

**TOWN OF NORWAY MUNICIPAL COURT
NORWAY, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2014

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November 12, 2015

The Honorable Nikki R. Haley, Governor
State of South Carolina
Columbia, South Carolina

The Honorable Stephen V. Marone, Chief Judge
Ms. Dee Gore, Town Clerk/Treasurer
Town of Norway
Norway, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain accounting records of the Norway Municipal Court System as of and for the year ended June 30, 2014, was issued by Steven L. Blake, CPA, 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,

George L. Kennedy, III, CPA
State Auditor

GLKIII/trb

STEVEN L. BLAKE, CPA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 16, 2015

The Honorable Nikki R. Haley, Governor
State of South Carolina
Columbia, South Carolina

The Honorable Stephen V. Morrone, Chief Judge
Town of Norway Municipal Court
Norway, South Carolina

Ms. Dee Gore, Town Clerk/Treasurer
Town of Norway
Norway, South Carolina

I have performed the procedures described below, which were agreed to by the Town of Norway Municipal Court, solely to assist you in evaluating the performance of the Town of Norway Municipal Court for the period July 1, 2013 through June 30, 2014, in the areas addressed. The Town of Norway Municipal Court is responsible for its financial records, internal controls and compliance with State laws and regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Office of the State Auditor and the Town of Norway Municipal Court. Consequently, I 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 the associated findings are as follows:

1. Clerk of Court

- I gained an understanding of the policies and procedures established by the Clerk of Court to determine timely reporting by the Clerk of Court's Office.
- I obtained the court dockets from the Clerk of Court. I judgmentally selected twenty-five cases from the court dockets and recalculated the fine, fee, assessment and surcharge calculation to determine that the fine, fee, assessment or surcharge was properly allocated in accordance with applicable State law and the South Carolina Court Administration fee memoranda.
- I tested twenty-five judgmentally selected recorded court receipt transactions to determine that the fine, fee, and/or assessment charge adheres to State law and the South Carolina Court Administration fee memoranda.
- I tested twenty-five judgmentally selected recorded court receipt transactions to determine that the receipts were allocated in accordance with applicable State law.

My findings as a result of these procedures are presented in Timely, Accurate Reporting by the Clerk of Court in the Accountant's Comments section of this report.

The Honorable Nikki R. Haley, Governor
and
The Honorable Stephen V. Morrone, Chief Judge
Ms. Dee Gore, Town Clerk/Treasurer
Town of Norway
August 16, 2015

2. Municipal Treasurer

- I gained an understanding of the policies and procedures established by the municipal treasurer to determine timely reporting by the municipality.
- I obtained copies of all court remittance forms or equivalents and tested each monthly remittance form to determine that the forms were completed in accordance with instructions and submitted timely in accordance with State law.
- I verified that amounts reported on the monthly court remittance forms or equivalents agreed to the municipality's support.
- I scanned the municipality's support to determine if the municipality had misclassified fine, fee, assessment, and surcharge receipts.
- I obtained copies of all State Treasurer's Revenue Remittance Forms for the period July 1, 2013 through June 30, 2014. I vouched the amounts reported on the State Treasurer's Revenue Remittance Forms to the court remittance forms or equivalents.
- I verified that the amounts reported by the municipality on its supplemental schedule of fines and assessments agreed to the municipality's general ledger.
- I determined that the Town's supplementary schedule of fines and assessments contained all the required elements in accordance with State law.

My findings as a result of these procedures are presented in Timely, Accurate Recording and Reporting by the Town Treasurer in Section A and Deposits Reconciled to Daily Receipts and Segregation of Duties and Cross-training in Section B of the Accountant's Comments section of this report.

