



Commonwealth of Virginia

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

Walter J. Kucharski, Auditor

April 17, 2008

Robin Gardner
Mayor
300 Park Ave. 3rd floor East Wing
Falls Church, VA 22046

Dear Ms. Gardner:

We have reviewed the Commonwealth collections and remittances of the Commissioner of the Revenue and Sheriff of the City of Falls Church for the year ended June 30, 2007 and the Treasurer of the City of Falls Church for the period November 17, 2006 through 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 Commission of the Revenue and Sheriff complied, in all material respects, with state laws, regulations and other procedures relating to the receipt, disbursement and custody of state funds. The Treasurer did not maintain sufficient internal control over state funds as described below.

Complete all Duties Required of the Treasurer

The Treasurer and her staff do not have sufficient knowledge and understanding of the proper procedures to account for Commonwealth tax activities as required by the Department of Taxation and the Department of Accounts. We recognize the Treasurer and her entire staff are new to the procedures, received minimal training, and inherited certain processes from the previous treasurer. The Treasurer has maintained appropriate documentation of all activities and has safeguarded funds; however we noted the following deficiencies with regard to office operations.

- The Treasurer does not perform a comprehensive monthly reconciliation to the CARS reports from the Department of Accounts.
- The Treasurer does not calculate penalty and interest, track overpayments, issue appropriate payment receipts, or bill taxpayers for uncollected state income taxes.
- The Treasurer does not maintain an accurate detailed general ledger nor utilize the available automated system for individual tax accounts. We noted a \$4,000 deposit in CARS that the Treasurer did not have support for in her records.
- The Treasurer and her staff have not had training on the Department of Taxation's automated IRMS system.

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- The Treasurer did not submit a listing of all uncollected 2005 taxes to the Department of Taxation for further collection activities.
- The Treasurer did not remit all collected Sheriff Fees to the Commonwealth.
- The Treasurer maintains a Commonwealth checking account that has not been reconciled and currently carries an unknown balance in excess of \$97,000.

In addition we noted the current automated system does not allow for the assessment of penalty greater than \$999, and the Treasurer is not receiving all appropriate advices from the Department of Taxation. The Treasurer should ensure she and her staff are properly trained to comply with all requirements of her office. We recommend the Treasurer contact the Treasurers Association, Department of Accounts, Department of Taxation, and any other organizations that could assist her with this training process.

We discussed this comment with the Treasurer on April 16, 2008 and we acknowledge the cooperation extended to us during this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Walter J. Kucharik".

Auditor of Public Accounts

WJK:alp

cc: F. Wyatt Shields, City Manager
Catherine A. Kaye, Treasurer
Thomas D. Clinton, Commissioner of the Revenue
Steven Bittle, Sheriff