

STATE OF CONNECTICUT



*AUDITORS' REPORT
OFFICE OF THE ATTORNEY GENERAL
FOR THE FISCAL YEARS ENDED JUNE 30, 2007, 2008 AND 2009*

AUDITORS OF PUBLIC ACCOUNTS

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April 27, 2011

**AUDITORS' REPORT
OFFICE OF THE ATTORNEY GENERAL
FOR THE FISCAL YEARS ENDED JUNE 30, 2007, 2008 AND 2009**

We have made an examination of the financial records of the Office of the Attorney General for the fiscal years ended June 30, 2007, 2008 and 2009. This report of that examination consists of the Comments, Recommendations and Certification that follow.

This audit examination of the Office of the Attorney General (OAG) has been limited to assessing compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating internal control structure policies and procedures established to ensure such compliance. Financial statement presentation and auditing are being done on a Statewide Single Audit basis to include all State agencies.

COMMENTS

FOREWORD:

The Attorney General is an elected state officer whose duties are set forth in Title 3, Chapter 35, of the Connecticut General Statutes. The Attorney General is the chief legal officer of the state and has general supervision over all legal matters in which the state is an interested party, except those legal matters over which prosecuting officers have direction. Richard Blumenthal served as Attorney General and Carolyn Querijero served as Deputy Attorney General during the audited period.

The Office of the Attorney General is divided into 14 departments that serve as legal counsel to state agencies which provide particular categories of service to state residents. A description of the major functions of each department is presented below:

Antitrust:

The Antitrust Department's primary responsibility is to administer and enforce the Connecticut Antitrust act, and has authority to enforce major provisions of the Federal antitrust laws. The

Department also relies on other Federal and State laws to investigate and prosecute antitrust and other competition-related actions on behalf of consumers, businesses and governmental units.

Consumer Protection Department:

The Consumer Protection Department is responsible for providing counsel and representation to the Department of Consumer Protection, providing consumer education and complaint mediation, conducting consumer protection investigations, appearing before state and federal agencies on consumer matters and litigation under various state and federal laws with a major reliance on the Connecticut Unfair Trade Practices Act.

Child Protection Department:

The Child Protection Department is responsible for representing the Connecticut Department of Children and Families in state and federal court proceedings brought on behalf of abused and neglected children.

Environmental Department:

The Environmental Department provides advice and representation in state and federal administrative and court proceedings to the Department of Environmental Protection, the Department of Agriculture, the Connecticut Agricultural Experiment Station, the Connecticut Marketing Authority, and in court proceedings to the Underground Storage Tank Petroleum Cleanup Account Review Board.

Finance and Public Utilities Department:

The Finance and Public Utilities Department's primary responsibility is the handling of legal issues involving State regulations of the financial services industry. The Department provides legal services to the Department of Economic and Community Development, the Department of Revenue Services, the Office of Policy and Management, the State Bond Commission, and the Insurance Policy and Risk Management Board.

Health Care Fraud/Whistleblower/Health Insurance Advocacy Department:

The Health Care Fraud/Whistleblower/Health Insurance Advocacy Department is composed of three units. The Health Care Fraud Unit conducts investigations of Medicaid provider fraud. The Whistleblower Unit reviews and investigates allegations by whistleblowers of improper behaviors of state employees, state agencies, Quasi-Public agencies and large state contractors. The Health Care Advocacy Unit provides advisory assistance to consumers who have health care related problems, such as health insurance and managed care coverage denials.

Collections and Child Support:

The Child Support and Collections Department represents the Financial Services Center of the Department of Administrative Services in the recovery of public assistance benefits and costs of incarceration; it also provides representation in connection with collection activities of the Department of Social Services, Revenue Services, Correction, and Higher Education as well as John Dempsey Hospital, the Second Injury Fund, the Connecticut State University System, and the

Secretary of the State. The Department also provides legal services to the Department of Social Services Bureau of Child Support Enforcement and to the Support Enforcement Services division of the Judicial Branch in enforcing orders for the support of children.

Employment Rights:

The Employment Rights Department defends state agencies and state officials in employment related litigation and administrative complaints, and provides legal advice and guidance to State agencies on employment issues.

