

# STATE OF CONNECTICUT

**AUDITORS' REPORT  
OFFICE OF THE ATTORNEY GENERAL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2003**

**AUDITORS OF PUBLIC ACCOUNTS  
KEVIN P. JOHNSTON ♦ ROBERT G. JAEKLE**

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September 9, 2005

**AUDITORS' REPORT  
OFFICE OF THE ATTORNEY GENERAL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2003**

We have made an examination of the financial records of the Office of the Attorney General for the fiscal years ended June 30, 2002 and 2003.

Financial statements pertaining to the operations and activities of the Office of the Attorney General for the fiscal years ended June 30, 2002 and 2003, are presented and audited on a Statewide Single Audit basis to include all State agencies and funds. This audit examination has been limited to assessing the Office of the Attorney General's compliance with certain provisions of financial related laws, regulations, and contracts, and evaluating the internal control structure policies and procedures established to ensure such compliance.

This report on that examination consists of the Comments, Condition of Records, Recommendations and Certification that follow.

**COMMENTS**

**FOREWORD:**

The Attorney General is an elected State officer whose duties are set forth in Title 3, Chapter 35, of the General Statutes. The Attorney General has general supervision over all non-criminal legal matters in which the State has an interest. Richard Blumenthal has served as Attorney General since January 9, 1991. Carolyn Querijero has served as Deputy Attorney General since May 19, 2000.

**RÉSUMÉ OF OPERATIONS:**

**Revenues and Other Receipts:**

The Office collects significant revenues, including collections transferred and credited to the accounts of other State agencies. Receipts deposited to the Office of the Attorney General totaled \$3,935,185 and \$8,285,829 during the fiscal years ended June 30, 2002 and 2003, respectively, and are summarized below by fund with the 2000-2001 fiscal year for comparison purposes:

|   | <u>2000-2001</u>           | <u>2001-2002</u>           | <u>2002-2003</u>           |
|---|----------------------------|----------------------------|----------------------------|
| General Fund:                             |                            |                            |                            |
| Revenue:                                  |                            |                            |                            |
| Fines, court costs and misc. fees         | \$ 45,763                  | \$ 258,704                 | \$ 47,041                  |
| Civil penalties - court settlements       | 35,000                     | 1,121,750                  | 136,962                    |
| Recoveries - attorney fees                | 114,978                    | 92,272                     | 475,578                    |
| Recoveries - negotiated court settlements | 2,925,260                  | 1,156,271                  | 758,657                    |
| All other revenues                        | <u>17,147</u>              | <u>6,884</u>               | <u>5,949</u>               |
| Total Revenues                            | 3,138,148                  | 2,635,881                  | 1,424,187                  |
| Restricted contributions                  | 675,048                    | 949,300                    | 6,585,328                  |
| Expenditure refunds                       | <u>666,520</u>             | <u>350,004</u>             | <u>276,314</u>             |
| <b>Total General Fund Receipts</b>        | <b><u>\$ 4,479,716</u></b> | <b><u>\$ 3,935,185</u></b> | <b><u>\$ 8,285,829</u></b> |
| Pending Receipts Fund:                    |                            |                            |                            |
| Settlements and recoveries                | <b><u>\$ 974,294</u></b>   | <b><u>\$ 956,952</u></b>   | <b><u>\$ 1,259,395</u></b> |
| <b>Total Receipts</b>                     | <b><u>\$ 5,454,010</u></b> | <b><u>\$ 4,892,137</u></b> | <b><u>\$ 9,545,224</u></b> |

Total General Fund receipts generally fluctuate to a large degree, as individually large settlements or recoveries are received intermittently. For example, in the 2001-2002 fiscal year, the Office of the Attorney General received \$800,000 in civil penalties and court settlements from Qwest Communication and \$900,000 in negotiated court settlements from Bridgestone/Firestone. During the 2002-2003 fiscal year the Office received \$6,052,060 in restricted contributions from Household International Inc. as part of a multi-state court settlement and Consent Decree. In addition, receipts received by the Office and forwarded to and deposited by other State agencies amounted to \$14,796,845 and \$14,719,916, for the fiscal years ended June 30, 2002 and 2003, respectively.

