

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**OFFICE OF THE ATTORNEY GENERAL
ANTIFRAUD FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2004**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



November 8, 2005

Robert J. Spagnoletti
Attorney General for the District of Columbia
Office of the Attorney General
The John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Room 409
Washington, D.C. 20004

Natwar M. Gandhi, PhD
Chief Financial Officer
Office of the Chief Financial Officer
The John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Room 209
Washington, D.C. 20004

Dear Mr. Spagnoletti and Dr. Gandhi:

The Office of the Inspector General has completed an audit (OIG No. 4-1-26CB) of the Antifraud Fund, administered by the District of Columbia Office of the Attorney General, for the year ended September 30, 2004.

Our audit included a review of existing internal controls for the purpose of expressing an opinion on financial accounting records and determining the extent of substantive testing required. The review was not intended to be an exhaustive study of the internal controls for making detailed recommendations, and would not have necessarily disclosed all weaknesses in the system. Additionally, we tested for compliance with the provisions of selected laws and regulations and found no instances of noncompliance that would be reportable under generally accepted government auditing standards. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions.

Mr. Spagnoletti and Dr. Gandhi
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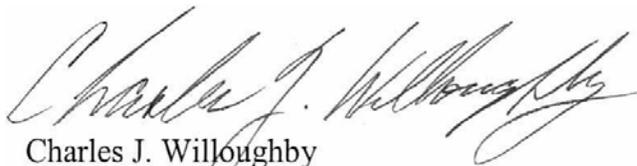
Unqualified Opinion on Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District of Columbia Office of the Attorney General's Antifraud Fund as of September 30, 2004, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

We have not found any major issues of internal control weaknesses or non-compliance with regulations that we consider material or reportable conditions during our fiscal year 2004 audit.

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have questions, please call William J. DiVello, Assistant Inspector General for Audits, or me at (202) 727-2540.

Sincerely,



Charles J. Willoughby
Inspector General

CJW/js

Enclosure

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**OFFICE OF THE ATTORNEY GENERAL
ANTIFRAUD FUND FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

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GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



Independent Auditor's Report

To the Attorney General, Office of the Attorney General, Government of the District of Columbia; and Chief Financial Officer, Office of the Chief Financial Officer, Government of the District of Columbia:

We have audited the accompanying financial statements of the Antifraud Fund of the Government of the District of Columbia as of and for the year ended September 30, 2004. These financial statements are the responsibility of the District of Columbia Office of the Attorney General and the Office of the Chief Financial Officer (OCFO). Our responsibility is to express an opinion on these financial statements based on our audit.

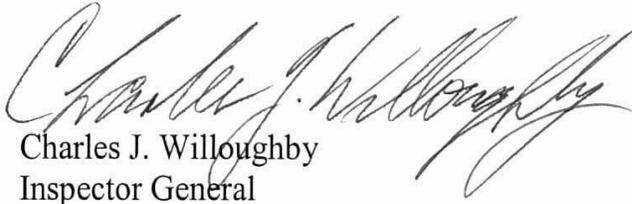
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Antifraud Fund as of September 30, 2004, the results of its operations, changes in net assets, and cash flows for the year ended September 30, 2004, in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report
Antifraud Fund

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2005, on our consideration of the Antifraud Fund's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Charles J. Willoughby
Inspector General

November 8, 2005

**OFFICE OF THE ATTORNEY GENERAL
ANTIFRAUD FUND FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

STATEMENTS OF NET ASSETS

	<u>FY 2004</u>	<u>FY 2003</u>
ASSETS		
Current Assets:		
Cash	<u>\$ 59,289</u>	<u>\$ 35,994</u>
Total Assets	<u>59,289</u>	<u>35,994</u>
 NET ASSETS		
Net Assets	<u>59,289</u>	<u>35,994</u>
Total Net Assets, September 30	<u>\$ 59,289</u>	<u>\$ 35,994</u>

The accompanying notes are an integral part of these financial statements.

**OFFICE OF THE ATTORNEY GENERAL
ANTIFRAUD FUND FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

**STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS**

Revenues:	<u>FY 2004</u>	<u>FY 2003</u>
Restitution	<u>\$ 23,295</u>	<u>\$ 13,649</u>
Total Revenue	<u>23,295</u>	<u>13,649</u>
Expenses:		
Total Expenses	<u>-</u>	<u>-</u>
Excess Of Revenues Over Expenses	23,295	13,649
Net Assets at October 1	<u>35,994</u>	<u>22,345</u>
Net Assets At September 30	<u><u>\$ 59,289</u></u>	<u><u>\$ 35,994</u></u>

The accompanying notes are an integral part of these financial statements.

