



Council Auditor's Office

Follow-Up on the Clerk of Courts Audit

Report #767A

Released on: February 19, 2021

OFFICE OF THE COUNCIL AUDITOR
 Suite 200, St. James Building



February 19, 2021

Report #767A

Honorable Members of the City Council
 City of Jacksonville

The purpose of this report is to document our follow-up review of our past report #767, Clerk of Courts Audit, and to determine whether corrective action has been taken in response to our findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards.

We reviewed our recommendations and the auditees' responses from audit report #767. We sent follow-up letters to the Clerk of Courts and to the City's Chief Administrative Officer on December 1, 2017, inquiring as to the status of the original audit report recommendations. We reviewed the recommendations from our audit report, the auditees' responses to the recommendations, and the auditees' responses to our follow-up letter. We then performed limited testing to verify the responses. Based on the responses received and our follow-up testing, a table detailing the original number of issues noted and the number of issues resolved as of this follow-up is included below.

Types of Issues	Original Number of Issues	Issues Cleared	Remaining Issues
Internal Control Weaknesses	3	2	1
Findings	5	5	0
Opportunities for Improvement	3	2	1
Report #685 Follow-up Findings*	3	0	3
Report #685 Follow-up Opportunities for Improvement*	1	0	1
Total	15	9	6

**These items were followed-up and reported on as part of audit report #767. They are broken out separately from other Findings and Opportunities for Improvements that were within the audit objectives of report #767.*

The following is a brief summary of the remaining issues with responses that we received from the Clerk on February 16, 2021 and the City on February 17, 2021.

Internal Control Weakness 1-3 *Cashiering and Deposit Processes*

During the audit we noted that the cashiering and deposit processes for the Tax Deeds area of the Clerk’s Office were not fully automated due to limitations with the Tax Deeds system. Each morning an employee would manually create a deposit spreadsheet that allocated all the funds collected the prior day to the appropriate accounts, which increased the chance for errors. There were also various violations of the City’s SOP for cash receipts such as employees sharing the same cash drawer. During follow-up testing we were able to verify that employees now have their own cash drawers and receipt books.

In the initial response to the follow-up, the Clerk’s Office informed us that the Tax Deeds System had not been replaced so the previous system limitation still exists. The Clerk’s Office did indicate they were in the process of procuring and implementing a new Tax Deeds System. We will follow-up on this in a future follow-up.

Clerk’s Response to the Follow-Up of Internal Control Weakness 1-3

Agree Disagree Partially Agree

The new Tax Deed application, Tax Smart, will go live in February 2021 and the first sale using Tax Smart will be in the summer of 2021. The new application will automate the cashiering proces.

Opportunity for Improvement 1-2 *Efficiency in the Tax Deeds Office*

In the audit we found that the Tax Deeds Office used a labor intensive and manual paper based process for tax deed sale processing. Paper documents had to be scanned after receipt because there was no electronic interface with the Tax Collector’s Office database. We recommended that when the Tax Deeds Office procured a new system, that it should interface with the Tax Collector’s Office database to improve processing efficiency.

In the initial response to the follow-up, the Clerk’s Office informed us that the Tax Deeds System had not been replaced. The Clerk’s Office did indicate they were in the process of procuring and implementing a new Tax Deeds System. We will follow-up on this in a future follow-up.

Clerk’s Response to the Follow-Up of Internal Control Weakness 1-2

Agree Disagree Partially Agree

The new Tax Deed application, Tax Smart, will go live in February 2021 and the first sale using Tax Smart will be in the summer of 2021. In the new application files will be received electronically from the Tax Collector's Office.

Audit Follow-Up Finding 1 *IT Cost Reimbursement*, Audit Follow-Up Finding 2 *Overcharging of Indirect Cost Allocation by the City*, & Audit Follow-Up Finding 3 *\$536,405 is Still Owed to the Clerk’s Court-Related Subfund*

There were three Report #685 Follow-Up Findings, of which one has been mostly resolved and the other two have not been resolved. These findings mainly date back over a decade and are related to which funding source should have been used to pay various expenditures. Sometimes City funds were used to pay for items that should have been paid for with Clerk funds and sometimes Clerk funds were used to pay for items that should have been paid for with City funds. There needs to be an agreement reached between the City and the Clerk of Courts to resolve these issues. Due to the length of time that has gone by without these being resolved, we are going to follow-up every month requesting a status update from both parties.

Clerk’s Response to the Audit Follow-Up of Audit Follow-Up Finding 1, 2, & 3

Agree Disagree Partially Agree

We continue to work with all parties and hope to come to a timely resolution on this matter.

City’s Response to the Audit Follow-Up of Audit Follow-Up Finding 1, 2, & 3

Agree Disagree Partially Agree

In response to this follow-up, we met with the Clerk's Office the week of 2/8/2021 to discuss this item and begin the path to cleaning up these old issues. Both parties have reached agreement in concept that these items should be settled in the quickest and easiest manner possible given that the costs, in both time and money, of going back more than a decade to fully unwind the transactions are not productive and may not be fully possible given the time that has passed. We have begun exploring accounting solutions such as writing-off non-collectable receivables to offset the amounts owed amongst the two parties. The City and the Clerk's Office will continue to work together as well as with the Council Auditor's Office to bring this old issue to a resolution in the near future.

Audit Follow-Up Opportunity for Improvement 1 *Tax Deed Applicant Fee Tracking*

There was one Report #685 Follow-Up Opportunity for Improvement that was still not resolved. Specifically, we found during our work for audit report #767 that the application tracking process was similar to the prior audit. One of the employees in the Tax Deeds Office was assigned the task of keeping track of numerous tax deed applicants and identifying whether they had remitted their application fees. This involved checking a hard copy file each day to see who had not paid.

In the initial response to the follow-up, the Clerk’s Office informed us that the Tax Deeds System had not been replaced. The Clerk’s Office did indicate they were in the process of procuring and implementing a new Tax Deeds System. We will follow-up on this in a future follow-up.

Clerk's Response to the Audit Follow-Up of Opportunity for Improvement 1

Agree

Disagree

Partially Agree

The new Tax Deed application, Tax Smart, will go live in February 2021 and the first sale using Tax Smart will be in the summer of 2021. Applicant fee tracking will now be calculated, cashiered, tracked and disbursed through Tax Smart.

We would like to thank the Clerk's Office and the City's Finance and Administration Department for their cooperation in conducting this follow-up review.

Sincerely,

Kim Taylor

Kim Taylor, CPA
Council Auditor