

**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, 2012**

**COUNTY OF SAN DIEGO**  
**WORKERS' COMPENSATION INSURANCE FRAUD GRANT**

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## 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, 2012. 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 prior year comparative information has been derived from the 2011 Statement of Revenues, Expenditures, and Changes in Grant Balance and, in our report dated December 19, 2011, we expressed an unqualified opinion on the respective Statement of Revenues, Expenditures, and Changes in Grant Balance.

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, 2012 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 December 14, 2012, 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 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 Board of Supervisors, 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, LLP  
Culver City, CA  
December 14, 2012

**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, 2012  
With Comparative Totals for the Fiscal Year Ended June 30, 2011**

	<u>2012</u>	<u>2011</u>
<b>Revenues:</b>		
California Department of Insurance funding	\$ 4,861,584	\$ 4,825,000
Interest revenue	4,419	9,211
<b>Total Revenues</b>	<u>4,866,003</u>	<u>4,834,211</u>
<b>Expenditures:</b>		
Salaries and Benefits:		
Staff salaries	3,043,945	2,712,550
Staff overtime	39,633	30,000
Staff benefits	1,730,487	1,437,249
<b>Total Salaries and Benefits</b>	<u>4,814,065</u>	<u>4,179,799</u>
Operating Expenditures:		
Audit fees	4,750	4,750
Books and publications	81,423	22,132
Bus pass and local mileage	2,315	5,945
Communications	8,896	12,583
Professional services	22,683	5,369
Equipment	24,673	47,977
Facilities management	54,274	40,463
Equipment maintenance	335	292
Membership fees	6,701	5,168
Minor equipment	49,932	2,887
Miscellaneous	1,303	1,790
Office expense	20,020	15,928
Parking	52,615	53,004
Postage and printing	9,835	1,147
Public liability insurance	22,669	16,760
Software	3,865	353
Special department expense	3,380	2,120
Training and registration	4,536	5,744
Travel	19,403	16,785
Utilities	29,347	21,563
Vehicle maintenance and fuel	34,288	28,100
Witness expense	1,582	11,000
<b>Total Operating Expenditures</b>	<u>458,825</u>	<u>321,860</u>
Indirect costs - Note 1	304,395	271,255
<b>Total Expenditures</b>	<u>5,577,285</u>	<u>4,772,914</u>
<b>Excess of Revenues over (under) Expenditures</b>	<u>(711,282)</u>	<u>61,297</u>
Grant Balance, beginning of fiscal year	723,683	662,386
Prior Period Adjustments	(1,273)	
Grant Balance, beginning of fiscal year, restated	<u>722,410</u>	<u></u>
Grant Balance, end of fiscal year - Note 2	<u>\$ 11,128</u>	<u>\$ 723,683</u>

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, 2012**

**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 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, 2012 have all been received from the State Department of Insurance. Expenditures are generally recognized when the related fund liability is incurred.

**Statement 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, 2012**

**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	necessarily concurrently	Full/Part Time	Standard County Benefits Plan
Deputy District Attorney V	4.2	Full Time	District Attorney
Deputy District Attorney IV	2	Full Time	District Attorney
Deputy District Attorney III	4	Full Time	District Attorney
D.A. Investigator IV	2	Full Time	District Attorney Investigator
D.A. Investigator III	8	Full Time	District Attorney Investigator
D.A. Investigator II	0.5	Full Time	District Attorney Investigator
D.A. Investigator I	0.5	Full Time	District Attorney Investigator
Legal Specialist	1	Full Time	Non-Management
Paralegal Supervisor	2	Full Time	Non-Management
Paralegal II	4.5	Full Time	Non-Management
Legal Support Manager	0.25	Full Time	Non-Management
Criminal Legal Secretary III	1	Full Time	Non-Management
Criminal Legal Secretary II	2	Full Time	Non-Management
Legal Support Supervisor I	1	Full Time	Non-Management
Legal Support Assistant II	1.5	Full Time	Non-Management
Legal Support Assistant I	1.5	Full Time	Non-Management
Departmental System Technician	0.25	Full Time	Non-Management
Graduate Law Clerk	0.25	Part Time	*
Temporary Expert Professional Employee	0.5	Part Time	*

\* The classification Graduate Law Clerk and Temporary Expert Professional Employee are not presented by any bargaining units and employees under this classification do not received benefits.

**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, 2012**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Indirect Expenditures**

The Grant provides for indirect costs as follows:

	<u>2012</u>	<u>2011</u>
Staff Salaries	\$ 3,043,945	\$ 2,712,550
Rate	<u>10.00%</u>	<u>10.00%</u>
Indirect Costs	<u>\$ 304,395</u>	<u>\$ 271,255</u>

**Note 2 – RESERVED GRANT BALANCE**

The District Attorney requested from the State of California Department of Insurance to reserve \$15,878 of the Workers' Compensation Insurance Fraud Grant funds for the fiscal year ending June 30, 2012. At the end of the fiscal year, only \$11,128 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 \$ 49,932 to replace/purchase minor equipment and \$24,673 to replace/purchase equipment.

**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.

**Note 5 –PRIOR PERIOD ADJUSTMENT**

The adjustment amount of \$1,273 is to adjust prior year's recorded transactions that were revised due to an overstatement of interest revenue.

**Note 6 – SUBSEQUENT EVENTS**

In preparing the accompanying statement, the County management has reviewed all known events that have occurred after June 30, 2012, and through December 14, 2012, the date when this financial statement was available to be issued, for inclusion in the financial statement and footnotes.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OFFINANCIAL 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 (the County) for the fiscal year ended June 30, 2012, and have issued our report thereon dated December 14, 2012. 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

Management of the County of San Diego, California, is responsible for establishing and maintaining effective 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 1872.8*, 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. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Grant in the schedule of findings section.

This report is intended solely for the information and use of the County's Board of Supervisors, 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  
Culver City, CA  
December 14, 2012

**COUNTY OF SAN DIEGO  
WORKERS' COMPENSATION INSURANCE FRAUD GRANT  
SCHEDULE OF FINDINGS  
For the Fiscal Year Ended June 30, 2012**

No findings noted

**COUNTY OF SAN DIEGO  
WORKERS' COMPENSATION INSURANCE FRAUD GRANT  
SCHEDULE OF PRIOR YEAR FINDINGS  
For the Fiscal Year Ended June 30, 2012**

No findings noted