

**TOWN OF SELLERS MUNICIPAL COURT**

**SELLERS, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2014**



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# State of South Carolina



## Office of the State Auditor

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

(803) 253-4160  
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February 2, 2015

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

The Honorable Bobbi J. Hercules, Chief Judge  
The Honorable Barbara Ann Hopkins, Mayor  
Town of Sellers  
Sellers, South Carolina

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

February 2, 2015

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

The Honorable Bobbie J. Hercules, Chief Judge  
Town of Sellers Municipal Court  
Sellers, South Carolina

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

My findings as a result of these procedures are presented in Timely Submission of State Treasurer's Revenue Remittance Form, Victim Assistance Funds and STRRF Errors in the Accountant's comments section of this report.

The Honorable Nikki R. Haley, Governor  
and  
The Honorable Bobbie J. Hercules, Chief Judge  
Town of Sellers Municipal Court  
February 2, 2015

## 2. Municipal Treasurer

- I gained an understanding of the policies and procedures established by the municipal treasurer to ensure timely reporting by the municipality.
- I obtained copies of all court remittance forms or equivalents and tested each monthly remittance form to ensure 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 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.

Our findings as a result of these procedures are presented in Court Bank Account, Court Software and Procedures, Segregation of Duties and Cross-training, Manual Calculations and Monthly Reconciliations 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 ensure 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 ensure that the municipality expended victim assistance funds in accordance with State law and South Carolina Court Administration Fee Memoranda, Attachment I.
- I determined that the municipality reported victim assistance financial activity on the supplemental schedule of fines and assessments in accordance with applicable State law.

The Honorable Nikki R. Haley, Governor  
and  
The Honorable Bobbie J. Hercules, Chief Judge  
Town of Sellers Municipal Court  
February 2, 2015

- 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.

Our 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, to determine if the municipality had taken adequate corrective action.

The results of my follow-up 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, Chairmen 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 ensure 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 SUBMISSION OF STATE TREASURER'S REVENUE REMITTANCE FORM**

I obtained copies of all State Treasurer Revenue Remittance Forms (STRRF) prepared during the procedures period. I determined that ten out of twelve STRRF were not submitted to the State Treasurer by the fifteenth day of the month as required by State law. The Town submitted the forms from two to eighty-one days late.

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 judge stated the Town's cash flow did not always 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.

## **VICTIM ASSISTANCE FUNDS**

During my test of Municipal Court collections and remittances I noted the following:

- The Town did not timely deposit into a separate account funds collected for victim assistance as required by State law.
- November 2013 victims assistance funds collected were not deposited into the victims' assistance bank account. The town owes the victims' assistance fund \$126.

The Town maintains a separate bank account for its Victims' Assistance funds but has not established a separate general ledger account for Victims' Assistance accounting transactions. Because the Town comingles Victims' Assistance accounting transactions with other Town financial transactions the beginning of year and end of year fund balances for Victims' Assistance are not readily determinable. However, the Town was able to provide documentation demonstrating that the amounts reported on the schedule of fines, assessments and surcharges, that is included in the Town's June 30, 2013 audited financial statements, reconciled to its Victims' Assistance bank account.

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.”

The judge stated the Town’s cash flow did not always allow for timely deposits.

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. I also recommend the Town establish a separate general ledger account to ensure the transparency of its Victims’ Assistance funds.

### **STATE TREASURER’S REVENUE REMITTANCE FORM ERRORS**

The Town’s November 2013 and May 2014 STRRF contained the following errors. The Town under-reported \$23.86 on line L and \$3.00 on Line N and over-reported \$25.00 on line K and \$5 on line KA.

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

I determined that the errors occurred because receipt dates were changed in the court software system. The receipt date changes caused amounts to be reported twice and therefore caused duplicate payments. The errors were not detected because the Town’s current internal controls do not include adequate reconciliation controls or independent reviews and approvals. The lack of reconciliation controls allows tickets to be overlooked.

The judge stated Town finances prevent them from updating the court software system and her workload does not always allow her time to reconcile assessments paid. She recently implemented a process regarding receipt date changes that should eliminate duplicate payments.

I recommend the Town establish and implement policies and procedures to ensure the STRRF’s are accurate and complete. I also recommend the Town adjust its next STRRF to reflect the errors noted above.

## **SECTION B – OTHER WEAKNESSES**

The conditions described in this section have been identified while performing agreed-upon procedures but they are not considered violations of State Laws, Rules or Regulations.

## **COURT BANK ACCOUNT**

The Town's court bank account has a book balance of approximately \$18,000 at June 30, 2014. The clerk could not provide a list of individual defendants and the amount remitted by the defendants that comprise the account balance.

Supreme Court Justice Toal issued a court order to county magistrates, dated March 13, 2007. Section VI, item F. states, "Each month the magistrate court shall reconcile the bank statement to the dockets by adding the total of the disposed traffic docket, the total of the disposed criminal docket, the total pending civil docket, the total of the outstanding bond list, and other monies on deposit. The total of these items should equal the total of the bank account or bank accounts." While this order is directed to county magistrate courts, it could also be applied to municipal courts to improve overall internal control over financial activity.

