

**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, 2009

COUNTY OF SAN DIEGO
WORKERS' COMPENSATION INSURANCE FRAUD GRANT

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Statement of Revenues, Expenditures, and Changes in Grant Balance	3
Notes to the Statement of Revenues, Expenditures, and Changes in Grant Balance	4
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	7
Schedule of Findings	9
Schedule of Prior Year Findings	10



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

9107 WILSHIRE BLVD., SUITE 400
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.273.1689
www.mlhcpas.com

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
County of San Diego
San Diego, California

We have audited the accompanying Statement 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 the Workers' Compensation Insurance Fraud Grant (the "Grant") for the fiscal year ended June 30, 2009. This statement is the responsibility of the County of San Diego's management. Our responsibility is to express an opinion on the Statement of Revenues, Expenditures, and Changes in Grant Balance based on our audit. The Statement of Revenues, Expenditures, and Changes in Grant Balance of the Workers' Compensation Insurance Fraud Grant for the fiscal year ended June 30, 2008 was audited by other auditors whose report dated October 10, 2008 expressed an unqualified opinion on that statement.

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 Statement of Revenues, Expenditures, and Changes in Grant Balance is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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.

The accompanying Statement of Revenues, Expenditures, and Changes in Grant Balance was prepared for the purpose of complying with the audit requirements of the State of California's Insurance Code, as described in Note 1 and is not intended to be a complete presentation of the County's revenues and expenditures.

In our opinion, the Statement of Revenues, Expenditures, and Changes in Grant Balance referred to above presents 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 the State of California Department of Insurance Workers' Compensation Insurance Fraud Grant, for the fiscal year ended June 30, 2009 and 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 23, 2009, 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 on financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, CA
October 23, 2009

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, 2009
With Comparative Totals for the Fiscal Year Ended June 30, 2008

	2009	2008
Revenues:		
California Department of Insurance funding	\$ 4,900,000	\$ 4,299,000
Other revenue		28,772
Interest revenue	24,172	
Total Revenues	4,924,172	4,327,772
Expenditures:		
Salaries and Benefits:		
Staff salaries	2,415,922	2,334,277
Staff overtime	1,274,520	1,173,455
Staff benefits	99,977	25,248
Total Salaries and Benefits	3,790,419	3,532,980
Operating Expenditures:		
Audit fees	5,900	3,500
Books and publications	39,164	1,723
Bus pass and local mileage	7,773	8,885
Communications	8,634	8,594
Data processing supplies and equipment maintenance	30,488	29,447
Professional services	19,361	103,215
Equipment	110,828	14,977
Facilities management	34,057	35,945
Equipment maintenance	77	1,061
Membership fees	4,586	4,419
Minor equipment	1,324	13,301
Miscellaneous	2,541	3,401
Office expense	10,493	9,609
Parking	40,415	32,020
Postage and printing	3,758	104,820
Public liability insurance	39,784	9,470
Software	90	507
Special department expense	4,957	1,506
Training and registration	5,447	7,231
Travel	23,589	24,373
Utilities	24,700	20,449
Vehicles	80,432	25,912
Vehicle maintenance and fuel	32,305	26,327
Witness expense	4,235	7,473
Total Operating Expenditures	534,938	498,165
Indirect costs - Note 1	241,592	233,428
Total Expenditures	4,566,949	4,264,573
Excess of Revenues over (under) Expenditures	357,223	63,199
Grant Balance, beginning of fiscal year	478,207	415,008
Grant Balance, end of fiscal year - Note 2	\$ 835,430	\$ 478,207

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, 2009**

Note 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Workers' Compensation Insurance Fraud Grant is administered by the San Diego County District Attorney's Office, 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 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 Accounting and Resources Management System, 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

Funds received under the grant program have been recorded within the special revenue funds of the County. 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 shown on the statement as of June 30, 2009 have all been received from the State Department of Insurance. Expenditures are generally recognized when the related fund liability is incurred.

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.

**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, 2009**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Salary and Benefit Expenditures

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 classifications 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	Standard County Benefits Plan
Deputy District Attorney V	2.6	Full Time	District Attorney
Deputy District Attorney IV	2	Full Time	District Attorney
Deputy District Attorney III	7	Full Time	District Attorney
D.A. Investigator IV	2	Full Time	District Attorney Investigator
D.A. Investigator III	3	Full Time	District Attorney Investigator
D.A. Investigator II	1	Full Time	District Attorney Investigator
D.A. Investigator I	3	Full Time	District Attorney Investigator
D.A. Investigator III	1	Part Time	Non-Management
Paralegal Supervisor	1	Full Time	Non-Management
Paralegal II	5	Full Time	Non-Management
Legal Specialist	1	Full Time	Non-Management
Criminal Legal Secretary III	0.5	Full Time	Non-Management
Criminal Legal Secretary II	3	Full Time	Non-Management
Legal Support Supervisor II	1	Full Time	Non-Management
Legal Support Supervisor I	1	Full Time	Non-Management
Legal Support Assistant II	1	Full Time	Non-Management
Legal Support Assistant I	2.75	Full Time	Non-Management
Office Assistant	2	Full Time	Non-Management
Student Worker	1	Part Time	Non-Management

**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, 2009**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Indirect Expenditures

The Grant provides for indirect costs as follows:

	2009	2008
Staff Salaries	\$ 2,415,922	\$ 2,334,277
Rate	10.00%	10.00%
Indirect Costs	\$ 241,592	\$ 233,428

Note 2 – RESERVED GRANT BALANCE

The District Attorney requested from the State of California Department of Insurance to reserve \$841,330 of the Workers' Compensation Insurance Fraud Grant funds for the fiscal year ending June 30, 2009. At the end of the fiscal year, only \$835,430 was available to reserve.

Note 3 – EQUIPMENT AND VEHICLE PURCHASES

Based on the approval granted by the State of California Department of Insurance, the District Attorney was allowed to use Grant funds of \$1,324 to replace/purchase minor equipment, \$110,828 to replace/purchase equipment, and \$80,432 to replace/purchase vehicles.

Note 4 –COMPARATIVE DATA

Comparative total data for the prior fiscal year has been presented in the accompanying statement in order to provide an understanding of changes in the Workers' Compensation Insurance Fraud Grant's operations.



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PARTNERS

RONALD A LEVY, CPA
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9107 WILSHIRE BLVD., SUITE 400
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**INDEPENDENT AUDITOR'S 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***

Board of Supervisors
County of San Diego
San Diego, California

We have audited the accompanying Statement of Revenues, Expenditures, and Changes in Grant Balance of the Worker's Compensation Insurance Fraud Grant of the County of San Diego for the fiscal year ended June 30, 2009, and have issued our report thereon dated October 23, 2009. 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 the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 is 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. Such provisions include those provisions 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 the County's management and the State of California Insurance Commission and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, CA
October 23, 2009

**COUNTY OF SAN DIEGO
WORKERS' COMPENSATION INSURANCE FRAUD GRANT
SCHEDULE OF FINDINGS
For the Fiscal Year Ended June 30, 2009**

No findings noted

**COUNTY OF SAN DIEGO
WORKERS' COMPENSATION INSURANCE FRAUD GRANT
SCHEDULE OF PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2009**

No findings noted