



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

October 25, 2007

John Staelin
Chairman
102 N. Church Street
Berryville, VA 22611

Dear Mr. Staelin:

We have reviewed the Commonwealth collections and remittances of the Treasurer, Commissioner of the Revenue, and Sheriff of the County of Clarke for the year ended June 30, 2007. Our primary objectives were to determine that the officials have maintained accountability over Commonwealth collections, established internal controls, and complied with state laws and regulations.

The results of our tests found the constitutional officers complied, in all material respects, with state laws, regulations and other procedures relating to the receipt, disbursement and custody of state funds, except as follows.

The Commissioner of Revenue did not maintain sufficient internal control over state funds as described below.

Improve Internal Controls Over Collections

The Commissioner of the Revenue does not maintain an adequate control over collections. Typically, Commissioners of Revenue receive estimated income payments or state income tax payments which they hold for a short time period and send to the Treasurer. Most Commissioners have a log of these collections, which is the preferable practice, and others use ordinary manual receipts.

Code of Virginia Section 58.1-307 requires the Commissioner to send all payments received to the Treasurer within 2 banking days. Further, only the Treasurer can officially receive, receipt, and deposit these collections. The Commissioner of Revenue sent four of 13 state tax payments tested to the Treasurer 2 to 6 days late.

We tested 24 manual receipts issued for state income and estimated payments and found 5 receipts totaling \$7,132 went to the Treasurer from 1 to 4 days after the statutory deadline. The Commissioner did not maintain numerical continuity of the receipts issued. Staff left three receipts blank and discarded the original copies. We found five receipts where staff had altered the information by writing over the previous information making the receipts illegible.

John Staelin , Chairman

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The Commissioner should immediately stop using manual receipts and use the logging method used by most other Commissioners. The Commissioner's office should not collect any monies, but should only hold funds pending verification of tax information and follow the statutory requirement to transmit funds to the Treasurer within 2 banking days. If taxpayers wish to pay their taxes in cash or require a receipt, the Commissioner should send these taxpayers to the Treasurer.

We discussed this comment with the Commissioner of Revenue on October 17, 2007 and we acknowledge the cooperation extended to us during this audit.

Sincerely,

Auditor of Public Accounts

WJK:clj

cc: David Ash, County Administrator
Sharon E. Keeler, Treasurer
Warren A. Arthur, Commissioner of the Revenue
Anthony W. Roper, Sheriff