The Town does not maintain a subsidiary ledger or other supporting schedules that enables it to readily identify the individuals that comprise the balance in its court bank account. Without knowledge of whose money is in the account it is impossible to properly account for the funds in accordance with State laws.

The judge stated the accounting software used by the Town does not provide this information.

I recommend that the Town reconcile the bank statement in accordance with the above procedure so that an accounting of all funds and their source will be maintained.

## **COURT SOFTWARE AND PROCEDURES**

The Town's accounting software system does not provide all the reports required to properly account for court funds in accordance with suggested minimum standards. In addition to the system's reporting deficiency I noted the following:

- The software does not include controls to prevent unauthorized changes.
- The system cannot provide a receipt report for a given period.
- The system purportedly assigns receipt numbers in sequence automatically however; I noted significant gaps in the numerical sequence of cash receipts.
- Dates are easily changed. Date changes affects report totals of funds due the State, Town and Victims' Assistance. Sometimes dates are changed after the reports have already been filed.

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 uses an obsolete and archaic court software system. The system is not well documented or understood by the users of the system.

The judge stated the Town has limited funds to purchase software and to provide training to staff and maintenance of the system.

The Town's current court system is not adequate. I recommend the Town develop a plan to identify ways to improve accountability over its court financial activity to ensure compliance with State laws, rules and regulations. I recommend that it network with other neighboring towns to identify best practices and implement changes to ensure compliance.

### **SEGREGATION OF DUTIES AND CROSS-TRAINING**

The judge also functions as the clerk of court and in this capacity maintains all court finance and court records. The clerk of court duties includes preparing the payroll and performing other finance tasks for the Town.

Section II, item F of Supreme Court Justice Toal's March 13, 2007 court order to county magistrates 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". Section VII, item A. states, "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." This order is directed to county magistrate courts, but it could also be applied to municipal courts to improve overall internal control over financial activity.

While the court technically has only one employee, the Town does have another employee. The Town also uses the services of a certified public accounting firm to reconcile bank statements to the general ledger, code deposits to revenue accounts and provide an updated trial balance. Therefore it does have other resources available that could address the current lack of segregation of duties and ensure continuity.

The judge stated that the Town's limited funds do not allow for excess time to cross-train or allow for additional time to complete tasks together.

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

### **MANUAL CALCULATIONS**

The Town performs manual calculations to allocate amounts due to the State Treasurer, the Town and Victims' Assistance. The sum of these individual calculations often do not equal the total amount allocated due to rounding. The rounding errors occur because formulas used are not precise. While the amount of the difference is immaterial, the rounding errors cause differences between the amount remitted and the amount due to each entity.

In Supreme Court Justice Toal's March 13, 2007 court order regarding Magistrate Court Financial Accounting, section V, item B. it states, "Remittances must balance with the appropriate docket sheet(s)."

Because of the obsolete software system used by the Town, manual calculations are necessary to obtain the amounts due to the State Treasure, the Town and Victims' Assistance.

The judge stated she developed these formulas with South Carolina Judicial Department assistance.

I determined that the immaterial rounding errors were attributable to the methodology used to calculate the allocation. That is, instead of dividing the total assessment and fine amounts by 2.075 the Town divides the amounts by 207.5. The difference in the two calculations, even though minor, caused the rounding errors. Changing the formula would correct the rounding errors and also improve efficiency, because it would eliminate one step that is currently being performed, making it more accurate and reducing the chances of human error. I also recommend reconciling the allocated amounts and verifying they equal the total from the appropriate docket sheets.

### **MONTHLY RECONCILIATIONS**

The court does not perform timely monthly reconciliations between the court's docket of adjudicated tickets and deposits made during the month.

Section V, item B. of Justice Toal's March 13, 2017 court order to county magistrates states, "The remittance must include a full and accurate statement of all monies collected ... on account of fines during the past month together with the title of each case in which a fine, fee, or cost has been paid. Remittances must balance with the appropriate docket sheet(s)." While this order is directed to county magistrate courts, it could also be applied to municipal courts to improve overall internal control over financial activity.

Because the court does not perform timely reconciliations of its court docket to its bank deposits it could unknowingly cause fines, fees and assessments to be over or under allocated and remitted to the State Treasurer, Town and/or Victims' Assistance.

The judge stated the system the Town relies on is not well documented or understood by its users. Users of the system have only recently been made aware that system generated reports are "receipt date" driven. The court has not been consistent in the date it uses to enter transactions in the system, that is, sometimes it inputs the date the payment was received and other times it uses the date the transaction was input into the system. To further complicate matters, dates can be changed in the system which changes report results after reports have been printed.

I recommend the Town/Court perform monthly reconciliations that are timely. In addition, the court should use the "receipt date" instead of "input date". Finally, the Court should discontinue changing the dates after the transaction has been entered and reports have been run.