3. Victim Assistance

- I gained an understanding of the policies and procedures established by the municipality to determine proper accounting for victim assistance funds.
- I made inquiries and performed substantive procedures to determine that any funds retained by the municipality for victim assistance were deposited into a separate account.
- I tested selected expenditures to determine that the municipality expended victim assistance funds in accordance with State law and South Carolina Court Administration Fee Memoranda, Attachment L.
- I determined that the municipality reported victim assistance financial activity on the supplemental schedule of fines and assessments in accordance with applicable State law.

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Town of Norway
August 16, 2015

- I verified that the amounts reported by the municipality on its supplemental schedule of fines and assessments applicable to the Victim Assistance fund agreed to the Municipality's general ledger or subsidiary ledgers.
- I inspected the Municipality's victim assistance bank account to determine if the Victim Assistance fund balance was retained as of July 1 from the previous fiscal year in accordance with State law.

My findings as a result of these procedures are presented in Victim Assistance Funds in the Accountant's Comments section of this report.

I was 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 June 30, 2014 and, furthermore, I was not engaged to express an opinion on the effectiveness of internal controls over compliance with the laws, rules and regulations described in paragraph one and the procedures of this report. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my 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 Town of Norway Council, Town of Norway Clerk of Court, Town of Norway Treasurer, State Treasurer, State Office of Victim Assistance, the 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.

Steven L. Blake, CPA

ACCOUNTANT'S COMMENTS

SECTION A – VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

Management of the entity is responsible for establishing and maintaining internal controls to determine compliance with State Laws, Rules or Regulations governing court collections and remittances. The procedures agreed to by the entity require that I 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.

TIMELY, ACCURATE REPORTING BY THE CLERK OF COURT

Timely Reporting by the Clerk of Court

The Clerk of Court did not submit five of twelve State Treasurer Revenue Remittance Form (STRRF) documents to the State Treasurer timely. The documents were submitted from one to 31 days late. The Town could not demonstrate whether two of the twelve monthly STRRF documents were ever prepared or submitted.

Section 14-1-208(A) of the 1976 South Carolina Code of Laws, as amended, states, "...This assessment must be paid to the municipal clerk of court and deposited with the city treasurer for remittance to the State Treasurer." Section 14-1-208(B) of the 1976 South Carolina Code of Laws, as amended, requires the town to remit the balance of the assessment revenue to the State Treasurer on a monthly basis by the fifteenth day of each month and make reports on a form and in a manner prescribed by the State Treasurer.

The Clerk/treasurer responsible for preparing and submitting the STRRF forms during the procedures period is no longer employed by the Town. I was told that the Town's computer system crashed in February 2014 and the Town was unable to recover the data from the computer's hard drive. As a result the Town was unable to prepare the STRRF forms for December 2013 and January 2014. The Town has not attempted to reconstruct the data from manual records.

I recommend the Town develop and implement procedures to ensure that the monthly STRRF is prepared timely in accordance with State law. The Town should reconstruct the general ledger and court data from the manual records and submit the STRRF forms for the missing months.

Manual Errors and Omissions

The Town Clerk/treasurer did not include a receipt in the court software system. As a result the paid conviction fine was not included on the monthly STRRF form.

South Carolina Code of Laws Section 14-1-208(A) states, "...This assessment must be paid to the municipal clerk of court and deposited with the city treasurer for remittance to the State Treasurer." Section 14-1-208(B) of the 1976 South Carolina Code of Laws, as amended, requires the town to "remit the balance of the assessment revenue to the State Treasurer on a

monthly basis by the fifteenth day of each month and make reports on a form and in a manner prescribed by the State Treasurer.”

The current Clerk/treasurer did not know why the receipt had been omitted.

I recommend the Town develop and implement procedures to verify that all amounts collected have been included in a STRRF.

Adherence to Fine Guidelines

I tested twenty-five tickets and noted the Court fine for one defendant did not adhere to applicable sentencing guidelines. The Court fined the defendant \$308.43 for Driving Under Suspension not for DUI, 1st Offense.

