

**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, 2006**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



January 18, 2008

Peter J. Nickles
Interim Attorney General
Office of the Attorney General
The John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Suite 300
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. Nickles and Dr. Gandhi:

The Office of the Inspector General has completed an audit (OIG No.7-1-23CB) of the Antifraud Fund, administered by the District of Columbia Office of the Attorney General, for the year ended September 30, 2006.

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.

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, 2006, 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 significant deficiencies during our fiscal year 2006 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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Mr. Nickles and Dr. Gandhi
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**OFFICE OF THE ATTORNEY GENERAL
ANTIFRAUD FUND FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

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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 statement of net assets of the Antifraud Fund of the Government of the District of Columbia as of September 30, 2006, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year ended. These financial statements are the responsibility of the District of Columbia Office of the Attorney General (OAG) and the Office of the Chief Financial Officer (OCFO). Our responsibility is to express an opinion on these financial statements based on our audit.

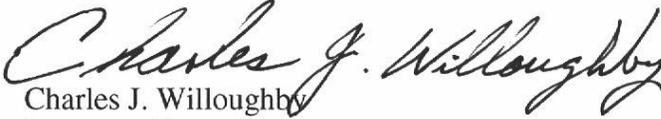
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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, 2006, the results of its operations, changes in net assets, and cash flows for the year ended September 30, 2006, 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 January 18, 2008, 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

January 18, 2008

**OFFICE OF THE ATTORNEY GENERAL
ANTIFRAUD FUND FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

STATEMENTS OF NET ASSETS

| | <u>FY 2006</u> | <u>FY 2005</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ 1,290,405 | \$ 1,275,371 |
| Total Assets | <u>1,290,405</u> | <u>1,275,371</u> |
| NET ASSETS | | |
| Net Assets | <u>1,290,405</u> | <u>1,275,371</u> |
| Total Net Assets, September 30: | <u>\$ 1,290,405</u> | <u>\$ 1,275,371</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, 2006**

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

| Revenues: | <u>FY 2006</u> | <u>FY 2005</u> |
|--|----------------------------|----------------------------|
| Restitution | <u>\$ 15,035</u> | <u>\$ 1,216,229</u> |
| Total Revenue | <u>15,035</u> | <u>1,216,229</u> |
| Expenses: | | |
| Miscellaneous | <u>-</u> | <u>148</u> |
| Total Expenses | <u>-</u> | <u>148</u> |
| Excess of Revenues Over Expenses: | 15,035 | 1,216,081 |
| Net Assets at October 1 | <u>1,275,370</u> | <u>59,289</u> |
| Net Assets At September 30: | <u><u>\$ 1,290,405</u></u> | <u><u>\$ 1,275,370</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, 2006**

STATEMENTS OF CASH FLOWS

| Cash Flows from Operating Activities | <u>FY 2006</u> | <u>FY 2005</u> |
|--|----------------------------|----------------------------|
| Net Operating Income | \$ 15,035 | \$ 1,216,081 |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | | |
| Decrease (Increase) | <u>-</u> | <u>-</u> |
| Net Cash Provided by Operating Activities | 15,035 | 1,216,081 |
| Cash at October 1 | <u>1,275,370</u> | <u>59,289</u> |
| Cash at September 30 | <u><u>\$ 1,290,405</u></u> | <u><u>\$ 1,275,370</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, 2006**

NOTES TO THE FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Introduction and Background

The Antifraud Fund (Fund) was established by statutory provisions in the Procurement Reform Amendment 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.* at § 2-308.20 (a). Additionally, the statute requires the OIG to audit the Fund annually. *Id.* at § 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.

During Fiscal Year 2006, the OAG successfully prosecuted/settled four criminal fraud cases through plea agreements, which resulted in restitution of \$8,000 awarded to the Fund. There were no civil *Qui Tam* cases settled in Fiscal Year 2006 that resulted in restitution to the Fund. The additional \$7,035 restitution received was from installment payments from prior settled cases. Currently, the OAG has 80 *Qui Tam* cases under investigation. Fraud associated with these cases was undeterminable at the end of Fiscal Year 2006. There were no civil fraud cases settled in Fiscal Year 2006 resulting in restitution for the Fund.

Basis of Presentation

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.

The Fund applies all Governmental Accounting Standards Board (GASB) 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, 2006**

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 net assets as of September 30, 2006, totaled \$1,290,405. 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 and has only incurred minor expenses. Revenues for FY 2005 were significantly higher than FY 2006 revenues due to the settlement of a major fraud case in FY 2005.

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, 2006, and have issued our report thereon dated January 18, 2008. 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. Accordingly, we do not express an opinion on the effectiveness of the Antifraud Fund's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 significant deficiency or material weakness since Fund transactions are accurately accounted for.


Charles J. Willoughby
Inspector General

January 18, 2008