Public Safety and Special Revenue:

The Public Safety and Special Revenue Department represents the Department of Public Safety, including the Division of State Police and the Division of Fire, Emergency and Building Services, the Military Department, the Department of Correction, the Department Emergency Management and Homeland Security, Division of Special Revenue, and the Department of Consumer Protection Liquor Control Division. It also provides legal services and representation to a number of associated boards, commissions and agencies.

Special Litigation and Charities:

The Special Litigation and Charities Department represents the Governor, the Judicial Branch, the General Assembly, the Secretary of the State, the Treasurer, the Comptroller, the Auditors of Public Accounts, and the Office of State Ethics. It also represents various State commissions and boards. Through its Public Charities Unit, the Department protects the public interest in gifts, bequests and devises for charitable purposes and, in cooperation with the Department of Consumer Protection, administers and enforces State laws regulating charities and professional fundraisers that solicit the public.

Health, Education and Human Services Department:

The Health, Education and Human Services Department provides legal services and representation to the University of Connecticut, the Connecticut State University System, the Connecticut Community College System, the State Department of Education and all other state agencies that have an education function. It also represents the Department of Public Health, the Department of Social Services, the Department of Mental Health and Addiction Services, the Office of Health Care Access, the Psychiatric Security Review Board, the Department of Developmental Services, the Department of Veterans' Affairs, the Commission on Medical and Legal Investigations overseeing the Office of the Chief Medical Examiner and the various health licensing boards.

Torts/Civil Rights:

The Torts/Civil Rights Department defends state agencies and employees in tort and tort-like civil rights cases brought to the Office of the Claims Commissioner and the state and federal courts.

Transportation:

The Transportation Department provides representation for the Department of Transportation, Department of Public Works, Department of Administrative Services, Department of Motor Vehicles, Department of Information Technology, Department of Economic and Community Development, Housing Matters, and the Connecticut Historical Commission. It also represents various occupational licensing boards within the Department of Consumer Protection.

Workers' Compensation and Labor Relations Department:

The Workers' Compensation and Labor Relations Department represents the State Treasurer as the custodian of the Second Injury Fund, the Workers' Compensation Commission and the Department of Administrative Services (DAS) in its capacity as the administrator of the State employees' workers compensation program, DAS Personnel, the Connecticut Department of Labor, the Office of Labor Relations, the Office of the Claims Commissioner, the State Employees Retirement Commission, and the Teachers' Retirement Board.

SIGNIFICANT LEGISLATION:

There was no new significant legislation during the audited period affecting the Office of the Attorney General's operations.

RÉSUMÉ OF OPERATIONS:

During the fiscal years under review, funding for general operations of the Office was provided by budgeted appropriations from the General Fund and restricted contributions. The Office collects significant revenues, including collections transferred and credited to the accounts of other state agencies.

General Fund:

Revenues and Receipts:

General Fund receipts deposited to the Office of the Attorney General for the three fiscal years under review are summarized below:

	<u>Fiscal Year</u> <u>2006-2007</u>	<u>Fiscal Year</u> <u>2007-2008</u>	<u>Fiscal Year</u> <u>2008-2009</u>
Revenue and Receipts	\$ 12,544,308	\$ 6,124,768	\$ 9,734,572

General Fund receipts generally fluctuate to a large degree, as individually large settlements or recoveries are received intermittently. Total General Fund revenue and receipts decreased by \$2,809,736 for the two-year period ended June 30, 2009, compared to the fiscal year ended June 30, 2007. For example, during the 2006-2007 fiscal year, the Office of the Attorney General received \$8,000,000 in civil penalties from The St. Paul Travelers Companies, Inc. and \$3,000,000 in civil

penalties from Hartford Financial Services. In addition, receipts received by the Office and forwarded to other state agencies for deposit amounted to \$11,388,451, \$16,211,055 and \$15,339,174 for the fiscal years ended June 30, 2007, 2008, and 2009, respectively.

