

**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, 2008**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



December 10, 2009

Peter J. Nickles
Attorney General
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

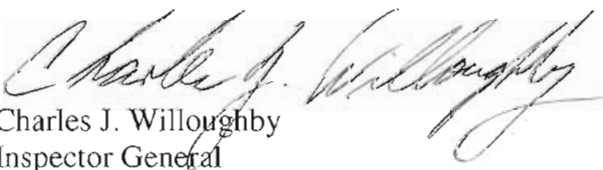
Dear Mr. Nickles and Dr. Gandhi:

The Office of the Inspector General has completed an audit (OIG No. 9-1-26CB) of the Antifraud Fund (Fund), administered by the District of Columbia Office of the Attorney General, for the year ended September 30, 2008.

The OIG opined that the financial statements present fairly, in all material respects, the financial position of the Fund for the year ended September 30, 2008, in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Accounting Standards*, this Office also has issued its report on consideration of the Fund's internal control over financial reporting and on its tests of the Fund's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

If you have questions or need additional information, please contact William J. DiVello, Assistant Inspector General for Audit, at (202) 727-2540.

Sincerely,


Charles J. Willoughby
Inspector General

CJW/js

cc: See Distribution List

DISTRIBUTION:

The Honorable Adrian M. Fenty, Mayor, District of Columbia (1 copy)
Mr. Neil O. Albert, City Administrator and Deputy Mayor, District of Columbia (1 copy)
Ms. Valerie Santos, Deputy Mayor for Planning and Economic Development, District of Columbia (1 copy)
The Honorable Vincent C. Gray, Chairman, Council of the District of Columbia (1 copy)
The Honorable Mary M. Cheh, Chairperson, Committee on Government Operations and the Environment, Council of the District of Columbia (1 copy)
The Honorable Phil Mendelson, Chairperson, Committee on Public Safety and the Judiciary (1 copy)
Mr. Andrew T. Richardson, III, General Counsel to the Mayor (1 copy)
Ms. Carrie Kohns, Chief of Staff, Office of the Mayor (1 copy)
Ms. Bridget Davis, Director, Office of Policy and Legislative Affairs (1 copy)
Ms. Mafara Hobson, Director, Office of Communications (1 copy)
Ms. Merav Bushlin, Chief of Budget Development and Execution, Office of the City Administrator (1 copy)
Ms. Cynthia Brock-Smith, Secretary to the Council (13 copies)
Mr. Mohamad Yusuff, Interim Executive Director, Office of Integrity and Oversight, Office of the Chief Financial Officer (1 copy)
Ms. Deborah K. Nichols, D.C. Auditor (1 copy)
Ms. Kelly Valentine, Director and Chief Risk Officer, Office of Risk Management (1 copy)
Ms. Jeanette M. Franzel, Managing Director, FMA, GAO, Attention: Sandra Silzer (1 copy)
The Honorable Eleanor Holmes Norton, D.C. Delegate, House of Representatives, Attention: Bradley Truding (1 copy)
The Honorable Edolphus Towns, Chairman, House Committee on Oversight and Government Reform, Attention: Ron Stroman (1 copy)
The Honorable Darrell Issa, Ranking Member, House Committee on Oversight and Government Reform (1 copy)
The Honorable Stephen F. Lynch, Chairman, House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia, Attention: William Miles (1 copy)
The Honorable Jason Chaffetz, Ranking Member, House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia (1 copy)
The Honorable Joseph Lieberman, Chairman, Senate Committee on Homeland Security and Governmental Affairs, Attention: Holly Idelson (1 copy)
The Honorable Susan Collins, Ranking Member, Senate Committee on Homeland Security and Governmental Affairs (1 copy)
The Honorable Daniel K. Akaka, Chairman, Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia (1 copy)
The Honorable George Voinovich, Acting Ranking Member, Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia (1 copy)
The Honorable David Obey, Chairman, House Committee on Appropriations, Attention: Beverly Pheto (1 copy)

