COUNTY OF SAN DIEGO
WORKERS' COMPENSATION INSURANCE FRAUD GRANT
IMPERIAL COUNTY PROGRAM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN GRANT BALANCE

For the Fiscal Year Ended June 30, 2013

COUNTY OF SAN DIEGO
WORKERS' COMPENSATION INSURANCE FRAUD GRANT
IMPERIAL COUNTY PROGRAM

TABLE OF CONTENTS

	Page
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 Government Auditing Standards	7
Schedule of Findings	9

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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 Imperial County Program (the "Grant") of the County of San Diego in accordance with the requirements of the State of California Department of Insurance for the Workers' Compensation Insurance Fraud Program for the fiscal year ended June 30, 2013, and the related notes to the Statement of Revenues, Expenditures, and Changes in Grant Balance.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement of Revenues, Expenditures, and Changes in Grant Balance that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *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 Program. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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.

Basis for Adverse Opinion

As discussed in Note 1, the financial statement presents only the Grant fund. Accounting principles generally accepted in the United States of America require that the County's financial statements present the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion" paragraph, the financial statement referred to above does not present fairly, the financial position of the County as of June 30, 2013, or the changes in financial position or cash flows thereof for the fiscal year then ended.

Unmodified Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the Grant Balance of revenues, expenditures, and changes in the Grant of the County of San Diego in accordance with the requirements of the State of California Department of Insurance for the Workers' Compensation Insurance Fraud Program for the fiscal year ended June 30, 2013, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013, 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.

Moss, Levy & Hartzheim, LLP
Culver City, CA
December 9, 2013

COUNTY OF SAN DIEGO
WORKERS' COMPENSATION INSURANCE FRAUD GRANT
IMPERIAL COUNTY PROGRAM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN GRANT BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	2013
Revenues:	
California Department of Insurance funding	$ 143,087
Interest revenue	54
Total Revenues	143,141
Expenditures:	
Salaries and Benefits:	
Staff salaries	26,533
Staff overtime	5,736
Staff benefits	309
Total Salaries and Benefits	32,578
Operating Expenditures:	
Audit fees	158
Training and registration	650
Contract to other agencies	68,875
Total Operating Expenditures	69,683
Indirect costs - Note 1	2,653
Excess of Revenues over (under) Expenditure	104,914
Grant Balance, beginning of fiscal year	
Grant Balance, end of fiscal year - Note 2	$ 38,227

The accompanying notes are an integral part of this statement

Note 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Workers' Compensation Insurance Fraud Grant Imperial County Program 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 for the fiscal year ending June 30, 2013 have all been received from the State Department of Insurance. Expenditures are generally recognized when the related fund liability is incurred.

Statement Presentation

The statement presents 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 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	0.25	Full Time	District Attorney
Paralegal II	0.25	Full Time	Non-Management
Criminal Legal Secretary III	0.05	Full Time	Non-Management

Indirect Expenditures

The Grant provides for indirect costs as follows:

	2013
Staff Salaries	$ 26,533
Rate	10.00%
Indirect Costs	$ 2,653

Note 2 – RESERVED GRANT BALANCE

The District Attorney requested from the State of California Department of Insurance to reserve $38,340 of the Workers' Compensation Insurance Fraud Grant funds for the fiscal year ending June 30, 2013. At the end of the fiscal year, $38,227 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 is allowed to use and purchase equipment and vehicles. There were no equipment or vehicle purchases during the fiscal year ending June 30, 2013.

Note 4 – SUBSEQUENT EVENTS

In preparing the accompanying statement, County management has reviewed all known events that have occurred after June 30, 2013, and through December 9, 2013 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 OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Supervisors
County of San Diego
San Diego, California

We have audited, 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, the accompanying Statement of Revenues, Expenditures, and Changes in Grant Balance of the Worker's Compensation Insurance Fraud Grant Imperial County Program of the County of San Diego (the County) for the fiscal year ended June 30, 2013, and the related notes to the Statement of Revenues, Expenditures, and Changes in Grant Balance, and have issued our report thereon dated December 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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 statement will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, CA
December 9, 2013

COUNTY OF SAN DIEGO
WORKERS' COMPENSATION INSURANCE FRAUD GRANT
IMPERIAL COUNTY PROGRAM
SCHEDULE OF FINDINGS
For the Fiscal Year Ended June 30, 2013

No findings noted