

**LEXINGTON COUNTY MAGISTRATE COURT
LEXINGTON, SOUTH CAROLINA**

**State Auditor's Report
March 31, 2005**

**LEXINGTON COUNTY MAGISTRATE COURT
LEXINGTON, SOUTH CAROLINA**

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State of South Carolina

Office of the State Auditor

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STATE AUDITOR

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September 27, 2005

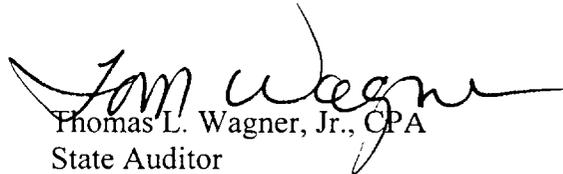
The Honorable Mark Sanford, Governor
State of South Carolina
Columbia, South Carolina

The Honorable Gary Reinhart, Chief Magistrate
Lexington County
Lexington, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain accounting records of the Lexington County Magistrate Court for the period April 1, 2004 through March 31, 2005, 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,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

Independent Accountants' Report on Applying Agreed-Upon Procedures

Thomas L. Wagner, Jr., CPA
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 Lexington County Magistrate Court System and to assist the South Carolina Office of the State Auditor in complying with the 2004 - 2005 General Appropriations Act (H. 4925) Section 72.92 for the fiscal year ended June 30, 2005. The Honorable Gary Reinhart, Chief Magistrate for Lexington County is responsible for compliance with the requirements for the Magistrate Court reporting and the South Carolina Office of the State Auditor is responsible for compliance with the requirements of the 2004 - 2005 General Appropriations Act (H. 4925) Section 72.92. 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. PROPER ALLOCATION AND TIMELY REPORTING BY THE MAGISTRATE COURT

- We researched South Carolina Code of Laws Section 14-17-750 to determine the definition of timely reporting with respect to the Magistrate's responsibility for reporting fines, fees and assessments to the County Treasurer.
- We inquired of the South Carolina Judicial Department to determine their requirements for timely filing of fines, fees and assessments to the County Treasurer, including requirements for allocating fines, fees and assessments paid on an installment basis.
- We inquired of the local Magistrates and County Treasurer to gain an understanding of their policy for ensuring timely reporting and to determine how the County Treasurer specifically documents timeliness.
- We inspected documentation, including the Magistrate Court Remittance Forms for the months of April 1, 2004 through March 31, 2005 to determine if the Magistrate Court submitted the reports in accordance with the law.
- 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 range.

Our findings, *TIMELY TRANSMITTAL TO THE COUNTY TREASURER* and *ALLOCATION OF INSTALLMENT PAYMENTS*, are reported under "PROPER ALLOCATION AND TIMELY REPORTING BY THE MAGISTRATE COURT" in the Accountants' Comments section of this report.

2. TIMELY RECORDING AND REPORTING BY THE COUNTY

- We traced and agreed each month's reporting by the Magistrates to the County Treasurer's Office and to the County's general ledger accounts for the assessments (Sections 14-1-207(A), (B) and (D)) and victim's assistance surcharge (Section 14-1-211) for the period April 1, 2004 to March 31, 2005.
- We compared the amounts reported on the Magistrate Court Remittance Forms to the Magistrate 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 2004 – 2005 and with South Carolina Judicial Department training instructions and interpretations.

We found no exceptions as a result of the procedures.

3. PROPER VICTIMS' ASSISTANCE FUNDS ACCOUNTING

- We inquired as to the format determined by county council and local policy for record keeping as it relates to fines and assessments in accordance with Section 14-1-207(E)(4).
- We compared the fiscal year-ended June 30, 2004 audited Victims' Assistance Fund fund balance with all adjustments to the fund balance shown in Exhibit B-3 on page 125 of the audited financial statement and to the beginning fund balance as adjusted in that fund for fiscal year 2005.
- We verified Victims' Assistance expenditures were in compliance with Section 14-1-207(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 INCLUDING REQUIRED FINANCIAL STATEMENT SCHEDULES IN ACCORDANCE WITH SECTION 14-1-207(E)

- We vouched the amounts reported in the State Treasurer Remittance Forms to Magistrate Court Remittance Forms for the period April 1, 2004 to March 31, 2005.
- We scanned the State Treasurer Remittance Forms for timely filing in accordance with Section 14-1-207(B).
- We traced and agreed amounts from the supporting schedules to the Schedule of Fines, Assessments and Surcharges as reported in the County's basic financial statements to ensure compliance with the reporting requirements identified in Section 14-1-207(E).
- We traced and agreed amounts in the supporting schedules to the Clerk of Court Remittance Forms.