The Honorable Jerry Lewis, Ranking Member, House Committee on Appropriations (1 copy)
The Honorable José E. Serrano, Chairman, House Subcommittee on Financial Services and
General Government, Attention: Dale Oak (1 copy)
The Honorable Jo Ann Emerson, Ranking Member, House Subcommittee on Financial
Services and General Government (1 copy)
The Honorable Daniel K. Inouye, Chairman, Senate Committee on Appropriations,
Attention: Charles Houy (1 copy)
The Honorable Thad Cochran, Ranking Member, Senate Committee on Appropriations (1 copy)
The Honorable Richard Durbin, Chairman, Senate Subcommittee on Financial Services and
General Government (1 copy)
The Honorable Sam Brownback, Ranking Member, Senate Subcommittee on Financial
Services and General Government (1 copy)
Ms. Victoria Syphax, Agency Fiscal Officer, Office of the Attorney General, (3 copies)
Mr. Robert Hildum, Deputy for Public Safety, Office of the Attorney General (1 copy)
Mr. Paul Gallagher, Assistant Deputy for Public Safety, Office of the Attorney
General (1 copy)

**OFFICE OF THE ATTORNEY GENERAL
ANTIFRAUD FUND FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

TABLE OF CONTENTS

	Page
Independent Auditor’s Report.....	1
Statements of Net Assets.....	3
Statements of Revenues, Expenses, and Changes in Net Assets.....	4
Statements of Cash Flows.....	5
Notes to the Financial Statements.....	6
Auditor’s Report on Internal Control Over Financial Reporting and on Compliance.....	8

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, Government of the District of Columbia:

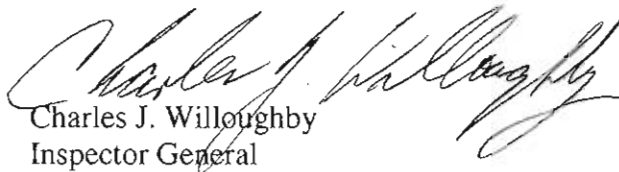
We have audited the accompanying statement of net assets of the Antifraud Fund of the Government of the District of Columbia as of September 30, 2008, and the related statements of revenues, expenses, changes in net assets, and cash flows for the year ended. These financial statements are the responsibility 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. 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, 2008, the results of its operations, changes in net assets, and cash flows for the year ended 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 December 10, 2009, 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

December 10, 2009

**OFFICE OF THE ATTORNEY GENERAL
 ANTIFRAUD FUND FINANCIAL STATEMENT AUDIT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

STATEMENTS OF NET ASSETS

	FY 2008	FY 2007
ASSETS		
Current Assets:		
Cash	\$ 932,182	\$ 1,273,019
Total Assets	932,182	1,273,019
Liabilities		
Year End Accruals	688	-
Accrued Payroll	19,339	8,278
Vouchers Payable	886	1,431
Total Liabilities	20,913	9,709
Net Assets	911,269	1,263,310
Total Liabilities & Net Assets, September 30:	\$ 932,182	\$ 1,273,019

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, 2008**

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

Revenues:	<u>FY 2008</u>	<u>FY 2007</u>
Restitution	<u>\$ 200</u>	<u>\$ 110,382</u>
Total Revenue	<u>200</u>	<u>110,382</u>
Expenses:		
Payroll	348,379	109,660
Miscellaneous	<u>3,862</u>	<u>27,817</u>
Total Expenses	<u>352,241</u>	<u>137,477</u>
Excess of Revenues Over Expenses:	(352,041)	(27,095)
Net Assets at October 1	<u>1,263,310</u>	<u>1,290,405</u>
Net Assets at September 30:	<u>\$ 911,269</u>	<u>\$ 1,263,310</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, 2008**

STATEMENTS OF CASH FLOWS

Cash Flows from Operating Activities	<u>FY 2008</u>	<u>FY 2007</u>
Restitution Received from Court Awards	\$ 200	\$ 110,382
Payments to Suppliers	(3,719)	(26,387)
Payments to Employees	<u>(337,318)</u>	<u>(101,381)</u>
Net Cash Provided by Operating Activities	(340,837)	(17,386)
Cash at October 1	<u>1,273,019</u>	<u>1,290,405</u>
Cash at September 30	<u><u>932,182</u></u>	<u><u>1,273,019</u></u>
Reconciliation of Operating Income (Loss) to		
Net Cash Provided by Operating Activities:		
Operating Income (Loss)	(352,041)	(27,095)
Changes in Assets and Liabilities:		
Increase (Decrease) in Year End Accruals	688	-
Increase (Decrease) in Accrued Payroll	11,061	8,278
Increase (Decrease) Vouchers Payable	<u>(545)</u>	<u>1,431</u>
 Net Cash Provided by Operating Activities	 <u><u>\$ (340,837)</u></u>	 <u><u>\$ (17,386)</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, 2008**

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 (2006). 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.