Section 56-1-460(A)(1) of the 1976 South Carolina Code of Laws, as amended, states, “ Except as provided in item (2), a person who drives a motor vehicle on any public highway of this State when the person’s license to drive is canceled, suspended, or revoked must, upon conviction, be punished as follows: (a) for a first offense, fined three hundred dollars or imprisoned for up to thirty days, or both; . . .”

The current Clerk/treasurer did not know why this occurred.

I recommend the Court develop and implement procedures to ensure the fines are in accordance with State law.

Software System Errors and Omissions

The Clerk/treasurer form uses information from the court software system to prepare the monthly STRRF. This court software calculates and allocates the fine, assessment and surcharge portions. Based on the tests performed I noted the following errors and omissions:

- The court software is not programmed to assess the criminal justice academy surcharge. Therefore the Court is not reporting and remitting the criminal justice surcharge to the State Treasurer.
- The hard drive of the computer which the Town uses to extract information to prepare the monthly STRRF form crashed in February 2014. Prior to this event the software inconsistently assessed the victims’ surcharge on moving violations and seat belt violations. The court software was subsequently loaded on a new

computer, however, the software no longer assesses the victim assistance surcharge on violations.

- The court software does not consistently assess the law enforcement surcharge on all guilty violation convictions.
- Surcharges are incorrectly allocated to fines and assessment allocations instead of the victim and law enforcement surcharges. This results in under reporting those surcharges and over reporting the fine, state assessment and victim assistance assessment shares of the total collections.
- The Non Resident Vehicle Compact [NRVC] collections are omitted from the STRRF.

Section 14-1-220 of the 1976 South Carolina Code of Laws, as amended, states, 'Each...municipal clerk of court or other person who receives monies from the cost of court assessments in criminal or traffic cases in the municipal courts shall transmit all these monies to the Office of the State Treasurer.' The STRRF instructions further provide that 100% of collections be reported in their respective line items.

The Clerk/Treasurer stated the software system is a purchased system and she is unfamiliar with its programming and/or deficiencies.

I recommend the Town obtain a court system that enables them to submit STRRF which contain complete and accurate information.

TIMELY, ACCURATE RECORDING AND REPORTING BY THE TOWN TREASURER

General Ledger

The Town was unable to provide its general ledger and subsidiary ledger detail for the period July 1, 2013 through June 30, 2014. Therefore, I was unable to trace selected data from the court system to the general ledger accounts (e.g., revenues, bank deposits and victims funds).

Section 14-1-208 (E)(4) of the 1976 South Carolina Code of Laws, as amended, states, "The clerk of court and municipal treasurer shall keep records of fines and assessments

required to be reviewed pursuant to this subsection in the format determined by the municipal governing body and make those records available for review.”

The current Clerk/treasurer stated the Town’s only computer, which contained both the accounting and court software systems, crashed in February 2014. The computer hard drive had not been backed up and when the system crashed they were unable to recover files from the hard drive. The Town purchased a new computer, but did not try to reconstruct the lost data. As a result, accounting and other court data from the procedures period was not available for testing.

I recommend the Town reconstruct the Town’s general ledger and court records from its manual books and records.

VICTIM ASSISTANCE FUNDS

During my tests of Court collections and remittances I noted the following:

- The Town’s audited financial statements for the fiscal year ended December 31, 2011 included the required supplementary schedule of fines, assessments and surcharges. However, the aggregate Victim Assistance ending fund balance presented on the supplementary schedule was \$65,741 greater than the aggregate Victim Assistance bank balance.
- The schedule of fines, assessments and surcharges presented in the Town’s audited financial statements for the fiscal year ended December 31, 2011 over reported victims surcharge revenues by \$300.
- The Town did not deposit funds into the Victim Assistance bank account in December 2013 or January 2014.