**Expenditures:**

Expenditures by fund and within the General Fund by categories of appropriation accounts follow, with the 2000-2001 fiscal year for comparison purposes:

|                                  | <u>2000-2001</u>            | <u>2001-2002</u>            | <u>2002-2003</u>            |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
| General Fund:                    |                             |                             |                             |
| Budgeted accounts                | \$ 25,408,647               | \$ 26,539,415               | \$ 26,264,572               |
| Restricted contributions:        |                             |                             |                             |
| Federal contributions            | 62,040                      | 35,737                      | 1,339,306                   |
| Other restricted contributions   | <u>1,028,862</u>            | <u>67,096</u>               | <u>31,518</u>               |
| Total General Fund               | 26,499,549                  | 26,642,248                  | 27,635,396                  |
| Capital Equipment Purchase Fund  | 84,993                      | 86,284                      | 597,647                     |
| Pending Receipt Fund withdrawals | <u>816,840</u>              | <u>422,844</u>              | <u>1,175,356</u>            |
| <b>Totals</b>                    | <b><u>\$ 27,401,382</u></b> | <b><u>\$ 27,151,376</u></b> | <b><u>\$ 29,408,399</u></b> |

General Fund expenditures by type were:

|  | <u>2000-2001</u>            | <u>2001-2002</u>            | <u>2002-2003</u>            |
|--|-----------------------------|-----------------------------|-----------------------------|
| Personal services                      | \$ 23,699,543               | \$ 25,028,213               | \$ 24,802,515               |
| Telecommunications                     | 141,733                     | 142,626                     | 136,268                     |
| Fees for outside professional services | (3,178)                     | 228,312                     | 191,544                     |
| Data processing hardware maintenance   | 42,329                      | 35,584                      | 49,481                      |
| Travel and mileage expenses            | 182,720                     | 172,177                     | 153,819                     |
| Dues and Subscriptions                 | 409,193                     | 323,281                     | 341,374                     |
| All other contractual services         | 1,775,372                   | 463,048                     | 1,739,706                   |
| Commodities                            | 172,466                     | 150,657                     | 137,027                     |
| Revenue refunds                        | 462                         | 27,068                      | 20,768                      |
| Sundry charges                         | 77,909                      | 68,675                      | 38,912                      |
| Equipment                              | <u>1,000</u>                | <u>2,608</u>                | <u>23,982</u>               |
| <b>Total General Fund Expenditures</b> | <b><u>\$ 26,499,549</u></b> | <b><u>\$ 26,642,248</u></b> | <b><u>\$ 27,635,396</u></b> |

Personal services expenditures accounted for approximately 94 and 89.7 percent of General Fund expenditures during the fiscal years ended June 30, 2002 and 2003, respectively. Comparatively, the 2000-2001 fiscal year personal services expenditures accounted for approximately 89.4 percent of General Fund expenditures. The percentage increase, in the 2001-2002 fiscal year of approximately 5.6 percent, is reflective of increases in salaries and an increase in filled positions of 375 at June 30, 2001 to 379 at June 30, 2002. Coupled with those increases is the virtually unchanged total of General Fund expenditures from the 2000-2001 to the 2001-2002 fiscal year. This is due, in part, to a refund of attorneys' fees, which had the effect of significantly reducing the net of "all other contractual services" expenditures. The decrease in personal services costs during the 2002-2003 fiscal year, from the 2001-2002 fiscal year, is due primarily to decreases in total filled positions at June 30, 2003. Total filled positions decreased to 333 as a result of an

early retirement incentive program offered during the 2002-2003 fiscal year. This reduction in personnel, coupled with an increase in total General Fund expenditures during the 2002-2003 fiscal year resulted in personal services costs representing 89.7 percent of the total General Fund expenditures for the 2002-2003 fiscal year. Again, the category of attorney fees had a significant impact on total expenditures for the fiscal year with \$912,722 included in the "all other contractual services" total. Salaries for some employees were charged directly to the expenditure accounts of other State agencies served by this Office. As of June 30, 2003, 25 full time positions were charged in this manner.

