

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

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2000**

***AUDITOR OF
PUBLIC
ACCOUNTS***



COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Office of the Attorney General for the year ended June 30, 2000, found:

- proper recording and reporting of transactions, in all material aspects, in the Commonwealth Accounting and Reporting System;
- no material weaknesses in internal controls;
- no instances of noncompliance with applicable laws and regulations that are required to be reported; and
- adequate corrective action with respect to the audit finding reported in the prior year.

September 13, 2000

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit and
Review Commission
General Assembly Building
Richmond, Virginia

AGENCY BACKGROUND

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

The Department received general fund appropriations of \$17,496,586 and collected \$3,539,204 in legal services fees from non-general fund agencies, with related expenses of \$19,308,520. The Department also received \$835,809 for federal programs including investigation of Medicaid fraud and money laundering operations and spent \$887,469. Amounts spent in excess of collections were from the cash balance of \$78,994. Over 84 percent of the Department's expenses represent payroll and fringe benefits for its 278 employees.

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 other state agencies. The staff of 15 was responsible for 5,446 active cases totaling over \$76 million as of June 30, 2000. The Division records the cases on its Collection Partner system. This system can track up to 15,000 active accounts, including all financial and non-financial activity for each account.

The Division collected debts totaling \$14,069,251 for fiscal year 2000. Collection fees charged, which can equal 30 percent of total collections for an agency, totaled \$1,440,379 and revenue refunds equaled \$706,119. The Division's total expenditures for the year were \$904,213. The Division had an ending cash balance of \$1,027,022.

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, 2000. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, 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. We also reviewed the Office's corrective actions of audit findings from prior year reports.

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:

- Revenues
- Expenditures, including Payroll
- Debt Collections and Distributions

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 except for information relating to debt collection, which came from the Division of Debt Collection's Collection Partner 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 are required to be reported under Government Auditing Standards.

The Office has taken adequate corrective action with respect to audit findings reported in the prior year.

This report is intended for the information 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 September 21, 2000.

AUDITOR OF PUBLIC ACCOUNTS

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whb:19

OFFICE OF THE ATTORNEY GENERAL
Richmond, Virginia

Mark L. Earley, Attorney General

Randolph A. Beales, Chief Deputy Attorney General

Stephen D. Haner, Director of Administration

John H. Vance, Director of Finance and Operations

