CITY OF SENECA MUNICIPAL COURT
SENECA, SOUTH CAROLINA

State Auditor's Report
April 30, 2006

CITY OF SENECA MUNICIPAL COURT
SENECA, SOUTH CAROLINA

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State of South Carolina

Office of the State Auditor

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October 6, 2006

The Honorable Mark Sanford, Governor
State of South Carolina
Columbia, South Carolina

The Honorable Tammy Lawing, Clerk of Court
City of Seneca
Seneca, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain accounting records of the City of Seneca Municipal Court for the period May 1, 2005 through April 30, 2006, was issued by Cline Brandt Kochenower & Co., P.A., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/trb

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Private Companies Practice Section
South Carolina Association of CPAS
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We have performed the procedures described below which were agreed to by the South Carolina Office of the State Auditor solely to assist these users in evaluating the performance of the City of Seneca Municipal Court System and to assist the South Carolina Office of the State Auditor in complying with the 2005 - 2006 General Appropriations Act (H. 3716) Section 72.86. Tammy Lawing, Clerk of Court for the City of Seneca is responsible for compliance with the requirements for the Municipal Court reporting and the South Carolina Office of the State Auditor is responsible for compliance with the requirements of the 2005 - 2006 General Appropriations Act (H. 3716) Section 72.86. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

1. TIMELY REPORTING BY THE CLERK OF COURT

- We researched South Carolina Code of Laws Section 14-25-85 to determine the definition of timely reporting with respect to the Clerk of Court's responsibility for reporting fines, fees and assessments to the Municipal Treasurer.

- We inquired of the South Carolina Judicial Department to determine their requirements for both the manner in which partial pay fines and fees are to be allocated and the timing of the report and remittance submissions by the Clerk and the Treasurer.

- We inquired of the Clerk of Court and Municipal Treasurer to gain an understanding of their policy for ensuring timely reporting and to determine how the treasurer specifically documents timeliness.

- We inspected documentation, including the Clerk of Court Remittance Forms or equivalents for the months of May 1, 2005 through April 30, 2006 to determine if the Clerk of Court submitted the reports to the municipal treasurer in accordance with the law.

We found no exceptions as a result of the procedures.

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2. TIMELY ACCURATE RECORDING AND REPORTING BY THE TOWN

- We traced each month's reporting by the Clerk of Court to the Municipal Treasurer's Office and to the Town's general ledger accounts for the assessments (Sections 14-1-208(A), (B) and (D)) and victim's assistance surcharge (Section 14-1-211) for the period May 1, 2005 to April 30, 2006.

- We compared the amounts reported on the Clerk of Court Remittance Forms or equivalents to the Clerk of Court's software system-generated report summaries for three judgmentally determined test months. We tested the system-generated reports for compliance with various laws including Section 35.11 of the General Appropriations Act for the fiscal year 2005 – 2006 and with South Carolina Judicial Department training instructions and interpretations.

- We judgmentally selected and compared individual fine and assessment amounts recorded in the Clerk of Court's software system-generated detail reports to the Judicial Department guidelines' range for the offense code to see if the fine and assessment were within the minimum and maximum range.

Our finding is reported under "TIMELY ACCURATE RECORDING AND REPORTING BY THE TOWN" in the Accountants' Comments section of this report.

3. PROPER VICTIM'S ASSISTANCE FUNDS ACCOUNTING

- We inquired as to the format determined by Town council and local policy for record keeping as it relates to fines and assessments in accordance with Section 14-1-208(E)(4).

- We compared the fiscal year-ended June 30, 2005 audited Victims' Rights Fund fund balance with all adjustments to the fund balance shown in the Schedule of Fines, Assessments and Surcharges on page 37 of the audited financial statement and to the beginning fund balance as adjusted in that fund for fiscal year 2005.

- We verified the Victim's Rights Fund reimbursable expenditures were in compliance with Section 14-1-208(E) and Section 14-1-211(B).

We found no exceptions as a result of the procedures.

4. TIMELY ACCURATE REPORTING TO THE STATE TREASURER

- We vouched the amounts reported in the South Carolina State Treasurer's Revenue Remittance Forms to Clerk of Court Remittance Forms or equivalents for the period May 1, 2005 to April 30, 2006.

- We scanned the South Carolina State Treasurer's Revenue Remittance Forms for timely filing in accordance with Section 14-1-208(B).

- We traced amounts recorded in the City's financial statement Schedule of Fines, Assessments and Surcharges on page 37 of the year ended June 30, 2005 report related to fines and assessments revenues reporting in accordance with Section 14-1-208(E) to supporting schedules used in the audit to comply with Section 14-1-208(E).

