

COLLECTIONS OF COMMONWEALTH REVENUES

by

LOCAL CONSTITUTIONAL OFFICERS

STATEWIDE REPORT

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2004**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

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Commonwealth of Virginia

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

Walter J. Kucharski, Auditor

October 14, 2004

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, 2004. 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 and Sheriffs, and the respective local governing body upon completing our individual audits. Constitutional Officers, excluding Clerks of the Circuit Courts, collected \$321,699,099 in Commonwealth revenues for fiscal year 2004, as detailed in Schedule A. Clerks of the Circuit Courts maintain separate accounting records and we issue separate reports for each Clerk's Office.

Our audits resulted in findings at 15 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.

AUDITOR OF PUBLIC ACCOUNTS

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INTERNAL CONTROL AND COMPLIANCE FINDINGS

TREASURERS

COUNTY OF ACCOMACK

Remit Collections Timely

The Treasurer delayed remitting state tax collections up to three business days for six of ten days tested. Section 2.2-806(A) of the Code of Virginia requires Treasurers to remit all state tax collections within one day of receipt. The Treasurer should remit all state tax collections as required.

COUNTY OF AMHERST

Update Interest Tables

The Treasurer did not update his state tax accounting system to reflect changes in interest rates published by the state's Department of Taxation. The Treasurer should review the quarterly Virginia Tax Bulletin and promptly update the system when the rate changes.

COUNTY OF BLAND

Properly Remit Sheriff's Fees

The Treasurer did not remit sheriff's fees totaling \$396 to the Commonwealth as required by Section 2.2-806(B) of the Code of Virginia. For two deposits, the Treasurer classified and deposited the sheriff's fees to a local account rather than remitting the funds to the Commonwealth. The Treasurer should comply with deposit requirements of state funds as outlined in the Code in Virginia. The Treasurer remitted these funds to the Commonwealth subsequent to the audit.

Reconcile State Taxes to Commonwealth Reports

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 county's accounting system.

COUNTY OF CLARKE

Reconcile State Taxes to Commonwealth Reports

The Treasurer did not reconcile state income tax assessments and collections to the state's Commonwealth Accounting and Reporting System (CARS) for the months of March 2004

through August 2004. 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 county's accounting system.

COUNTY OF FRANKLIN

Properly Remit Sheriff's Fees

The Treasurer did not remit sheriff's fees totaling \$3,444 to the Commonwealth as required by Section 2.2-806(B) of the Code of Virginia. For two deposits, the Treasurer classified and deposited the sheriff's fees to a local account rather than remitting the funds to the Commonwealth. The Treasurer should comply with deposit requirements of state funds as outlined in the Code in Virginia. The Treasurer remitted these funds to the Commonwealth subsequent to the audit.

COUNTY OF LEE

Reconcile State Taxes to Commonwealth Reports

The Treasurer did not reconcile state income taxes 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 to CARS monthly. This will ensure complete and accurate recording of state tax assessments and collections in the county's accounting system.

COUNTY OF NELSON

Remit Collections Timely

The Treasurer delayed remitting state tax collections up to 7 business days for 6 of 20 days tested. Section 2.2-806(A) of the Code of Virginia requires Treasurers to remit all state tax collections within one day of receipt. The Treasurer should remit all state tax collections as required.

COUNTY OF ORANGE

Update Interest Tables

The Treasurer did not update her state tax accounting system to reflect changes in interest rates published by the state's Department of Taxation. The Treasurer should review the quarterly Virginia Tax Bulletin and promptly update the system when the rate changes.

Properly Remit Sheriff's Fees

The Treasurer did not remit sheriff's fees totaling \$2,068 to the Commonwealth as required by Section 2.2-806(B) of the Code of Virginia. For two deposits, the Treasurer classified and deposited the sheriff's fees to a local account rather than remitting the funds to the Commonwealth. The Treasurer should comply with deposit requirements of state funds as outlined in the Code in Virginia. The Treasurer remitted these funds to the Commonwealth subsequent to the audit.

COUNTY OF ROCKBRIDGE

Reconcile State Taxes to Commonwealth Reports

The Treasurer did not reconcile state income tax assessments and uncollected balances to the state's Commonwealth Accounting and Reporting System (CARS) for the months of February 2004 through June 2004. 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 county's accounting system.

COUNTY OF SOUTHAMPTON

Remit Sheriff's Fees Promptly

The Treasurer delayed transferring sheriff's fees to the Treasurer of Virginia on 12 of the 21 days tested for up to 22 business days. Section 2.2-806B of the Code of Virginia requires treasurers to remit fees weekly, or twice each week when collections exceed \$5,000. The Treasurer should send fees as required by the Code of Virginia.

COUNTY OF STAFFORD

Remit Tax Collections Timely

The Treasurer delayed remitting state tax collections up to 5 business days for 8 of 10 payments tested. Section 2.2-806(A) of the Code of Virginia requires treasurers to remit all tax collections within one day of receipt. The Treasurer should remit all state tax collections as required.

COMMISSIONERS OF REVENUE

COUNTY OF LEE

Properly Request Exonerations

The Commissioner of Revenue did not submit a request for correction of unpaid assessments totaling \$30,582 for 2002 and 2003 state income taxes as required by section 3-5-1 of the *Department of Taxation Procedures Pamphlet III*. The Commissioner of Revenue should immediately file a request of a formal order of exoneration for this amount. This will resolve a reconciling item between the county treasurer's accounting system and the Commonwealth Accounting Reporting System (CARS). We understand the Commissioner submitted the request subsequent to our audit.

COUNTY OF WARREN

Properly Request Exonerations

The Commissioner of Revenue did not submit a request for correction of unpaid assessments totaling \$3,074 for 2003 state income taxes as required by section 3-5-1 of the *Department of Taxation Procedures Pamphlet III*. The Commissioner of Revenue should immediately file a request of a formal order of exoneration for this amount. This will resolve a reconciling item between the county treasurer's accounting system and the Commonwealth Accounting Reporting System (CARS). We understand the Commissioner submitted the request subsequent to our audit.

CITY OF BRISTOL

Remit Collections Timely

The Commissioner of Revenue delayed remitting state tax collections up to six business days for nine of ten days tested. Section 58.1-307(B) of the Code of Virginia requires Commissioners of Revenue to remit payments accompanied by tax returns to the Treasurer within two banking days of receipt. The Commissioner of Revenue should remit all state tax collections as required.

SHERIFFS

COUNTY OF CULPEPER

Promptly Deposit and Remit Sheriff's Fees

The Sheriff did not deposit \$786 of civil fee collections into his official bank account for the last week of September and the month of October 2003 until November 20, 2003. 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 27 business days for six of thirteen 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.

COUNTY OF PAGE

Follow Proper Accounting Procedures

The Sheriff incurred \$150 in overdraft charges due to improper accounting procedures for Civil Process Fees. The Sheriff should put in place the procedures as outlined in the Virginia Sheriff’s Account Manual, page 11-4 to prevent future overdraft charges.

SUMMARY OF COLLECTIONS

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Income taxes	\$105,661,600	\$ 97,207,296	\$112,556,463
Estimated income taxes	206,831,820	209,152,920	232,613,466
Penalty	345,555	365,801	342,515
Interest	40,212	46,596	58,590
Commonwealth's portion of Sheriff's fees	8,717,641	9,034,967	8,647,963
Commonwealth Attorney's excess collection program fees	<u>102,271</u>	<u>107,425</u>	<u>101,811</u>
Total	<u>\$321,699,099</u>	<u>\$315,915,005</u>	<u>\$354,320,808</u>