
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, 1996

Summary of Findings:

Total this audit	8
Total last audit	11
Repeated from last audit	4

Release Date:



State of Illinois
Office of the Auditor General

WILLIAM G. HOLLAND
AUDITOR GENERAL

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SYNOPSIS

- ◆ The Agency failed to remove two terminated employees from the payroll on a timely basis and continued to pay these employees past their termination date. The overpayments have been recovered by the Agency
- ◆ Some cash receipts were not deposited on a timely basis.
- ◆ The Agency did not sufficiently enforce procedures to monitor and pursue collections on delinquent accounts receivable. At June 30, 1996, the Agency had \$5.6 million in receivables of which \$4.5 million were considered uncollectible.
- ◆ Agency property records were not complete and contained inaccurate data. Our auditors' opinion on the financial statements was qualified because the Agency's Fiscal Year 1996 and 1995 financial statements do not present the general fixed asset account group. This finding has been repeated since 1988.

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

OFFICE OF THE ATTORNEY GENERAL
FINANCIAL AND COMPLIANCE AUDIT
For The Two Years Ended June 30, 1996

EXPENDITURE STATISTICS	FY 1996	FY 1995	FY 1994
! Total Expenditures (All Appropriated Funds)	\$36,451,837	\$36,283,038	\$35,143,720
Personal Services	\$21,652,896	\$21,999,879	\$21,781,405
% of Expenditures	59.4%	60.6%	62.0%
Average No. of Employees.....	639	679	712
Other Payroll Costs (FICA, Retirement)	\$3,462,671	\$3,349,687	\$3,307,532
% of Expenditures	9.5%	9.2%	9.4%
Contractual Services	\$2,278,371	\$2,160,719	\$2,154,472
% of Expenditures	6.3%	6.0%	6.1%
EDP	\$939,298	\$879,974	\$884,675
% of Expenditures	2.6%	2.4%	2.5%
Telecommunications.....	\$564,898	\$568,084	\$321,042
% of Expenditures	1.5%	1.6%	0.9%
Travel	\$302,379	\$201,183	\$264,866
% of Expenditures	0.8%	0.6%	0.8%
Violent Crime Victims Awards & Grants.....	\$5,650,355	\$5,835,462	\$5,190,240
% of Expenditures	15.5%	16.1%	14.8%
Illinois Gaming Law Enforcement.....	\$599,967	\$442,107	\$349,981
% of Expenditures	1.6%	1.2%	1.0%
Expert Witness.....	\$61,314	\$70,806	\$59,453
% of Expenditures	0.2%	0.2%	0.2%
Expense of Post Sentencing.....	\$154,498	\$140,442	\$149,975
% of Expenditures	0.4%	0.4%	0.4%
Other	\$785,190	\$634,695	\$680,079
% of Expenditures	2.2%	1.7%	1.9%
SELECTED ACTIVITY MEASURES (Rounded to Nearest Thousand)	1996	1995	1994
! Accounts Receivable, Net of Reserve	\$5,882,000	\$1,732,000	\$2,324,000
! Liability for Employee Compensated Absences	\$3,592,000	\$3,371,000	\$3,600,000
! Cash Receipts.....	\$3,866,000	\$2,692,000	\$4,499,000
ATTORNEY GENERAL			
During Audit Period: Roland W. Burriss (July 1, 1994 - January 8, 1995) Jim Ryan (January 9, 1995 - June 30, 1996)			
Currently: Jim Ryan			

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**TERMINATED EMPLOYEES NOT REMOVED
FROM PAYROLL**

**Two of nine employees
terminated during the audit
period were paid past their
termination dates**

The Agency failed to remove two terminated employees from payroll on a timely basis and continued to pay these employees past their termination dates. During audit testing of 50 employee records, it was determined that nine employees were terminated during the audit period. Of these nine employees, two were not removed from payroll on a timely basis. One former employee's final paycheck was overstated by \$818, and the employee received two additional paychecks with gross pay of \$1,286 each. The \$3,390 improperly paid to the former employee has been returned to the Agency. The other terminated employee received one paycheck with gross pay of \$541 after the termination date. This former employee returned the paycheck received in error.

We recommended the Agency immediately communicate employee terminations to the Personnel Department and also consider the possibility that this situation may have occurred for other terminated employees and not been detected. (Finding #1, page 11)

Agency officials responded that the Human Resources Unit will continue to provide notification to supervisory staff concerning the importance of prompt processing of personnel transaction forms. The Agency Policy and Procedures Manual is also being revised to require employees to provide at least a two-week written notice to the Agency before resignation. Agency officials also stated that an examination of records disclosed no instances since July, 1995 where terminated employees were overpaid and owe reimbursement.

LATE DEPOSIT OF CASH RECEIPTS

**Eleven of 40 receipts were
deposited from 1 - 24 days
late**

The Agency did not deposit some cash receipts on a timely basis. During audit testing of 40 receipts, 11 were deposited between 1 and 24 days late. These late deposits included 2 of 8 (25%) receipts over \$100,000 each, 8 of 22 (36%) receipts between \$10,000 and \$100,000 each, and 1

of 10 (10%) receipts between \$500 and \$10,000.

