SPRINGFIELD OFFICE:
ILES PARK PLAZA
740 EAST ASH · 62703-3154
PHONE: 217/782-6046
FAX: 217/785-8222
TDD: 217/524-4646

CHICAGO OFFICE:
JAMES R. THOMPSON CENTER · SUITE 4-100
100 WEST RANDOLPH STREET · 60601
PHONE: 312/814-4000
FAX: 312/814-4006

5-94-30000-10

OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

REPORT DIGEST
OFFICE OF THE ATTORNEY GENERAL
FINANCIAL AND COMPLIANCE AUDIT
(In Accordance with the Single Audit Act of 1984 and OMB Circular A-128)
FOR THE TWO YEARS ENDED JUNE 30, 1994

SYNOPSIS

- During Fiscal Years 1994 and 1993, the Agency incurred $313,600 in telecommunications expenses in excess of its available appropriations. We reported a similar finding in our last audit when the Agency failed to pay $136,000 in telecommunication bills.

- Delinquent receivables were not sufficiently monitored. At June 30, 1994, the Agency had $14.5 million in receivables, of which $12 million were considered uncollectible, and 153 of the Agency's 182 accounts receivable were deemed uncollectible.

- Agency controls and records for property were inadequate. As a result, the auditors issued a **qualified audit opinion** because the Agency's 1994 and 1993 financial statements do not present the general fixed asset group of accounts. This condition has existed since 1988.

- Some Consumer Trust Fund receipts were not promptly remitted to consumers. We noted a 1988 cash receipt for $21,000 which, according to the court order, should have been distributed to about 50 consumers. Also, there was an unidentified cash balance of $561 which had been on the books since 1990. The Agency has a fiduciary responsibility to distribute these monies.

- The Agency did not sufficiently plan and manage three computer database projects. Since 1991, the Agency had spent $716,070 for professional services on these and other projects with the three consultants. We did not see evidence that all required work products had been delivered. As of December 1994, none of the three projects had been completed; two of the computer systems developed were not usable; and only a portion of the third system was installed.

{Expenditures and Activity Measures are summarized on the reverse page.}

OFFICE OF THE ATTORNEY GENERAL
FINANCIAL AND COMPLIANCE AUDIT
For The Two Years Ended June 30, 1994

EXPENDITURE STATISTICS	FY 1994	FY 1993	FY 1992
• **Total Expenditures (All Appropriated Funds)**	**$35,143,720**	**$33,782,964**	**$31,125,721**
Personal Services	$21,781,405	$20,937,295	$19,858,288
% of Expenditures	62.0%	62.0%	63.8%
Average No. of Employees	712	681	673
Other Payroll Costs (FICA, Retirement)	$3,307,532	$3,377,726	$2,707,214
% of Expenditures	9.4%	10.0%	8.7%
Contractual Services	$2,154,472	$2,127,873	$2,253,297
% of Expenditures	6.1%	6.3%	7.2%
EDP	$884,675	$959,572	$1,150,676
% of Expenditures	2.5%	2.8%	3.7%
Telecommunications	$321,042	$493,999	$597,670
% of Expenditures	0.9%	1.5%	1.9%
Violent Crime Victims Awards & Grants	$5,190,240	$4,272,947	$3,320,082
% of Expenditures	14.8%	12.6%	10.7%
Illinois Gaming Law Enforcement	$349,981	$174,992	$149,987
% of Expenditures	1.0%	0.5%	0.5%
Expert Witness	$59,453	$70,435	$58,917
% of Expenditures	0.2%	0.2%	0.2%
Expense of Post Sentencing	$149,975	$129,751	$106,275
% of Expenditures	0.4%	0.4%	0.3%
Grand Jury	$0	$345,639	$0
% of Expenditures	0.0%	1.0%	0.0%
Other	$944,945	$892,735	$923,315
% of Expenditures	2.7%	2.7%	3.0%

SELECTED ACTIVITY MEASURES (Rounded to Nearest Thousand)	1994	1993	1992
• Accounts Receivable, Net of Reserve	$2,324,000	$2,650,000	d.n.a.
• Liability for Employee Compensated Absences	$3,600,000	$3,156,000	d.n.a.
• Cash Receipts	$4,499,000	$10,013,000	$3,850,000
d.n.a. - Data Not Readily Available			

ATTORNEY GENERAL
During Audit Period: Roland W. Burris Currently: Jim Ryan (effective January 9, 1995)

INTRODUCTION

This is the first Single Audit of the Office of the Attorney General, performed in accordance with the Single Audit Act of 1984 and OMB Circular A-128. Our audit included audit testing for both federal and State compliance purposes, as well as financial audit testing leading to an opinion on the Agency's financial statements.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

EXPENSES INCURRED IN EXCESS OF APPROPRIATION

The Agency incurred expenses in excess of its available appropriations. During Fiscal Years 1994 and 1993, a total of $313,600 of Agency telecommunications bills were not paid to the Illinois Department of Central Management Services.

