

**COUNTY OF SAN DIEGO
OFFICE OF DISTRICT ATTORNEY
DISABILITY AND HEALTHCARE INSURANCE FRAUD GRANT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN GRANT BALANCE**

AUDIT REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2008

**COUNTY OF SAN DIEGO
CALIFORNIA STATE DEPARTMENT OF INSURANCE
DISABILITY AND HEALTHCARE INSURANCE FRAUD GRANT**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of San Diego
San Diego, California

We have audited the accompanying Statements of Revenues, Expenditures and Changes in Grant Balance of the Disability and Healthcare Insurance Fraud Grant of the County of San Diego in accordance with the State of California's Department of Insurance for Disability and Healthcare Insurance Fraud for the year ended June 30, 2008. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on the Statements of Revenues, Expenditures and Changes in Grant Balance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards, issued by the Comptroller General of the United States, and in accordance with the State of California's Department of Insurance for the Disability and Healthcare Insurance Fraud Grant. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statements of Revenues, Expenditures and Changes in Grant Balance are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the schedules, the schedules referred to above present only the financial activities of the County's California State Department of Insurance Disability and Healthcare Insurance Fraud Grant. Accordingly, the accompanying schedules do not purport to, and do not, present fairly the changes in financial position of County in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Statements of Revenues, Expenditures and Changes in Grant Balance referred to above present fairly, in all material respects, the grant revenues and expenditures of the Disability and Healthcare Insurance Fraud Grant of the County of San Diego in accordance with State of California Department of Insurance Disability and Healthcare Insurance Fraud Grant, for the fiscal year ended June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

This report is intended solely for the information and use of County's management and the State of California Department of Insurance Commission and not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Jones & Company PC". The signature is written in a cursive, flowing style.

JONES AND COMPANY PROFESSIONAL CORPORATION
October 10, 2008

COUNTY OF SAN DIEGO
DISABILITY AND HEALTHCARE INSURANCE FRAUD GRANT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GRANT BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
Comparative Totals for the Fiscal Year Ended June 30, 2007

	2008	2007
Revenues		
Grant revenue	\$ 209,921	\$ 450,000
Other income	0	0
Interest revenue	0	0
Total Revenues	209,921	450,000
Expenditures		
Salaries and Benefits		
Staff salaries	205,671	104,035
Staff overtime	0	0
Staff benefits	100,008	54,639
Total Salaries and Benefits – Note 2	305,679	158,674
Operating Expenditures		
Audit fees	1,250	1,600
Bus pass and local mileage	1,000	500
Communications	389	110
Memberships	490	363
Minor Equipment	44	4,489
Office Expense	155	866
Travel	2,283	135
Postage	6,623	9
Printing	9	0
Training/Regis Out of Co	340	0
Transcripts	3	0
Travel	2,283	135
Vehicle Maintenance and Fuel	2,737	0
Total Operating Expenditures	15,323	8,072
Indirect costs - Note 3	20,567	0
Total Expenditures	341,569	166,746
Excess of Revenues over (under) Expenditures	\$ (131,648)	\$ 283,254
Grant Balance, beginning of fiscal year	299,222	15,968
Grant Balance, end of fiscal year - Note 4	\$ 167,574	\$ 299,222

The accompanying notes are an integral part of this statement.

**COUNTY OF SAN DIEGO
DISABILITY AND HEALTHCARE INSURANCE FRAUD GRANT
NOTES TO THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
GRANT BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

The Disability and Healthcare Insurance Fraud Grant is administered by the County of San Diego, District Attorney's Office, and the designated Disability and Healthcare insurance fraud prosecutor. Grant funds are received to pay for the costs of investigation and prosecution of Disability and Healthcare fraud within the program area. The program is funded annually and regulated by Section 1872.85 of the Insurance Code, the guidelines in the Request for Application, Program Regulations and the County Plan.

