

**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, 2010**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



August 26, 2011

Irvin B. Nathan
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, Ph.D.
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. Nathan and Dr. Gandhi:

The Office of the Inspector General has completed an audit (OIG No. 11-1-10CB) of the Antifraud Fund (Fund), administered by the District of Columbia Office of the Attorney General, for the year ended September 30, 2010.

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, 2010, 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 Ronald W. King, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,


Charles J. Willoughby
Inspector General

CJW/qh

cc: See Distribution List

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the Attorney General

**OFFICE OF THE ATTORNEY GENERAL
ANTIFRAUD FUND FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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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, Government of the District of Columbia:

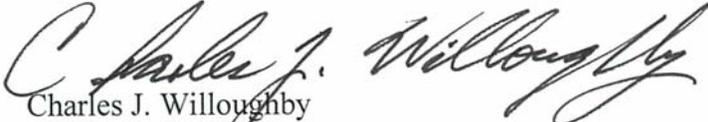
We have audited the accompanying statement of net assets of the Antifraud Fund of the Government of the District of Columbia as of September 30, 2010, and the related statements of revenues, expenses, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility 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, 2010, 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 August 26, 2011, 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

August 26, 2011

**OFFICE OF THE ATTORNEY GENERAL
ANTIFRAUD FUND FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

STATEMENTS OF NET ASSETS

	FY 2010	FY 2009
Assets:		
Cash	\$ 383,250	\$ 612,098
Accounts Receivable	-	4,361
Total Assets	383,250	616,459
Liabilities		
Year End Accruals	-	-
Accrued Payroll	16,330	17,481
Vouchers Payable	-	301
Total Liabilities	16,330	17,782
Net Assets	366,920	598,677
Total Liabilities & Net Assets, September 30:	\$ 383,250	\$ 616,459

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

**OFFICE OF THE ATTORNEY GENERAL
ANTIFRAUD FUND FINANCIAL STATEMENT AUDIT
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STATEMENTS OF ACTIVITIES

	<u>FY 2010</u>	<u>FY 2009</u>
Revenues:		
Restitution	\$ 120	\$ 5,401
Miscellaneous	8	84
Total Revenue	<u>128</u>	<u>5,485</u>
Expenses:		
Payroll	227,578	316,707
Miscellaneous	4,307	1,370
Total Expenses	<u>231,885</u>	<u>318,077</u>
Excess of Revenues Over Expenses:	(231,757)	(312,592)
Net Assets at October 1	<u>598,677</u>	<u>911,269</u>
Net Assets at September 30:	<u>\$ 366,920</u>	<u>\$ 598,677</u>

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

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STATEMENTS OF CASH FLOWS

	FY 2010	FY 2009
Cash Flows From Operating Activities		
Restitution Received from Court Awards	\$ 4,489	\$ 1,040
Payments to Suppliers	(4,609)	(2,559)
Payments to Employees	(228,728)	(318,565)
Net Cash Provided by Operating Activities	(228,848)	(320,084)
Cash at October 1	612,098	932,182
Cash at September 30	383,250	612,098
 Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	(231,757)	(312,592)
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	4,361	(4,361)
Increase (Decrease) in Year End Accruals	-	(688)
Increase (Decrease) in Accrued Payroll	(1,151)	(1,858)
Increase (Decrease) Vouchers Payable	(301)	(585)
Net Cash Provided by Operating Activities	\$ (228,848)	\$ (320,084)

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, 2010**

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 § 2-381.08 (Supp. 2011). 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.* § 2-381.080 (a). Additionally, the statute requires the OIG to audit the Fund annually. *Id.* § 2-381.08 (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 17 civil/*qui tam* cases settled in fiscal year (FY) 2010, of which 15 were Medicaid fraud cases. Medicaid fraud cases do not generate restitution revenue to the Fund. No criminal fraud cases were resolved during FY 2010. However, the OAG received one installment payment from a criminal fraud case that was resolved in FY 2004. The total award was \$10,000 and the defendant began paying in FY 2008. Only one installment in the amount of \$120 was received in FY 2010. In addition, during FY 2010, the OAG received a payment of \$4,361 against a receivable recorded in the previous fiscal year. This restitution money was erroneously paid by a defendant to the District of Columbia Superior Court instead of the OAG.

As of September 30, 2010, the OAG had approximately 204 civil/*qui tam* cases under investigation. Of these cases, about 180 were Medicaid fraud related. There were no unresolved criminal fraud cases as of September 30, 2010.

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.

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The OCFO has classified the Antifraud Fund as a special purpose revenue fund in the District's System of Accounting and Reporting (SOAR). The special purpose revenue classification is used to denote restricted use of the entity's fund balance through legislative authority.

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 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

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 difference between the Fund's assets and its liabilities. The Fund has an asset cap restriction of \$2 million. The net assets as of September 30, 2010, totaled \$366,920.

Note: With the continued expense of payroll depleting the Fund, OAG plans to pay the respective District agencies, from the restitution awarded by the court, only the portion that equates to the actual damage to the agencies and pay the remaining damage amounts - including double damages or treble damages, penalties, and attorney's fees - to the Antifraud Fund.

**OFFICE OF THE ATTORNEY GENERAL
ANTIFRAUD FUND FINANCIAL STATEMENT AUDIT
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Revenue and Expense Recognition

Fund revenues are comprised of criminal fines, civil penalties, and damages collected from false claims recoveries. Expenses in FY 2010 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 (Fund) of the Government of the District of Columbia as of and for the year ended September 30, 2010, and have issued our report thereon dated August 26, 2011. 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 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 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 did not identify any deficiencies in internal control that we consider to be significant deficiencies or material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance whether the 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 classification of the Fund as a special purpose revenue fund in the District of Columbia government's accounting information system. D.C. Code § 2-381.08 states that the Fund is to be operated as a proprietary fund. We noted this issue during our audit of the FY 2009 financial statements and, prior to that, brought it to the attention of the OAG through a management letter (OIG No. 09-1-26CB(b)) dated January 25, 2010. The OCFO, in response, stated that it would seek a legislative change to re-categorize the Fund as a special purpose revenue fund. Accordingly, B19-0125, Antifraud Fund Amendment Act of 2011 was introduced to the D.C. Council in February 2011.


Charles J. Willoughby
Inspector General

August 26, 2011