Telecommunications Bills Not Paid to DCMS

- Fiscal Year 1994 - $302,900
- Fiscal Year 1993 - $10,700

Total - current audit period - $313,600

This finding was also reported in our 1992 audit, when we reported $136,000 in unpaid telecommunications expenses. We again recommended the Agency comply with the State Finance Act and not incur expenses in excess of amounts appropriated. (Finding 1, page 17.) For previous agency response, see digest Footnote 1.

Agency officials accepted our recommendation and noted that telecommunications bills arrived late in the lapse period and were higher than anticipated. Officials also stated that sufficient funds were not available for a transfer to cover these bills.

MONITORING OF DELINQUENT ACCOUNTS RECEIVABLE

The Agency did not sufficiently monitor and pursue collections on delinquent accounts receivable. No record of collection activities was maintained by the Agency. The accounts receivable contained outstanding claims dating as far back as 1986.

There was also no documentation to indicate that write-offs or attempts to determine adequate allowances for uncollectible accounts receivable had been made. As of June 30, 1994, the Agency had $14.5 million in receivables, of which $12 million was considered uncollectible, and 153 of the Agency's 182 accounts receivable were deemed uncollectible. Prudent business practice requires the Agency to monitor its accounts receivable on a regular basis to identify delinquent accounts and to maximize collections.

We recommended the Agency implement procedures to monitor and pursue collections on delinquent accounts receivable. Additionally, we recommended the Agency provide adequate allowances for doubtful accounts and should write off those accounts deemed uncollectible. (Finding 2, page 18.)

Agency officials accepted our recommendation and stated that they will review current accounts receivable and pursue collections, where feasible, as well as write off those accounts deemed uncollectible.

PROPERTY CONTROL

The Agency's controls over property and equipment were inadequate. The Agency had not kept a detailed listing of property at June 30, 1994 or 1993, and could not recreate these year-end listings. Correspondingly, the Agency could not reconcile its property control listings to its accounting records for the years audited. As a result, the auditors issued a **qualified audit opinion** for the Agency's Fiscal Year 1994 and 1993 financial statements because they do not present the general fixed asset group of accounts.

In addition, we noted the Chicago office's property items were not properly tagged, were obsolete, were not located, or were still on the books when previously disposed.

The above discrepancies are the result of improper maintenance of the property control system. A weak property system hinders an agency's ability to record, monitor, and maintain its assets. **We have reported weaknesses in the Agency's property controls since 1988.**

We recommended the Agency comply with the requirements of property statutes and rules when maintaining its property control system. In addition, the Agency should maintain a property listing as of June 30 for each fiscal year and should reconcile the listings to the Agency's accounting records. (Finding 4, page 22.) For previous agency responses, see digest Footnote 2.

Agency officials accepted our finding and concur with our recommendation to ensure compliance with property statutes and rules. However, officials stated that the audit finding failed to acknowledge the Agency's efforts and progress regarding the property control function Agency-wide. According to the response, officials indicated that considerable progress had been achieved toward correcting years of neglect and inaction with regard to maintaining the Agency's property control function.

PROCEDURES FOR THE CONSUMER TRUST FUND

Some Consumer Trust Fund receipts are not promptly remitted to consumers. We noted two cases where the Agency had collected receipts in prior years but had not remitted them to consumers:

- A 1988 cash receipt for $21,000 which, according to court order, should have been distributed to about 50 consumers.

- An unexplained cash balance of $561 which had been on the books since 1990.

Agency officials said the fund custodian had not yet been authorized to distribute these monies. The Consumer Trust Fund was created to account for court-ordered restitution and penalties received under the Consumer Fraud and Deceptive Business Practices Act. The Agency has a responsibility to distribute these monies to others, as provided by court order. (Finding 7, page 31.)

