

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

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

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

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State of South Carolina



Office of the State Auditor

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October 23, 2007

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

The Honorable B. Hercules Davis, Acting Clerk of Court
Town of Sellers
Sellers, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain accounting records of the Town of Sellers 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 Town of Sellers 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. Ms. B. Hercules Davis, Acting Clerk of Court for the Town of Sellers, 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.

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

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 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 TOWN" in the Accountants' Comments section of this report.

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

Our findings are 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 Town's financial statement Schedule of Fines, Assessments and Surcharges 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 Sellers Town Council, Town clerk of court, Town 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.



May 2, 2007

ACCOUNTANTS' COMMENTS

**TOWN OF SELLERS MUNICIPAL COURT
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SECTION A - 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 REPORTING BY THE CLERK OF COURT

TIMELY REPORTING

CONDITION: The Town Clerk(s) have not transmitted any information related to the State Treasurer Revenue Remittance forms to the Town treasurer since 2004. The information for April 2000 was transmitted and paid in October 2004.

CRITERIA: South Carolina Code of Laws Sections 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) states further "The Town treasurer must remit ... on a monthly basis by the fifteenth day of each month..."

CAUSE: The Town's software system used to manage the court system is inadequate and out of date. The Town Council, administrator, judge or treasurer has not intervened to correct the situation.

EFFECT: No reporting has been done.

AUDITORS' RECOMMENDATION: The Town should develop and immediately implement procedures to correct the lack of reporting. The Town should stay current in their reporting prospectively while bringing reports in arrears up to date.

TIMELY ACCURATE RECORDING AND REPORTING BY THE TOWN

ADHERENCE TO JUDICIAL DEPARTMENT FINE GUIDELINES

CONDITION: The Municipal Court Judge is not adhering to the Judicial Department minimum/maximum fine guidelines included in the laws.

CRITERIA: Judicial Department Guidelines for Fines – Minimums and Maximums. These guidelines are obtained from the minimum and maximum fines recorded in the respective laws.

CAUSE: The Judge is not using the current Judicial Department's fine guidelines.

EFFECT: By not assessing the minimum/maximum fines as required in the legislation, the Town is violating the law.

AUDITORS' RECOMMENDATION: We recommend the Town judge comply with the law and use the current fine guidelines when assessing fines.

FINES WITHOUT ASSESSMENTS AND SURCHARGES

CONDITION: The Town's software is not assessing any assessments or surcharges for the "Faulty Equipment" ordinance violation.

CRITERIA: South Carolina Code of Laws Sections 14-1-208 (A) states "...The assessment is based upon that portion of the fine that is not suspended, and assessments must not be waived, reduced, or suspended." Also, the Law Enforcement Surcharge applies to all fines.

CAUSE: The Town did not properly set up the fine in their software to charge the assessment and surcharges.

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EFFECT: Violations are not properly calculated in the system.

AUDITORS' RECOMMENDATION: The Town should determine if the software system is upgradeable. If the system can be upgraded the Town should make the necessary changes to ensure the system is compliant. If the system can be upgraded to perform all the functions necessary for current court administration, the Town should not invest sufficient time and money into a new system to ensure it is compliant.

INCORRECT ASSESSMENT PERCENTAGE

CONDITION: The Town's software system is not currently compliant in calculating the assessment percentage.

CRITERIA: The 2006 - 2007 General Appropriations Act (H. 4810) Section 35.11 states "The assessment paid pursuant to Sections 14-1-206, 14-1-207, or 14-1-208 ... in ...municipal court is increased from one hundred to one hundred seven and one-half percent of the fine imposed."

CAUSE: The software does not properly calculate the assessment on the fine amount. The software is a locally developed system with no continued technical support.

EFFECT: The assessment should be calculated at 107.5% but instead is calculated at 100%.

AUDITORS' RECOMMENDATION: The Town should determine if the software system is upgradeable. If the system can be upgraded to perform all the functions necessary for current court administration, the Town should determine if they can invest the time and money into the system to ensure it is compliant.

