

**COUNTY OF SAN DIEGO  
OFFICE OF DISTRICT ATTORNEY  
WORKERS' COMPENSATION 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  
WORKERS' COMPENSATION 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 Workers' Compensation Insurance Fraud Grant of the County of San Diego in accordance with the State of California's Department of Insurance for Workers' Compensation 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 Workers' Compensation 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 Workers' Compensation 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 Workers' Compensation Insurance Fraud Grant of the County of San Diego in accordance with State of California Department of Insurance Workers' Compensation 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**  
**WORKERS' COMPENSATION 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
<b>Revenues</b>		
Grant revenue	\$ 4,299,000	\$ 3,995,480
Other income	28,772	16,200
Interest revenue		12,413
<b>Total Revenues</b>	4,327,772	4,024,093
<b>Expenditures</b>		
Salaries and Benefits		
Staff salaries	2,334,277	2,128,329
Staff overtime	1,173,455	55,785
Staff benefits	25,248	1,060,923
Total Salaries and Benefits	3,532,980	3,245,037
Operating Expenditures		
Audit fees	3,500	5,000
Books and publications	1,723	3,238
Bus pass and local mileage	8,781	6,533
Communications	8,594	35,515
Data processing supplies and equipment maintenance	29,447	513
Expert witness and professional services	103,215	16,378
Facilities management	35,945	44,000
Equipment maintenance	1,061	3,033
Mileage	104	22
Membership fees	4,419	2,668
Minor equipment	13,301	16,214
Miscellaneous expense	3,401	
Office equipment general	14,977	
Office expense	9,545	15,586
Parking	32,020	36,719
Postage	26,753	765
Printing	78,067	
Public liability insurance	9,470	6,119

The accompanying notes are an integral part of this statement.

**COUNTY OF SAN DIEGO  
WORKERS' COMPENSATION INSURANCE FRAUD GRANT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GRANT BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008 (continued)  
Comparative Totals for the Fiscal Year Ended June 30, 2007**

	2008	2007
Software	507	2,834
Special department expense	1,506	2,632
Training/registration	7,231	4,500
Travel	24,373	15,575
Transcripts	64	
Utilities	20,449	24,764
Vehicle	25,912	26,209
Vehicle maintenance and fuel	26,327	19,993
Witness expense	7,473	665
Total Operating Expenditures	498,165	289,475
 Indirect costs - Note 1	 233,428	 212,833
<b>Total Expenditures</b>	4,264,573	3,747,345
 <b>Excess of Revenues over (under) Expenditures</b>	 \$ 63,199	 \$ 276,748
 Grant Balance, beginning of fiscal year	 415,008	 138,260
 Grant Balance, end of fiscal year - Note 2	 \$ 478,207	 \$ 415,008

The accompanying notes are an integral part of this statement.

**COUNTY OF SAN DIEGO  
WORKERS' COMPENSATION 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 Workers' Compensation Insurance Fraud Grant is administered by the County of San Diego, District Attorney's Office, and the designated workers' compensation insurance fraud prosecutor. Grant funds are received to pay for the costs of investigation and prosecution of workers' compensation fraud within the program area. The program is funded annually and regulated by Section 1872.83 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  
WORKERS' COMPENSATION 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.

<u>Classification</u>	<u>Total number employed during the fiscal year but not necessarily concurrently</u>	<u>Full/Part Time</u>	<u>County Benefits Plan</u>
Deputy District Attorney V	4.6	Full Time	District Attorney
Deputy District Attorney IV	3.6	Full Time	District Attorney
Deputy District Attorney III	6	Full Time	District Attorney
D. A. Investigator IV	1	Full Time	District Attorney Investigator
D. A. Investigator III	2	Full Time	District Attorney Investigator
D. A. Investigator II	2	Full Time	District Attorney Investigator
D. A. Investigator I	3	Full Time	District Attorney Investigator
Criminal Legal Secretary III	0.5	Full Time	Non-Management

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

Classification	Total number employed during the fiscal year but not necessarily concurrently	Full/Part Time	County Benefits Plan
Criminal Legal Secretary II	2	Full Time	Non-Management
Criminal Legal Secretary I	1	Full Time	Non-Management
Legal Support Supervisor II	1	Full Time	Non-Management
Legal Support Assistant I	2	Full Time	Non-Management
Legal Specialist	1	Full Time	Non-Management
Paralegal II	5	Full Time	Non-Management
Paralegal Supervisor	1	Full Time	Non-Management
Office Assistant	1	Full Time	Non-Management
Student Worker	1	Part Time	Non-Management
Temp Expert Prof Empl	1	Full Time	Non-Management

Note 3      **EQUIPMENT AND VEHICLE PURCHASES**

Based on approval granted by CDI, the District Attorney was allowed to use grant funds to purchase minor equipment in the amount of \$13,301 for June 30, 2008.

The District Attorney was also allowed to purchase vehicles for fiscal years in the amount of \$25,912 for fiscal year June 30, 2008.

**COUNTY OF SAN DIEGO  
 WORKERS' COMPENSATION 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 4           INDIRECT EXPENDITURES

The grant provides for indirect costs as follows

	2008	2007
Staff Salaries	\$ 2,334,277	\$ 2,128,329
Rate	10.0%	10.0%
Indirect Costs	\$ 233,428	\$ 212,833

Note 5           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 \$415,008 for fiscal year ended June 30, 2007.

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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 Workers' Compensation Insurance Fraud Grant of the County of San Diego for the fiscal year ended June 30, 2008, and have 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 1872.83, 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  
WORKERS' COMPENSATION  
INSURANCE FRAUD GRANT**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**AND**

**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

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

None

**COUNTY OF SAN DIEGO  
WORKERS' COMPENSATION 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. Therefore, the County implemented controls to assure that all employees signed their timesheet and obtained supervisor's approval before payroll processing.

2007-2

During the testing of payroll, the predecessor noted that the Legal Secretary and a part-time employee did not keep a long timesheet which show hours broken down by grant, but is being allocated 100% to the grant.

Status

During our testing of payroll records, we noted that all Fraud Division employees documented hours actually work segregated by grant on the long form timesheet. Therefore, the County implemented controls to assure all employees use the long form timesheet.