



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

February 21, 2008

Steve Spradlin
Board Chairman
755 Roanoke Street, Suite 2E
Christiansburg, VA 24073

Dear Mr. Spradlin:

We have reviewed the Commonwealth collections and remittances of the Treasurer, Commissioner of the Revenue, Sheriff, and Commonwealth's Attorney of the County of Montgomery 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 Treasurer did not maintain sufficient internal control over state funds as described below.

Properly Manage Manual Receipts

The Treasurer does not properly manage the use of manual receipts. Specifically we noted the following weaknesses:

- The Treasurer does not use a bound, pre-numbered receipt book when the office issues a manual receipt nor is there adequate security over the receipt books;
- The Treasurer does not retain one copy of the issued manual receipts to provide an adequate audit trail; and
- The Treasurer does not reconcile daily manual receipt totals with the automated accounting system to ensure proper and timely entry.

The Treasurer should review his accounting procedures and internal control structure relating to the management of manual receipts. Sound business practices recommend strict controls and procedures when

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Board Chairman
February 15, 2008
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using manual receipts. Failure to maintain strong internal controls in this area can lead to misappropriation of funds or theft. We recommend the Treasurer contact his local CPA firm for guidance on this issue.

The Commonwealth's Attorney did not maintain sufficient internal control over state funds as described below.

Properly Remit Excess Collection Fees

The Commonwealth's Attorney did not report the appropriate amount of excess fees to the Treasurer, so that the Treasurer could forward the amount to the Commonwealth. Because the Commonwealth's Attorney did not reconcile his manual records with the actual amount of fees sent to the local Treasurer by the courts, he miscalculated the amount of excess fees. The additional amount owed to the state for fiscal year 2007 is \$1,312. The Commonwealth's Attorney should send an amended report to the State Compensation Board and request the Treasurer immediately forward the additional funds to the Commonwealth.

We discussed these comments with the Treasurer on February 20, 2008 and the Commonwealth's Attorney on February 20, 2008 and we acknowledge the cooperation extended to us during this audit. The Commonwealth's Attorney informed us that he forwarded an amended report to the State Compensation Board and requested that the Treasurer forward the additional funds to the Commonwealth on October 12, 2007.

Sincerely,

Auditor of Public Accounts

WJK:kwv

cc: B. Clayton Goodman, III, County Administrator
W Richard Shelton, Treasurer
Sharon E. Gilbert, Commissioner of the Revenue
J. T. Whitt, Sheriff
Bradley W. Finch, Commonwealth's Attorney

County of Montgomery
State Account
Distribution List
For the year ended June 30, 2007

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