

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

**State Auditor's Report
April 30, 2006**

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

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State of South Carolina



Office of the State Auditor

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DEPUTY STATE AUDITOR

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October 6, 2006

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

The Honorable Renee Sanders, Clerk of Court
Town of Varnville
Varnville, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain accounting records of the Town of Varnville Municipal Court for the period May 1, 2005 through April 30, 2006, 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

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 Varnville Municipal Court System and to assist the South Carolina Office of the State Auditor in complying with the 2005 - 2006 General Appropriations Act (H. 3716) Section 72.86. Renee Sanders, Clerk of Court for the Town of Varnville 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 2005 - 2006 General Appropriations Act (H. 3716) Section 72.86. 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 May 1, 2005 through April 30, 2006 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's assistance surcharge (Section 14-1-211) for the period May 1, 2005 to April 30, 2006.
- 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 2005 – 2006 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 finding is reported under "TIMELY ACCURATE RECORDING AND REPORTING BY THE TOWN" in the Accountants' Comments section of this report.

3. PROPER VICTIM'S 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, 2005 audited Victims' Rights 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 2005.
- We verified the Victims' Rights Fund reimbursable expenditures were in compliance with Section 14-1-208(E) and Section 14-1-211(B).

Our finding is reported under "PROPER VICTIM'S ASSISTANCE FUNDS ACCOUNTING" title 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 May 1, 2005 to April 30, 2006.
- 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, 2005 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 finding is 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 April 30, 2006 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, Chairmen of the House Ways & Means Committee, Senate Finance Committee, House Judiciary Committee, Senate Judiciary Committee, State Treasurer, Office of Victim Assistance, Chief Justice and the Governor and is not intended to be and should not be used by anyone other than these specified parties.



September 8, 2006

ACCOUNTANTS' COMMENTS

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**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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TIMELY REPORTING BY THE CLERK OF COURT

SUBMISSION DEADLINE AND CUTOFF

CONDITION: The Clerk of Court prints monthly reports of money collected by the office using a monthly cutoff. These reports are submitted to the local treasurer a month in arrears rather than by the 15th of the following month.

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 remit the balance of the assessment revenue to the State Treasurer on a monthly basis by the fifteenth day of each month"

CAUSE: The Town software is not properly used to produce reports that can be submitted in accordance with the law. The software may be unable to run reports based on disposition date of the case when collected.

EFFECT: The Town submits reports and money to the State Treasurer at least 30 days later than the law requires.

AUDITORS' RECOMMENDATION: The Town should print software reports that include only the disposed cases collected for the month and submit the State Treasurer's Revenue report using that information by the 15th of the following month. The Town should determine if their software is compliant with these requirements.

TIMELY ACCURATE RECORDING AND REPORTING BY THE TOWN

SOFTWARE FINE TABLE

CONDITION: The Town software fine table is not correctly programmed for several charges. The software programming issues include charging surcharges when they are not supposed to be charged, not charging surcharges when they should be charged, excluding assessments and charging more than the minimum fine amount.

CRITERIA: South Carolina Code of Law Section 14-1-211(A)(1) states in regards to the Conviction Surcharge "The surcharge must not be imposed on convictions for misdemeanor traffic offenses." Proviso 73.2(A) of the 2005-2006 Budget Bill states in regard to the Law Enforcement Surcharge " In addition to all other assessments and surcharges, during the current fiscal year, a twenty-five dollar surcharge is also levied on all fines, forfeitures, escheatments, or other monetary penalties imposed in the general sessions court or in magistrates' or municipal court for misdemeanor traffic offenses or for nontraffic violations.

CAUSE: The Town has not properly maintained their software.

EFFECT: The reports the Town Clerk prints do not include the amounts that should have been charged for the fine, assessment and surcharge on many fines and therefore is not providing the correct amounts to be reported to the State on the Revenue Remittance forms.

AUDITORS' RECOMMENDATION: The Town should immediately correct the fine table so that the proper fine amount, assessment and surcharges are used for each fine. The Town should assess the probable under and over payments to the state and consider revising State Treasurer's Revenue Remittance forms previously submitted.

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CHILD RESTRAINT FINE

CONDITION: The Child Restraint violation is levying a fine in excess of the required \$25.

CRITERIA: Section 56-5-6450 states "A person adjudicated to be in violation of the provisions of this Article must be fined not more than twenty-five dollars, no part of which may be suspended." No assessments or surcharges shall be added to violations of the child passenger restraint systems either.

CAUSE: The software fine tables have been set up incorrectly.

EFFECT: The Town has collected money from violators of the Child Restraint law that it should not have collected.

AUDITORS' RECOMMENDATION: The Town should have the fine tables corrected so that the proper amounts are collected for the Child Restraint violation. The Town should assess its liability for assessing and collecting too much from violators.

NONCURRENT FINE COLLECTIONS

CONDITION: The Town collects fines that have disposal dates prior to 2004. The Town's software will not process fines with a disposal date prior to 2004. The Town Clerk calculates these fines manually. They are not done correctly.

CRITERIA: Fines are to be assessed the assessments and surcharges applicable on their disposal date. Collections should be allocated to each of these assessments and surcharges.

CAUSE: The Clerk was not using the correct formulas to allocate to each assessment and surcharge in effect at the time.

EFFECT: None of the amounts collected for older fines was allocated in accordance with the law in effect at the disposal date of the fine. Amounts paid to the State in accordance with this incorrect allocation were in excess of the amounts that should have been paid.

AUDITORS' RECOMMENDATION: The Town should properly allocate non-current fines.