Fees for outside professional services, and attorney fees included in "all other contractual services," are presented net of amounts received for reimbursement from other State agencies. The Office bills other State agencies for legal services based upon invoices from outside contractors. The State agencies transfer their funds for payment to an account maintained by the Office. The Office pays the contractors with those transferred funds. Due to timing differences in the transfer and payment of funds, expenditures for fees for outside professional services and attorney fees vary significantly between periods. As such, when transfers from State agencies to the Office exceed payments by the Office, the amounts reported at year-end are presented as being negative. This occurred during the 2001-2002 fiscal year. At June 30, 2002 and 2003, the Agency had received reimbursements of approximately \$1,186,577 and \$188,679, respectively, which were not expended until the following fiscal year.

Additional Agency expenditures, including personal services, were recovered by billing other State agencies for services. These expenditures were recovered through expenditure transfers to the Office of the Attorney General and are therefore not included in the expenditure totals presented. Such expenditure transfers amounted to \$9,735,194 and \$7,812,684, during the fiscal years ended June 30, 2002 and 2003, respectively.

As noted above, certain General Fund restricted appropriation accounts are used to account for various Federal and other restricted funds received, and the expenditures charged thereto. A summary of these accounts follows:

**Client Agency Costs:**

This account serves as a clearing account for charges processed for other State agencies. These expenditures are usually for outside legal services. Upon receipt of an invoice from a service provider by the Office, the user agencies are requested to transfer funds to the Client Agency account to pay the service provider. Funds transferred and expended amounted to approximately \$8,146,256 and \$6,650,279 for the fiscal years ended June 30, 2002 and 2003, respectively. Client agency costs are dependant upon the number and types of services performed by the Office and on the timing of payments made on behalf of the agencies by the Office to outside contractors.

**Low Level Radioactive Waste Management Facility Account:**

Transfers from the State Department of Environmental Protection (DEP) provide funding for this account. Expenditures were primarily for salaries and fringe benefits of employees devoted to legal matters that relate to the siting of a low-level radioactive waste management facility. An unexpended balance of \$567 was carried forward on July 1, 2001. In addition, transfers of \$125,000 and \$65,800 were received from the DEP during the 2001-2002 and 2002-2003 fiscal years, respectively. Expenditures totaled \$125,567 and \$62,167 for those same two respective fiscal years.

**Second Injury Account:**

Pursuant to Subsection (d) of Section 31-355 of the General Statutes, all expenses incurred by the Office of the Attorney General in carrying out its role in second injury cases shall be paid from the Second Injury and Compensation Assurance Fund. The State Treasurer administers this fund. The Attorney General's Second Injury account is used to record Agency non-personnel costs related to the second injury program and is funded by transfers from the State Treasurer. Personal services costs of certain employees were charged directly to the Treasurer's Second Injury Fund, and totaled approximately \$1,751,182 for the 2001-2002 fiscal year and \$1,738,422 for the 2002-2003 fiscal year. As of June 30, 2003, 15 such employees were charged to the fund. Receipts to this account totaled \$70,000 for each fiscal year. Expenditures other than personal services totaled \$65,775 and \$84,541, for those same two respective fiscal years.

**Legal Assistance - Omnibus Budget Reconciliation Act (OBRA) of 1987 Account:**

This account is used to fund activity related to a State Department of Public Health (DPH) contract with the State Department of Social Services (DSS.) The purpose of the contract is to provide Federally required surveys of Medicare/Medicaid providers. The State was reimbursed, in part, through recoveries made by the Department of Social Services. The Office of the Attorney General and DPH have an agreement, whereby, the Office provides legal assistance to DPH in fulfilling its obligation as the survey agency for Medicare/Medicaid health care providers. Receipts, which also represent the related expenditures for each fiscal year, totaled \$67,096 and \$31,518 for the fiscal years ended June 30, 2002 and 2003, respectively. Expenditures consisted primarily of employee salaries and fringe benefits. However, of the \$67,096 in expenditures for the 2001-2002 fiscal year, \$16,047 was a return of grant funds.