There were 18 civil/*qui tam* cases settled in FY 2008, 16 of which were Medicaid fraud cases. Medicaid fraud cases do not generate restitution revenue to the Fund. The other two cases did not result in restitution awards to the Fund. No criminal fraud cases were resolved during FY 2008. However, the OAG received two installment payments from a criminal fraud case that was resolved in FY 2004. The total award was \$10,000 and the two installments in FY 2008 totaled \$200.

As of September 30, 2008, the OAG had 85 civil/*qui tam* cases under investigation. Of these cases, 78 were Medicaid fraud related. There were no unresolved criminal fraud cases as of September 30, 2008.

Basis of Presentation

The Fund is maintained in accordance with the principles of fund accounting to ensure the observance of limitations and restrictions on the resources available. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities, fund equity or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The Fund is required by law to operate as a proprietary fund. However, the OCFO believes that because the Fund is legally restricted to specific purpose expenditures, the CFO has classified it as a special purpose revenue fund in the District of Columbia government's

**OFFICE OF THE ATTORNEY GENERAL
ANTIFRAUD FUND FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

accounting information system – System of Accounting and Reporting (SOAR). This issue is further discussed under the Compliance section of this report.

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.

Method of Accounting

The Fund’s financial statements are presented using the accrual basis of accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred without regard to receipt or payment of cash.

Cash

Cash receipts of the Fund are deposited in the District’s pooled cash account.

Receivables and Payables

The Fund does not recognize court awarded restitution as revenue until paid; therefore, it does not establish a receivable for the amount awarded. Payables represent amounts accrued or owed to vendors for goods and services purchased and received.

Net Assets

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, 2008, totaled \$911,269.

Note: With the continued expense of payroll depleting the Fund, we anticipate a negative Net Asset balance by FY 2011, unless substantial restitution is awarded to the Fund.

Revenue and Expense Recognition

Fund revenues are comprised of criminal fines, civil penalties, and damages collected from false claims recoveries. Expenses in FY 2008 were for payroll for two attorneys, a paralegal, and other costs. The OAG does not allocate overhead costs against the Fund.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



**Auditor's Report on Internal Control
over Financial Reporting and on Compliance**

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, 2008, and have issued our report thereon dated December 4, 2009. 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.

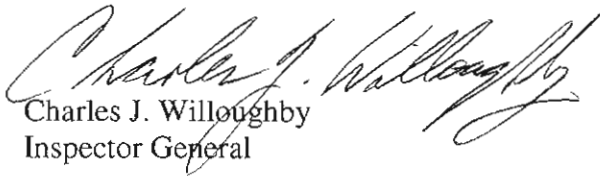
A significant deficiency is a deficiency, or combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We identified and reported internal control material weaknesses during our audit of the Fund for fiscal year (FY) 2007 related to unrecorded revenues and receivables. While our FY 2008 audit did not identify any unrecorded transactions, these material weaknesses were still in existence in FY 2008. During FY 2009, the OAG corrected these material weaknesses by updating its procedures and controls for communicating court settlements and implemented mandatory monthly meetings between the attorneys and the financial accounting manager to discuss cases affecting the Fund.

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, 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*, except for the improper recording of the Fund as a special purpose revenue fund in the District of Columbia government's accounting information system. D.C. Code § 2-308.20 (2006) states that the Fund is to be operated as a proprietary fund. We will issue a separate Management Letter and make a recommendation to the CFO to ensure compliance with the D.C. Code.



Charles J. Willoughby
Inspector General

December 10, 2009