

**TOWN OF CROSS HILL MUNICIPAL COURT
CROSS HILL, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2014

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State of South Carolina



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June 5, 2015

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

The Honorable Thomas P. Kitchens, Chief Judge
Ms. Ree Simpson, Town Clerk/Treasurer
Town of Cross Hill
Cross Hill, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain accounting records of the Town of Cross Hill 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 black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

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

RHGjr/trb

STEVEN L. BLAKE, CPA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 5, 2015

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

The Honorable Thomas P. Kitchens, Chief Judge
Town of Cross Hill Municipal Court
Cross Hill, South Carolina

Ms. Ree Simpson, Town Clerk/Treasurer
Town of Cross Hill
Cross Hill, South Carolina

I have performed the procedures described below, which were agreed to by the Town of Cross Hill Municipal Court, solely to assist you in evaluating the performance of the Town of Cross Hill Municipal Court for the period July 1, 2013 through June 30, 2014, in the areas addressed. The Town of Cross Hill 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 Cross Hill 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 judgmentally 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 judgmentally selected recorded court receipt transactions to determine that the receipts were allocated in accordance with applicable State law.

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and
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Town of Cross Hill
June 5, 2015

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, 2013 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 determined that the amounts reported by the municipality on its supplemental schedule of fines and assessments agreed to the State Treasurer's Revenue Remittance Forms submitted by the municipality for the twelve months ended December 2011.
- I determined that the municipality's supplemental schedule of fines and assessments contained all the required elements in accordance with state law.

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.

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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.

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

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 March 31, 2007, dated October 10, 2007, to determine if the municipality had taken adequate corrective action.

My findings as a result of these procedures are presented in Section C 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, Chairman of the House Ways and Means Committee, Senate Finance Committee, House Judiciary Committee, Senate Judiciary Committee, members of the Municipal Council, Municipal Clerk of Court, Municipal 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

Adherence to Fine Guidelines

During my test of Court collections and remittances, I noted one instance in which the Court did not fine the defendant in accordance with State law. I determined that the Court assessed one individual \$55 for a seatbelt violation instead of \$25.

Section 56-5-6540(A) of the 1976 South Carolina Code of Laws, as amended, states, "A person who is 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."

The Town Clerk stated she erred when assessing the seatbelt violation fine.

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

Assessment Allocation

The Town allocates the 107.5% assessment at month-end between the State and Victim Assistance as follows: State - 93% and Victim Assistance - 7% respectively. The improper allocation percentage resulted in the Town overpaying the State and thus underpaying Victim Assistance \$365.37 for the procedures period.

The Court Administration Fee Memorandum dated June 28, 2013, states "The amount collected as assessments must be forwarded each month to the Municipal Treasurer, who shall retain 11.16% of the revenue generated by the assessment for the municipality and transmit the remaining 88.84% by the fifteenth of each month to the State Treasurer on forms and in a manner prescribed by him. The 11.16% retained by the municipality must be used exclusively for providing victim services ..."

The Town Clerk stated she used a spreadsheet she received from the previous clerk to allocate the assessment and made no changes to it.

I recommend the Town correct the assessment allocation percentage and allocate the assessment in accordance with State law.

Supporting Documentation Not Available

Two of the twenty-five tickets I judgmentally selected were unavailable for testing.

Section 14-1-208 (E)(4) of the 1976 South Carolina Code of Laws, as amended, 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 and make those records available for review."

The Town Clerk stated the tickets had been misfiled and were unavailable.

I recommend the Town maintain records required to be reviewed and store them in a manner which allows them to be retrieved.

TIMELY, ACCURATE RECORDING AND REPORTING BY THE TOWN TREASURER

Supplementary Schedule

During my test of Municipal Court collections and remittances I obtained the December 31, 2011 financial statements, the latest audit available. I determined that the Town reported victim assistance financial activity on the supplemental schedule of fines and assessments in accordance with applicable State law. The Town did not report total fines collected and retained in accordance with State law.

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: (a) all fines collected by the clerk of court for the municipal court; ... (c) the amount of fines retained by the municipal treasurer;”

The Town Clerk did not know why the schedule did not include all the required elements.

I recommend the Town establish and implement policies and procedures to ensure all the required elements are reported in the supplementary schedule in accordance with State law.

VICTIM ASSISTANCE FUNDS

The Town did not timely deposit funds collected for victim assistance into a separate account as required by State law.

Section 14-1-208 (B) of the 1976 South Carolina Code of Laws, as Amended, 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 and make reports on a form and in a manner prescribed by the State Treasurer.”

The Town Clerk stated she was not aware that to be timely the deposits should be monthly. She stated she will begin submitting the victim assistance money on a monthly basis.

I recommend the Town submit the money 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 violations of State Laws, Rules or Regulations.

SEGREGATION OF DUTIES AND CROSS-TRAINING

The Treasurer is also the Clerk of Court and maintains all Town and Court finance and court records and does the finance tasks for the Town.

In Supreme Court Justice Toal's March 13, 2007 order regarding Magistrate Court Financial Accounting, Section II, item F. states "Unless a magistrate court has only one employee, receiving of funds shall be done by a person not responsible for maintaining and reconciling financial records" and Section VII, item A. "All magistrates and their staff shall be cross-trained so as to ensure that proper procedures are followed in the absence of a staff member or a magistrate."

While the court technically has only one employee, the Town does have the Judge reconcile all court collections with adjudicated tickets in the Clerk's presence and the Judge deposits all court collections and writes the Town a check to memorialize the transaction on his records.

I recommend the Town consider if it is using its resources efficiently to provide the optimum internal control opportunities.

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 State Auditor's Report on the agreed upon procedures for the Town of Cross Hill municipal court system for the twelve months ended March 31, 2007, and dated October 10, 2007. I determined that the Town of Cross Hill has taken adequate corrective action on the deficiencies titled Lack of Victim Assistance Accounting, Timely Filing and Not Documenting Timeliness. This corrective action included developing an accounting process to account for victims' assistance revenues for deposit in the separate bank account and documenting timeliness and filing timely.

I have repeated Adherence to Judicial Fine Guidelines, Inconsistently Applying Surcharges and Assessments and Required Supplemental Schedule of Fines and Assessments in Section A of the current report.

MUNICIPALITY'S RESPONSE

The management of the Town of Cross Hill 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.