**Adjudicated Settlements:**

An Agency trust fund (Attorney General Settlement Fund) and the State Pending Receipts Fund were also used to process transactions. Both were used to account for the collection and distribution of settlements due to the Agency and consumers. Distributions are made in accordance with the corresponding court orders. The Trust Fund was used to hold settlements required to be deposited into an interest-bearing account until final distribution. The Fund is in essence an investment fund. Subsequent to the fiscal year ended June 30, 1998, the State Treasurer established an interest credit account that the Office uses to invest its settlement funds. When disposition is finalized by the court, the money is transferred to the Pending Receipts Fund or General Fund, as applicable. Settlements not required to be held in an interest-bearing account are recorded in the Agency's Pending Receipts Fund. Transfers from the Trust Fund are also received in the Pending Receipts Fund to process payments to consumers or other State agencies through the State's accounting system. A summary of Agency transactions in its Trust Fund and its Pending Receipts Fund follows:

|                              | <b>Attorney General<br/>Settlement<br/>Fund</b> | <b>Pending<br/>Receipts<br/>Fund</b> |
|------------------------------|---|--------------------------------------|
| <b>Balance July 1, 2001</b>  | \$ -  | \$ 748,625                           |
| Receipts (2001-2002)         |   | 956,952                              |
| Interest income (2001-2002)  |   |                                      |
| Disbursements (2001-2002)    | _____   | (422,843)                            |
| <b>Balance June 30, 2002</b> | -   | <b>1,282,734</b>                     |
| Receipts (2002-2003)         | 6,061,649                                       | 1,259,395                            |
| Interest income (2002-2003)  | 9,589   |                                      |
| Disbursements (2002-2003)    | _____   | (1,175,356)                          |
| <b>Balance June 30, 2003</b> | <b><u>\$6,071,238</u></b>                       | <b><u>\$ 1,366,773</u></b>           |

## CONDITION OF RECORDS

Areas warranting comments are presented below:

### **Prompt Deposit of Receipts:**

*Criteria:* Section 4-32 of the General Statutes generally requires that any State agency receiving more than \$500 shall deposit such receipts in depositories designated by the State Treasurer within 24 hours of receipt.

*Condition:* Tests of the Office's receipts for timeliness of deposits initially disclosed that four receipts were one day late in being deposited. Subsequent to concluding our tests, the Office produced a memorandum from the Office of the State Treasurer granting an extension of two business days for receipts received under specific conditions. One out of the four receipts determined to have been one day late met the conditions for the extension while the other three pre-dated the extension authorization.

Additionally, the Office had six checks in its possession made payable to the State, totaling \$153,987, with receipt dates for four of the checks reflecting monies held and not deposited to the State's accounts for more than two days to over one year. The other two checks did not have receipt dates recorded by the Office, but had check dates of February 25, 2003 and December 23, 2003.

*Effect:* Agency procedures do not fulfill statutory requirements for prompt deposits. Untimely deposits may cause a loss of income earned on the deposits, and a breakdown in the safekeeping of the State's assets.

*Cause:* A significant portion of the revenues and receipts of the Office are from various legal actions that result in settlements and judgements. These receipts need to be processed through the applicable legal division within the Office. This often results in a one to two day delay in completing the receipting process. The Office takes the position that other checks are held because the legal proceedings related to the payments have not been finalized and the Office could jeopardize its position by cashing the checks, which could unintentionally bind the Office or its client agency.

*Recommendation:* The Office of the Attorney General should revise its procedures so that cash receipts can be deposited within the period required by Section 4-32 of the General Statutes as amended by any waiver obtained. (See Recommendation 1.)

*Agency Response:* “Many of the receipts deposited by this office are the result of legal actions and must be reviewed by the legal department handling each case to ensure compliance with the settlement or judgment before being forwarded to the Business Office for deposit and because of this, some receipts were not deposited within the 24 hour period required by Section 4-32.

We have requested, and have been granted, a two-day extension of the deposit requirements for certain receipts that must be reviewed by our legal departments prior to deposit. As a result of this extension, we have been in compliance with the deposit requirements in virtually all instances. We have emphasized to all of our department heads the importance of compliance with this requirement.