Our findings, *NO SUPPORTING DOCUMENTATION FOR REQUIRED SCHEDULES and REPORTING ERROR TO THE STATE TREASURER*, are reported under "TIMELY ACCURATE REPORTING TO THE STATE TREASURER INCLUDING REQUIRED FINANCIAL STATEMENT SCHEDULES IN ACCORDANCE WITH SECTION 14-1-207(E)" in the Accountants' Comments section of this report.

Thomas L. Wagner, Jr., CPA
State Auditor
Office of the State Auditor
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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, 2005 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, the Governor, Chairmen of the House Ways & Means Committee, Senate Finance Committee, House Judiciary Committee, Senate Judiciary Committee, State Treasurer, Office of Victims' Assistance, the local Magistrates and County Treasurer and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Clint Brantley, CPA". The signature is written in a cursive style.

June 22, 2005

ACCOUNTANTS' COMMENTS

LEXINGTON COUNTY MAGISTRATE COURT
LEXINGTON, SOUTH CAROLINA
State Auditor's Report
March 31, 2005

**SECTION A - 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.

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PROPER ALLOCATION AND TIMELY REPORTING BY THE MAGISTRATE COURT

TIMELY TRANSMITTAL TO THE COUNTY TREASURER

CONDITION: We selected each month's Magistrate Court Remittance Reports for the procedures period of April 1, 2004 through March 31, 2005; twelve total for each magistrate. The following is a list by Magistrate of the number of reports, out of the twelve reviewed, that exceeded the timely filing date: Judge Rawl had five reports that were one to six days late; Judge Adams had nine reports that were two to five days late; Judge Morgan had ten reports that were two to four days late; Judge Shockley had six reports that were one to four days late; and Judge Lucas had five reports that were two to eleven days late.

CRITERIA: South Carolina Code of Laws Section 14-17-750. Section 14-17-750 requires that the Magistrate make a full and accurate statement, in writing, to the County Auditor and County 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: [to be determined shortly by the chief magistrate]

EFFECT: South Carolina Code of Laws Section 14-17-750 was violated for the months of April 1, 2004 through March 31, 2005.

AUDITORS' RECOMMENDATION: We recommend the Magistrates timely file the remittance forms and put the necessary resources toward maintaining timeliness.

ALLOCATION OF INSTALLMENT PAYMENTS

CONDITION: The Magistrate's Court computer system does not allocate installment payments ratably across all fine, assessment and surcharge categories as required.

CRITERIA: Section 35.11 of the Temporary Provisions of the General Appropriations Act for the fiscal year 2004 – 2005. The Judicial Department has determined and provided examples in training instructing the Clerk of Courts and Magistrates how to allocate fine, fee, and assessment payments made on an installment basis.

CAUSE: The automated system used by the Magistrates does not allocate costs, instead it uses a priority order that applies fine, fee and assessment receipts to the first priority until that priority is fully paid. Once paid, it applies any remaining funds to the second and third priorities etcetera, until they are fully paid. The system has a built-in default for applying payments or the system manager can set a different order that is deemed more appropriate.

EFFECT: Section 35.11 of the Temporary Provisions of the General Appropriations Act for the fiscal year 2004 – 2005 was violated. Based upon discussion with the computer support staff at Lexington County, the County will be able to comply with the law with the current version of the in-house software they are using once modified.

AUDITORS' RECOMMENDATION: We recommend the in-house software be modified to comply with the law.