Expenditures:

General Fund expenditures during the fiscal years ended June 30, 2007, 2008, and 2009, are presented below:

	<u>Fiscal Year</u> <u>2006-2007</u>	<u>Fiscal Year</u> <u>2007-2008</u>	<u>Fiscal Year</u> <u>2008-2009</u>
Personal services/fringe benefits	\$ 28,042,363	\$ 29,639,187	\$ 29,586,625
Other Expenses	<u>1,286,878</u>	<u>1,318,184</u>	<u>1,283,775</u>
Total Expenditures	<u>\$ 29,329,241</u>	<u>\$ 30,957,371</u>	<u>\$ 30,870,400</u>

Total General Fund expenditures increased by \$1,628,130 and decreased by \$86,971 during the fiscal years ended June 30, 2008 and 2009, respectively. The increase and decrease were mostly attributable to increases and decreases in personal services expenditures. The increase in personal services expenditures in the fiscal year ended June 30, 2008 were mainly due to collective bargaining increases. The decrease in personal services expenditures in the fiscal year ended June 30, 2009 was mainly due to the Retirement Incentive Program. As a result of this program, the average number of full-time employees decreased from 340 to 328 during the audited period.

Special Revenue Funds:

Grants and Restricted Accounts Fund:

Revenue and Receipts:

Grants and Restricted Accounts Fund revenues and receipts during the audited period are summarized below:

	<u>Fiscal Year</u> <u>2006-2007</u>	<u>Fiscal Year</u> <u>2007-2008</u>	<u>Fiscal Year</u> <u>2008-2009</u>
Total Receipts	<u>\$ 623,200</u>	<u>\$ 288,021</u>	<u>\$ 560,806</u>

Expenditures:

Expenditures from the Grants and Restricted Accounts Fund during the audited period are summarized below

	<u>Fiscal Year</u> <u>2006-2007</u>	<u>Fiscal Year</u> <u>2007-2008</u>	<u>Fiscal Year</u> <u>2008-2009</u>
Total Expenditures	<u>\$ 5,546,415</u>	<u>\$ 5,915,100</u>	<u>\$ 5,865,568</u>

Restricted accounts are reported 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.

A summary of the four largest restricted accounts used within the Grants and Restricted Accounts Fund to account for restricted funds received and the expenditures charged thereto follows:

Consumer Protection Case Account:

This account is used to fund expenses incurred from bringing consumer protection cases. A portion of the settlements from consumer cases go into this account to fund other consumer protection cases' other expenses. Receipts deposited into this account totaled \$544,407, \$112,750, and \$398,503 for the fiscal year ended June 30, 2007, 2008 and 2009, respectively. Expenditures totaled \$97,454, \$82,011, and \$126,703, for those same three respective fiscal years.

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. Expenditures totaled \$5,392,745, \$5,685,625, and \$5,577,053 for the fiscal years ended June 30, 2007, 2008, and 2009, respectively. Funds reimbursed totaled \$4,581,863, \$5,663,644, and \$5,287,362, for each respective fiscal year. The amount of client agency costs depends on 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. Due to timing differences with respect to the transfer and payment of funds, expenditures for outside legal services vary between periods.

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 \$2,167,867 for the 2006-2007 fiscal year, \$2,149,033 for the 2007-2008 fiscal year and \$2,227,696 for the 2008-2009 fiscal year. As of June 30, 2009, 14 such employees were charged to the fund. Receipts to this account totaled \$70,000, \$70,000, and \$70,000 for the fiscal year ended June 30, 2007, 2008, and 2009, respectively. Expenditures other than personal services totaled \$56,215, \$68,863, and \$79,502, for each respective fiscal year.

Capital Equipment Purchase Fund:

The Office of the Attorney General also made expenditures from the Capital Equipment Purchase Fund during the audited period. A total of \$59,657, \$122,304, and \$288,732 were expended during the 2006-2007, 2007-2008 and 2008-2009 fiscal years, respectively. Purchases in the 2008-2009 fiscal year increased significantly over previous fiscal years. This increase was mainly attributed to the purchase and deployment of 384 desktop computers in fiscal year 2008-2009.