PROPER VICTIM'S ASSISTANCE FUNDS ACCOUNTING

VICTIMS' ASSISTANCE REVENUES

CONDITION: Based on all the findings related to improper fine, assessment and surcharge allocation and assessment, the Victims' Assistance revenues cannot be calculated properly.

CRITERIA: In general, all fines should have assessments, with certain exceptions. The Victims' Assistance portion of the assessment is 11.16% according to Section 35.11 of the General Appropriations Act. South Carolina Code of Laws Section 14-1-211 Surcharge should be charged on every criminal violation.

CAUSE: The software fine tables were not set up properly. The Town Clerk improperly allocated non-current fines' payment collections.

EFFECT: The amounts recorded for revenue could not be correct.

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AUDITORS' RECOMMENDATION: The Town should determine if the software errors could be corrected retroactively. The Town should determine and implement procedures to ensure that revenues for Victims' Assistance are correctly recorded prospectively and corrected for past errors.

VICTIMS' ASSISTANCE CARRY FORWARD BALANCE

CONDITION: The Town has a separate fund for the Victims' Assistance money and a separate bank account that contains the money. The bank balance and the fund cash balance do not agree. There was no reconciliation provided that identified the reconciling items. The difference was \$67.

CRITERIA: Generally accepted accounting principles require a reconciliation periodically to ensure that all necessary entries are reflected in the accounting records.

CAUSE: The Town Treasurer had not yet reconciled.

EFFECT: The Victims' Assistance fund may not reflect every transaction.

AUDITORS' RECOMMENDATION: The Town should design and implement procedures to ensure that reconciliations are done timely and adjustments are reflected in the accounting records.

TIMELY ACCURATE REPORTING TO THE STATE TREASURER

TIMELY FILING AND RETAINING COPIES

CONDITION: The Town did not provide us copies of all the State Treasurer's Revenue Remittance Reports for the period of May 1, 2005 through April 30, 2006. They retained a copy of five months of Revenue Remittance forms. None were timely filed.

CRITERIA: South Carolina Code of Laws Section 14-1-208(B) states "The city treasurer must remit ... the assessment revenue to the State Treasurer on a monthly basis by the fifteenth day of each month"

CAUSE: The Town had moved from an old location to a new Town Hall and had misplaced several files related to Revenue Remittance Forms. The Town Clerk and Treasurer have many responsibilities that place demands on their time. The reports are submitted as early as feasible.

EFFECT: The law regarding the timeliness of filing was not complied with.

AUDITORS' RECOMMENDATION: We recommend the Town design and implement procedures to ensure and document compliance with the law.

STATE TREASURER'S REVENUE REMITTANCE FORM

CONDITION: The Town has software programming errors in the fine table that have caused material differences in the fines that were assessed and the fines that should have been assessed. The Town Treasurer did not use the numbers the software-generated reports provided. Although the numbers the software generated were incorrect, there appears to be no apparent reason documented for not using them. Some numbers were just ignored. Given these two conditions, the Revenue Remittance forms and the amounts due they represent cannot be correct.

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CRITERIA: The instructions for the State Treasurer's Revenue Remittance form require that the form contain the data for the fines, assessments and surcharges that are due the State from the previous month collections.

CAUSE: The Treasurer made errors in transferring data from the software-generated reports to the State Treasurer's Revenue Remittance forms.

EFFECT: The Revenue Remittance forms contain data that is at least one month in arrears from the time that it was collected. The data is not correct based on the errors in the fine table. The data is not complete based on data that was ignored by the Town Treasurer when the form was prepared.

AUDITORS' RECOMMENDATION: We recommend the Town implement procedures to ensure that Revenue Remittance forms are properly completed prospectively. The Town should determine the cumulative effect of the errors made on past forms and correct as necessary.

SCHEDULE OF FINES AND ASSESSMENTS

CONDITION: The Town had recently changed its fiscal year end. We scanned both the December 2004 and June 2005 year-end financial statements and did not find the required schedule.

CRITERIA: South Carolina Code of Laws Section 14-1-208(E) requires that a schedule be included in the Town financial statements and audited with an "in-relation-to" opinion.

CAUSE: The Town was unaware of the requirement.

EFFECT: The Town was not in compliance with South Carolina Code of Laws Section 14-1-208(E).

AUDITORS' RECOMMENDATION: We recommend the Town prepare a schedule to include in the year-end financial statement and have it audited annually.

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SECTION B - OTHER WEAKNESSES NOT CONSIDERED MATERIAL

The conditions described in this section have been identified as weaknesses subject to correction or improvement but they are not considered material weaknesses or violations of State Laws, Rules, or Regulations.

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TIMELY ACCURATE RECORDING AND REPORTING BY THE TOWN

ACCOUNTING

CONDITION: The Town batch processes journal entries into its accounting records. These entries are processed as time permits. The Court money entries are not processed timely in most months.

CRITERIA: South Carolina Code of Laws section 14-1-208(E)(4) 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"

CAUSE: The Town Treasurer's procedures do not require timely processing of entries.

EFFECT: The Town's accounting records are not on the accrual basis.

AUDITORS' RECOMMENDATION: The Town should design and implement policies that require monthly reconciliations and journal entries that are done timely.



Town of Varnville

October 25, 2006

RE: Response to State Auditor's Report Evaluating the Town of Varnville's Municipal Court System

The Town's software is currently being examined to determine if it is capable of producing reports that can be submitted in accordance with the law.

The software fine table has already been corrected so that the proper fine amount, assessment, and surcharges are being used for each fine.

If we find, upon completion on our software evaluation, that problems still exist, a new system will be purchased that is fully compliant with all state laws.

Sincerely,

A handwritten signature in cursive script that reads "K.M. Simmons".

K.M. Simmons
Town Administrator