found.

**Management’s Response:**

Concur. Requirement of written documentation of the annual review of compensation, race, and gender employment policies as of 10-1-99.

**9. Documentation In The Personnel Function Should Be Improved**

A review of the employee hiring process and other aspects of the personnel function revealed insufficient documentation as follows:

- A) The Personnel Department did not maintain a copy of the actual job advertisement placed in a local newspaper. According to the Human Resources Department Manager, only advertisements that are incorrect are kept. Good business practices require that, after an advertisement is placed, the actual advertisement in the newspaper should be reviewed and a copy placed on file. A copy of the actual advertisement readily provides evidence that the newspaper printed it.
- B) There was no written evidence that information in new employee applications was verified in each of the twenty cases reviewed. According to the Human Resource Department, Division Managers are responsible for verifying and documenting a candidate’s work history. Without documentation, we could not determine if information in employee applications was verified. Without verification, the Clerk’s Office runs the risk of hiring individuals based upon incorrect information. Good personnel practices require that adequate documentation be made of the verification of an employee candidate’s information.

Verification of  
employee information  
should be properly  
documented

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## RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Clerk of Courts –  
Personnel and Payroll

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- C) An employment application was not signed in one instance. Without the candidate's signature, there is no attestation to the accuracy of the information included in the application. In addition, without the signature, there is no authorization for verification of the information provided in the application.
- D) In two instances, the identification verification section of the INS "Employment Eligibility Verification" form (I-9) was not properly completed. Form I-9 requires that the employee provide certain documents to identify the applicant. Without the proper identification the Clerk's Office could hire someone with a false identity.

**We Recommend** the Clerk's Office ensures the following:

- A) Actual advertisements are reviewed and copies are retained as evidence that the advertisements were correctly printed.
- B) Verification of information contained in employee candidate applications is adequately documented.
- C) Applicants sign employment applications.
- D) Form I-9s are properly completed.

### **Management's Response**

- A) Concur. Require copies of job advertisements placed in the newspaper be kept on file as of October 1, 1999.
- B) Concur. Employment verification form used to verify previous employment of applicants who pass the testing phase of the hiring process as of December 22, 1999.
- C) Concur. Require two reviews of employment applications by two separate HR staff members as of October 1, 1999.

- D) Concur. Require two reviews of new hire paperwork by two separate HR staff members as of October 1, 1999.

**10. Internal Controls In The Payroll Processing Function Should Be Strengthened**

During our review of the payroll processing function, we noted that internal controls could be strengthened as follows:

- A) The Accounting Manager has access (ability to manipulate data and make changes) to payroll data. However, she also reviews the exception report, which shows all the changes to the payroll including overtime rates. Good internal controls require that exception reports be reviewed by individuals who have no access or, read access only, to a computer system.
- B) The computer system allows an employee's overtime rate of pay to be changed by the payroll clerk. However, the Clerk's Office's written personnel policy requires the payment of overtime at a rate of time and half of the employee's wages for authorized hours worked in excess of forty hours per week. As such, this field (which is already automatically calculated at time and one-half) could be protected against any changes and only show a fixed rate of time and a half of the hourly wages as default. The Clerk's Office has had to conduct additional reviews of overtime payments to guard against unauthorized changes in overtime rates. This appears to be an inefficient process.

Without adequate controls, assets could be more easily misappropriated.

**We Recommend** the Clerk's Office considers the following:

- A) Adequately segregating the duties between the payroll recording and review functions.



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## RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Clerk of Courts –  
Personnel and Payroll

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- B) Modifying the payroll software to eliminate the ability to make changes in the overtime rate.

### **Management's Response:**

- A) Concur. Accountant reviews the Exception Report and has read only access as of September 20, 1999.
- B) Concur. Will make second request to vendor to modify payroll software.