

Supreme Court of Florida

500 South Duval Street
Tallahassee, Florida 32399-1925

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CHIEF JUSTICE
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JUSTICES

THOMAS D. HALL
CLERK OF COURT

KEVIN WHITE
ACTING MARSHAL

September 29, 2008

Honorable Chief Justice Peggy A. Quince
Florida Supreme Court
500 South Duval Street
Tallahassee, Florida 32399-1925

Dear Chief Justice Quince:

In accordance with Chapter 20.055 (5) (h), Florida Statutes, I have prepared a report on the status of corrective actions taken by the Court regarding the recommendations from the Auditor General's recent audit of the State Judicial Agency Administration of Trust Funds (report number 2008-155). Please let me know if you have any questions about the enclosed report.

Sincerely,

Kenneth A. Chambers
Kenneth A. Chambers
Inspector General

cc: Legislative Auditing Committee
Lisa Goodner

Enclosure

JLAC
Rec'd 9/30/08

**State Courts System
Office of Inspector General**

Status Report of Corrective Actions Taken

Auditor General Report Number 2008-155

Finding No. 1

Audit Recommendation:

To assure proper accountability and safeguarding of tangible personal property, the State Courts System should expedite the completion of its annual inventory and ensure that all discrepancies are reconciled.

SCS Response on 5/13/08:

The State Courts System agrees with the recommendation. The physical inventory update has been completed and the reconciliation process is under way and on schedule for an April 30, 2008, completion date.

Status of Corrective Action:

The physical inventory process has been completed. Eighty five percent of the outstanding property issues have been reconciled. This process has been delayed due to a 36% reduction in workforce due to budget reductions and a continued hiring freeze. The Office of Inspector General will assist in reconciling the remaining unresolved issues by December 31, 2008.

Finding No. 2

Audit Recommendation:

The Supreme Court should amend its cellular telephone policy to require documentation of the business use of cellular telephones and to require reviews of cellular telephone bills to ascertain personal calls made and reimbursement thereof. In the absence of amending its policy, the Supreme Court should report appropriate amounts in income to the IRS in accordance with Federal requirements. In

connection with amending its policy and any corrective actions, the Supreme Court should confer with the IRS and Department of Financial Services.

SCS Response on 5/13/08:

The Auditor General reported that the total cost of cellular telephone services for the fiscal year 2006-07 was approximately \$70,300. While this amount is the total charged to the cellular telephone service object code (#221100) in our accounting records, it does not accurately reflect the amount of cellular telephone service. While reviewing our monthly bills from this past year, we realized that charges for wireless air cards (for wireless access from a laptop to our network) and the periodic purchase of new cell phones were included in the billings. When processed for payment, these charges were assigned to the cellular telephone service object code when they actually should have been charged to a different object code. We have corrected this for future billings so that the charges for cellular telephone service will not be inflated by non-cellular telephone service expenses.

We are currently conducting a review of our cellular telephone plan/billings to ensure that our plan is the most economically available, and that the provider is not assessing any additional charges which are already included in our basic plan. We are also reviewing usage to ensure that each user still has a legitimate business need for a cellular phone as outlined in our policy. By these steps, we hope to significantly reduce our annual expenditures for cellular telephone services.

We agree that the current Federal Tax rules require a detailed accounting of personal and business usage of employer-provided cell phones. We also agree that the rules require that expenses incurred for personal usage should be calculated and be either reimbursed by the employee or reported as taxable income. However, the IRS rule was initiated in 1989, when cell phones were just beginning to gain in popularity and when cell phone minutes were expensive. Now, with cellular providers offering pooled minutes, included minutes (such as unlimited night and weekend minutes, mobile-to-mobile use) and various other features all for one basic price, it becomes increasingly difficult and time consuming to review cell phone bills for personal usage. We amended our cell phone policy a few years ago because we believed that it was no longer cost effective for each employee to review their cell phone bill each month and to process any needed reimbursements.

Recently, a congressional bill (H.R. 5450) was introduced to amend the Internal Revenue Code of 1986 to remove cell phones from listed property under section

280F. If this bill is passed by congress and becomes law, cell phones would be treated like an employee's desk phone, and personal usage would no longer need to be differentiated. While we are hopeful that this legislation will be passed, we realize that in the interim, we need to comply with the existing Federal Tax rules. Therefore, we plan to do the following:

- Re-emphasize to our employees that state-owned cellular phones are to be used for state-related business when a conventional telephone is not readily available, and that personal use is strongly discouraged.
- Require each cellular phone user to review a copy of their monthly cellular phone billing. Each user will be required to sign a *Cellular Phone Affidavit* stating that the cellular phone billing has been reviewed and that all calls were business related. If any personal calls were made, they will be identified on the *Affidavit* and a reimbursement check will be submitted in accordance with the guidelines provided by the Department of Financial Services.
- Any cellular phone user who chooses not to review their monthly cellular phone billings will have the option of having the cost of their cellular phone service reported as income to the IRS. At the end of the calendar year, the entire value of a user's cellular telephone service will be reported on a form W-2, and the employee would have to include that income on their federal tax return.

Status of Corrective Action:

A review of the Court's cellular telephone usage and the service plan/billings with the vendor was conducted. As a result, changes were made to the plan and the billings which have significantly reduced the Court's monthly expenditure for cellular telephone service. The Court will continue to monitor usage in order to ensure that expenditures are minimized.

As was indicated in the previous response to the audit recommendation, a congressional bill (H.R. 5450) was introduced to amend the Internal Revenue Code of 1986 to remove cell phones from listed property under section 280F. This bill was passed by the House of Representatives in April, providing encouragement that a similar bill would be passed by the Senate. However, the Senate bill is still pending, and there is uncertainty as to if and when the IRS rule will be changed. Due to this uncertainty, the Court will begin implementing a new policy requiring

reviews of cellular telephone bills to ascertain personal calls made and any reimbursement thereof. Cellular phone users will also have the option of having the cost of their cellular phone service reported as income to the IRS, if they choose not to review their monthly bill.

Finding No. 3

Audit Recommendation:

The Supreme Court should use signed transfer receipts to document the transfer of responsibility for the funds from one employee to the other as a means of enhancing controls over the funds.

SCS Response on 5/13/08:

The State Courts System agrees with the recommendation. Operating procedures have been updated and are currently being tested to ensure that the controls over the transfer of funds are improved. Testing will be complete with full operational implementation effective not later than March 14, 2008.

Status of Corrective Action:

The new operating procedures have been implemented by the Finance and Accounting Office. A Check Transmittal Form now documents the transfer of mail receipts from one employee to the next until the checks are prepared for deposit.

Finding No. 4

Audit Recommendation:

The Supreme Court should ensure that the deadline for submitting the Court Education Trust Fund report required pursuant to Section 25.384(4), Florida Statutes, is met.

SCS Response on 5/13/08:

The Office of the State Courts Administrator acknowledges the report was filed late. Due to staff turnover for the past several years and a lack of current automated

processes to avoid duplicate data entry, it has been difficult to compile and verify the data expeditiously. In addition, the submission of reimbursement requests and processing and input of expenditure data, has been slowed due to increased responsibilities, lack of automation technology, and staff turnover as indicated above. Court Education staff is conducting a review of its internal work processes and consulting with user support offices on IT applications for longer term solutions that will expedite the development and submission of the Annual Report by October 1.

Status of Corrective Action:

The Court Education Trust Fund Report for 2007/08 was completed and submitted to the Senate President and Speaker of the House of Representatives on September 17, 2008, prior to the October 1 deadline.