We recommended the Agency deposit all cash receipts on a timely basis as required by the Illinois State Officers and Employees Money Disposition Act (30 ILCS 230/2) (Finding #2, page 13)

Agency officials responded they have implemented procedures to ensure greater success in the timely deposit of receipts. In addition, the Agency has requested deposit extensions from the Comptroller and Treasurer for certain Chicago office receipts, and is currently awaiting a reply.

MONITORING OF DELINQUENT ACCOUNTS RECEIVABLE

The Agency accounts receivable detail had claims as far back as 1974

The Agency did not sufficiently enforce procedures to monitor and pursue collections on delinquent accounts receivable. The accounts receivable detail had outstanding claims as far back as 1974. As of June 30, 1996, the Agency had \$5.6 million in receivables of which \$4.5 million were considered uncollectible. Prudent business practice requires the Agency monitor accounts receivable on a regular basis to identify delinquent accounts receivable and to maximize collections.

We recommended the Agency enforce procedures to monitor and pursue collections on delinquent accounts receivable and write-off those accounts deemed to be uncollectible. (Finding #3, page 14).

The Agency has \$5.6 million in accounts receivable of which \$4.5 million is considered uncollectible

Agency officials stated they acknowledge there are outdated receivables on the Agency's books, but state that significant collection efforts were made during the audit period. According to the response, a substantial number of accounts were written-off during the audit period, and an Accounts Receivable Manager has been designated to help enforce existing procedures to monitor and pursue collections on delinquent accounts.

PROPERTY CONTROL

The Agency could not provide a complete or fully accurate listing of property, equipment, and library books.

The Agency could not provide a complete and accurate property listing

There were errors with regard to the completeness of the equipment listings. Also, there were errors in the accuracy of the equipment values. Our auditors have issued a qualified audit opinion for the Agency's Fiscal Year 1996 and 1995 financial statements because they do not present the general fixed asset account group.

We recommended the Agency implement procedures to ensure the completeness and accuracy of the property, equipment, and library listings. (Finding #5, page 17) **This finding has been repeated since 1988.**

A qualified audit opinion was issued on the Fiscal Year 1996 and 1995 financial statements

Agency officials stated the Agency has procedures to ensure completeness and accuracy of its property and equipment. According to the response, the Agency has undertaken to further automate the inventory control process through adaptation of a Department of Central Management Services (DCMS) bar coding system. However, according to Agency officials, the DCMS system proved deficient in that data integrity was compromised on a wide-scale basis. Agency officials stated a good-faith attempt was made to replicate an accurate inventory record after the collapse of the DCMS bar coding system, but its efforts fell short of compliance standards. According to the response, the Agency continues to work with DCMS in an extensive process to regain the integrity of its inventory data, and this effort will continue until an accurate inventory record is produced. (For previous Agency responses, see Digest footnote #1.)

OTHER FINDINGS

The remaining findings are less significant and are being given appropriate attention by the Agency. We will review progress toward implementing these recommendations in our next audit. Responses to the recommendations were provided by Mr. James Reid, Chief Internal Auditor 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, 1996 and 1995 and the results of its operations for the years then ended.

WILLIAM G. HOLLAND, Auditor General

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SPECIAL ASSISTANT AUDITORS

Coopers & Lybrand, LLP were our special assistant auditors for this audit.

DIGEST FOOTNOTES

#1: PROPERTY CONTROL - Previous Agency Responses

- 1994: "The Agency concurs with the finding as presented and accepts the recommendation to ensure compliance with statutory and Department of Central Management Service property control guidelines, which the Agency continues to strive to assure. However, the finding fails to acknowledge the Agency's efforts and progress since the last audit review, with regard to the property control function Agency-wide." (Response continues in detail describing the factors contributing to the finding and steps management has taken to correct the problems.)
- 1992: "The administration has taken several significant steps since taking office, to address and resolve the property control problems encountered in the Chicago office. The actions initiated cover a broad spectrum of activities, requiring a significant amount of time to implement. The benefits from these actions, likewise, are taking time to be realized. The system resulting from these initiatives will provide better accountability and control over all Agency assets. This process is expected to be completed for the 1993 annual property inventory." (Response goes on to detail significant steps taken in 1) adoption of Agency-wide policies and procedures related to property; 2) restructuring of responsibilities, control and maintenance of the property inventory system; 3) property inventory system programming revisions; and 4) systems training.)
- 1990: "We accept the recommendation. Implementation of a formal property control system in the Springfield office has provided accurate inventory records for the property assigned to Springfield. This system is in the process of being implemented in

the Chicago office. Once completed, the office will have a uniform property control system Agency-wide that will provide accurate and reliable property inventory records.” (Response goes on to describe the efforts the Agency has and will be making to correct this finding.)

1988: “The Agency is in the process of developing property control procedures and updating property control records to provide for an accurate inventory of all property under the control of the Attorney General as noted in the recommendation.” (Response goes on to describe the specific steps taken to date and those planned to correct the Agency’s property control system.)

