

REPORT ON THE TREASURER
of
CITY OF WAYNESBORO

FOR THE YEAR ENDED
JUNE 30, 2006





Commonwealth of Virginia

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

Walter J. Kucharski, Auditor

January 3, 2007

Thomas W. Reynolds
Mayor, City of Waynesboro
1140 Club Road
Waynesboro, VA 22980

Dear Mr. Reynolds:

During our review of the collections and remittances of Commonwealth funds by the Treasurer of the City of Waynesboro for the year ended June 30, 2006, matters came to our attention, which indicated questionable handling of both state and city funds. Based on a review of the matter, we contacted City Officials, the State Police, and appropriate State Officials.

City Officials contacted their Certified Public Accounting firm of our findings and we coordinated our activities with this firm and the State Police. While this continues to be a matter under review by the Commonwealth's Attorney, we believe that the Treasurer should take certain actions to correct the problem.

The Treasurer did not maintain sufficient internal control over state funds as described below. Our primary objectives were to test the accuracy of financial transactions recorded in the treasurer's office, evaluate the Treasurer's internal controls, and test compliance with significant state laws, regulations, and policies.

The Treasurer has responsibility for establishing and maintaining internal controls and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We believe the matters discussed below are a material weakness in internal control. A material weakness is a significant deficiency in the design or operation of internal controls that, in our judgment, could reasonably lead to the loss of revenues or assets, or otherwise compromise fiscal accountability and go undetected. These weaknesses and those discussed by the City's Certified Public Accounting Firm have resulted in the loss of state and city funds.

Maintain Proper Accounting Records and Perform Monthly Reconciliations

The Treasurer failed to maintain appropriate accounting records for taxpayer payments as required by Code of Virginia 2.2-806(A), sound business practices, and generally accepted accounting principles. Without such records, the Treasurer was unable to provide accurate balances for collections and uncollected

taxes at the time of audit. Additionally, the Treasurer did not reconcile state income tax assessments, collections, and uncollected balances to the state's Commonwealth Accounting and Reporting System (CARS) for the months of January through June 2006, despite the fact that the Department of Accounts provides monthly reports to Treasurers for this purpose. Failing to maintain records and perform monthly reconciliations is a significant internal control weakness which brings into question the reliability, effectiveness, and efficiency of the office. The Treasurer should maintain proper records of state funds received and should reconcile these records to the assessments and collections recorded in CARS pursuant to Code of Virginia Section 58.1-3168. This will ensure complete and accurate recording of state tax assessments and collections.

Remit Tax Collections Timely

The Treasurer did not remit state tax collections appropriately. We determined collections for the months of January and February 2006 totaling approximately \$58,000 were not remitted until March 14 and collections from April 7 through May 19, 2006 of approximately \$240,000 were not remitted until the end of May. Code of Virginia section 2.2-806(A) requires treasurers to remit all tax collections within one banking day of receipt. The Treasurer's failure to remit these monies subjected the funds to potential misappropriation or loss. The Treasurer should remit all state tax collections as required and secure all monies that are held in the office prior to remittance. As of our audit, \$1,000 of estimated taxes and \$3,052 of state income taxes remained unremitted.

Remit Sheriff's Fees Promptly

The Treasurer delayed the remittance of Sheriff Fees for up to three months and did not remit collections for the months of January, April, and May 2006. Sheriff fees in the amount of \$1,361 remained unremitted as of our audit date. 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.

In addition to these matters, the City's Certified Public Accounting firm had recommendations to improve the handling, safeguarding, and recording of City funds. We believe the Treasurer should implement all of the recommendations in this report and those of the Certified Public Accounting firm.

We discussed these comments with the Treasurer on December 27, 2006, and we acknowledge the cooperation extended to us during this audit. The Treasurer's response to our findings is located on page 3.

Sincerely,

Auditor of Public Accounts

WJK:kwv

cc: Douglas C. Walker, City Manager
Sandra F. Dixon, Treasurer
Donald R. Coffey, Commissioner of the Revenue
Joe Harris, Jr., Sheriff



CITY OF WAYNESBORO

PO BOX 1028 • WAYNESBORO VA 22980-0748
WWW.WAYNESBOROVA-ONLINE.COM

December 28, 2006

**Walter J. Kucharski
Auditor of Public Accounts
P. O. Box 1295
Richmond, VA 23218-1295**

Dear Mr. Kucharski:

After meeting with Linda Gray and John Rutan yesterday and reviewing the weaknesses in our office, I feel compelled to reply to you concerning certain matters that I feel have been or certainly have nearly been corrected.

As we do have an ongoing investigation with the Commonwealth's Attorney due to the embezzlement in our office, actions have been taken to correct several problems that had been practiced in the past. Vault combinations have been changed and are only accessible to the Treasurer and her Chief Deputy along with access to the vault itself. Customer's monies are not being held in our office awaiting proper procedure to process the payments, but are being deposited that day. Petty cash is held in the vault in two locked lockboxes with the key only accessible to the Treasurer and her Chief Deputy.

State income and estimated deposits are being made in a timely manner. The Treasurer is receiving assistance/training with the reconciliation of the state income tax assessments, collections and uncollected balances from the Department of Accounts as well as the Treasurer's Association. Sheriff's fees are being remitted as received, generally once a month.

Changes have been and will continue to be made in order to make this office an efficient and effective and in compliance with the Virginia State Code.

Sincerely,

**Sandra (Sandee) F. Dixon, Treasurer
City of Waynesboro
503 W. Main St., Room 105
Waynesboro, VA 22980**