The six checks noted in the report that had not been deposited were being held in our escrow safe. The escrow safe was established more than fifteen years ago on the recommendation of a previous audit as a repository for receipts that needed to be held pending finalization of settlements or judgments. As the result of this recommendation, we, with the assistance of the State Treasurer, have established an escrow account that allows for the prompt deposit of similar receipts. We anticipate that this will satisfy the concerns raised.”

**Property Control:**

*Criteria:* Standards and procedures for recording and maintaining inventory records are set forth in the State of Connecticut’s Property Control Manual, issued by the State Comptroller. The Manual states that a complete physical inventory of all property must be taken at the end of the fiscal year to ensure that the property control records accurately reflect the actual inventory on hand.

Section 4-36 of the General Statutes requires that an inventory report be submitted by August first of each year. The Office is required to report its equipment and other fixed assets annually to the State Comptroller on a Fixed Assets/Property Inventory

Report/GAAP Reporting Form. Subsidiary records must be maintained to support the amounts reported. Amounts added to, and deleted from, such records should agree with purchasing and disposal records.

*Condition:* Our current review of equipment inventory records disclosed the following:

- A required physical inventory was not performed at fiscal year end June 30, 2003.
- The Office did not submit a Fixed Assets/Property Inventory Report/GAAP Reporting Form for the fiscal year ending June 30, 2003, to the Office of the Comptroller.

*Effect:* There has not been a proper accounting of the Office's inventory in order to support inventory reporting requirements in accordance with the State Property Control Manual. The Office is not in compliance with Section 4-36 of the General Statutes, which requires the submission of property reports annually.

*Cause:* A cause for the condition was not determined.

*Recommendation:* The Office of the Attorney General should take appropriate steps to perform a complete physical inventory, update equipment inventory records and maintain them in an accurate manner. The annual Fixed Assets/Property Inventory Report/GAAP Reporting Form should be prepared and submitted, as required by the State Comptroller. (See Recommendation 2.)

*Agency Response:* "The concerns expressed by the Auditors with respect to our Agency inventory have been addressed. Severe staffing shortages caused by layoff and early retirements at the end of fiscal year 2003, including the retirement of the person previously responsible for conducting the inventory, hampered the ability of the agency business office to conduct an annual inventory and the associated reporting in a timely manner in 2003. A complete inventory has since been conducted and equipment inventory records have been brought up to date. Improvements have been made to computerize our inventory system to reflect accurate values and to simplify ongoing maintenance of inventory records. We are currently up to date in our required filings with the Office of the State Comptroller."

**Expenditures:**

*Criteria:* The State Accounting Manual provides procedures for the payment of goods and services and stipulates that agencies are responsible to ensure that uniform accounts payable procedures exist, supported by proper internal controls. The agency must certify the accuracy and completeness of expenditures documents; determine that the payments have receipt documents and purchase orders/contracts; and ensure that payments are made from original vendor invoices.

*Condition:* Our audit of the Office of the Attorney General included a test of expenditure transactions. Our examination disclosed that the supporting documentation for one of the transactions tested was not sufficient for the amount paid by the Office. The original vendor invoice indicated that the amount owed by the Office was \$14,350. The Office paid the amount of the contracted services per the purchase order, which was \$16,400. The \$2,050 difference, between what was billed by the vendor and what was paid by the Office, was not supported by documentation justifying the additional payment amount.

Additionally, our tests of expenditure transactions disclosed that several transactions did not have supporting documentation indicating acknowledgement of receipt of goods or services for which payments were approved.

*Effect:* The Office overpaid a vendor for services in the amount of \$2,050. If not for our review, this exception would not have been identified by agency management in a timely manner.

*Cause:* The cause could not be determined.

*Recommendation:* The Office should ensure that payments for goods and services are only for those goods and services actually received. Overpayments should be collected from vendors. (See Recommendation 3.)

*Agency Response:* “A review of our payments indicates that the referenced payment was a single event that occurred in the rush to process payments at the close of the fiscal year and we are in the process of recovering the undocumented payment. While we believe that appropriate accounts payable controls are currently in place, we have added a

further review procedure for all payments to ensure accuracy prior to final processing.”