PROPER VICTIM ASSISTANCE FUNDS ACCOUNTING

LACK OF PROPER ACCOUNTING

CONDITION: The Town does not account for the Victim Assistance money it collects. The software does not calculate the Victim Assistance portion of the assessment. The Conviction Surcharge is not separately charged and recorded. A Victim Assistance bank account exists but contains money from prior years the Town did not make any deposits to the account during the procedures period.

CRITERIA: South Carolina Code of Laws Section 14-1-208 (B) states "The city treasurer must remit 12 percent of the revenue generated by the assessment imposed in subsection (A) to the municipality to be used for the purposes set forth in subsection (D)..." and South Carolina Code of Laws Section 14-1-208 (D) states "These funds must be appropriated for the exclusive purpose of providing victim services... All unused funds must be carried forward from year to year and used exclusively for the provision of services for victims of crime. All unused funds must be separately identified..."

CAUSE: The Town's software system used to manage the court system is totally inadequate and not routinely updated. The software is a locally developed system with no continued technical support. The Town does not maintain a general ledger or all necessary subsidiary ledgers. The Town does not maintain double entry system and does not ensure that their records are complete and in balance. In addition the Town does not ensure that all transactions properly accounted for.

EFFECT: There is no current accounting for Victim Assistance. The software does not provide accurate information to record Victim Assistance.

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AUDITORS' RECOMMENDATION: The Town must develop and implement procedures to prospectively comply with the calculation and identification of Victim Assistance funds. The Town should obtain from the extant records the information it needs to retroactively establish the funds for Victim Assistance and properly segregate and identify those funds levied for the exclusive purpose of providing Victim Services.

NO DOCUMENTATION TO SUPPORT WITHDRAWAL

CONDITION: The Town has withdrawn money from the Victim Assistance bank account without any supporting documentation or justification that the money was used to provide victim services in accordance with the law.

CRITERIA: South Carolina Code of Laws Section 14-1-208 (D) states "These funds must be appropriated for the exclusive purpose of providing victim services...."

CAUSE: The Town was in need of money to pay vendors.

EFFECT: Money was used for a purpose other than the purpose proscribed for its use by the law.

AUDITORS' RECOMMENDATION: The Town should immediately reimburse the fund for the \$500 withdrawn from the Victim Assistance funds bank account.

TIMELY ACCURATE REPORTING TO THE STATE TREASURER

TIMELY FILING

CONDITION: None of the twelve State Treasurer's Remittance Reports for the procedures period April 30, 2006 through March 31, 2007 were filed.

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

CAUSE: The Clerk does not prepare any information for the remittance form and therefore no remittance forms are done. The Town has also had financial difficulties and has on occasion used the court monies for payroll and vendor payments.

EFFECT: The Town did not comply with the timely filing requirement.

AUDITORS' RECOMMENDATION: The Town should develop and implement a policy whereby they comply with State law. They should implement this policy and stay current with their remittances while filing each outstanding report in arrears.

REQUIRED SUPPLEMENTAL SCHEDULE OF FINES AND ASSESSMENTS

CONDITION: The required supplemental schedule of fines and assessments was not available for testing.

CRITERIA: South Carolina Code of Laws Section 5-7-240 requires an annual independent audit of each municipality. In conjunction with the annual audit Section 14-1-208(E) requires the Schedule of Fines and Assessments to be audited and an opinion rendered in relation to the annual financial statement audit.

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CAUSE: According to the Town treasurer, the Town's accounting records have not been audited since her arrival in November of 1999. Because there has been no audit of the financial statements, the Town has not prepared and submitted the supplemental schedule of fines and assessments as required by State law.

EFFECT: The Town has not complied with the law related to annual audits or the required schedule of fines and assessments.

AUDITORS' RECOMMENDATION: To enhance public confidence and comply with State law, the Town should contract with an independent accounting firm to audit the financial activities of the Town annually. The audit should be conducted in accordance with auditing standards generally accepted in the United States of America and include tests for compliance with State and local laws, rules, regulations and ordinances that are material to the financial statements.

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SECTION B – OTHER WEAKNESSES

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

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TIMELY ACCURATE RECORDING AND REPORTING BY THE TOWN

SEGREGATION OF DUTIES

CONDITION: The Town does not have enough employees to have adequate segregation of duties. The Town Treasurer has been acting Clerk of Court since January 2007. The Judge is the only Town employee attending the court sessions.

