

**CITY OF HARDEEVILLE MUNICIPAL COURT
HARDEEVILLE, SOUTH CAROLINA**

**State Auditor's Report on Applying
Agreed-Upon Procedures
March 31, 2007**

**CITY OF HARDEEVILLE MUNICIPAL COURT
HARDEEVILLE, SOUTH CAROLINA**

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State of South Carolina



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November 9, 2007

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

The Honorable Dianne Youngblood, Clerk of Court
City of Hardeeville
Hardeeville, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain accounting records of the City of Hardeeville Municipal Court System for the period April 1, 2006 through March 31, 2007, 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,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

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

RHGjr/trb

Independent Accountants' Report on Applying Agreed-Upon Procedures

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 Hardeeville Municipal Court System and to assist the South Carolina Office of the State Auditor in complying with the 2006 - 2007 General Appropriations Act (H. 4810) Section 72.80. Dianne Youngblood, Clerk of Court for the City of Hardeeville, 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 2006 - 2007 General Appropriations Act (H. 4810) Section 72.80. 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 April 1, 2006 to March 31, 2007 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.

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 assistance surcharge (Section 14-1-211) for the period April 1, 2006 – March 31, 2007.
- 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 2006 – 2007 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 findings are reported under "TIMELY ACCURATE RECORDING AND REPORTING BY THE CITY" in the Accountants' Comments section of this report.

3. PROPER VICTIM 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, 2006 audited Victim Assistance Fund fund balance with all adjustments to the fund balance shown in the Schedule of Fines, Assessments and Surcharges on page 29 of the audited financial statement and to the beginning fund balance as adjusted in that fund for fiscal year 2007.
- We verified the Victim Assistance Fund reimbursable expenditures were in compliance with Section 14-1-208(E) and Section 14-1-211(B).

Our finding is reported under "PROPER VICTIM ASSISTANCE FUNDS ACCOUNTING" in the Accountants' Comments section of this report.

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 April 1, 2006 to March 31, 2007.
- 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 29 of the year ended June 30, 2006 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 March 31, 2007 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 Governor, Chairmen of the House Ways and Means Committee, Senate Finance Committee, House Judiciary Committee, Senate Judiciary Committee, members of the Hardeeville City Council, city clerk of court, city treasurer, State Treasurer, State Office of Victim Assistance, Chief Justice, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



June 19, 2007

ACCOUNTANTS' COMMENTS

**CITY OF HARDEEVILLE MUNICIPAL COURT
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VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

Management of the entity is responsible for establishing and maintaining internal controls, to ensure compliance with State Laws, Rules or Regulations. The procedures agreed to by the entity require that we plan and perform the engagement to determine whether any violations of State Laws, Rules, or Regulations occurred.

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

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TIMELY ACCURATE RECORDING AND REPORTING BY THE CITY

IMPROPERLY ALLOCATING CHILD RESTRAINT VIOLATION COLLECTIONS

CONDITION 1: The City did not allocate surcharges and assessments for the child restraint law violations as required by law as of May 9, 2006.

CRITERIA: South Carolina Code of Laws Section 56-5-6450, as amended by Senate Bill 800, requires assessments and surcharges to be applied to child restraint violations effective May 9, 2006.

CAUSE: The wrong code was entered into their software system and it treated the violation as a pre amendment seatbelt violation for allocation purposes.

EFFECT: The City processed the collections of child restraint violations as all fine amounts. Neither the State nor Victim Services received their allocated portion of these collections.

AUDITORS' RECOMMENDATION: The City should determine the extent of the error and make the necessary adjustments to its accounting system to properly distribute the fine in accordance with the law. This would include revising reports made to the State Treasurer's Office.

CONDITION 2: Prior to the May 9, 2006 change to the Child Restraint Law, no assessments and surcharges were to be applied to child restraint violations. Instead violators were to be charged a maximum fine of \$25. The City charged \$25 for one child restraint violation, but their software allocated it to Law Enforcement surcharges rather than fine revenue.

CRITERIA: Prior to May 9, 2006, South Carolina Code of Laws Section 56-5-6450 states that the \$25 is a fine.

CAUSE: The software was programmed to treat the child restraint violation as a Law Enforcement surcharge rather than a fine.