Other Funds and Accounts:

Adjudicated Settlements:

The Funds Awaiting Distribution Fund and an Escrow Account were used to account for the collection and distribution of settlements due to the Office, other State agencies, or consumers. The Funds Awaiting Distribution Fund is a suspense account for receipts waiting for the final distribution to consumers. The Escrow Account is a bank account that is used to deposit receipts when there are contingencies in a case where the outcome is dependent on factors yet to occur. Distributions are made in accordance with the corresponding court orders:

	<u>Fiscal Year</u> <u>2006-2007</u>	<u>Fiscal Year</u> <u>2007-2008</u>	<u>Fiscal Year</u> <u>2008-2009</u>
<u>Funds Awaiting Distribution Fund</u>			
Balance Beginning of Year	\$ 3,391,446	\$ 2,215,508	\$ 2,272,810
Receipts	442,552	5,791,930	5,188,467
Disbursements	<u>1,618,490</u>	<u>5,734,628</u>	<u>6,070,603</u>
Balance End of Year	<u>\$ 2,215,508</u>	<u>\$ 2,272,810</u>	<u>\$ 1,390,674</u>
<u>Escrow Account</u>			
Balance Beginning of Year	\$ 58,599	\$ 120,596	\$ 1,704,203
Receipts	1,424,502	2,835,118	2,603,473
Interest Income	1,533	530	6,969
Disbursements	<u>1,364,038</u>	<u>1,252,041</u>	<u>4,261,995</u>
Balance End of Year	<u>\$ 120,596</u>	<u>\$ 1,704,203</u>	<u>\$ 52,650</u>

CONDITION OF RECORDS

Our audit of the Office of the Attorney General identified the following areas that need improvement and warrant comment:

Property Control and Reporting:

Criteria: Section 4-36 of the Connecticut General Statutes provides that each State agency shall establish and keep an inventory account in the form prescribed by the Comptroller, and shall, annually, on or before October first, transmit to the Comptroller a detailed inventory, as of June thirtieth, of all of the following property owned by the State and in the custody of such agency: (1) Real property, and (2) personal property having a value of one thousand dollars or more.

The State of Connecticut's *Property Control Manual* requires that all State agencies have policies and procedures in place to ensure that all assets currently owned or in the possession of the State be properly recorded and reported.

The *Property Control Manual* further requires that "in-house developed software systems" be reported in the Software category within the State-owned personal property section of the annually submitted Fixed Assets/Property Inventory GAAP Reporting Form (CO-59) to the Office of the State Comptroller.

Condition: Our review of the CO-59 forms for the fiscal years ended June 30, 2008, and 2009, revealed an omission of the Office of the Attorney General's upgrade to its CaseTrack software.

The Office of the Attorney General's CaseTrack system is used to track case information and is composed of software on the front end, which was written using a programming language, and a licensed database on the back end. The front end of the CaseTrack system was completely re-written in 2007 and implemented in its updated form on August 18, 2007. The front end of CaseTrack was developed by the Office of the Attorney General's information technology staff in conjunction with a vendor and is owned by the Office of the Attorney General. There was no specific accounting of the employee's time tied to the development of the software, nor an attempt to determine the dollar value of the information system. In addition, the front end of the CaseTrack system is omitted from the agency's software inventory list.

- Effect:* The Office of the Attorney General's CO-59 forms for the fiscal years ended June 30, 2008, and 2009, were understated by the omitted value of the information system.
- The Office of the Attorney General is not in compliance with the State's *Property Control Manual*.
- Cause:* We were informed that the Office of the Attorney General did not feel that capitalization of the software was appropriate due to their minimal involvement in its development.
- Recommendation:* The Office of the Attorney General should implement controls to ensure that assets are appropriately capitalized in its CO-59 forms, which it annually submits to the State Comptroller, if they meet capitalization criteria prescribed by the State's *Property Control Manual*. (See Recommendation 1.)
- Agency Response:* "We agree that we did not include a value for Case Track with our CO-59 reporting during this audit period primarily because we felt that our contribution to the 2007 upgrade was minimal. Based upon the concerns raised by this finding, we have established a value for our case track program to include our involvement that will be included in future CO-59 filings."

