



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

October 10, 2007

Richard C. Shickle
Chairman
107 North Kent Street
Winchester, VA 22601

Dear Mr. Shickle:

We have reviewed the Commonwealth collections and remittances of the Treasurer, Commissioner of the Revenue and Sheriff of the County of Frederick 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 did not maintain adequate controls over collections as described below.

IMPROVE CONTROLS OVER MANUAL RECEIPTS

The Commissioner of the Revenue does not maintain an adequate control over collections, and an employee lost track of some 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.

The Commissioner has an office policy to remit all state tax money to the Treasurer within 24 hours, which meets the requirements of Code of Virginia Section 58.1-307 which 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.

However, of the 98 manual receipts written for state income and estimated payments, we found 21 receipts totaling \$18,530 went to the Treasurer from 1 to 22 days after the statutory deadline. In addition, we found the Commissioner's office collected estimated taxpayer payments which should have gone directly to the Treasurer's Office. Finally, the Commissioner's office had no documentation for two voided receipts and could provide no reason for the voiding of the receipts.

On May 3, 2007, an employee in the Commissioner's office prepared a receipt for \$750 of estimated income tax payments, held the payment until June 7, 2007 and then sent the Treasurer \$350. When an auditor discussed the delay in sending the money to the Treasurer, the employee could not explain the delay and additionally claimed the taxpayer had just paid the additional \$400. The Commissioner with the auditor discussed the matter with the taxpayer and questioned the employee about the receipting of the \$400. The employee was then terminated from the office.

The Commissioner should immediately stopping 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 established policy to transmit funds to the Treasurer within 24 hours. 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 on October 2, 2007 and we acknowledge the cooperation extended to us during this audit.

Sincerely,

Auditor of Public Accounts

WJK:clj

cc: John R. Riley, Jr., County Administrator
C William Orndoff Jr, Treasurer
Ellen E. Murphy, Commissioner of the Revenue
Robert T. Williamson, Sheriff