

**TOWN OF ATLANTIC BEACH MUNICIPAL COURT
ATLANTIC BEACH, 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 Cheveron T. Scott, Ministerial Recorder
Ms. Cheryl Pereira, Town Clerk/Treasurer
Town of Atlantic Beach
Atlantic Beach, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain accounting records of the Atlantic Beach 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

November 5, 2015

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

The Honorable Cheveron T. Scott, Ministerial Recorder
Town of Atlantic Beach Municipal Court
Atlantic Beach, South Carolina

Ms. Cheryl Pereira, Town Clerk/Treasurer
Town of Atlantic Beach
Atlantic Beach, South Carolina

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

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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, 2011 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 agreed amounts reported on the municipality's supplemental schedule of fines and assessments to the municipality's support.
- I inquired about any agreement that the municipality entered into with the Office of the State Treasurer relating to any underpayments noted in a previous Agreed-Upon Procedures engagement and whether the municipality was current with the payment terms of the agreement.

My findings as a result of these procedures are presented in Timely, Accurate Recording and Reporting by the Town Treasurer in Section A and Municipal Court Bank Account in Section B 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.

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- 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.

I found no exceptions as a result of these procedures.

4. Status of Prior Findings

- I inquired about the status of findings reported in the Accountant's Comments section of the State Auditor's Report on the Municipality resulting from an engagement for the period ended June 30, 2007, to determine if the Municipality had taken adequate corrective action.

My findings as a result of these procedures are presented in Status of Prior Findings 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 Atlantic Beach Council, Town of Atlantic Beach Clerk of Court, Town of Atlantic Beach 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

The Clerk of Court did not submit nine of the twelve State Treasurer's Revenue Remittance Forms (STRRF) timely to the Town Treasurer. The forms were submitted from one to thirty-two days late.

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 of court stated that she did not prepare the forms timely because her workload precluded her from preparing them timely.

I recommend the Town implement procedures to ensure STRRF are prepared timely in accordance with State law. The decision to submit is independent of timely preparation.

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 law:

The Court fined one individual \$27.96 for speeding, in excess of the above posted limit but not in excess of ten miles an hour.

The Court fined two individuals \$24.58 and 50.13 for speeding, in excess of ten miles an hour but less than fifteen miles an hour above the posted limit.

The Court fined two individuals \$49.64 for speeding, in excess of fifteen miles an hour but less than twenty-five miles an hour above the posted limit.

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;

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

(3) in excess of fifteen miles an hour but less than twenty five miles an hour above the posted limit by a fine of not less than fifty dollars nor more than seventy five dollars;”

In addition, I determined the Court fined one individual \$155 for a parking violation.

Section 56-5-6190 of the 1976 South Carolina Code of Laws, as amended, states, “Every person convicted of a misdemeanor ... shall be punished by a fine of not more than one hundred dollars or by imprisonment for not more than thirty days.”

The clerk of court stated she did not know why the judge did not adhere to the guidelines.

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

Installment Fee

During my testing of Municipal Court collections and remittances, I noted one instance where the Town assessed and collected the three percent installment fee from an individual who paid the total amount due in one payment after the court date.

During my test of Municipal Court collections and remittances, I noted two instances where the Court did not assess and collect the three percent installment fee from individuals who paid in installments.

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 stated she did not know why the system did not correctly assess the three percent fee.

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

Clerical Error

The Clerk of Court made a clerical error when transferring data from the software report to the STRRF. She input \$25 on line OA instead of line O for June 2014.

The STRRF instructions require specific assessments and surcharges be reported in their corresponding line items.

The Clerk stated human error was to blame.

I recommend the Clerk review the form for errors before submission to the Town.

TIMELY, ACCURATE RECORDING AND REPORTING BY THE TOWN TREASURER

Supplementary Schedule

The Town provided an audited financial statement from June 30, 2008, the latest available audit, which did not include a schedule of fines and assessments. In addition, the Town could not provide the general ledger for the fiscal year ended June 30, 2008. The audit report included a disclaimer of opinion because of a lack of adequate accounting records from which to prepare financial statements and the schedule of fines and assessments. The victim assistance expenditures were unsubstantiated.

Section 14-1-208(E) of the 1976 South Carolina Code of Laws, as amended, states, “(1) To the extent that records are made available in the format determined pursuant to subsection (E)(4), the supplementary schedule must include the following elements: . . .”

The Town Treasurer stated that neither the previous treasurer nor clerk were able to provide the information requested.

I recommend the Town implement procedures to ensure that audits are done timely and include all required schedules in accordance with State law.

SECTION B – OTHER WEAKNESS

The condition described in this section has been identified while performing agreed-upon procedures but is not considered a violation of State Laws, Rules or Regulations.

Municipal Court Bank Account

The current Atlantic Beach Treasurer stated the Town maintains a bank account titled "Municipal Court Account". The Town discontinued using the account in late 2011. The account currently has a balance of \$12,532.54. The Treasurer stated that it is possible this balance relates to the Underreported Amounts finding from the June 30, 2007 Agreed-upon Procedures report dated April 8, 2008. At June 30, 2007 the total balance the court owed the Town of Atlantic Beach and Victim Assistance was \$12,587.76 (Town - \$1,851.73; Victim Assistance – \$10,736.03).

I recommend the Town determine the source of the funds and transfer the balance to the proper accounts.

SECTION C – STATUS OF PRIOR FINDINGS

During the current engagement, I reviewed the status of corrective action taken on each of the findings reported in the Accountant’s Comments section of the Report on Agreed-Upon Procedures of the Town of Atlantic Beach Municipal Court for the twelve month period ended June 30, 2007 and dated October 1, 2007 and the status of the settlement agreement related to the Agreed-upon Procedures related to Underreported Amounts dated April 10, 2008. I determined that the Town of Atlantic Beach has taken adequate corrective action on the following deficiencies:

<u>Finding</u>	<u>Corrective Action</u>
Lack of Proper Accounting	Outsource Accounting Functions
General Ledger Accounting Issues	Outsourced Accounting Functions
Accurate Allocation of Seat Belt Fines	Implemented New Software
Accuracy in Filed Remittance Reports	Implemented New Software

Even though the Town implemented new software I still noted findings in the current period and those finding are reported in Adherence to Fine Guidelines and Clerical Error. I also determined that the deficiencies outlined in the findings titled Timely Reporting, Timely Filing, Installment Payment Collection Fee and Required Supplemental Schedule of Fines and Assessments still exist; consequently I have reported similar findings in Timely Submission, Installment Fee and Supplementary Schedule in Section A of the report.

MUNICIPALITY'S RESPONSE

The management of the Town of Atlantic Beach 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.