

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

STATE AUDITOR'S REPORT

JUNE 30, 2014

CONTENTS

	<u>PAGE</u>
I. OFFICE OF THE STATE AUDITOR TRANSMITTAL LETTER	1
II. INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES	2
III. ACCOUNTANT’S COMMENTS	5
SECTION A – VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS	6
TIMELY, ACCURATE REPORTING BY THE CLERK OF COURT	7
Timely Submission of Reports	7
Adherence to Fine Guidelines	7
Allocation Spreadsheet Errors	8-10
TIMELY, ACCURATE RECORDING AND REPORTING BY THE TOWN TREASURER	11
Timely Submission of State Treasurer’s Revenue Remittance Form	11
STRRF Supporting Documents and Errors	11
Supplementary Schedule	12
VICTIM ASSISTANCE FUNDS	12
(OVER) UNDER REPORTED AMOUNTS	13
SECTION B – OTHER WEAKNESSES	14
COURT CASH RECEIPT PROCEDURES	15
MONTHLY RECONCILIATIONS	15
MUNICIPALITY’S RESPONSE	17



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DEPUTY STATE AUDITOR

November 12, 2015

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

The Honorable Donald R. West, Chief Judge
Town of Rowesville
Rowesville, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain accounting records of the Rowesville 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,

A handwritten signature in blue ink that reads "George L. Kennedy, III".

George L. Kennedy, III, CPA
State Auditor

GLKIII/trb

STEVEN L. BLAKE, CPA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 21, 2015

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

The Honorable Donald R. West, Chief Judge
Town of Rowesville Municipal Court
Rowesville, South Carolina

I have performed the procedures described below, which were agreed to by the Town of Rowesville Municipal Court, solely to assist you in evaluating the performance of the Town of Rowesville Municipal Court for the period July 1, 2013 through June 30, 2014, in the areas addressed. The Town of Rowesville 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 Rowesville 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 randomly 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 randomly 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 randomly 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.

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 support.
- I determined that the municipality's supplemental 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 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.

The Honorable Nikki R. Haley, Governor
and
The Honorable Donald R. West, Chief Judge
Town of Rowesville Municipal Court
September 21, 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 support.
- 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 Victims Assistance in the Accountant's Comments section of this report.

4. Calculation of Over/(Under) Reported Amounts

- I obtained the Assistant Town Administrator's analysis of State Revenue Remittance forms and deposits from the Town Court for the 24 month period ended June 30, 2014. I calculated the amount under reported by the Municipality by category.

The results of my procedures disclosed that the Municipality under reported amounts due to the State and Victim Assistance Fund. My finding as a result of these procedures is presented in (Over) Under Reported Amounts 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 Rowesville Council, Town of Rowesville Clerk of Court, Town of Rowesville 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 SUBMISSION OF REPORTS

The Clerk of Court did not prepare and submit five of the twelve State Treasurer's Revenue Remittance Forms (STRRF) timely. They were from one to twenty-five days late. One STRRF, February, 2014, was not filed.

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 current Court Clerk stated that workloads during an employment and leadership transition created confusion which caused the failure to file in February. The current Clerk of Court did not know why others were not filed timely.

I recommend the Town implement procedures to ensure STRRF are prepared timely in accordance with State law.

ADHERENCE TO FINE GUIDELINES

During my test of Municipal Court collections and remittances, I noted the following instances in which the Court did not fine the defendant in accordance with State or local law:

The Court fined two individuals \$25.06 and one individual \$49.64 for speeding, in excess of the above posted limit but not in excess of ten miles an hour.

Section 56-5-1520(G) of the 1976 South Carolina Code of Laws, as amended, states, "A person violating the speed limits established by this section is guilty of a misdemeanor and, upon conviction for a first offense, must be fined or imprisoned as follows:

(1) in excess of the above posted limit but not in excess of ten miles an hour by a fine of not less than fifteen dollars nor more than twenty-five dollars;"

There were four instances where individuals were fined amounts for violations of Town ordinance 13.113-A, Unlawful Operation of a Motor Vehicle, that were not compliant with ordinance limits.

Ordinance 13.113-A states "Fines, 1-9 over \$175, 10-14 over \$237, 15-24 over \$350, 25 & over \$500".

The current Court Clerk did not know why the judge had used these amounts listed instead of the amounts from the sentencing guidelines.

I recommend the Municipal Court implement procedures to ensure fines levied by the court adhere to applicable State law.

