



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

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

August 21, 2009

Timothy D. Williams  
Mayor  
418 Dinwiddie Avenue  
Waynesboro, VA 22980

City of Waynesboro

Dear Mr. Williams:

We have reviewed the Commonwealth collections and remittances of the Treasurer, Commissioner of the Revenue, Sheriff, and Commonwealth's Attorney of the locality indicated for the year ended June 30, 2009. 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 Commissioner of the Revenue, Sheriff, and Commonwealth's Attorney complied, in all material respects, with state laws, regulations and other procedures relating to the receipt, disbursement, and custody of state funds.

## ***TREASURER***

The Treasurer continues to not maintain sufficient internal control over state funds or comply with state laws and regulations as described below. These basic internal controls are the means for providing accurate and timely information to taxpayers, city financial decision makers, and other governments. Not having these internal controls demonstrates a lack of accountability, and increases inefficiency when serving the public.

We have issued essentially the same audit findings over the last four audits. Many of the findings below represent fundamental basic internal controls necessary to prevent accounting and posting errors, loss, misuse, or theft of funds entrusted to the Treasurer.

We strongly encourage the Treasurer to correct the findings below. Without correction, we believe that the Treasurer is at risk of accounting and other bookkeeping errors as well as the loss or theft of funds occurring and going undetected.

## **STRENGTHEN INTERNAL CONTROLS**

The Treasurer's continued lack of an internal control system for her office and the improper use of the in-house accounting system are the base causes of the problems noted below. The Treasurer is not documenting penalty and interest in this system nor does the Treasurer generate reports to use in reconciling

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to the Commonwealth Accounting and Reporting System (CARS). Internal control is a process that provides reasonable, but not absolute, assurance to have reliable financial reporting, maintain effectiveness and efficiency of operations, and comply with applicable laws and regulations.

Specifically, we noted the following areas needing improvement.

- **Properly Secure Payments**

The Treasurer should lock up payments. If the Office receives payments but cannot immediately receipt them, then the Treasurer should lock up these items by placing them in a locking drawer. Staff should not leave these payments unattended on employee desks where they could be lost or stolen.

- **Perform Monthly Reconciliations**

The Treasurer did not reconcile state income tax assessments, collections and uncollected balances to CARS for the entire audit period as required by Code of Virginia Section 2.2-806A. The Treasurer and her staff have not received training and certification to use the Integrated Revenue Management System so that they can calculate uncollectable balances or penalty and interest.

The Treasurer has not corrected the unreconciled balances of state taxes on CARS since 2004. The Treasurer did not provide a true uncollectible balance due to having marked three tax bills paid totaling \$123.25 when there were still amounts due. The Department of Accounts provides monthly reports to Treasurers for the purpose of ensuring the accuracy of the accounting records and making sure taxpayers receive credit for their payment. 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.

- **Remit Fees Promptly**

Due to the Treasurer's inadequate recordkeeping and accounting practices, and lack of attention to detail, the auditors found numerous remittance errors. Specifically, we noted the following.

- Nine-month delay in remitting \$4,180.71 of Sheriff fees to the Commonwealth
- Six-month accumulation of Worker's Compensation Fees for \$108 not yet remitted to the Commonwealth
- Two months of Circuit Court sheriff fees totaling \$868.42 were remitted three days late

Section 2.2-806B of the Code of Virginia requires Treasurers to deposit fees weekly to the Commonwealth. Should collections exceed \$5,000 within the week, Treasurers should deposit fees at least twice each week.

The Treasurer should maintain proper records of all funds received and should reconcile these records to the assessments and collections recorded in CARS pursuant to Code of Virginia Section 58.1-3168 and the

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City accounting records as expected by sound accounting practices. The Treasurer should promptly deposit funds to the Commonwealth pursuant to Code of Virginia Section 2.2-806B. This process will ensure complete and accurate recording of local and state tax assessments and collections.

We discussed this comment with the Treasurer on September 4, 2009 and we acknowledge the cooperation extended to us during this review.

Sincerely,

Auditor of Public Accounts

WJK: clj

cc: Michael G. Hamp, II, City Manager  
Sandra F. Dixon, Treasurer  
Donald R. Coffey, Commissioner of the Revenue  
Joe Harris, Jr., Sheriff  
N/A, Commonwealth's Attorney