



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
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January 31, 2003

The Honorable Mark R. Warner
Governor of Virginia

The Honorable John H. Chichester
Chairman
Senate Finance Committee

The Honorable Vincent F. Callahan, Jr.
Chairman
House Appropriations Committee

The Honorable Kenneth W. Stolle
Chairman
State Crime Commission

Gentlemen:

The Auditor of Public Accounts is providing a summary report of local government audit findings for the fiscal year 2002 audit of the Enhanced 911 (E911) special tax funds.

Background

The 2000 General Assembly passed legislation governing the local tax for enhanced 911 (E911) services. Section 58.1-3813.1 of the Code of Virginia allows any county, city, or town that has established or will establish an enhanced 911 service to impose a special tax on the consumers of the telephone services not to exceed three dollars per month. The legislation requires a separate special revenue fund or separate accounting using a cost center and revenue accounting system for the E911 tax revenues, if acceptable to the Auditor of Public Accounts.

The statute requires an annual audit, beginning July 1, 2000, of the E911 fund or cost center to ensure that the tax collected solely supports wireline public safety answering point (PSAP) costs as defined in the legislation. We have included this requirement in our Audit Specifications: Counties, Cities, and Towns. We further required that any county, city, or town having any audit findings related to this matter provide us their information by November 30 of each fiscal year end. Our report on those findings for the fiscal year ended June 30, 2002 is below.

Summary Information

There are currently 170 local governments that provide audited information to us as described in the Section 15.2-2510 of the Code of Virginia. The provisions of this section apply to all counties and cities, to all towns having a population of 3,500 or over, and to all towns constituting a separate school division regardless of their population. Of the 170 reporting local governments, 140 localities reported to us that they impose the E911 tax.

Locality Type	Number of Reporting Localities	Number of Reporting Localities Imposing E911 Tax	% Reporting Localities Imposing E911 Tax	FY 2002 E911 Tax Revenue Reported
Counties	95	91	95%	\$54,064,465
Cities	39	39	100%	30,149,548
Towns	36	10	28%	931,379
Totals	170	140	82%	\$85,145,392

Findings

As required, we received and reviewed local audit reports from 139 of the 140 local governments that impose the tax; the City of Emporia has not provided the results of an E911 audit as of this Report. We found the following four findings relating to the audits of the E911 special taxes:

Finding One

The City of Hopewell overpaid one vendor \$500 for a PSAP cost.

Finding Two

The County of Loudoun incorrectly charged salaries and fringe benefits of non-PSAP personnel to the E911 fund.

Finding Three

The City of Norton does not maintain a separate E911 fund and does not utilize a separate cost center and revenue accounting system for its E911 revenues and expenditures. The city should establish a separate E911 fund or utilize a separate cost center and revenue accounting system for E911 transactions.

Finding Four

The City of Petersburg records its E911 tax revenues with the consumer utility tax revenue and does not maintain a separate cost center for its E911 expenditures. The city should separately record E911 tax revenues and create a separate cost center to record E911 expenditures.

Independent certified public accountants have reported these findings in their Management Letters and provided this information to us for purposes of this report.

AUDITOR OF PUBLIC ACCOUNTS

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Appendix 1

Comparison of Top Ten E911 Revenue Producers with Population Ranking

Locality	FY 2002 E911 Revenue	Locality's Percentage of Total E911 Revenue	Locality's Population Ranking (2000 Census)	Average Annual E911 Tax Revenue Per Capita
Fairfax	\$14,134,222	16.6%	1	\$14.58
Virginia Beach	6,246,824	7.3%	2	14.69
Arlington	4,011,523	4.7%	9	21.17
Chesterfield	3,777,052	4.4%	5	14.53
Norfolk	3,503,190	4.1%	6	14.95
Newport News	2,939,559	3.5%	10	16.32
Henrico	2,851,502	3.3%	4	10.87
Chesapeake	2,425,395	2.8%	7	12.18
Hampton	2,192,702	2.6%	12	14.97
Prince William	1,873,000	2.2%	3	6.67
Total	\$43,954,969	51.6%		\$13.96