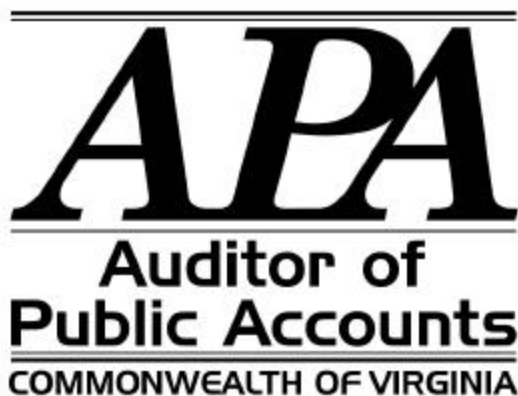


**OFFICE OF THE ATTORNEY GENERAL  
RICHMOND, VIRGINIA**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2003**



## **AUDIT SUMMARY**

Our audit of the Office of the Attorney General for the year ended June 30, 2003 found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no material weaknesses in internal controls; and
- no instances of noncompliance required to be reported under Government Auditing Standards.

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## AGENCY BACKGROUND

The Attorney General is the chief legal officer and, through the Department of Law, provides legal advice and represents officers, officials, and agencies of the Commonwealth. The Department of Law also enforces consumer protection laws and investigates Medicaid fraud.

## FINANCIAL INFORMATION

The schedules below summarize the Office of the Attorney General's budgeted revenues and expenses compared with actual results for fiscal year 2003. The Office also reverted \$475,978 of General Fund appropriations.

The variance between the special funds adjusted budget and actual expenses is a result of an expected program transfer from another agency that did not occur. Also, as a result of budget reductions, the Office used a significant portion of its special fund cash balance and plans to review the feasibility of expanding the legal service billing process to additional agencies in an effort to increase its special fund revenues.

### Analysis of Budgeted and Actual Expenses

<u>Funding Source</u>	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual Expenses</u>	<u>Variance</u>
General fund appropriations	<u>\$ 18,691,596</u>	<u>\$ 14,965,733</u>	<u>\$14,489,755</u>	<u>\$ 475,978</u>
Special funds	8,095,567	8,724,694	5,961,201	2,763,493
Federal grants	<u>892,856</u>	<u>1,462,869</u>	<u>1,290,473</u>	<u>172,396</u>
Total special funds	<u>8,988,423</u>	<u>10,187,563</u>	<u>7,251,674</u>	<u>2,935,889</u>
Total	<u>\$ 27,680,019</u>	<u>\$ 25,153,296</u>	<u>\$21,741,429</u>	<u>\$3,411,867</u>
<u>General Fund</u>				
Original appropriation per Chapter 899		\$ 18,691,596		
Reductions per Chapter 1042		<u>(2,284,791)</u>		
Appropriations per Chapter 1042			16,406,805	
Central Appropriation Requirements (net):			<u>(1,441,072)</u>	
General Fund appropriations (adjusted)				14,965,733
Expenses:				
Salaries and fringe benefits			12,902,678	
Contractual services			461,071	
Supplies and materials			25,847	
Continuous charges			732,699	
Equipment			356,129	
Other			<u>11,331</u>	
Total expenses				<u>14,489,755</u>
Unexpended general fund balance				<u>\$ 475,978</u>

Special Funds

## Revenues:

Special revenue	4,843,373	
Federal grant revenue	<u>1,267,572</u>	
Total revenue		<u>6,110,945</u>

## Expenses:

Salaries and fringe benefits	5,054,888	
Contractual services	814,528	
Supplies and materials	59,822	
Transfers	478,364	
Continuous charges	348,470	
Equipment	199,320	
Other	<u>296,282</u>	
Total expenses		<u>7,251,674</u>

Net decrease (1,140,729)

Beginning fund balance 1,831,502

Ending fund balance \$ 690,773

Analysis of Budgeted and Actual Revenue by Funding Source

<u>Funding Source</u>	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual Revenue</u>
Special revenue funds	\$8,095,567	\$ 8,724,694	\$ 4,843,373
Federal grant revenue	<u>892,856</u>	<u>1,462,869</u>	<u>1,267,572</u>
Total	<u>\$8,988,423</u>	<u>\$10,187,563</u>	<u>\$ 6,110,945</u>

## DIVISION OF DEBT COLLECTION

The Division of Debt Collection, organized as a separate agency within the Office of the Attorney General, collects delinquent accounts for state agencies and institutions of higher education in the Commonwealth. As of June 30, 2003, the Division was responsible for 6,322 active cases totaling over \$90.6 million. The Division uses Collection Partner to track cases. Collection Partner can track financial and non-financial activity for up to 15,000 accounts. The Division collected debts owed to 42 separate agencies or universities totaling \$12,875,590 for fiscal year 2003 and had the following financial activity:

### FINANCIAL INFORMATION

#### Analysis of Budgeted and Actual Expenses

<u>Funding Source</u>	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual Expenses</u>	<u>Variance</u>
Collection Fee Services				
Special Revenues	<u>\$ 1,126,076</u>	<u>\$ 1,126,076</u>	<u>\$ 1,103,294</u>	<u>\$ 22,782</u>
Special Funds				
Collection fee revenues (net)				\$1,579,305
Expenses:				
Salaries and fringe benefits			932,519	
Contractual services			19,623	
Continuous charges			68,375	
Other			<u>82,777</u>	
Total expenses				<u>1,103,294</u>
Net increase				476,011
Beginning fund balance				<u>876,937</u>
Ending fund balance				<u>\$1,352,948</u>

September 17, 2003

The Honorable Mark R. Warner  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Kevin G. Miller  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

### INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Office of the Attorney General** for the year ended June 30, 2003. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

#### Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Office's internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Office's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance, with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Expenditures, including payroll  
Revenues  
Debt Collections

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Office's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Office's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

### Audit Conclusions

We found that the Office properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Office records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that is required to be reported under Government Auditing Standards.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

### EXIT CONFERENCE

We discussed this report with management on October 22, 2003.

AUDITOR OF PUBLIC ACCOUNTS

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OFFICE OF THE ATTORNEY GENERAL  
Richmond, Virginia

As of June 30, 2003

Jerry W. Kilgore, Attorney General

Joseph R. Carico, Chief Deputy Attorney General

Anne Petera, Director of Administration

John H. Vance, Director of Finance and Operations