



DEPARTMENT OF INSPECTOR GENERAL  
OKALOOSA COUNTY, FLORIDA  
JD PEACOCK II, CLERK OF CIRCUIT COURT AND COMPTROLLER



May 28, 2024

Ron Adamov  
Chief Financial Officer  
Okaloosa County Clerk of Court & Comptroller  
101 E. James Lee Blvd Crestview, FL 32536

Mr. Adamov,

Please find attached the final report on our audit of the Clerk of Court & Comptroller Cash Accounts.

Our work served as a review of the Clerk finance department's processing, monitoring, and controls for cash movement in Clerk/County bank accounts, and the department's efficiency and effectiveness of investment activities, current policy controls, and conformance with best practices.

I want to thank Jordan Steffens and the Finance Team for the cooperation and accommodation afforded us. Should you have any questions please do not hesitate to call me at (850) 689-5000 Ext. 3432.

Respectfully,

*Renee F. Larkey*

Renee F. Larkey, Inspector General

CC: J.D. Peacock, Okaloosa County Clerk of Courts  
Brad Embry, Chief of Staff

# OKALOOSA COUNTY CLERK OF CIRCUIT COURT



**DEPARTMENT OF INSPECTOR GENERAL**



## **REPORT ON THE AUDIT OF CLERK CASH ACCOUNTS**

**REPORT NO. COC 24-02**

**REPORT ISSUED MAY 28, 2024**

**ISSUED BY: RENEE FENNELL LARKEY, INSPECTOR GENERAL**

## Background

At the request of the Clerk of the Circuit Court & Comptroller (CLK), in preparation for leadership transition, the 2024 Inspector General audit plan included an engagement related to CLK cash accounts.

## Objective

The audit objective is to evaluate the CLK finance department's processing, monitoring, and controlling of cash movement in the Okaloosa County bank accounts and to assess the department's effectiveness and efficiency for investing unutilized or surplus funds following existing investment policy.

## Scope & Methodology

The scope of our examination included policy and procedure documents as of February 1, 2024, investment fund balances as of January 31, 2024, and evaluation of cash deposit control completed during Fiscal Year 23 (FY 23). Examination methodology included interviews with CLK finance staff involved in the program, review of investment fund accounts and evaluating deposit processes in the Clerk finance department.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, waste, or abuse. This includes the design, implementation, and maintenance of internal controls relevant to the objectives. This review was conducted in compliance with Standards for Offices of Inspector General issued by the Association of Inspectors General and the International Professional Practice Framework issued by the Institute of Internal Auditors.

## Process

The CLK finance department is responsible for all accounting and finance related activities including the treasury management functions for the County and the CLK. Cash collection in Okaloosa County is decentralized due to the multiple locations of the departments within the County. Some Board of County Commissioners (BCC) departments operate enterprise funds and are responsible for collection and depository functions within those departments, other BCC departments are responsible for the transmittal of funds to the CLK for deposit. Additionally, CLK staff generate their own department's deposits. Incoming funds are obtained in-house through CLK cashiering functions, are hand delivered by other departments or mailed to the CLK office for processing. Mailed documents are placed in secured lockboxes in the mail room for staff to retrieve, or in some cases payments brought to the office are placed in a separate secured lockbox by whomever brings the payment. The CLK's office has a locked security safe to retain deposits until they are picked up by armored courier to be sent to the depository bank. This safe can only be accessed by Court Financial Services management and staff members. Any unprocessed items at the end of the day are also maintained in a separate locked safe in the Finance area overnight for processing on the next business day. This safe can only be accessed by select Finance management and staff members. The treasury management and investment functions occur daily based on the cash needs of the County and the amount of excess or surplus funds that are available for investment.

## Testing

We conducted interviews with finance staff involved in the daily cash deposit and recording procedures to gain an understanding of the process. We interviewed the CLK Finance Manager(s) to ascertain the sources of incoming cash deposits. We interviewed the CLK Sr. Finance Director who has responsibility for the investment of the County's surplus funds and fulfills the treasury management functions. The January 2024 general ledger investment fund balances were verified with investment fund statements for the period January 1, 2024, through January 31, 2024, to verify the accuracy of the balances. We evaluated why amounts may be transferred between funds and in what instances funds would be added to or withdrawn from investment accounts. Receipting and deposits in FY23 were sampled for conformance with policy, procedure, and accuracy.

## Conclusion

Most of the County's income and payments are processed via check or through electronic means. There are limited amounts of cash that flow through the CLK offices. Cash amounts represent fees collected by the CLK office or by other BCC departments that are sent to the CLK office for processing. Once deposit information reaches the CLK office there are defined internal control processes and procedures in place to insure the deposits are processed efficiently, that the funds are maintained in a secure environment and are safely transmitted to the County's depository bank. The CLK finance department's Sr. Finance Director duties involve treasury management and maintaining the County's investments. The treasury management function involves managing the County's daily cash flows, providing strategy for the best use of funds, and providing governance over the County's liquidity. The Sr. Finance Director's treasury management and investment actions and philosophy aligns with the County's investment policy to provide protection of principle and maintain liquidity. Because the County maintains a robust general fund balance, cash flows needed in other County funds can be met from transfers from the General fund without unnecessary movement of funds from investment accounts. The activity in the investment accounts generally involves adding new funds to investments or moving funds from one type of investment/fund to another to maintain investment diversity. The County contracts with an investment broker to make purchases in the external market at the direction of the Sr. Finance Director. The broker is not involved in the management of the County's investment portfolio.

**Finding 1:** Operational Risk exists due to the reliance on one key executive for the treasury management and investment functions within the finance department.

**Criteria:** Distribution of critical responsibilities should be done across a team, or other employees should be cross trained to ensure knowledge transfers occur.

**Condition:** One executive employee is responsible for the vital processes of treasury management and maintaining the County's investments.

**Effect:** The sudden departure or loss of the individual possessing the institutional knowledge of these processes could cause a significant disruption in the finance department's treasury management and investment duties and could create a knowledge gap in the organization.

**Recommendation:** Management should consider mitigating the risks associated with the reliance on one key position being responsible for the treasury management and investment functions.

**Finding 2:** Current Policy and Procedure Guidelines are outdated and, in some cases, have not been created for some critical duties.

**Criteria:** Department policy documents should provide up to date information as well as providing detailed process documentation for all duties within the department.

**Condition:** Department policy contains information inconsistent with the amended Board Investment Policy, other department policy and procedure documents contain outdated information. The treasury management and investment functions do not have specific procedures to provide future guidance or direction.

**Effect:** Inaccurate information within the policy could mislead individuals reviewing the policy as to the current requirements of the CLK staff. Lack of guidance for specific duties creates a void that successor employees will have to try to operate within.

**Recommendation:** CLK finance staff should consider updating the policy to remove language referencing the establishment of an Investment Advisory Committee, update outdated information in other documents and create procedures for the treasury management and investment functions.

## Management Response

We would like to thank the Department of Inspector General for their services. The feedback provided gives us an opportunity to strengthen our policies and procedures to ensure we are complying with 'best practices'. Listed below are responses and the action we plan to take to resolve the findings.

**Finding 1:** Although, the decision to purchase/sell and investment resides with the Sr. Finance Director, the transaction runs through the Truist workflow where appropriate controls have been established. We agree that written procedures certainly will assist in closing the knowledge gap and will document procedures related to treasury and investment functions.

**Finding 2:** We agree the investment policy is dated and have been collaborating with the County personnel to revise the policy.

Received via email May 24, 2024.