CRITERIA: The Committee of Sponsoring Organizations (COSO) Internal Control Framework report.

CAUSE: A combination of high labor turnover and insufficient revenues to fund enough staff positions has created the situation.

EFFECT: While the Town does use the services of an outside accountant to occasionally reconcile the Town's operating bank account to do payroll, accounts payable and utility billings, no other reconciliation is performed. Court duties are not segregated. Therefore, one Town employee is adjudicating and collecting court fines during trial.

AUDITORS' RECOMMENDATION: The Town should develop and implement procedures using the employees and outside consultants in as many roles as possible to strengthen the internal control system.

GENERAL LEDGER AND MONTHLY ACCOUNTING

CONDITION: The Town does not maintain a general ledger. The Town does not maintain a double entry system, does not ensure that their records are complete and in balance. In addition, the Town does not ensure that all transactions properly recorded.

CRITERIA: The Committee of Sponsoring Organizations (COSO) Internal Control Framework report.

CAUSE: A combination of high labor turnover and insufficient revenues to fund proper software systems and training has created the situation.

EFFECT: The Town Council does not have adequate information to make informed decisions regarding Town finances. The Town does not have adequate software to maintain minimal controls and prepare required information.

AUDITORS' RECOMMENDATION: The Town governing body and management should budget funds for a new accounting systems and the employees required to operate it thereby enabling them to carry out their responsibilities and ensure a level of public trust.

TOWN OF SELLERS _____ INCORPORATED 1905

Site: 2552 Hwy 301 ◊ Mailing: PO Box 116 ◊ Sellers, South Carolina 29592

Ph: 843-752-5009 ◊ Fax: 843-752-9338

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October 3, 2007

Mr. Steve Blake
c/o Cline Brandt Kochenower & Co., P.A.
PO Box 848
Gaffney, South Carolina 29342

Dear Mr. Blake;

The mayor and council of the Town of Sellers reviewed the recent report you mailed to us as a result of your audit. The following is our response to this audit:

1. Timely Reporting By Clerk-of-Court

A. Corrective action has been taken as of auditor's visit. Reports are being submitted.

2. Timely Accurate Recording and Reporting by the Town

A. Adherence to judicial department fine guidelines.

The Town of Sellers' Municipal Court judge is now complying with the law and is using current state fine guidelines.

B. Fines without Assessments and Surcharges

The Town of Sellers is researching options for upgrading the current software per auditor's recommendations. Assessments and surcharges are currently being calculated manually.

C. Incorrect Assessment Percentage. Every attempt is made to insure that the assessment percentages, although calculated manually, are correct.

3. Proper Victim Assistance Funds Accounting

A. Lack of Proper Accounting

Corrective actions are in place to comply with proper calculation and identification of Victim's Assistance funds with deposits into the separate Victim's Assistance account.

B. No Documentation to Support Withdrawal

The Town has reimbursed the Victim's Assistance fund for the \$500.00 withdrawal.

The Honorable Luevenia Wright, Mayor

Bernice Fore, Mayor Pro-Tem; G. Michele McClellan, Councilmember; Dedra McRae, Councilmember, Carolin Legette, Councilmember; Billy Brown, Chief-of-Police; Bobbie J. Hercules, Town Clerk/Treasurer

4. Timely Accurate Reporting to the State Treasurer

A. Timely filing

Corrective action has been taken as of the auditor's visit to comply with timely filing.

B. Require Supplemental Schedule of Fines and Assessments

The Town of Sellers is currently seeking an accounting firm to audit the financial activities of the town.

We trust that we have met with your satisfaction, and we do thank you for your time, courteous service and assistance.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Luevenia Wright, Mayor'. The signature is fluid and cursive, with a large initial 'L' and 'W'.

Luevenia Wright, Mayor

Cc: Town Council
File

The Honorable Luevenia Wright, Mayor

Bernice Fore, Mayor Pro-Tem; G. Michele McClellan, Councilmember; Dedra McRae, Councilmember, Carolin Legette, Councilmember; Billy Brown, Chief-of-Police; Bobbie J. Hercules, Town Clerk/Treasurer