EFFECT: The city retains 100% of the child restraint violation fines. Because the city accounted for the violation as a surcharge it has over reported State assessments while under reporting fine revenues.

AUDITORS' RECOMMENDATION: The City should determine the extent of the error and make the necessary adjustments to its accounting system to properly distribute the fine in accordance with the law. This would include revising reports made to the State Treasurer's Office.

PROPER VICTIM ASSISTANCE FUNDS ACCOUNTING

CONDITION: The City collects and deposits all fine related monies in their general fund bank account. The amount for Victim Assistance is transferred to their Victim Assistance bank account. The City does not make timely transfers into the Victim Assistance bank account or record financial transactions a monthly basis. We determined that the City recorded six months of Victim Assistance funds transactions by journal entry.

CRITERIA: South Carolina Code of Laws Sections 14-1-208 (B) requires "The city treasurer must remit ... on a monthly basis by the fifteenth day of each month..." In addition, a good system of internal controls requires timely recording of financial activities. Timely recording of financial activity provides management with update information to assist them in making sound business decisions.

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CAUSE: The City had a lot of turnover in the finance department during the procedures period that may have caused regular routine accounting duties to be delayed.

EFFECT: The City does not have current accounting information with respect to Victim Assistance accounts.

AUDITORS' RECOMMENDATION: The City should comply with law and remit revenue to the Victims account monthly and also make monthly accounting entries to the Victim Assistance account.

TIMELY ACCURATE REPORTING TO THE STATE TREASURER

TIMELY FILING

CONDITION: Five of the twelve State Treasurer's Remittance Reports for the procedures period April 30, 2006 through March 31, 2007 were not timely filed. The delays ranged from 1 day to 7 months late.

CRITERIA: South Carolina Code of Laws Sections 14-1-208 (B) states "The city treasurer must remit ... on a monthly basis by the fifteenth day of each month...."

CAUSE: The City had some staff turnover and also changed court fine software during the procedures period that could have contributed to the tardy reports.

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

AUDITORS' RECOMMENDATION: The City should develop and implement a policy to ensure they comply with State law.

SCHEDULE OF FINES AND ASSESSMENTS

CONDITION 1: The Supplementary Schedule of Fines and Assessments, which was prepared by an independent external auditor and submitted to the State, did not include all information that is required by law to be in the schedule. The Supplementary Schedule did not list fines and assessments separately. It also did not list victim assistance revenues by source or victim assistance expenses.

CRITERIA: South Carolina Code of Laws Section 14-1-208(E) requires that the municipality have an audited supplementary schedule indicating all fines and assessments collected by the municipal court, the amount of the fines and assessments retained by the City Treasurer and the amount of fines and assessments remitted to the State Treasurer, and the total funds, by source, allocated to victim services activities, how those funds were expended, and any balances carried forward.

CAUSE: The City relied on the independent auditor to include all required information on the schedule.

EFFECT: The City's Supplementary Schedule of Fines and Assessments did not comply with South Carolina Code of Laws Section 14-1-208(E)(1)(b) & (f).

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CONDITION 2: The Supplementary Schedule of Fines and Assessments could not be reconciled to the General Ledger and the fund balance did not carryover from June 30, 2006 to July 1, 2006.

CRITERIA: South Carolina Code of Laws Section 14-1-208(E) requires that the municipality have an audited supplementary schedule indicating all fines and assessments collected by the municipal court, the amount of the fines and assessments retained by the City Treasurer and the amount of fines and assessments remitted to the State Treasurer, and the total funds, by source, allocated to victim services activities, how those funds were expended, and any balances carried forward.

CAUSE: The City had staff turnover in the finance department during the procedures period and they relied on an external accountant to help keep the financial records.

EFFECT: The City's Supplementary Schedule of Fines and Assessments did not comply with South Carolina Code of Laws Section 14-1-208(E)(1)(b) and (f) and the accuracy of the Schedule's information could not be verified.

AUDITORS' RECOMMENDATION: The City should ensure that the Schedule of Fines and Assessments complies with the law and is in agreement with their accounting records.

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CORRECTIVE ACTION PLAN

Management has elected not to respond.