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TIMELY ACCURATE REPORTING TO THE STATE TREASURER INCLUDING REQUIRED FINANCIAL STATEMENT SCHEDULES IN ACCORDANCE WITH SECTION 14-1-207(E)

NO SUPPORTING DOCUMENTATION FOR REQUIRED SCHEDULES

CONDITION: The Finance Office was not able to provide documentation supporting the amounts in the Schedule of Fines and Assessments for the fiscal year ended June 30, 2004 presented on page 260 of their Comprehensive Annual Financial Report.

CRITERIA: South Carolina Code of Laws Section 14-1-207(E)(4). Section 14-1-207(E)(4) reads "The Clerk of Court and County Treasurer shall keep records of fines and assessments required to be reviewed pursuant to this subsection in the format determined by the county council and make those records available for review."

CAUSE: The Finance Office was unable to locate the documentation and they were unable to reconstruct it because the person responsible for compiling it had left the employ of the County.

EFFECT: South Carolina Code of Laws Section 14-1-207(E)(4) appears to have been violated. Because the Finance Office could not provide support documentation, we were unable to trace and agree the amounts on Schedule 4 on page 260 to the County's general ledger.

AUDITORS' RECOMMENDATION: We recommend the County refine its methodology for retaining schedules used to support information presented in its published financial statements.

REPORTING ERROR TO THE STATE TREASURER

CONDITION: Each Magistrate provides the types and amounts of revenues they collect monthly to the County Treasurer via the Magistrate's Court Remittance Form. This form is obtained annually by the Magistrates from the Judicial Department and is updated by the Judicial Department, as laws affecting these revenues require it. Effective for the fiscal year beginning July 1, 2004, one of these revisions took place. In our tracing and agreeing amounts from the Magistrate's computer system to the Magistrate's Court Remittance Form for the three selected months, we determined the amounts reported by three Magistrates on the Magistrate's Court Remittance Forms were reported on the wrong lines relating to the type of revenue the computer system showed as collected. Upon further inquiry and comparison it was determined that these three Magistrates had not realized the Magistrate's Court Remittance Forms had been revised. Because of this error, these Magistrates had reported Conviction Surcharge and County Assessment monies as Law Enforcement fees thus understating the amounts due the State Treasurer by \$7,029. While our procedures were limited to the three months selected for testing, the County subsequently investigated the matter and found these Magistrates to have been consistently in error since the July 2004 Magistrate's Court Remittance Form revision on through the entire fiscal year.

CRITERIA: South Carolina Code of Laws Section 14-1-207(B). This section states "The County Treasurer must remit the balance of the assessment revenue to the State Treasurer on a monthly basis by the fifteenth day of each month."

CAUSE: The magistrates in question did not notice the Magistrate Court Remittance Form changes that took effect July 1, 2004.

EFFECT: These magistrates' incorrect reporting for the year violated Section 14-1-207(B).

AUDITORS' RECOMMENDATION: We recommend the County investigate all months and accurately file with the State Treasurer's Office. This may require amending all previously incorrect forms.



County of Lexington
OFFICE OF THE TREASURER

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William O "Bill" Rowell
County Treasurer

Tel (803) 785-8217
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September 21, 2005

Steven L Blake, CPA, CFE
Cline Brandt Kochenower & Co , P.A.
1255 W. Floyd Baker Blvd.
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Gaffney, SC 29342

Gentlemen,

Based on the findings of your audit of Lexington County's Magistrate Courts, this office has conducted an in-depth audit of the distributions from the County Magistrates to the State Treasurer's office. For Fiscal Year 2003-2004, we found one error in distribution in the amount of \$ 28.18 This was an error within county funds. For Fiscal Year 2004-2005, we found multiple errors within county funds and distribution to the state. These errors total \$ 24,982.02. We have informed the Chief Magistrate of the exact nature and amount of the error. Those funds were included in our payment to the State Treasurer's Office on July 19,2005.

I have enclosed a copy of our audit schedule for your review. If we can be of any further assistance, please feel free to contact me.

Respectfully,

A handwritten signature in black ink, appearing to read "Bill Rowell".

William O. "Bill" Rowell
Treasurer & Tax Collector
County of Lexington

Encl