

MARTHA INGLE



CLERK OF COURT, WALTON COUNTY, FLORIDA

Walton County
Clerk of the Court's Office
Surplus Cash Investments Review

Martha Ingle
Clerk of the Courts

Internal Audit Department

Johnny Street
Internal Audit Manager

Report 08-01
January 2008

REPLY TO:

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CLERK OF COURT, WALTON COUNTY, FLORIDA

February 28, 2008

Martha Ingle, Walton County Clerk of the Courts

The Internal Audit Department has conducted a limited review of Walton County Clerk of the Courts' Investment of Surplus Public Funds (Report 07-03). The investments and Walton County's Investment Policy were reviewed for the period of October 2006 to September 2007 to determine if internal controls adequately ensure all investments are properly recorded and protected and that all legally required laws and regulations, procedures and policies were followed. The audit was conducted in accordance with generally accepted government auditing standards, and included such tests as considered necessary for the area under review.

We appreciate the cooperation of the personnel of the Clerk's office during the completion of this audit.

Johnny Street
Internal Audit Manager

c: William Pennington, Finance Director
Cindy Yates, Chief Deputy Clerk

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EXECUTIVE SUMMARY

Executive Summary

The Internal Audit Department conducted a limited review of the Clerk of Courts' (Clerk) responsibilities and controls for Walton County's (County) surplus cash investments. The review included compliance with the County's Investment Policy for the period of October 2006 through September 2007. The objective of the audit was to determine if adequate controls were in place to ensure the cash investments of Walton County were recorded properly, accurately, and complied with the County's Investment Policy. Also to ensure the Clerk was in compliance with other applicable policies and procedures, laws, statutes, and regulations.

The audit department relied on the work of the Clerk's "Independent Accountants' Report on Applying Agreed-upon Procedures" dated June 30, 2007 and limited the review of the investment policy. The internal audit department agrees with findings and recommendations of the independent accountant's report and has included a summarization of the findings needing attention in a Management Letter.

In the opinion of internal audit, controls over the County's surplus cash investments were adequate during the audit period. Based on the work performed, the department materially complied with the County's Investment Policy and other applicable laws and regulations.

Opportunities for improvement were noted during the audit and are summarized below:

- » The Quarterly Investment Report does not Comply With all Provisions of the Investment Policy and Florida Statutes.
- » The Clerk's Finance Department does not have Written Operating Procedures Specific to the Surplus Cash Investment Function.

The Internal Audit Department commends the Clerk of Courts and the Clerk's Finance Department (Department) on their dedicated service to the public in ensuring that surplus public funds are protected and the safest investments with the highest rate of return are maintained.

INTRODUCTION



INTRODUCTION

Surplus Cash Investment Review

Background

The Clerk of the Courts maintains the County's investments of surplus public funds pursuant to the County's Investment Policy as provided in Florida Statute 218.415. The policy was adopted by the Walton County Board of County Commissioners (Board) on July 30, 1996 and revised on October 10, 2000 and again on March 22, 2005. Prior to the investment policy, The Board passed Resolution 1988-18 allowing the County to invest with the State Board of Administration (SBA). The Investment Policy was developed to provide guidance in the investment of surplus public funds. The Clerk has been given the duties of managing the investments for the County.

The Investment Policy provided for the establishment of an "investment committee" to be made up of the Clerk (or his/her designee), the Board of County Commissioners' Finance Director (or his/her designee), and two other individuals (one named by the Clerk and one by the Board of County Commissioners' Finance Director). The committee is responsible for reviewing the County's investment strategies and then providing recommendations for investments to the Clerk. The Clerk's Finance Department manages the investment accounts. The Department compiles a Quarterly Investment Report to be submitted to the Board for review.

The investment portfolio consists of two accounts with the State of Florida, an interest bearing account with a bank, and accounts with three investment firms. The investment portfolio value as of September 30, 2007 was approximately \$78 million. The average annual rate of return on investments was 5.4%.

Scope, Objectives, and Methodology

The review of the investment of surplus funds was conducted for the period of October 2006 through September 2007. The objective of the review was to determine if the Investment Policy and the Clerk's policies and procedures adequately support good internal controls. The adequacy and accuracy of the quarterly investment report was also reviewed. Additionally, the review was completed to ensure that the Department was in compliance with all federal, state, and local laws, regulations, resolutions, and ordinances.

To accomplish the audit objectives key personnel in the Finance Department were interviewed in order to obtain a thorough understanding of the Department's responsibilities as to investment of surplus funds. A review of applicable policies,



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procedures, laws, and regulations was also concluded. Additionally, samples of investment transactions were traced from outside documents to the general ledger. Additional audit procedures were performed that were considered necessary for the circumstances.

Overall Conclusion

Based on the results of the work performed, the Walton County Clerk of the Courts provided good internal control over surplus cash investments and materially complied with applicable laws, rules, and regulations and policies and procedures. In the opinion of Internal Audit, the system of internal controls over the investment of surplus public funds was adequate. Recommended improvements are noted in this report.

**RECOMMEDATIONS FOR
IMPROVEMENT**



**RECOMMENDATIONS
FOR IMPROVEMENT**

Surplus Cash Investments Review**1. The Quarterly Investment Report does not Comply With all Provisions of the Investment Policy and Florida Statutes.**

Internal Audit reviewed the Quarterly Investment Reports prepared by Clerk's Finance Department and presented to the Board of County Commissioners as required by section III of the Investment Policy. It was determined that the report did not comply with section III of the policy nor did it completely comply with F.S. 218.415 (15). The statute requires that the report will include securities in the portfolio by class or type. The report currently lists investments by the name of the bank and investment firms. Additionally, section III of the policy requires the report include overall portfolio performance versus objectives. The report includes investment performance but does not compare it to objectives. Florida Statutes do not require the report to contain performance versus objectives measures.

The Clerk's Finance Department indicated that they plan to include securities by class and/or type in future reports. Because of daily fluctuations in the investment market, including objectives on a quarterly report could confuse the overall performance of the investments.

Internal Audit Recommends the quarterly report list securities by class or type. In addition, internal audit recommends that the Clerk request the Investment Policy be changed to exclude the requirement for performance versus objectives or request that the "investment committee" provide investment objectives for inclusion in the report.

2. The Clerk's Finance Department does not have Written Operating Procedures Specific to the Surplus Cash Investment Function.

The Finance Department does not have operating procedures for the investment of surplus cash funds. The County's Investment Policy has general procedures and guidelines for investment activities; however the Department does not have specific procedures for their role in the process. Operating procedures would detail the responsibilities of each individual and give the Department guidance to help ensure all investment actions are carried out for the benefit of the County.

Additionally, Florida Statute 218.415(13) requires that a written system of internal controls be established and made part of the operational procedures by the government officials or chief financial officer responsible for making investment decisions.



**RECOMMENDATIONS
FOR IMPROVEMENT**

Surplus Cash Investments Review

Standard operating procedures help ensure that good controls and directives are established that enable the department to attain its objectives and goals. Procedures also provide a benchmark by which management may ensure that the personnel are achieving the desired performance. Without comprehensive written procedures, management may not be able to ensure that personnel are complying with management's directives and controls.

Internal Audit Recommends the development of comprehensive written procedures for the Department's role in investing surplus public funds. These procedures should include written internal controls for investments.