**OFFICE OF THE ATTORNEY GENERAL
ANTIFRAUD FUND FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

STATEMENTS OF CASH FLOWS

Cash Flows from Operating Activities	<u>FY 2004</u>	<u>FY 2003</u>
Net Operating Income	\$ 23,295	\$ 13,649
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Decrease (Increase)	<u>-</u>	<u>-</u>
Net Cash Provided by Operating Activities	23,295	13,649
Cash at October 1	<u>35,994</u>	<u>22,345</u>
Cash at September 30	<u><u>\$ 59,289</u></u>	<u><u>\$ 35,994</u></u>

The accompanying notes are an integral part of these financial statements.

**OFFICE OF THE ATTORNEY GENERAL
ANTIFRAUD FUND FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

NOTES TO THE FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Introduction and Background

The Antifraud Fund (Fund) is required by statutory provisions in the Procurement Reform Act of 1998 as codified at D.C. Code § 2-308.20 (2001). The statute states that the Fund is to be operated as a proprietary fund with assets not to exceed \$2 million at any time. *Id.* § 2-308.20(a). Additionally, the statute requires the OIG to audit the Fund annually. *Id.* § 2-308.20(c).

Deposits into the Fund are comprised of criminal fines, civil penalties, and damages collected from false claims recoveries. Additionally, the Fund may be used by the District of Columbia Office of the Attorney General (OAG) to carry out enforcement of the False Claims Act, including costs reasonably related to prosecuting cases and conducting investigations.

For Fiscal Year 2004, the OAG had successfully prosecuted/settled two cases with restitution of \$20,000 awarded to the Fund. Additionally, the OAG had five cases pending in court with collective fraud estimated at approximately \$5 million. The OAG also had 26 Qui Tam cases filed and under current investigation, with estimated fraud amounts undetermined at the end of fiscal year 2004. Most of the Qui Tam cases under investigation were being conducted by the Medicaid Fraud Unit of the D.C. Office of the Inspector General.

Basis of Presentation

Although required by the D.C. Code to operate as a proprietary fund, the Fund is established as a governmental fund in the District of Columbia government's accounting information system – System of Accounting and Reporting (SOAR). Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is a separate entity with a self-balancing set of accounts.

The Fund applies all GASB (Governmental Accounting Standards Board) pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**OFFICE OF THE ATTORNEY GENERAL
ANTIFRAUD FUND FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

Basis of Accounting

The modified accrual basis of accounting is used for the Fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon thereafter to be used to pay liabilities of the current period.

Cash and Investments

Cash from the Fund is deposited in the District’s pooled cash account. Currently, there are no investments made by the Antifraud Fund.

Restricted Assets and Liabilities

Net assets represent the amount of equity the Fund has accumulated since inception of the Fund. The Fund has an asset cap restriction of \$2 million. The Fund’s net assets as of September 30, 2004, total \$59,289. There were no reported liabilities of the Fund.

Revenue and Expense Recognition

Fund revenues are comprised of criminal fines, civil penalties, and damages collected from false claims recoveries. The OAG has not allocated overhead costs against the Fund, nor has the Fund incurred expenses.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Attorney General, Office of the Attorney General, Government of the District of Columbia; and Chief Financial Officer, Government of the District of Columbia:

We have audited the financial statements of the Antifraud Fund of the Government of the District of Columbia as of and for the year ended September 30, 2004, and have issued our report thereon dated November 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

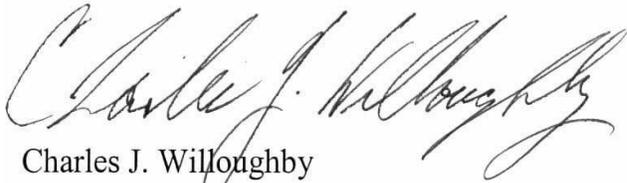
In planning and performing our audit, we considered the Antifraud Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance whether the Antifraud Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, the noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We note that the Fund is not established as a proprietary fund in the District's financial management system as required by the D.C. Code. The fund is set up as a governmental fund. According to Office of the Chief Financial Officer, the Fund operates as a business type entity within the General Fund, which is a governmental fund. Even though establishing the Fund as a governmental fund is not in compliance with the law, we do not consider it to be a reportable condition because Fund transactions are accurately accounted for.



Charles J. Willoughby
Inspector General

November 8, 2005