**Petty Cash Fund:**

*Criteria:* According to the Office of the State Comptroller (OSC), as promulgated through the State Accounting Manual (SAM), if a check is outstanding for an extended period and it is certain that it cannot be cashed, a stop-payment notice should be issued to the bank and, on form CO-92, Petty Cash Fund Account, a reverse of the original entry made, increasing the balance of the fund.

Also, any excess cash in the Petty Cash Fund must be returned to the State’s General Fund via check payable to the State Treasurer and deposited using form CO-39 and the appropriate revenue object coding.

Additionally, voided checks are to be attached to the checkbook stubs.

*Condition:* The Agency’s Petty Cash Fund bank reconciliation for the month of March 2004 had 45 outstanding checks listed that date between October 28, 1996 and May 12, 2003, totaling \$2,764.96.

The Agency returned excess petty cash to the State’s General Fund by drafting a check payable to the Office of the Attorney General.

The Agency maintains voided checks along with cancelled/cleared checks.

*Effect:* The Agency is maintaining a fund balance in excess of its needs, and in excess of its authorized fund balance, in the amount of \$2,764.96, in order to account for old outstanding checks.

The Agency erroneously increased the revenue of the Office of the Attorney General.

Voided checks are not maintained as prescribed by the State Accounting Manual.

*Cause:* The Agency failed to follow the procedures for maintaining a petty cash fund as described in the OSC State Accounting Manual.

*Recommendation:* The Agency should review the State Accounting Manual procedures for maintaining a petty cash fund and adhere to those procedures. (See Recommendation 4.)

*Agency Response:* “Most of the outstanding checks in question were issued as witness fees in various litigation matters which we tracked and escheated to the state after the appropriate length of time had passed. In light of this recommendation, we have discontinued this practice and instituted a policy to stop payment on all checks that are outstanding after 60 days and reverse the original entry in accordance with the State Accounting Manual. Stop payment orders have been issued for all outstanding checks that met the above criteria, entries reversing the original transactions have been recorded and the excess funds have been returned to the State Treasurer.

All of the voided checks are correctly referenced on the check stub and while not attached to the stub itself, they are maintained in a compartment at the back of the checkbook for safekeeping.”

**Travel:**

*Criteria:* The State Accounting Manual states that when authorized cash advances for travel expenses are made to employees... “within 5 working days after return, the employee will submit a completed Form CO-17XP, Employee Voucher with the required documentation, to the agency business office”.

*Condition:* Six out of the seven petty cash advances tested had CO-17XP Employee Vouchers that were submitted to the agency business office later than five business days after return, in violation of the State Accounting Manual.

*Effect:* The Agency has to maintain a higher petty cash authorization because petty cash advances are not being returned within the required five working days after travel.

*Cause:* The system that ensures the timely submission of employee vouchers has not been operating effectively.

*Recommendation:* The Office of the Attorney General should devise and implement an effective system to bring about a timely submission of request

for reimbursement forms from employees after travel. (See Recommendation 5.)

*Agency Response:* “We acknowledge that in some cases travel reimbursement requests involving the reimbursement of petty cash advances were not made in a timely fashion. Immediate steps have been taken to implement a system where each employee receiving such an advance will be given written notification of their responsibility to submit their reimbursement request to the Business Office immediately upon their return to the office. The Business Office staff responsible for processing travel reimbursements will be notified of the issuance of the petty cash check and will be responsible for ensuring the timely submission and processing of the necessary documents.”

## RECOMMENDATIONS

Our prior report for the fiscal years ended June 30, 2000 and 2001, contained four recommendations. Two of these recommendations have been resolved and two are being repeated in modified form. The status of each recommendation within the prior report is presented below.

### *Prior Audit Recommendations:*

- The Office of the Attorney General should revise its procedures so that cash receipts can be deposited within the period required by Section 4-32 of the General Statutes, as amended by any waiver obtained. This recommendation is repeated. (See Recommendation 1.)
- The Office of the Attorney General should take appropriate steps to perform a complete physical inventory, update equipment inventory records, maintain such records in an accurate manner, and prepare and submit the annual Fixed Assets/Property Inventory Report/GAAP Reporting Form accurately, as required by the State Comptroller. This recommendation is repeated. (See Recommendation 2.)
- The Office of the Attorney General should maintain records that support GAAP forms in a manner that allows for auditing and verification. This recommendation appears to have been satisfactorily addressed.
- The Office of the Attorney General should document extended sick leave by obtaining supporting medical certificates and retaining these certificates in the employee personnel files. This recommendation appears to have been satisfactorily addressed.