- We traced and agreed amounts in the supporting schedules to the Clerk of Court Remittance Forms or South Carolina State Treasurer's Revenue Remittance Forms.

We found no exceptions as a result of the procedures.

We were not engaged to, and did not conduct an audit the objective of which would be the expression of an opinion on compliance with the collection and distribution of court generated revenue at any level of court for the twelve months ended April 30, 2006 and, furthermore, we were not engaged to express an opinion on the effectiveness of the internal controls over compliance with the laws, rules and regulations described in paragraph one and the procedures of this report. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Office of the State Auditor, Chairmen of the House Ways & Means Committee, Senate Finance Committee, House Judiciary Committee, Senate Judiciary Committee, State Treasurer, Office of Victim Assistance, Chief Justice and the Governor and is not intended to be and should not be used by anyone other than these specified parties.

July 20 , 2006

ACCOUNTANTS' COMMENTS

MATERIAL WEAKNESSES AND/OR VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

The procedures agreed to by the agency require that we plan and perform the engagement to obtain reasonable assurance about whether noncompliance with the requirements of State Laws, Rules, or Regulations occurred and whether internal accounting controls over certain transactions were adequate. Management of the entity is responsible for establishing and maintaining internal controls. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Therefore, the presence of a material weakness or violation will preclude management from asserting that the entity has effective internal controls.

The conditions described in this section have been identified as material weaknesses or violations of State Laws, Rules, or Regulations.

TIMELY RECORDING AND REPORTING BY THE CITY

IMPROPER ALLOCATION OF PARTIAL PAYMENTS

CONDITION: The City's software does not allocate installment payments ratably across all fine, assessment and surcharge categories as required.

CRITERIA: South Carolina Judicial Department Memorandum dated June 14, 2005 Section VI.A.11 states "Funds collected as installments should not be held until full payment is received but must be remitted each month to the City Treasurer."

CAUSE: The automated system used by the Clerk does not allocate partial payments. It keeps track of accumulated payments and the balance due, but the application of payments must be entered manually. The City allocates all collections once the assessments and surcharges are paid in full to State monies. Then, once the fine amount is paid in full, it is the last amount the Clerk distributes.

EFFECT: At any time the City has an unallocated amount of partial payments in their bank account. The City is unable to comply with Section 35.11 of the Temporary Provisions of the General Appropriations Act for the fiscal year 2005 – 2006 using their current version of software without manual intervention.

AUDITORS' RECOMMENDATION
We recommend the Clerk of Court meet with the software developer to determine if the current system can be modified to allocate installment payments to the various recipients as required by law.

Seneca Municipal Court

DANNY SINGLETON, JUDGE

October 9, 2006

Steve Blake, C.P.A
Cline, Brandt, Kochenower and Co., P.A.
P.O. Box 848
Gaffney, SC 29342

Re: Response to random audit

Dear Mr. Blake:

Thank you for e-mailing my office with the final audit report and for your follow-up telephone call.

I have reviewed the audit report and accept the findings that were made. It is correct that the system we were using did not allow my staff to break down the assessments as each partial payment was made. The monies collected each day were properly deposited each day. Because of our software system, we would keep from distributing assessments and surcharges until enough money was collected and then we would remit all of the state assessments and surcharges prior to the city receiving any fine money. Although this was improper, I made the decision to do so because of the problems it would cause our staff in attempting to manually break down the assessments and to keep track of it. I felt at the time that I would be able to eliminate any errors in reporting the money correctly and to insure that the money collected was properly distributed to the state.

While you and your staff were on site, I explained to you that I wasn't happy with the current software system and that our office was in the process of getting a new system that would eliminate these type of problems.

Since that time, our office has converted over to a new software system. In August of this year, INCODE software has replaced our old system. We went through a rigorous conversion process that converted all of our old data into the new system. This allowed my staff to post all of the outstanding scheduled time payments (STP) into the new system. During this time, we were able to properly post the fines where the assessments and surcharges were correctly distributed. This was done during the month of August, 2006 and is reflected in the State Treasurer's remittance form for that month. A copy of the August 2006 remittance form is included with this response. Also attached is a remittance form that was completed on August 24, 2006. This form shows the amount of money that was not previously remitted to the state treasurer due to it being STP

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money. This amount on this form is included in the total monthly remittance report to the state treasurer.

We are confident that all monies now have been properly distributed and accounted for. Since we went to this new system, we are now able to distribute all fines in a proper manner.

Should you have any question, please advise.

Respectfully submitted,

Danny Singleton
Municipal Court Judge

Enclosures