Basis of Presentation

Grant financial transactions are specifically identified by organizational accounting units within the County's Oracle financial software system, and are summarized on computerized worksheets. The San Diego County District Attorney's Office receives funds from the State of California Department of Insurance, which are deposited into the District Attorney's Insurance Fraud trust account with the County of San Diego Treasurer. All interest earned on funds held in the trust account are required to be used for grant purposes. Expenditures are reimbursed by transferring funds from the trust account to a revenue account. This is done periodically by journal entries, which are prepared by the District Attorney's Office. The journal entries are based on expenditure information reported in a separate budget account.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the financial schedules. The County utilizes the modified accrual basis of accounting. The accompanying Statement of Revenues, Expenditures and Changes in Grant Balance has been prepared accordingly.

Revenues as of June 30, 2008 have all been received from the State of Department of Insurance. Expenditures are generally recognized when the related fund liability is incurred.

**COUNTY OF SAN DIEGO
DISABILITY AND HEALTHCARE INSURANCE FRAUD GRANT
NOTES TO THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
GRANT BALANCE (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Financial Schedule Presentation

The schedules present only the financial activities of the County’s Grant and are not intended to present fairly the financial position or changes in financial position of the County in accordance with accounting principles generally accepted in the United States of America.

Note 2 SALARIES AND BENEFITS

All District Attorney personnel funded by the Grant are compensated under Memorandum of Understanding Agreements with the County, and receive the standard benefit plans available to non-grant funded personnel. The following table illustrates the staff classification and the standard benefits plan for the personnel classifications assigned to the Grant.

Classification	Total number employed during the fiscal year but not necessarily concurrently	Full/Part Time	County Benefits Plan
Deputy District Attorney V	0.4	Full Time	District Attorney
Deputy District Attorney IV	1.4	Full Time	District Attorney
D. A. Investigator III	1	Part Time	District Attorney Investigator

**COUNTY OF SAN DIEGO
DISABILITY AND HEALTHCARE INSURANCE FRAUD GRANT
NOTES TO THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
GRANT BALANCE (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Note 3 INDIRECT EXPENDITURES

The grant provides for indirect costs as follows

	2008	2007
Staff Salaries	\$ 205,671	\$ 0
Rate	10.00%	10.00%
Indirect Costs	\$ 20,567	\$ 0

Note 4 CARRYOVER FUNDS/AMOUNT RETURNED TO THE STATE

Pursuant to California Department of Insurance guidelines, any unused Grant funds are either returned to the State or carried over the next grant period with the permission of the State. The carryover funds were approved by CDI in the amount of \$299,222 for fiscal year ended June 30, 2008.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Board of Supervisors
County of San Diego
San Diego, California

We have audited the accompanying Statement of Revenues, Expenditures and Change in Grant Balance of the Disability and Healthcare Insurance Fraud Grant of the County of San Diego for the fiscal year ended June 30, 2008, and has issued our report thereon dated October 10, 2008. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Statement of Revenues, Expenditures and Changes in Grant Balances are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. The provisions were identified in the California Insurance Code Section 1872.85, the guidelines in the Request for Application, Program Regulations and the County Plan. 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*.

This report is intended solely for the information and use of management, County's management and the State of California Insurance Commission is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Jones & Company PC".

JONES AND COMPANY PROFESSIONAL CORPORATION
October 10, 2008

**DEPARTMENT OF INSURANCE
DISABILITY AND HEALTHCARE
INSURANCE FRAUD GRANT**

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

AND

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

**COUNTY OF SAN DIEGO
DISABILITY AND HEALTHCARE INSURANCE FRAUD GRANT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2008**

None

**COUNTY OF SAN DIEGO
DISABILITY AND HEALTHCARE INSURANCE FRAUD GRANT
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2008**

2007-1

During the testing of payroll, the predecessor auditors noted one timesheet did not contain the employee's signature and four timesheets that were only signed by the employee.

Status

During our testing of payroll records, we selected and reviewed a sample of employee timesheets by each grant and noted that all timesheets evidence of employee signature and supervisor approval approval. Therefore, the County implemented controls to assure that all employees signed their timesheet and obtained supervisor's approval before payroll processing.