### *Current Audit Recommendations:*

- 1. The Office of the Attorney General should revise its procedures so that cash receipts can be deposited within the period required by Section 4-32 of the General Statutes, as amended by any waiver obtained.**

#### Comment:

Our examination noted three instances where the Agency deposited checks one to two days late. It should be noted that the Agency has since obtained a waiver allowing for the deposit within two business days of receipt. Also, the agency collects payments relating to various legal actions, which go un-deposited for extended periods, sometimes over a year.

2. **The Office of the Attorney General should take appropriate steps to perform a complete physical inventory, update equipment inventory records and maintain them in an accurate manner. The annual Fixed Assets/Property Inventory Report/GAAP Reporting Form should be prepared and submitted, as required by the State Comptroller.**

Comment:

A required physical inventory was not performed at fiscal year end June 30, 2003. The Office did not submit a Fixed Assets/Property Inventory Report/GAAP Reporting Form for the fiscal year ending June 30, 2003, to the Office of the Comptroller.

3. **The Office should ensure that payments for goods and services are only for those goods and services actually received. Overpayments should be collected from vendors.**

Comment:

We noted that a vendor payment was in excess of the amount billed per the vendor's original invoice. Additionally, payments for goods and services are being made without proper acknowledgement by the Office that the goods or services were received.

4. **The Office should review the State Accounting Manual procedures for maintaining a petty cash fund and adhere to those procedures.**

Comment:

We noted that the petty cash fund had 45 outstanding checks dating between October 28, 1996 and May 12, 2003, totaling \$2,764.96 as of March 31, 2004. It was also noted that the process for returning excess petty cash was performed improperly by writing a petty cash check payable to the Office of the Attorney General rather than the State Treasurer.

5. **The Office should devise and implement an effective system to bring about a timely submission of request for reimbursement forms from employees after travel.**

Comment:

Six out of seven tested petty cash advances were submitted to the business office later than five business days after the employees returned from travel.

## **INDEPENDENT AUDITORS' CERTIFICATION**

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Office of the Attorney General for the fiscal years ended June 30, 2002 and 2003. This audit was primarily limited to performing tests of the Office's compliance with certain provisions of laws, regulations, and contracts, and to understanding and evaluating the effectiveness of the Office's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, and contracts applicable to the Office are complied with, (2) the financial transactions of the Office are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Office are safeguarded against loss or unauthorized use. The financial statement audits of the Office of the Attorney General for the fiscal years ended June 30, 2002 and 2003, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

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 Office of the Attorney General complied in all material or significant respects with the provisions of certain laws, regulations, and contracts and to obtain a sufficient understanding of the internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

### **Compliance:**

Compliance with the requirements of laws, regulations, and contracts applicable to the Office of the Attorney General is the responsibility of the Office of the Attorney General's management.

As part of obtaining reasonable assurance about whether the Office complied with laws, regulations, and contracts, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Office's financial operations for the fiscal years ended June 30, 2002 and 2003, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial or less than significant instances of noncompliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

**Internal Control over Financial Operations, Safeguarding of Assets and Compliance:**

The management of the Office of the Attorney General is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, and contracts applicable to the Office. In planning and performing our audit, we considered the Office's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Office's financial operations in order to determine our auditing procedures for the purpose of evaluating the Office of the Attorney General's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, and contracts, and not to provide assurance on the internal control over those control objectives.

Our consideration of the internal control over the Office's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be material or significant weaknesses. A material or significant weakness is a 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 noncompliance with certain provisions of laws, regulations, and contracts or failure to safeguard assets that would be material in relation to the Office's financial operations of noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Office 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 that we consider to be material or significant weaknesses.

However, we noted certain matters involving internal control over the Office's financial operations, safeguarding of assets, and/or compliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

**CONCLUSION**

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Office of the Attorney General during the course of our examination.

Mark Dickerson  
Associate Auditor

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts