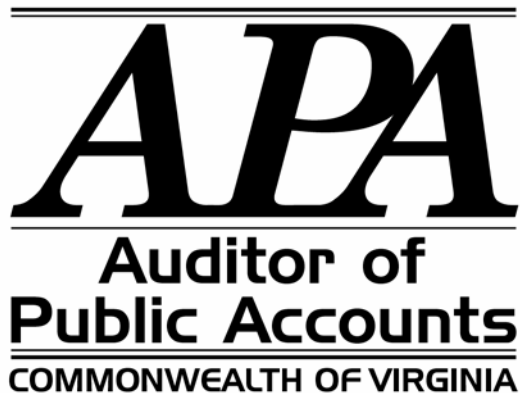


**STATEWIDE REPORT ON COLLECTIONS
OF COMMONWEALTH REVENUES
BY LOCAL CONSTITUTIONAL OFFICERS**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2005**



- TABLE OF CONTENTS -

	<u>Pages</u>
INTRODUCTION LETTER	1
INTERNAL CONTROL AND COMPLIANCE FINDINGS:	
Treasurers	2
Commissioners of Revenue	2
Sheriffs	3
SCHEDULE A: SUMMARY OF COLLECTIONS	4



Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

October 20, 2005

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We are pleased to submit the statewide **Report on Collections of Commonwealth Revenues by Local Constitutional Officers** for the fiscal year ended June 30, 2005. The Auditor of Public Accounts annually audits each constitutional officer or director of finance handling state funds to determine that these officials have maintained accountability over Commonwealth collections, established internal controls, and complied with state laws and regulations. This statewide report summarizes our findings that we have previously communicated to the individual Treasurers, Commissioners of the Revenue, Sheriffs, and the respective local governing body upon completing our individual audits. Constitutional officers, excluding Clerks of the Circuit Court, collected \$385,189,873 in Commonwealth revenues for fiscal year 2005, as detailed in Schedule A. Clerks of the Circuit Court maintain separate accounting records and we issue separate reports for each Clerk's Office.

Our audits resulted in findings at eight localities. We have listed the findings by constitutional officer and locality.

We limited our work in local government to the collection of Commonwealth revenues. The local governments hire certified public accountants to audit all other local government financial activities. These firms issue separate reports on the results of their audits.

WJK:kva

AUDITOR OF PUBLIC ACCOUNTS

INTERNAL CONTROL AND COMPLIANCE FINDINGS

TREASURERS

Properly Assess Interest

Counties of Cumberland and Smyth

Treasurers erroneously set their automated system and as a result, the calculation of interest on unpaid state income taxes was not in accordance with section 58.1-351 of the Code of Virginia. Treasurers should update their system to ensure they charge interest on unpaid state income taxes based on the proper interest rate and period of time as set forth in the Code of Virginia.

Properly Remit Sheriff's Fees

Counties of Nelson and Southampton and City of Hopewell

Treasurers did not properly calculate and remit the state's share of sheriff's fees as required by Section 2.2-806(B) of the Code of Virginia. The Treasurers in Nelson and Southampton Counties classified and deposited a portion of the sheriff's fees to a local account rather than remitting the funds to the Commonwealth. Also, the Treasurers in Southampton County and Hopewell City delayed transferring sheriff's fees to the Treasurer of Virginia for up to 40 days. In the future, Treasurers should comply with the requirements of the Code of Virginia.

Reconcile State Taxes to Commonwealth Reports

City of Salem

The Treasurer did not reconcile state income tax assessments and collections to the state's Commonwealth Accounting and Reporting System (CARS). The Department of Accounts sends Treasurers monthly reports summarizing assessments, collections, and uncollected balances. The Treasurer should use these reports to reconcile assessments and collections to CARS monthly. This will ensure complete and accurate recording of state tax assessments and collections in the city's general ledger.

COMMISSIONERS OF THE REVENUE

Properly Reconcile and Report Assessments

City of Salem

The Commissioner of Revenue did not reconcile her daily assessment reports to her monthly recapitulation report as reported to the Department of Taxation. Consequently, the Commissioner of Revenue erroneously reported a zero total instead of reporting \$122,186.05 for May 2005 assessments for 2004 state income taxes. The Commissioner of Revenue should immediately file a corrected monthly assessment for this amount. This will resolve a reconciling item between the City Treasurer's general ledger and the state's Commonwealth Accounting and Reporting System. In the future, the Commissioner of Revenue should reconcile her daily assessment totals to her monthly assessment totals to ensure the monthly recapitulation report required by the Department of Taxation's guidelines is accurate.

SHERIFFS

Reconcile Bank Statement

County of Warren and City of Winchester

Sheriffs did not properly reconcile their official bank accounts for fiscal year 2005 as recommended by the Virginia Sheriff's Accounting Manual. Sheriffs should perform monthly bank reconciliations to ensure the proper accounting for funds and timely recognition of errors.

Promptly Deposit and Remit Sheriff's Fees

County of Warren

The Sheriff deposited civil fees into his official bank account only once a month. The Sheriff should follow the accounting practices for civil fees as outlined in the Virginia Sheriff's Accounting Manual, page 46, which states, "Daily deposit all collections into the Sheriff's official bank account intact, if receipts total \$200 or more. If receipts total less than \$200 in a day, accumulate daily receipts until they total \$200. But always deposit no less frequently than weekly."

In addition, the Sheriff delayed remitting sheriff's fees to the County Treasurer for up to nine business days for 10 of 11 months tested. Section 15.2-1609.3 of the Code of Virginia, requires the Sheriff to remit fees to the County Treasurer on or before the tenth of the month following collections. The Sheriff should comply with remittance requirements as outlined in the Code of Virginia.

SUMMARY OF COLLECTIONS

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Income taxes	\$123,731,127	\$105,661,600	\$ 97,207,296
Estimated income taxes	251,395,616	206,831,820	209,152,920
Penalty	340,958	345,555	365,801
Interest	44,445	40,212	46,596
Commonwealth's portion of Sheriff's fees	9,479,028	8,717,641	9,034,967
Commonwealth Attorney's excess collection program fees	<u>198,699</u>	<u>102,271</u>	<u>107,425</u>
Total	<u>\$385,189,873</u>	<u>\$321,699,099</u>	<u>\$315,915,005</u>