Annual GAAP Form 2 – Accounts Receivable:

- Criteria:* The State Comptroller's Office annually requires each State agency to submit GAAP Closing packages to enable the State Comptroller to prepare accurate financial reports in accordance with generally accepted accounting principles (GAAP). Accounts receivable balances as of June 30th of each year are required to be reported on GAAP Form No. 2.
- Condition:* Our review of the filed GAAP Reporting Form No. 2- Receivables for the fiscal years ended June 30, 2007 and 2008, contained errors and omissions resulting in total receivables being overstated by \$6,701,722 and \$6,605,597, respectively. The overstated amount reported in both years was attributed mainly to one court judgment in the amount of \$6,760,822 due to consumers, not the State.
- Our review of the form for the fiscal year ended June 30, 2009, showed that the business office made significant progress in making the reported accounts receivable balance more accurate. However, the total receivable amount reported on the June 30, 2009 form was understated by \$641,023. This understatement was the result of two judgments in the amounts of \$250,000 and \$391,023 not being reported.

Effect: The Comprehensive Annual Financial Report for the State did not reflect the correct accounts receivable balance for the Office of the Attorney General.

Cause: We were informed that the reporting of receivables due to the Office of the Attorney General is a task handled by one employee of the business office, despite judgment receivables occurring on a frequent and routine basis throughout many of the Attorney General departments. The business office is sometimes informed by other departments when receivables arise from judgments, but in other instances where the business office is not informed, it must rely on its employees to make their own determination of when a receivable is created and should be reported, through their review of legal documentation. We were unable to determine other causes for the condition noted.

Recommendation: The Office of the Attorney General should strengthen the communication between the departments responsible for carrying out judgments and the business office to ensure the accurate recording and reporting of receivables. (See Recommendation 2.)

Agency Response: “Based upon findings in the previous audit report, issued June 9, 2010, the agency made significant improvement in the accuracy of the GAAP report. This finding arises from two judgments signed late in the fiscal year where funds were not received in the agency Business Office until the following fiscal year. The agency has promulgated a new procedure to canvass the legal departments prior to preparation of the GAAP report to identify judgments that fall into this category. The information solicited from the departments will then be checked against the cash receipts to ensure the accuracy of the data. We are confident that the increased knowledge and understanding of the reporting process along with this change to our internal procedures will prevent future reporting errors.”

Closed Review Case Files:

Background: Judgments that have been made on a case declaring funds due to the State from individual(s) from whom the funds cannot be recovered at the time of judgment are physically maintained in an ongoing file of “closed review files” in a file cabinet. Once placed into this file, a case is to be reviewed once every five years, possibly more frequently if new information warrants it. Once a year, cases that have not been reviewed in the past five years are reviewed to determine whether or not collection may have become possible.

In addition to physical case files being maintained, the Office of the Attorney General currently utilizes a case tracking information system, known as CaseTrack, to keep track of various case information, including collection amounts received. The CaseTrack predecessor database, Approach, can still be accessed by the Office of the Attorney General to view case information that may not be in CaseTrack. The Office of the Attorney General used the Barrister database to track cases until 2001 when it implemented the Approach database.

Criteria: Sound business practice requires that agencies maintain complete and up-to-date case file records. Case file records should provide management with the tools necessary for fiscal control and oversight of the collection effort. The case files should include the necessary information to provide a clear and easy-to-follow audit trail of the activity.

Condition: Our examination of five closed review case files where judgments have been reached, but are either unpaid or have only been paid in part, revealed a closed case file, though a hard copy is physically maintained at the agency, was not found in the agency's current database, CaseTrack, used to track case files, judgments due, and collection amounts received.

We were informed that the number of closed review cases is large. However, there is no listing of all closed review files physically on hand nor a count of the total number. We were also informed that closed review files which were closed prior to the year 2001 are physically on hand, but were never entered into CaseTrack, the Agency's current case tracking database, nor its predecessor, the Approach system. In addition, during our audit period we were informed that although it is indicated in the physical file when a case was last reviewed, this information has not historically been entered into CaseTrack.

Effect: Closed case files may be overlooked, or adequate efforts may not be taken prior to the statute of limitations, resulting in delayed or lost revenue to the State. Also, additional labor time may be expended to reexamine case file content, and verify amounts due, whenever the files are accessed.

Cause: The Department which maintains the referenced closed case files was faced with significant staff cuts, without the workload going down, and other tasks took priority.

We were informed that the transition from the Barrister case tracking database to the Approach case tracking database, which

occurred in 2001, required every case to be reentered individually, as automatic transfer was not possible. As a result, agency personnel were instructed only to reenter cases that were open or pending; all closed cases (which included cases that were closed because of being uncollectable) were not part of the transition.