ALLOCATION SPREADSHEET ERRORS

The Clerk of Court's spreadsheet contained the following general and specific errors:

Installment Fee

During my testing of Municipal Court collections and remittances, I noted one instance where the Town did not assess and collect the three percent installment fee from an individual who paid in installments. As this three percent fee is for the Town, it should not be included in the STRRF related amounts. The allocation spreadsheet does not segregate it so it is included in the fine and assessment allocation portions.

Section 14-17-725 of the 1976 South Carolina Code of Laws, as amended, states, "...where criminal fines, assessments, or restitution payments are paid through installments, a collection cost charge of three percent of the payment also must be collected by the clerk of court, magistrate, or municipal court from the defendant..."

The current Court Clerk/Treasurer stated they are aware of the installment fee but rarely have installment payments.

I recommend the Municipal Court implement procedures to ensure the installment fee is charged, collected and allocated in accordance with State law.

Proration of Installment Payments

The spreadsheet does not allocate fines paid on an installment basis ratably to all fine, assessment and surcharge categories as required. The spreadsheet is set up to allocate full surcharge amounts on every payment entered, including partial payments, and by doing so does not allocate enough of the payment to the fine and assessment portions and allocates full surcharge payments each time a payment is made thus paying the full surcharges every time a partial payment is made.

The Judicial Department memo dated June 28, 2013 Section A.14 states "Section 14-1-209 provides guidance when the fine and assessment are paid in installments. The intent of Section 14-1-209(C) is that each installment payment be allocated on a pro rata basis to each applicable fine, assessment, and surcharge. Prior to making these computations, you must determine what assessments and surcharges may apply (conviction surcharge, law enforcement funding fee, DUI assessments, etc.)."

The current Court Clerk/Treasurer stated that the Town is negotiating to purchase software to replace the spreadsheet.

I recommend the Clerk of Court allocate installment payments as required by State law.

Conviction Surcharge

The spreadsheet does not assess non traffic violations a \$25 conviction surcharge.

Section 14-1-211 (A)(1) of the 1976 South Carolina Code of Laws, as amended, states, "In addition to all other assessments and surcharges ... a twenty-five dollar surcharge is imposed on all convictions obtained in magistrates and municipal courts in this State. The surcharge may not be imposed on convictions for misdemeanor traffic offenses No portion of the surcharge may be waived, reduced, or suspended."

The current Court Clerk/Treasurer stated that the Town is negotiating to purchase software to replace the spreadsheet. The mayor also stated the Town rarely has non traffic violations.

I recommend the Clerk of Court assess fines in accordance with State law.

Spreadsheet Errors - General

The spreadsheet makes few calculations but rather is used to input amounts from an assessment calculation chart. Other information is also entered into the spreadsheet thus making the spreadsheet subject to keypunch errors. Because the spreadsheet is not reconciled to total deposits for the month or reconciled within itself, keypunch errors go undetected.

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 Court Clerk/Treasurer stated that the Town is negotiating to purchase software to replace the spreadsheet.

I recommend the Town obtain or develop a system that is reconcilable and consistent.

Driving Under Suspension [DUS] Pullout

One DUS case I tested did not include the \$100 DUS pullout.

Section 56-1-460 (C) of the 1976 South Carolina Code of Laws, as amended, states, "One hundred dollars of each fine imposed pursuant to this section must be placed by the

Comptroller General into a special restricted account to be used by the Department of Public Safety for the Highway Patrol.”

The current Court Clerk/Treasurer stated that the Town is negotiating to purchase software to replace the spreadsheet. The mayor also stated there was only one DUS case a payment was received on for the test period.

I recommend the Clerk of Court assess fines in accordance with State law.

Fine 107.5% Assessment

The spreadsheet did not calculate assessments properly but rather posted them from a pre criminal justice academy surcharge [**CJA**] chart. As this chart did not account for the extra five dollar CJA surcharge, all assessment and fine allocations were improperly allocated and the five dollar CJA was deducted from the Town’s fine amount.

Section 14-1-208(A) of the 1976 South Carolina Code of Laws, as amended, states, “A person who is convicted of, or pleads guilty...for an offense occurring after June 30, 2008, tried in municipal court must pay an amount equal to 107.5 percent of the fine imposed as an assessment.”

The current Court Clerk/Treasurer stated that the Town is negotiating to purchase software to replace the spreadsheet.

I recommend the Court Clerk/Treasurer calculate assessments in accordance with State law.