### **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 Sellers municipal court system for the twelve months ended March 31, 2007, and dated May 2, 2007. I determined that the Town of Sellers has taken adequate corrective action on the deficiencies titled Adherence to Judicial Fine Guidelines, Fines without Assessments and Surcharges, Incorrect Assessment Percentage, No Documentation to Support Withdrawal, Lack of Proper Accounting and Required Supplemental Schedule of Fines and Assessments. This corrective action included adhering to the guidelines in sentencing defendants, developing a manual process to properly calculate and allocate monies collected between fines, assessments and surcharges and thereby accounting for victims' assistance revenues for deposit in the separate bank account. They have completed an audit which contained the Schedule of Fines and Assessments.

I have repeated Timely Reporting and Timely Filing in Section A of the current report and Segregation of Duties and General Ledger and Monthly Accounting in Section B.

# MUNICIPALITY'S RESPONSE

## **TOWN OF SELLERS**

Site: 2552 Hwy 301 ◊ Mailing: PO Box116 ◊ Sellers, SC 29592

Ph: 843-752-5009 ◊ Fax: 843-752-9338

*The Honorable Barbara Hopkins, Mayor*

### **RESPONSE TO STATE AUDITOR'S REPORT AS OF JUNE 30, 2014**

February 23, 2015

Mr. Steve Blake, State Auditor  
209 Brittany Road  
Gaffney, SC 29341

Dear Mr. Blake,

We have reviewed the final draft of the State Auditor's Report for the fiscal year 2013-2014. Please accept the following as our response to the findings:

**1. TIMELY SUBMISSION OF STATE TREASURER'S REVENUE REMITTANCE FORM**

A. As promised after the 2007 report, corrective action was taken, however, due to circumstances beyond our control there were times when we were unable to meet the mandated deadline. It is not our intent to disregard Section 14-1-208(B) of the South Carolina Code of Laws, therefore, we will follow the required mandate.

**2. VICTIM ASSISTANCE FUNDS**

- A. Corrective action has been taken to ensure timely deposits of Victim Assistance Funds.
- B. A separate General Ledger has been set up to ensure transparency of all Victim Assistance Funds.

**3. STRRF ERRORS**

- A. We are in the process of setting up internal reconciliation controls to include independent reviews and approvals before the STRRF is submitted.
- B. We have taken steps to ensure that receipt date changes do not occur so that duplicate payments will not happen in the future, thereby permitting accuracy in all line items.
- C. At present, we are adjusting our records to reflect the errors brought to our attention regarding the errors on the STRRF.

**SECTION B - OTHER WEAKNESSES**

- 1. A. We are taking steps to ensure proper identification of all individuals that comprise the balance in the court's bank account. The Town will reconcile the bank statement in accordance with generally accepted accounting principles.

## TOWN OF SELLERS

Site: 2552 Hwy 301 ◊ Mailing: PO Box 116 ◊ Sellers, SC 29592

Ph: 843-752-5009 ◊ Fax: 843-752-9338

*The Honorable Barbara Hopkins, Mayor*

Response To State Auditor's Report as of June 30, 2014 cont'd

### 2. COURT SOFTWARE AND PROCEDURES

- A. The current software was setup in 2001. We are comparing other computerized software to provide the necessary calculations to ensure improved accountability.

### 3. SEGREGATION OF DUTIES AND CROSS-TRAINING

- A. Cross-training is occurring internally at the present time. However, it is not extensive due to the newness of the staff, and only one court employee. Although we have not been able to move forward as quickly as we would like to, the Certified Public Accountant does reconcile bank statements to the general ledger, code deposits and provide updated trial balances.
- B. The Town's funds are limited. Funding does not provide for a forty-hour work week. However, we are reviewing our resources to ensure that optimum internal control opportunities be utilized to the Town's advantage.

### 4. MANUAL CALCULATIONS

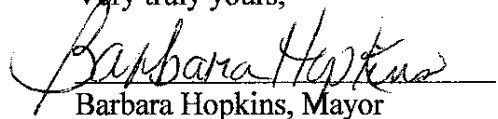
- A. As stated in 2(A) above, we believe we will improve greatly because of the Clerk Fine Calculator and the assistance provided through the South Carolina Judicial Department. The software used by the Town is definitely obsolete. We are reviewing the possibility of obtaining a new system with the necessary software that will eliminate manual calculations and prevent errors in calculations.
- B. We have eliminated the possibility of rounding errors. Instead of dividing the total assessment and fine amounts by 207.5, we are using 2.075 to prevent rounding and improve efficiency in reporting.

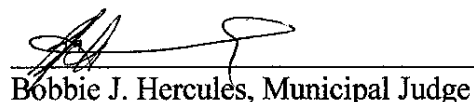
### 5. MONTHLY RECONCILIATIONS

- A. The court will perform monthly reconciliations. The receipt date will be used in future data entries.

Mr. Blake, we thank you so very kindly for the courteous service rendered to the Town of Sellers. The information contained in the report will be used to the utmost for conducting internal procedures and making correct and timely reports to the South Carolina State Treasurer's office.

Very truly yours,

  
Barbara Hopkins, Mayor

  
Bobbie J. Hercules, Municipal Judge

cc: Town Council, File