CITY OF LANCASTER MUNICIPAL COURT
LANCASTER, SOUTH CAROLINA

State Auditor's Report
April 30, 2006

CITY OF LANCASTER MUNICIPAL COURT
LANCASTER, SOUTH CAROLINA

Table of Contents

	PAGE
STATE AUDITOR TRANSMITTAL LETTER	
I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	1-3
II. ACCOUNTANT'S COMMENTS	
SECTION A - MATERIAL WEAKNESSES AND/OR VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS	4
TIMELY REPORTING BY THE CLERK OF COURT	5
Timely Filing	
TIMELY ACCURATE RECORDING AND REPORTING BY THE CITY	5
Software Programming Title 56 Pullouts	
TIMELY ACCURATE REPORTING TO THE STATE TREASURER	6
Timely Filing	
SECTION B - OTHER WEAKNESSES NOT CONSIDERED MATERIAL	7
TIMELY ACCURATE REPORTING TO THE STATE TREASURER	8
Use of the Proper State Treasurer's Revenue Remittance Form	
APPENDIX	
CORRECTIVE ACTION PLAN	

State of South Carolina

Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

October 6, 2006

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

The Honorable Helen Sowell, Clerk of Court
City of Lancaster
Lancaster, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain accounting records of the City of Lancaster 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

Members
American Institute of CPAS
Private Companies Practice Section
South Carolina Association of CPAS
North Carolina Association of CPAS

CLINE BRANDT KOCHENOWER
& CO., P.A.
Certified Public Accountants
Established 1950

Albert B. Cline, CPA
Raymond H. Brandt, CPA
Ben D. Kochenower, CPA, CFE, CVA
Steven L. Blake, CPA, CFE
Timothy S. Blake, CPA
Wayde Dawson, CPA, CMA

Richard H. Gilbert, Jr., CPA
Deputy State Auditor
Office of the State Auditor
Columbia, South Carolina

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 Lancaster 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. Helen Sowell, Clerk of Court for the City of Lancaster 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.

Our finding is reported under "TIMELY REPORTING BY THE CLERK OF COURT" in the Accountants' Comments section of this report.

Post Office Box 848, 1225 West Floyd Baker Boulevard, Gaffney, SC 29342, (864) 489-7121 Fax (864) 489-7123
Post Office Box 161300, Boiling Springs, SC 29316-1300, (864) 541-0218 Fax (864) 541-0221
Internet Address: cbk@cbkpa.com

2. TIMELY ACCURATE RECORDING AND REPORTING BY THE CITY

- We traced each month's reporting by the Clerk of Court to the Municipal Treasurer's Office and to the City'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 CITY" in the Accountants' Comments section of this report.

3. PROPER VICTIM'S ASSISTANCE FUNDS ACCOUNTING

- We inquired as to the format determined by City 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 79 of the audited financial statement and to the beginning fund balance as adjusted in that fund for fiscal year 2005.

- We judgmentally selected a sample of Victim's Rights Fund reimbursable expenditures and verified that these 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 80 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.

Our findings are reported under "TIMELY ACCURATE REPORTING TO THE STATE TREASURER" in the Accountants' Comments section of this report.

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.

August 14,2006

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 REPORTING BY THE CLERK OF COURT

TIMELY FILING

CONDITION: Two of the Clerk of Court Municipal Court Remittance Forms for fine and assessment revenues for the procedures period of May 1, 2005 through April 30, 2006 were not timely filed. The two reports were one and four days late.

CRITERIA: South Carolina Code of Laws Section 14-17-750. Section 14-17-750 requires that the Clerk make a full and accurate statement, in writing, to the City Auditor and Treasurer, of all monies collected on account of licenses, fines, penalties and forfeitures during the past month, on the first Wednesday or within ten days thereafter, in each successive month.

CAUSE: The Clerk of Court did not submit the reports to the City Treasurer timely. As a result the City Treasurer was unable to submit the reports in accordance with the requirements of Section 14-1-208 (B). Generally these occurred during vacation time and the Clerk was proactive and called the local and State Treasurer to notify them the Form would be late.

EFFECT: The City did not comply with the law regarding timely filing.

AUDITORS' RECOMMENDATION: We recommend the Clerk of Court comply with the timeliness of filing laws.