Agency officials accepted our recommendation to implement procedures to promptly distribute Consumer Trust Fund receipts to consumers.

POOR PROJECT MANAGEMENT

The Agency did not sufficiently plan and manage contracts for three computer system projects. Contracts for these projects were arranged through sole-source negotiations and were not subject to competitive bidding. Our finding covered project activity beginning in Fiscal Years 1991 and 1992 and continuing through December 1994.

As of December 1994, the Agency had paid three consultants a total of $716,070 for these and other projects. Two of the computer systems were not usable, and only a small portion of the third system had been installed. Generally, we noted the following conditions:

- For two projects, there was insufficient evidence of advance planning, ongoing monitoring, and time budget details regarding what steps were needed to complete the work and who would be responsible.
- None of the project contracts specified a project completion date.
- None of the three projects was completed.
- We requested, but were not provided, proof that all required work products were delivered.
- Consultant billing and contracting documents contained information and cost data for various projects. As a result, officials were unable to determine how much money was spent exclusively on the three projects being reviewed.

Additional shortcomings regarding each project are as follows:

Consumer Complaint Tracking System

Agency officials signed off on preliminary project materials, but expressed concern about the need for buying expensive new computer equipment. This concern was first expressed to Agency management in June 1993. Work on the project continued past October 1993, but was eventually abandoned because implementation would have required the Agency to buy the new equipment. The Agency paid the consultant $128,178 for this and other projects.

Accounts Receivable System

The project's stated goal was to develop a new centralized, automated accounts receivable system. The consultant submitted an interim report in April 1992 which stated that the project was substantially completed and needed only certain modifications. After that date, the Agency incurred $198,480 in additional costs for this and other projects, bringing the reported total to $208,080. As of December 1994, the project was not completed. (Finding 2, reported above, describes the Agency's problems in administration of accounts receivable.)

Violent Crimes Tracking System

Documentation for work provided by the consultant between October and November 1994 stated the consultant had completed the entire system cycle. However, we were not given evidence regarding advance planning, time budgets, or ongoing monitoring approvals. In addition, the contracts and proposal materials did not clearly define work product deliverables.

The Agency paid the consultant $379,812 for this and other projects. Only a small part of this project was completed and installed: a database for the Crime Victims Financial System was installed on a PC at the Agency's Chicago office; however, the communication network needed to make the system functional was not in place. In addition, necessary data had not been converted and loaded into the system.

In addition, we noted the Agency may have been billed for staff training that did not occur. We were unable to obtain evidence of this training. We requested, but did not receive, technical and user training documentation identified as having been developed by the consultant.

At an exit conference held in early January 1994 with the previous administration, we recommended the Agency implement contracting procedures to ensure consulting projects are properly planned and managed. (Finding 11, pages 37 through 52.) It should be noted that Finding 5 (inadequate planning for information systems) and Finding 10 (no internal audit review of MIS activities) are related to these problems. The Agency has accepted our recommendations for improvements in these two related areas.

Agency officials (prior administration) rejected our audit finding and recommendation. They stated that management had made tremendous gains in improving the efficiency and responsiveness of the Agency. According to the response, due to budgetary constraints, the Agency expended a minimal amount of the taxpayer dollars for the quality and quantity of these efforts. The response also indicated the audit finding did not assess the results, such as cost savings, user satisfaction, improved efficiency, employee morale enhancement, backlog reductions and other quantifiable accomplishments. (Full text of the audit finding and agency response is presented in our audit report.)

OTHER FINDINGS

In total, the audit presented eleven findings. The remaining findings are considered less significant at this time. We will review the Agency's progress toward implementation of our recommendations during our next audit. Responses to Findings 1 through 10 were submitted by Mr. James Reid, internal auditor for the Office of the Attorney General. Response to Finding 11 was provided by Mr. Jimmie Voss, former Deputy Chief of Staff for the Office of the Attorney General.

AUDITORS' OPINION

Our auditors state the Agency's financial statements do not include the general fixed assets account group which is necessary to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed asset account group is not known. In our auditors' opinion, except for the effect of this exclusion, the Agency's financial statements present fairly the financial position of the Agency as of June 30, 1994 and 1993 and the results of its operations for the years then ended.

WILLIAM G. HOLLAND, Auditor General

WGH:JHL:jr
May 19, 1995