Section 14-1-211(B) of the 1976 South Carolina Code of Laws, as amended, states, “The revenue collected pursuant to subsection (A)(1) must be retained by the jurisdiction which heard or processed the case and paid to the city or county treasurer, for the purpose of providing services for the victims of crime, including those required by law. Any funds retained by the county or city treasurer pursuant to subsection (A)(1) must be deposited into a separate account for the exclusive use for all activities related to the requirements contained in this

provision.” Also Section 14-1-208(D) states “All unused funds must be carried forward from year to year.”

The current Clerk/treasurer stated the computer system crash destroyed the accounting and court data required to prepare the STRRF and therefore calculate the Victims Assistance funds. The Clerk/treasurer did not know why the bank balance was below the aggregate fund balance amount nor did they know why the Victims Assistance revenue was over reported in the December 2011 supplementary schedule.

I recommend that the Town reconstruct the general ledger and court records from its manual records for the missing months. The Town should also determine the aggregate fund balance for Victim Assistance.

SECTION B – OTHER WEAKNESSES

The conditions described in this section have been identified while performing agreed-upon procedures but are not considered violations of State Laws, Rules or Regulations.

DEPOSITS RECONCILED TO DAILY RECEIPTS

I traced fine receipts for one day from the daily receipt listing to the bank deposit. The daily receipt listing documented that the deposit was comprised of cash (\$2,893.79) and checks and money orders (\$2,411.21). The sum of cash, checks and money orders totaled \$5,305 and agreed to the validated bank deposit total. However, the validated bank deposit slip documented that the bank deposit was comprised of cash (\$1,293.79) and checks (\$4,011.21). The bank deposit detail did not indicate which individual receipts comprised the cash or check amounts. Neither the ticket listing nor the receipt listing provided a sequential or chronological listing of receipts so I was unable to reconcile the daily receipt listing to the bank deposit.

Supreme Court Justice Toal issued a court order to county magistrates, dated March 13, 2007. Section II, item C. states, "At the end of each day, all receipts issued shall be totaled, and the total indicated on the Daily Cash Summary Report." Also, Section VI, item F states, "Each month the magistrate court shall reconcile the bank statement to the dockets by adding the total of the disposed traffic docket, the total of the disposed criminal docket, the total pending civil docket, the total of the outstanding bond list, and other monies on deposit. The total of these items should equal the total of the bank account or bank accounts."

The Clerk/Treasurer who was responsible for the court records and who prepared the deposit is no longer employed by the Town. The current Clerk/Treasurer did not know why the cash, check and money order amounts from the daily receipt listing did not agree with the cash and check amounts on the deposit detail listing.

I recommend the Town develop and implement a daily and monthly reconciliation process for cash receipts. The procedures should include preparing a Daily Cash Summary Report for deposit and reconciling it to the validated bank deposit slip. In addition, the procedures should require the Town reconcile the court docket activity and the bank statement to the cash account balance at the end of the month.

SEGREGATION OF DUTIES AND CROSS-TRAINING

The Treasurer also functions as the Clerk of Court and in this capacity maintains all court finance and court records, issues most court receipts and reconciles the court bank accounts.

Section II, item F of Supreme Court Justice Toal's March 13, 2007 court order to county magistrates states, "Unless a magistrate court has only one employee, receiving of funds

shall be done by a person not responsible for maintaining and reconciling financial records". Section VII, item A. states, "All magistrates and their staff shall be cross-trained so as to ensure that proper procedures are followed in the absence of a staff member or a magistrate." This order is directed to county magistrate courts, but it could also be applied to municipal courts to improve overall internal control over financial activity.

The Clerk/Treasurer stated that the Town has more than one employee but limited funds do not allow for excess time to cross-train or allow for additional time to complete tasks together.

I recommend the Town consider if it is using its resources efficiently to provide the optimum internal control opportunities.

MUNICIPALITY'S RESPONSE

The management of the Town of Norway has been provided a copy of the findings identified in the Accountant's Comments Section of this report and has elected not to provide a written response to the findings.