

REPORT DIGEST

**OFFICE OF THE ATTORNEY GENERAL
FINANCIAL AND COMPLIANCE AUDIT
FOR THE TWO YEARS ENDED JUNE 30, 1992**

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

EXPENSES INCURRED IN EXCESS OF APPROPRIATION

The Agency incurred expenses in excess of their available appropriations. We noted the following unpaid liabilities:

- a. Telecommunications charges totalling \$100,000 for fiscal year 1991 and \$36,000 for fiscal year 1992 were not paid to the Department of Central Management Services. In 1992, the charges were not paid because the 1992 Emergency Budget Act had mandated each agency to lapse appropriations. In 1991, Agency expenses exceeded appropriations, leaving no available funds.
- b. Group health insurance expenses for fiscal year 1992 exceeded the available appropriation by about \$15,000; payment of this debt was later made using a special 1993 appropriation.

The State Finance Act prohibits officials from incurring debt in excess of the amounts appropriated. (Finding 1, page 13.)

Agency officials stated that this audit finding was the result of circumstances beyond the control of the current administration.

ESTATE TAX ADMINISTRATION AND COLLECTION

Although the Agency became aware of possible uncollected old estate taxes at least four years ago, they had not yet pursued collection.

In 1988, IRS personnel in the northern Illinois district office informed Attorney General staff that a large number of federal estate tax returns claimed credit for Illinois estate taxes but failed to supply proof of payment. As of February 1993, the Attorney General had not obtained specific details about the suspected cases from the IRS. Without details, the Attorney General would be unable to locate the unpaid tax cases.

In April 1992, the IRS and Illinois Attorney General signed an agreement in an effort to detect any unpaid Illinois estate taxes. Under the agreement, the IRS agreed to give the Attorney General estate tax information for the Chicago region; similar information for downstate Illinois has been shared with the Attorney General for several years.

The Attorney General's Chicago staff began pursuing collection on current cases where Illinois tax may be owed. However, they had not pursued unpaid old estate taxes because the needed information had not yet been obtained. The potential for unpaid taxes plus interest would date back to 1983 when the estate tax became effective. By law, Illinois should receive estate taxes on larger estates where the decedent died after December 31, 1982.

We recommended the Attorney General's Chicago Office obtain the necessary information and pursue collection of the potential unpaid estate taxes arising from 1983 to present. (Finding 3,

page 17; first reported in 1990.)

Agency officials stated that they do not agree with the finding. According to their response, they have taken action to obtain from the IRS the needed information but have experienced extreme difficulty. Officials promise to pursue this matter further with the IRS.

ACCOUNTS RECEIVABLE SYSTEM

The Agency did not maintain an adequate accounts receivable system as part of accounting records and, therefore, did not sufficiently monitor its current or delinquent receivables. Total Agency receivables at June 30, 1992 were about \$4.2 million. Attorney General personnel did only minimal monitoring of the receivables due Illinois consumers (\$2.7 million) or due the State of Illinois from lawsuits (\$1.2 million). We found 115 of the 178 accounts currently on the books had no activity in the past two years, no accounts had been written off, and no balances had been classified as uncollectible.

We recommended the Agency implement an accounts receivable system that identifies and tracks progress on all amounts owed the Agency directly, or on behalf of other State agencies or individuals. We also recommended the Agency assign staff to pursue collections and handle bad debts as provided by the State Collection Act of 1986. (Finding 2, page 15; first reported in 1986.)

Agency officials stated that they have now finalized an Agency-wide, automated accounts receivable system which should correct this finding. In addition, they stated, procedures have been developed to comply with the State Comptroller's rules for receivables and collections.

PROPERTY CONTROL

The Agency's controls over property and equipment were inadequate, particularly at the Chicago Office, where we noted items not tagged as State property, items not located, and items in a wrong location. Two years ago, our auditors informed management that property tags were missing from 120 pieces of equipment valued at \$160,000. This equipment remained untagged.

The Agency's 1991 annual property inventory report was submitted 12 months late to the Department of Central Management Services. In addition, the Agency's current records inappropriately included 19 automobiles that were no longer owned by the Agency, while 19 new vehicles had not yet been recorded.

To regain control of property, the Agency must maintain accurate, complete records and clearly tag all State-owned property. (Finding 4, page 19; previously reported in 1982, 1984, 1988 and 1990.)

According to the response, management has taken steps to improve accountability and control of property.

OTHER FINDINGS

The remaining findings are less significant and Agency management has begun corrective action. We will review the Agency's progress toward implementation of our recommendations during our next audit. Responses to the findings were submitted by Mr. James Reid, internal auditor for the Office of the Attorney General.

AUDITORS' OPINION

In our auditors' opinion, the Agency's financial statements for its nonshared and local funds are fairly presented at June 30, 1992.

_____ WILLIAM G. HOLLAND, Auditor General

WGH:JHL:pp

SUMMARY OF AUDIT FINDINGS

This Audit Prior Audit
Audit Findings 68
Prior Findings Repeated 46
Prior Recommendations Implemented
or Not Repeated 40

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors for this engagement were Guthoff & Company, Ltd.