TIMELY ACCURATE RECORDING AND REPORTING BY THE CITY

SOFTWARE PROGRAMMING TITLE 56 PULLOUTS

CONDITION: The City uses commercially developed software to allocate revenue collected from court fines, fees, and assessments. The General Assembly created an additional fine during the 2003-2004 legislative session to be pulled out and remitted to the State. The fine pullout became effective February 18, 2004. The City did have the software modified by the vendor to take into account the changes in the law but it was not properly modified and as a result, the pullouts were improperly allocated to fine revenues and assessments.

CRITERIA: Good internal controls require not only the proper control environment but the monitoring of the environment to ensure it is functioning as designed and continues to function as designed.

CAUSE: The software used to allocate revenue generated from court fines, fees, and assessments did not properly account for the recently enacted fine "pullouts" because it had not been properly modified to account for the change in the laws. The software did not calculate the assessment with the pullout included as part of the fine and the City did not monitor the change to ensure it was functioning as the law required.

EFFECT: The City retained a portion of the pullouts because the software improperly allocated the revenue to areas that did not have a legal right to receive the revenue. On each fine related to this pullout, the software allocated $51.80 too much to fine revenue and too little to assessments. Therefore, for each fine of this type, the city received an over allocation of $51.80, and the State and Victims' Assistance received an under allocation of $46.02 and $5.78 respectively.

AUDITORS' RECOMMENDATION
We recommend the City contact the software vendor to modify the software to account for the changes in the law. Once the vendor has made the modifications to the software the City should test them to ensure that they properly account for the pullouts and surcharges before accepting the modification from the vendor. In addition, the City should determine the extent of the errors and

make the necessary adjustments to its accounting system to properly distribute the pullouts. This would include revising reports made to the State Treasurer's Office. These changes should occur as

soon as possible. The City's external auditor should issue a separate report opining on the City's determination.

TIMELY ACCURATE REPORTING TO THE STATE TREASURER

TIMELY FILING

CONDITION: Three State Treasurer's Revenue Remittance Reports for the procedures period of May 1, 2005 through April 30, 2006 were not timely filed. Two of the three were late because the Clerk of Court submitted the reports to the City late. The City finance office sent in the third report late. The reports were from one to four days late.

CRITERIA: South Carolina Code of Laws Section 14-17-750 requires that the Clerk make a full and accurate statement, in writing, to the City Auditor and Treasurer, of all monies collected on account of licenses, fines, penalties and forfeitures during the past month, on the first Wednesday or within ten days thereafter, in each successive month. Section 14-1-208(B) states "The city treasurer must remit … the assessment revenue to the State Treasurer on a monthly basis by the fifteenth day of each month …."

CAUSE: The Clerk of Court took vacations during two filing deadlines - see previous finding. The City missed the deadline on the third filing.

EFFECT: The City did not comply with the law regarding timely filing.

AUDITORS' RECOMMENDATION: We recommend the city comply with the timeliness of filing laws.

SECTION B - OTHER WEAKNESSES NOT CONSIDERED MATERIAL

The conditions described in this section have been identified as weaknesses subject to correction or improvement but they are not considered material weaknesses or violations of State Laws, Rules, or Regulations.

TIMELY ACCURATE REPORTING TO THE STATE TREASURER

USE OF THE PROPER STATE TREASURER'S REVENUE REMITTANCE FORM

CONDITION: The City was remitting monthly on the Clerk of Court Remittance form rather than the State Treasurer's Revenue Remittance Form.

CRITERIA: South Carolina Code of Laws Section 14-1-208(B) states " … and make reports on a form and in a manner prescribed by the State Treasurer."

CAUSE: The City was just signing the Clerk of Court Remittance Form and forwarding it on with the remittance rather than input the relevant information onto the State Treasurer's Revenue Remittance Form.

EFFECT: While the forms are very similar regarding State Treasurer revenues, the Clerk's form contains other data not relevant to the State Treasurer.

AUDITORS' RECOMMENDATION
The City should use the form the State Treasurer provides for purposes of remitting the State Treasurer's revenues to the State rather than the form the Clerk of Court uses to remit money to the City Treasurer.

CORRECTIVE ACTION PLAN

Management has elected not to respond.