Recommendation: The Office of the Attorney General should take the necessary steps to ensure that a complete list of closed review cases, with a summary of activity, is maintained with a tickler file system indicating when cases are approaching the statute of limitations. (See Recommendation 3.)

Agency Response: “We acknowledge that approximately 300 closed case records from the legacy tracking database used in the Collections Department had not been migrated to our current case tracking system when it was implemented in 2001. Those cases have now been entered. While these cases had not been entered into CaseTrack previously, access to the legacy system remained available had it become necessary to retrieve case information from the database. At no time was any delay in reviewing a closed case file attributable to a lack of information in the CaseTrack. Rather it is caused by the steady decline in staff resources that this agency has experienced over the past several years. In some isolated instances, files may have been overlooked, or adequate efforts may not have been taken as a result. We point out however, that all of the subject cases involve statutory claims and, although a particular judgment may be lost by the 20 year statute of limitations on judgments, the underlying statutory claims are, nonetheless, always recoverable.”

Second Injury Fund:

Background: The Workers’ Compensation and Labor Relations Department represents the Treasurer as the custodian of the Second Injury Fund in cases involving potential liability of the Fund for Workers’ Compensation benefits and for the State of Connecticut in contested workers’ compensation claims filed by State employees.

Criteria: Proper coding of personnel services is essential in providing fiscal and budgetary accountability over costs. The Core-CT accounting system provides a comprehensive chart of accounts for coding personnel service transactions so that costs may be charged to the corresponding activity.

Condition: We found that an accountant in the business office performs the accounts payable function and other accounting tasks for all of the

14 departments in the Office of the Attorney General. This accountant's salary for the fiscal years ended June 30, 2007, 2008, 2009, and 2010, and the first quarter of the fiscal year ended June 30, 2011, was charged entirely to the Second Injury Fund.

- Effect:* The Second Injury Fund may be overcharged.
- Cause:* There is no written agreement in place between the Office of the Attorney General and the Office of the State Treasurer to identify the costs properly charged to the Second Injury Fund.
- Recommendation:* A Memorandum of Understanding should be put into place that defines the terms of the agreement between the Office of the Attorney General and the Office of the State Treasurer regarding the Second Injury Fund. (See Recommendation 4.)
- Agency Response:* "We agree that a long term written agreement with the Second Injury Fund is desirable and have been actively negotiating such an agreement for the past few months. As the proposed agreement would involve significant policy decisions going forward, negotiations were delayed to allow the new Attorney General time to assess the current arrangement and plan accordingly for the future. It is our expectation that an agreement will be finalized within the next few months."

Other Matters:

We found five out of 25 receipts received at the Office of the Attorney General on behalf of a client State agency to whom the funds were sent for subsequent deposit, totaling \$70,421, were deposited between one and 11 days late by the client agencies. These deposits were accounted for between three and 12 days late. In addition, we found that three receipts, totaling \$387,067, though deposited in a timely manner, were posted to the agency's accounting record between one and four days late. One additional receipt in the amount \$50 was transmitted to a client agency that could provide evidence of its receipt but not deposit. In each of these instances it appears that the Office of the Attorney General transmitted the receipts to its client agency in a timely manner. We do not believe this warrants a finding in this report. As a result of our inquiries, the Office of the Attorney General responded: "In each case cited to us, the Office of the Attorney General transmitted checks to client agencies in a timely manner. The subsequent actions of the client agencies are beyond the control of this agency."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The Office of the Attorney General should improve its internal controls over receipts to ensure that all receipts are recorded immediately when received and are deposited and accounted for in a timely manner. This recommendation has been adequately addressed.
- The Office of the Attorney General should improve its internal controls over pre-approving compensatory time and implement controls over monitoring compensatory time. This recommendation has been adequately addressed.
- A Memorandum of Understanding should be put into place that defines the terms of the agreement between the Office of the Attorney General and the Office the State Treasurer regarding the Second Injury Fund. This recommendation is repeated and shown as Recommendation 4.
- The Office of the Attorney General should strengthen internal controls to ensure that funds are committed prior to purchasing goods and services, obligations are paid in a timely manner, and receipt dates are correctly recorded. This recommendation has been adequately addressed.
- The Office of the Attorney General should strengthen internal controls over purchasing card purchases by complying with the Agency Purchasing Card Coordinator Manual and the Purchasing Card Cardholder Work Rules. This recommendation has been adequately addressed.
- The Office of the Attorney General should implement controls to reasonably ensure that its employees' telephone activity is properly reviewed and verified and that the business office is notified of the review prior to paying the associated telephone costs. This recommendation has been adequately addressed.
- The Office of the Attorney General should take steps to improve its controls over the accurate recording, reporting, and safeguarding of assets. A modification of this recommendation is shown as Recommendation 1.
- We recommend that the Office of the Attorney General take steps to allow remote access to the State e-mail system in order for its employees to be able to access their State business e-mail remotely. In addition, the Office of the Attorney General should filter access to personal e-mail providers to ensure compliance with the Acceptable Use of State Systems Policy and General Letter 2009-2. This recommendation has been adequately addressed.