Payment Omissions NRVC’s

The spreadsheet was used as a docket and did not cumulatively track court fine payments made for Non-Resident Violator Compact [**NRVC**] tickets. Also, by not reconciling the monthly collections with the deposits prior to January 2014 (see COURT CASH RECEIPT PROCEDURES finding below), the Town has no evidence NRVC payments were remitted to the State.

Section 14-1-220 of the 1976 South Carolina Code of Laws, as amended, states, “Each...municipal clerk of court ... who receives monies from the cost of court assessments ... shall transmit all these monies to the Office of the State Treasurer.” It further states “The municipal clerk of court or county treasurer shall then forward the total sum collected to the State Treasurer ...”

The current Court Clerk/Treasurer stated that the Town is negotiating to purchase software to replace the spreadsheet.

I recommend the Town determine NRVC payments that it has collected but not properly allocated and pay the State’s portion to the State Treasurer.

TIMELY, ACCURATE RECORDING AND REPORTING BY THE TOWN TREASURER

Timely Submission of State Treasurer's Revenue Remittance Form

The Town Clerk/Treasurer did not prepare and submit any of the five State Treasurer's Revenue Remittance Forms (STRRF) timely. Copies of State Treasurer's Office receipts were not kept. The February 2014 STRRF was not submitted for that month.

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 Court Clerk stated that workloads during an employment and leadership transition created confusion which caused the failure to file in February. The current Clerk of Court did not know why others were not filed timely.

I recommend the Town implement procedures to organize work flow and ensure the STRRF are submitted by the fifteenth day of each month in compliance with State law.

STRRF Supporting Documents and Errors

During my testing of the Town's State Treasurer Revenue Remittance Forms (STRRF), I noted amounts reported on January and March 2014 STRRF did not agree to the support for line L. Because of the lack of monthly reconciliations and lack of detail for bank deposits (See 'Court Cash Receipt Procedures' and 'Monthly Reconciliations' findings in Section B below) I was unable to determine if the STRRF contained all collections for a given month related to the docket for any time during the year.

The former Clerk/Treasurer terminated employment with the Town prior to the start of my engagement and current town personnel were unable to find all the documentation I requested. During my testing I did note that the current Town Clerk/Treasurer of Court prepares and maintains an allocation worksheet to support amounts recorded on the STRRF on a monthly basis.

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 Town Clerk/Treasurer transferred the wrong column total from the support to the STRRF.

I recommend the Town implement procedures to ensure court accounting records are maintained and readily available for review. I also recommend that all court collections reported and remitted to the State Treasurer be reconciled to accounting records and deposits as well as reviewed for accuracy.

Supplementary Schedule

The Town provided audited financial statements from December 31, 2012, the latest available audit, which included a schedule of fines and assessments for my procedures testing. The Town could not provide a general ledger to support the amounts reported on the schedule, therefore I was unable to reconcile amounts to the general ledger. The schedule did not include a beginning victim assistance fund amount, victim assistance revenues and expense or an ending victim assistance fund balance as required by law.

Section 14-1-208(E)(1) of the 1976 South Carolina Code of Laws, as amended, states, "The supplementary schedule must include the following elements: (a) all fines collected by the clerk of court for the municipal court; (b) all assessments collected by the clerk of court for the municipal court; (c) the amount of fines retained by the municipal treasurer; (d) the amount of assessments retained by the municipal treasurer; (e) the amount of fines and assessments remitted to the State Treasurer pursuant to this section; and (f) the total funds, by source, allocated to victim services activities, how those funds were expended, and any balances carried forward."

I recommend the Town implement procedures to ensure amounts reported on the supplementary schedule are accurately reported in accordance with State law.

VICTIM ASSISTANCE FUNDS

During my tests of Municipal Court collections and remittances I determined that the June 30, 2014 Victim Assistance carry forward balance was \$5,397.56. The Town has not established a separate bank account for victim assistance funds. Instead, victim assistance funds are comingled with other funds in the Town's operating bank account.

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."

The current Assistant Town Administrator stated the procedures period balance had been manually tracked since the Town discontinued sending all monies to Orangeburg county.

I recommend the Town establish and implement policies and procedures to ensure Victim Assistance revenue is accounted for and deposited timely in accordance with State law. I also recommend the Town establish a separate general ledger account to ensure the transparency of its Victims' Assistance funds and determine cumulative balances due to Victim Assistance.

