TOWN OF SPRINGFIELD MUNICIPAL COURT

SPRINGFIELD, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2014

CONTENTS

State of South Carolina

Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

May 5, 2015

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

The Honorable Steven V. Marrone, Chief Judge
Ms. Pauline Dyches, Town Clerk/Treasurer
Town of Springfield
Springfield, South Carolina

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

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/trb

STEVEN L. BLAKE, CPA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 5, 2015

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

The Honorable Steven V. Morrone, Chief Judge
Town of Springfield Municipal Court
Springfield, South Carolina

Ms. Paulette Dyches, Town Clerk/Treasurer
Town of Springfield
Springfield, South Carolina

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

Member of AICPA **209 BRITTANY ROAD** *Member of SCACPA*
GAFFNEY, SC 29341
864-680-6191 **SLBCPA@CHARTER.NET**

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.

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.

- 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 finding as a result of these procedures is presented in Victim Assistance Funds in the Accountant's Comments section of this report.

4. Calculation of Over/(Under) Reported Amounts

- I obtained copies of monthly State Treasurer Revenue Remittance Forms for the 23 month period ended June 30, 2014, which the Town prepared but did not submit to the Office of the State Treasurer. I calculated the amount under reported by the Municipality by category.

My finding as a result of these procedures is presented in 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 Springfield Council, Town of Springfield Clerk of Court, Town of Springfield 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 nine of the twelve State Treasurer's Revenue Remittance Forms (STRRF) timely to the Town Treasurer. The forms were submitted from twenty-five to eighty-six 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/treasurer stated that she did not print the forms timely because the Town's cash flow precluded her from submitting them.

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.

Improper Classifications of Offenses

I selected twenty-five cases from the court docket. From this sample I determined that the Town Clerk/treasurer misclassified a "Thoughtless Driving" offense as a criminal offense and an "Open Container" offense as a traffic offense when inputting the cases into the court software system. As a result the conviction surcharge and surcharge allocations were incorrectly classified and allocated.

South Carolina Code of Laws Section 14-1-211(A)(1) states, "… a twenty-five dollar surcharge is imposed on all convictions obtained in … municipal court … . The surcharge must not be imposed on convictions for misdemeanor traffic offenses."

The Clerk/treasurer did not know why these errors were made.

I recommend the Town correct the classification error(s) and make the necessary adjustment(s) to the Town's accounting records, (e.g., Victim Assistance).

Installment Fee Not Collected

I noted the Court did not assess and collect the three percent installment fee from an individual who paid on installment for one of twenty-five cases tested.

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 Clerk/treasurer stated she was unaware of this requirement.

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

TIMELY, ACCURATE RECORDING AND REPORTING BY THE TOWN TREASURER

Timely Submission of the State Treasurer's Revenue Remittance Form

I obtained copies of all State Treasurer Revenue Remittance Forms (STRRF) prepared for the period August 2012 through June 2014. Based on my review I determined that the Town did not submit any STRRFs timely to the State Treasurer as required by State law.

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 stated the Town's cash flow did not allow for timely filing.

I recommend the Town implement procedures to ensure the STRRF are submitted by the fifteenth day of each month in compliance with State law. See Under Reported Amounts finding below.

Supplementary Schedule

During my testing of the information contained in the schedule of court fines, assessments and surcharges included in the Town's financial statements for the year ended June 30, 2013 I noted the amount reported for fines and assessments collected and victim services revenues, fund balances and expenditures did not agree with amounts recorded in the Town's general ledger.

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 Clerk/treasurer stated that the auditor had prepared the schedule and had not left a reconciliation with the Town to show how the numbers reconciled to the revenue remittances or the general ledger.

I recommend the Town implement procedures to ensure that 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 noted the following:

- The Town has established a separate bank account for Victim Assistance funds as required by State law however, at June 30, 2013 and 2014, the bank balance is $3.47 lower than the carry forward ledger balance.
- The information in the schedule of fines and assessments regarding Victim Assistance carry forward fund balances is $28,594 higher than the bank account balance at June 30, 2013. The Town has not reconciled the schedule balance with the bank balance to determine the correct reconciled fund balance.
- The Town did not deposit funds allocable to Victim Assistance in the Victim Assistance bank account during the procedures period.
- The Town did not deposit funds allocable to Victim Assistance in the Victim Assistance bank account from February 2013 to June 2013.
- The Town expended $2,735 for a vehicle. The vehicle is used by the police department but not exclusively by a full-time Victims Advocate as the Town does not have one. The Town allocated 100% of this cost to the Victims Fund. There were other expenses allocated 100% as well which appeared to be allocable to other activities.

