

**COUNTY OF SAN DIEGO  
DISABILITY AND HEALTHCARE INSURANCE FRAUD GRANT  
STATEMENTS OF REVENUES,  
EXPENDITURES, AND CHANGES IN GRANT BALANCE**

**For the Fiscal Year Ended June 30, 2016**

**COUNTY OF SAN DIEGO**  
**DISABILITY AND HEALTHCARE INSURANCE FRAUD GRANT**

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MOSS, LEVY & HARTZHEIM LLP

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**INDEPENDENT AUDITOR'S REPORT**

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 (Grant) of the County of San Diego (County) in accordance with the requirements of the State of California Department of Insurance for the Disability and Healthcare Insurance Fraud Grant Program for the fiscal year ended June 30, 2016, and the related notes to the Statements of Revenues, Expenditures, and Changes in Grant Balance, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements 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 Statements of Revenues, Expenditures, and Changes in Grant Balance that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements 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 Disability and Healthcare Insurance Fraud Program. 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 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 statements, 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.

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

## **Emphasis of Matter**

The accompanying Statements of Revenues, Expenditures, and Changes in Grant Balance were prepared for the purpose of complying with the audit requirements of the State of California's Insurance Code, as described in Note 1 and are not intended to be a complete presentation of the County's revenues and expenditures. Our opinion is not modified with respect to this matter.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the Revenues, Expenditures, and Changes in the Grant Balance of the County of San Diego in accordance with the requirements of the State of California Department of Insurance for the Disability and Healthcare Insurance Fraud Grant Program for the fiscal year ended June 30, 2016, 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, 2016, on our consideration of the County's internal control over financial reporting with respect to the Grant 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.

## **Report on Comparative Information**

We have previously audited the Statements of Revenues, Expenditures, and Changes in Grant Balance of the Disability and Healthcare Insurance Fraud Grant of the County of San Diego, and our reports dated December 14, 2015, expressed an unmodified opinion on the audited financial statements. In our opinion, the comparative information presented herein for the fiscal year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
December 9, 2016

**COUNTY OF SAN DIEGO  
DISABILITY AND HEALTHCARE INSURANCE FRAUD GRANT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN GRANT BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
With Comparative Totals for the Fiscal Year Ended June 30, 2015**

	2016	2015
<b>Revenues:</b>		
California Department of Insurance funding	\$ 878,282	\$ 700,000
Interest revenue	2,556	813
<b>Total Revenues</b>	880,838	700,813
<b>Expenditures:</b>		
Salaries and Benefits:		
Staff salaries	490,949	338,436
Staff benefits	318,966	206,285
Staff overtime	3,658	5,139
Total Salaries and Benefits	813,573	549,860
Operating Expenditures:		
Audit fees	2,048	2,048
Communications	2,548	1,928
Facilities management	6,674	7,585
Fac Mgmt Real Prop ISF Costs	-	(7,481)
Membership fees	155	138
Office supplies and expenses	4	75
Parking	1,936	4,037
Postage and printing	-	15
Public Liability insurance	308	159
Special departmental expense	488	163
Training and registration	1,070	1,111
Travel	11,390	3,460
Utilities	3,860	4,108
Vehicle maintenance and fuel	6,323	8,194
Witness expense	212	5,471
Total Operating Expenditures	37,016	31,011
Indirect Costs - Note 1	49,095	33,844
<b>Total Expenditures</b>	899,684	614,715
<b>Excess of Revenues over (under) Expenditures</b>	(18,846)	86,098
Grant Balance, Beginning of Fiscal Year	86,098	-
Prior Period Adjustment - Note 4	2,163	-
Grant Balance, Beginning of Fiscal Year, Restated	88,261	-
Grant Balance, End of Fiscal Year – Note 2	\$ 69,415	\$ 86,098

The accompanying notes are an integral part of these statements

**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, 2016**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2015**

	2016	2015
<b>Revenues:</b>		
California Department of Insurance funding	\$ 700,000	\$ 700,000
Interest revenue	2,037	813
<b>Total Revenues</b>	702,037	700,813
<b>Expenditures:</b>		
Salaries and Benefits:		
Staff salaries	387,930	338,436
Staff benefits	254,109	206,285
Staff overtime	3,035	5,139
<b>Total Salaries and Benefits</b>	645,074	549,860
Operating Expenditures:		
Audit fees	2,048	2,048
Communications	2,548	1,928
Facilities management	6,674	7,585
Fac Mgmt Real Prop ISF Costs	-	(7,481)
Membership fees	155	138
Office supplies and expenses	4	75
Parking	1,936	4,037
Postage and printing	-	15
Public Liability insurance	308	159
Special departmental expense	488	163
Training and registration	1,070	1,111
Travel	11,390	3,460
Utilities	3,860	4,108
Vehicle maintenance and fuel	6,323	8,194
Witness expense	212	5,471
<b>Total Operating Expenditures</b>	37,016	31,011
Indirect Costs - Note 1	38,793	33,844
<b>Total Expenditures</b>	720,883	614,715
<b>Excess of Revenues over (under) Expenditures</b>	(18,846)	86,098
Grant Balance, Beginning of Fiscal Year	86,098	-
Prior Period Adjustment - Note 4	2,163	-
Grant Balance, Beginning of Fiscal Year, Restated	88,261	-
Grant Balance, End of Fiscal Year – Note 2	\$ 69,415	\$ 86,098