- The Office of the Attorney General should take steps to improve its controls over the accurate recording and reporting of receivables. A modification of this recommendation is shown as Recommendation 2.

Current Audit Recommendations:

1. **The Office of the Attorney General should implement controls to ensure that assets are appropriately capitalized in its CO-59 forms annually submitted to the State Comptroller if they meet capitalization criteria prescribed by the State's *Property Control Manual*.**

Comment:

Our review of the CO-59 forms for the fiscal years ended June 30, 2008, and 2009, revealed an omission of the Office of the Attorney General's upgrade to its CaseTrack software.

2. **The Office of the Attorney General should strengthen the communication between the departments responsible for carrying out judgments and the business office to ensure the accurate recording and reporting of receivables.**

Comment:

Our review of the filed GAAP Reporting Form for the fiscal year ended June 30, 2007 and 2008, contained errors and omissions resulting in total receivables being overstated by \$6,701,722 and \$6,605,597, respectively. Two receivables were omitted from the June 30, 2009 form resulting in the total receivable being understated by \$641,023.

3. **The Office of the Attorney General should take the necessary steps to ensure that a complete list of closed review cases, with a summary of activity, is maintained with a tickler file system indicating when cases are approaching the statute of limitations.**

Comment:

There is no listing of all closed review files physically on hand nor a count of the total number.

- 4. A Memorandum of Understanding should be put into place that defines the terms of the agreement between the Office of the Attorney General and the Office the State Treasurer regarding the Second Injury Fund.**

Comment:

There is no written agreement in place between the Office of the Attorney General and the Office of the State Treasurer to identify the costs properly charged to the Second Injury Fund.

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, 2007, 2008 and 2009. This audit was primarily limited to performing tests of the Office's compliance with certain provisions of laws, regulations, contracts and grant agreements 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, contracts and grant agreements applicable to the Office are complied with, (2) the financial transactions of the Office are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, 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, 2007, 2008, and 2009 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 grant agreements and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

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

In planning and performing our audit, we considered the Office of the Attorney General internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Agency's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the Agency's internal control over those control objectives.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance requirements was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that we consider to be significant deficiencies.

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 on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to

properly initiate, authorize, record, process, or report financial data reliably, consistent with management's direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the following deficiencies, described in detail in the accompanying "Condition of Records" and "Recommendations" sections of this report, to be significant deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 1 – Property Control and Reporting; Recommendation 2 – Accounts Receivable; Recommendation 3 – Closed Review Case Files.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with certain provisions of laws, regulations, contracts, and grant agreements or the requirements to safeguard assets that would be material in relation to the Agency's financial operations, noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions, and/or material financial misstatements by the Agency being audited will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over the Agency's financial operations, safeguarding of assets, and compliance with requirements, was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Office of the Attorney General complied with laws, regulations, contracts and grant agreements, 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 Agency's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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*. However, we noted certain matters which we reported to Agency management in the accompanying "Condition of Records" and "Recommendations" sections of this report.

The Office of the Attorney General's responses to the findings identified in our audit are described in the accompanying "Condition of Records" section of this report. We did not audit the Office of the Attorney General's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of Agency management, 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 cooperation and courtesies extended to our representatives by the personnel of the Office of the Attorney General during this examination.

Jessica Parent
Principal Auditor

Approved:

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts