



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

February 1, 2002

The Honorable Mark R. Warner
Governor of Virginia

The Honorable John H. Chichester
Chairman
Senate Finance Committee

The Honorable Vincent F. Callahan, Jr.
Chairman
House Appropriations Committee

The Honorable Kenneth W. Stolle
Chairman
State Crime Commission

Gentlemen:

The Auditor of Public Accounts is providing a summary report of local government audit findings for the fiscal year 2001 audit of the enhanced 911 (E911) special tax funds.

Background

The 2000 General Assembly passed legislation governing the local tax for enhanced 911 services. Section 58.1-3813.1 of the Code of Virginia allows any county, city, or town that has established or will establish an enhanced 911 service to impose a special tax on the consumers of the telephone services not to exceed three dollars per month. The legislation requires a separate special revenue fund or separate accounting using a cost center and revenue accounting system for the E911 tax revenues, if acceptable to the Auditor of Public Accounts.

The statute requires an annual audit, beginning July 1, 2000, of the E911 fund or cost center to ensure that the tax collected solely supports wireline public safety answering point (PSAP) costs as defined in the legislation. We have included this requirement in our *Audit Specifications: Counties, Cities, and Towns*. We further required that any county, city, or town having any audit findings related to this matter provide us their information by November 30 of each fiscal year end. The Auditor of Public Accounts must summarize those findings from all localities and report those findings annually to the Governor, the Senate Committee on Finance and the House Committee on Appropriations, and the Virginia State Crime Commission by February 1 of the next year. Our report on those findings for the fiscal year ended June 30, 2001 is below.

Summary Information

There are currently 167 local governments that provide audited information to us as described in the Section 15.2-2510 of the Code of Virginia. The provisions of this section apply to all counties and cities, to all towns having a population of 3,500 or over, and to all towns constituting a separate school division regardless of their population. Of the 167 reporting local governments, 136 localities reported to us that they impose the E911 tax.

Locality Type	Number of Reporting Localities	Number of Reporting Localities Imposing E911 Tax	% Reporting Localities Imposing E911 Tax	FY 2001 E911 Tax Revenue Reported
Counties	95	87	92%	\$49,697,108
Cities	40	39	98%	32,789,752
Towns	32	10	31%	903,125
Totals	167	136	81%	\$83,389,985

Findings

As required, we received and reviewed local audit reports, including separate Management Letters where applicable, from 135 of the 136 local governments that impose the tax; the Town of Colonial Beach did not provide information to us. We found the following three findings relating to the audits of the E911 special taxes:

Finding One

The County of Warren currently transfers funds from the E911 fund to the general fund where E911 expenditures are recorded. The county should record E911 expenditures directly into the E911 fund.

Finding Two

The City of Norfolk accounts for E911 revenues and expenditures in the general fund. Expenditures for E911 are not segregated from other civil emergency expenditures.

Finding Three

The City of Harrisonburg bills the County of Rockingham annually for its share of E911 expenditures. Because the billing occurs annually rather than monthly or quarterly, the City is not able to fully utilize the funds they are owed. A more timely billing system would prevent lost investment earnings and also enable the city to more closely track expenditures.

Independent certified public accountants have reported these findings in their Management Letters and provided this information to us for purposes of this report.

Sincerely,

Walter J. Kucharski
Auditor of Public Accounts

WJK:aom