(OVER) UNDER REPORTED AMOUNTS

During my testing I determined the spreadsheet used to process tickets, collections of fines and STRRF contained errors and produced inaccurate information that was not reconciled to deposits made on a monthly basis. I recalculated amounts using proper allocation formulas. These amounts were compared to the actual STRRF filed and yielded the following amounts owed either to the Town **[R]**, Victim Assistance **[VA]** or to the State Treasurer **[ST]**. The (over) under reported amounts by STRRF line follows:

STRRF LINE	DESCRIPTION		OWED TO
F.	Municipal DUS DPS Pullout - \$100	78.00	STO
K.	Municipal Law Enforcement Surcharge - \$25 per case	219.61	STO
KA.	Municipal LE Surcharge - \$5	38.92	STO
L.	Municipal Court -107.5%	<u>(1,456.24)</u>	R
M.	TOTAL REVENUE DUE FROM STATE TREASURER	<u>(1,119.71)</u>	
	COUNTY VICTIM FUND		
N.	Assessments - Municipal -107.5%	(23.28)	R
O.	Surcharges - Municipal	<u>50.00</u>	VA
P.	TOTAL RETAINED FOR VICTIM SERVICES	<u>\$ 26.72</u>	

The amounts net to \$1,119.71 owed by the State Treasurer to the Town and \$26.72 owed by the Town to the victim assistance fund. I recommend the Town contact the State Treasurer regarding amounts due.

SECTION B – OTHER WEAKNESSES

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

COURT CASH RECEIPT PROCEDURES

During my testing I noted that subsequent to January 2014, one list of ticket payments from court receipts listed in the cash summary did not agree to the Town's bank deposit. The Town Clerk/Treasurer does produce a cash summary report for each deposit listing receipts but maintains only one cash drawer for all collections from all revenue sources. Cash collections appear to be intermingled in the deposits. Cash listed on the court deposit exceeded the amount on the cash summary by \$125. No cash summary reports summarizing collections into deposits were provided for the period prior to January 2014.

Supreme Court Justice Toal issued a court order to county magistrates, dated September 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." Section III, item C states further "...deposit slips shall be prepared for each separate account These deposit slips shall include: List of checks deposited (name of Defendant and amount of check must be included), total cash deposited, the starting and ending receipt numbers ...". While this order is directed to county magistrate courts, it could also be applied to municipal courts to improve overall internal control over financial activity.

The Town Clerk/Treasurer stated that the excess cash was probably related to other Town revenues and was intermingled at the time of deposit.

I recommend the Town develop a daily cash receipt report that accurately segregates cash collections by revenue source and I further recommend the Town Clerk/Treasurer deposit this transmittal intact, i.e. on its own separate deposit slip for each revenue source. Also, the Town Clerk/Treasurer should attach the validated deposit slips from the bank to the daily cash receipt report copy.

MONTHLY RECONCILIATIONS

The court does not perform timely monthly reconciliations between the court's docket of adjudicated tickets, prenumbered paper receipts and deposits made during the month.

Section V, item B. of Justice Toal's March 13, 2007 court order to county magistrates states, "The remittance must include a full and accurate statement of all monies collected ... on account of fines during the past month together with the title of each case in which a fine, fee, or cost has been paid. Remittances must balance with the appropriate docket sheet(s)." While this order is directed to county magistrate courts, it could also be applied to municipal courts to improve overall internal control over financial activity.

Because the court does not perform timely reconciliations of its court docket to its bank deposits it could unknowingly cause fines, fees and assessments to be over or under allocated and remitted to the State Treasurer, Town and/or Victims' Assistance.

I recommend the Town develop and implement monthly court docket, collections and bank deposit reconciliation procedures.

MUNICIPALITY'S RESPONSE

TOWN OF ROWESVILLE

POST OFFICE BOX 95
129 ROWESPUMP DRIVE
ROWESVILLE, SC 29432
(803) 534-2745

November 17, 2015

Steve Blake, CPA
209 Brittany Road
Gaffney, South Carolina 29341

Dear Mr. Blake

It is with great appreciation for the effort you have put forth in this audit. Identifying our weaknesses in your audit is the first step towards implementing the proper procedures you have mentioned. Upon receipt of this audit, the process to correct our short comings will be implemented to become compliant with state law, rules, and regulations and a greater audit friendly system.

Respectfully,

Paul D. Bishop

Paul D. Bishop
Mayor of Rowesville

/ccb