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." In addition, the South Carolina Court Administration Memorandum, Attachment L, dated June 30, 2011, and the South Carolina Victim Service Coordinating Council, Approved Guide for Expenditures of Monies Collected for Crime Victim Service in Municipalities and Counties, effective January 2010, set forth guidelines for expenditures of monies collected for crime victim services.

The Clerk/treasurer stated the Town's cash flow did not allow for timely deposits. She also stated the State Office of Victims Assistance had performed an audit of their Victims fund the week before my field work and had come to similar conclusions about expenditures.

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. The Town should also reconcile the fund balance amount in the schedule of fines with the bank balance to determine which balance is correct.

UNDER REPORTED AMOUNTS

As reported in the finding Timely Submission of State Treasurer Revenue Remittance Form, the Town prepared but did not submit the monthly STRRF to the State Treasurer. I tested the completeness and accuracy of unfiled STTRF for the period August 2012 through June 2014. Based on the tests performed, I determined the Town underreported the following amounts:

STRRF LINE	DESCRIPTION	
F.	Municipal DUS DPS Pullout - $100.00	$ 715.33
G.	Municipal DUI Assessment - $12 per case	12.00
H.	Municipal DUI Surcharge - $100	100.00
I.	Municipal DUI DPS Pullout - $100	100.00
J.	Municipal Drug Surcharge $150	300.00
K.	Municipal Law Enforcement Surcharge - $25 per case	14,636.88
KA.	Municipal LE Surcharge - $5	2,927.38
L.	Municipal Court -107.5%	32,316.78
M.	TOTAL REVENUE DUE TO STATE TREASURER	51,108.37
	RETAINED BY CITY FOR VICTIM SERVICES	
N.	Assessments - Municipal -107.5%	2,650.76
O.	Surcharges -Municipal	1,625.28
P.	TOTAL RETAINED FOR VICTIM SERVICES	$ 4,276.04

I recommend the Town develop and implement procedures to ensure it submits the STRRF and remits amounts due to the State in accordance with State law. I also recommend that Town submit a STRRF and remit the amounts due to the State Treasurer, as described in the preceding paragraph, as soon as possible. Finally the Town should transfer the amount identified above to the Victim Fund.

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.

SUPPLEMENTARY SCHEDULE

During my testing of the schedule of court fines, assessments and surcharges included in the Town's financial statements for the year ended June 30, 2013, I noted the Town's financial statements did not include a separate supplementary schedule. Instead, the Town's financial statements included a note disclosure which included the required information. There was no need for an "in-relation-to" opinion as the note disclosure is included in the standard auditor's opinion therefore more assurance was given on the schedule than required.

Section 14-1-208(E)(2) and 14-1-211(D)(2) of the 1976 South Carolina Code of Laws, as amended, states, "The supplementary schedule must be included in the external auditor's report by an "in relation to" paragraph as required by generally accepted auditing standards when information accompanies the basic financial statements in auditor submitted documents.."

The Clerk/treasurer stated she would contact the auditor regarding the requirements.

I recommend the auditor provide the required supplemental information in the format requested.

MUNICIPALITY’S RESPONSE

Town of Springfield
Post Office Box 31
Springfield, South Carolina 29146
Phone (803) 258-3152 Fax (803) 258-3526

June 8, 2015

Office of the State Auditor

RE: Response to State Auditor's Report
June 30, 2014

Thank you for your cooperation and kindness shown to the Town of Springfield during this audit. Please know that any violations found were not intentional. All information you shared is appreciated. The Town of Springfield agrees with the findings by the auditor and will do the following:

Implement procedures to ensure STRRF are prepared timely.

Correct classification error(s) and make necessary adjustment(s) to the Town's accounting records.

Implement procedures to ensure the installment fee is charged and collected.

Implement procedures to ensure the STRRF are submitted on time.

Implement policies and procedures to ensure Victim Assistance revenue is accounted for and deposited in a timely manner.

Contact the external auditor regarding the requirements of the supplementary schedule in the submitted documents.

The Town is in the process of setting up a payment plan for the under reported amounts due to the State Treasurer.

Please feel free to contact me at any time with any questions or concerns in this matter.

Mayor Marilyn McCormick