The accompanying notes are an integral part of these statements

**COUNTY OF SAN DIEGO  
DISABILITY AND HEALTHCARE INSURANCE FRAUD GRANT - SUPPLEMENTAL  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN GRANT BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
With Comparative Totals for the Fiscal Year Ended June 30, 2015**

	2016	2015
<b>Revenues:</b>		
California Department of Insurance funding	\$ 178,282	\$ 173,833
Interest revenue	519	168
<b>Total Revenues</b>	178,801	174,001
<b>Expenditures:</b>		
Salaries and Benefits:		
Staff salaries	103,019	101,323
Staff overtime	623	1,633
Staff benefits	64,857	60,913
Total Salaries and Benefits	168,499	163,869
Indirect Costs- Note 1	10,302	10,132
<b>Total Expenditures</b>	178,801	174,001
<b>Excess of Revenues over (under) Expenditures</b>	-	-
Grant Balance, Beginning of Fiscal Year	-	-
Grant Balance, End of Fiscal Year – Note 2	\$ -	\$ -

The accompanying notes are an integral part of these statements

**COUNTY OF SAN DIEGO**  
**DISABILITY AND HEALTHCARE INSURANCE FRAUD GRANT**  
**NOTES TO THE STATEMENTS OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN GRANT BALANCE**  
**For the Fiscal Year Ended June 30, 2016**

**Note 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

The Disability and Healthcare Insurance Fraud Grant is administered by the San Diego County District Attorney's Office, 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 insurance fraud within the program area. The program is 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 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 prepared by the District Attorney's Office. The journal entries, which are based on expenditure information, are 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 Statements of Revenues, Expenditures, and Changes in Grant Balance have been prepared accordingly.

Revenues shown on the statement for the fiscal year ending June 30, 2016 have not been all received from the State Department of Insurance. \$700,000 and \$173,833 were received during the fiscal year for the grant and supplemental grant, respectively. The remaining balance of \$4,449 was received after the grant period for the supplemental grant. California Department of Insurance requires that grant revenue be included on an accrual basis. Expenditures are generally recognized when the related fund liability is incurred.

**Statement Presentation**

The statements 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  
DISABILITY AND HEALTHCARE INSURANCE FRAUD GRANT  
NOTES TO THE STATEMENTS OF REVENUES,  
EXPENDITURES, AND CHANGES IN GRANT BALANCE  
For the Fiscal Year Ended June 30, 2016**

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

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those reported.

**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	1.1	Full Time	District Attorney
D.A. Investigator IV	1	Full Time	District Attorney Investigator
D.A. Investigator II	1	Full Time	District Attorney Investigator
Paralegal II	1	Full Time	Non-Management
D.A. Investigator II - Supplemental	1	Full Time	District Attorney Investigator
D.A. Investigator III - Supplementa	0.1	Full Time	District Attorney Investigator

The Grant provides for indirect costs as follows:

Disability & Healthcare Insurance Fraud Grant

	2016	2015
Staff Salaries	\$ 387,930	\$ 338,436
Rate	10.00%	10.00%
Indirect Costs	\$ 38,793	\$ 33,844

**COUNTY OF SAN DIEGO  
DISABILITY AND HEALTHCARE INSURANCE FRAUD GRANT  
NOTES TO THE STATEMENTS OF REVENUES,  
EXPENDITURES, AND CHANGES IN GRANT BALANCE  
For the Fiscal Year Ended June 30, 2016**

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

<u>Disability &amp; Healthcare Insurance Fraud Grant – Supplemental</u>	2016	2015
Staff Salaries	\$ 103,019	\$ 101,323
Rate	10.00%	10.00%
Indirect Costs	\$ 10,302	\$ 10,132

**Note 2 – RESERVED GRANT BALANCE**

The District Attorney requested from the State of California Department of Insurance to reserve \$69,415 of the Disability and Healthcare Insurance Fraud Grant funds for the fiscal year ending June 30, 2016. At the end of the fiscal year, \$69,415 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, 2016.

**Note 4 – PRIOR PERIOD ADJUSTMENT**

Prior period adjustment in the amount of \$2,163 was to adjust audit fees to actual.

**Note 5 – 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 Disability and Healthcare Insurance Fraud Grant’s operations.



MOSS, LEVY & HARTZHEIM LLP

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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 Statements of Revenues, Expenditures, and Changes in Grant Balance of the Disability and Healthcare Insurance Fraud Grant (Grant) of the County of San Diego (County) for the fiscal year ended June 30, 2016, and the related notes to the Statements of Revenues, Expenditures, and Changes in Grant Balance, and have issued our report thereon dated December 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) with respect to the Grant 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 with respect to the Grant. Accordingly, we do not express an opinion on the effectiveness of the County's internal control with respect to the Grant.

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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Statements of Revenues, Expenditures, and Changes in Grant Balance 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 Program'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 Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
December 9, 2016

**COUNTY OF SAN DIEGO  
DISABILITY AND HEALTHCARE INSURANCE FRAUD GRANT  
SCHEDULE OF FINDINGS  
For the Fiscal Year Ended June 30, 2016**

No findings noted

**COUNTY OF SAN DIEGO  
DISABILITY AND HEALTHCARE INSURANCE FRAUD GRANT  
SCHEDULE OF PRIOR YEAR FINDINGS  
For the Fiscal Year Ended June 30, 2016**

No findings noted