

**COUNTY OF SAN DIEGO  
AUTOMOBILE INSURANCE FRAUD GRANT  
STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN GRANT BALANCE**

**For the Fiscal Year Ended June 30, 2017**

**COUNTY OF SAN DIEGO**  
**AUTOMOBILE INSURANCE FRAUD GRANT**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
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  
ALEXANDER C HOM, CPA  
ADAM V GUISE, CPA  
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES  
433 N. CAMDEN DRIVE, SUITE 730  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.670.1689  
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES  
5800 HANNUM AVE., SUITE E  
CULVER CITY, CA 90230  
TEL: 310.670.2745  
FAX: 310.670.1689  
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 Automobile 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 Automobile Insurance Fraud Grant Program for the fiscal year ended June 30, 2017, and the related notes to the Statement 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 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 Automobile 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 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.

### **Opinion**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the Revenues, Expenditures, and Changes in the Grant Balance of the County of San Diego Automobile Insurance Fraud Grant in accordance with the requirements of the State of California Department of Insurance for the Automobile Insurance Fraud Grant Program for the fiscal year ended June 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

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 does not purport to, and is not intended to be a complete presentation of the County's revenues and expenditures. Our opinion is not modified with respect to this matter.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2017, 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 or on 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 Statement of Revenues, Expenditures, and Changes in Grant Balance of the Automobile Insurance Fraud Grant of the County of San Diego, and our report dated December 9, 2016, expressed an unmodified opinion on the audited financial statement. In our opinion, the comparative information presented herein for the fiscal year ended June 30, 2016, 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 4, 2017

**COUNTY OF SAN DIEGO**  
**AUTOMOBILE INSURANCE FRAUD GRANT**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN GRANT BALANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2016**

	2017	2016
<b>Revenues:</b>		
California Department of Insurance funding	\$ 1,608,377	\$ 1,585,471
Interest revenue	4,683	908
<b>Total Revenues</b>	<b>1,613,060</b>	<b>1,586,379</b>
<b>Expenditures:</b>		
Salaries and Benefits:		
Staff salaries	853,358	838,302
Staff benefits	485,952	485,804
Staff overtime	3,914	3,207
<b>Total Salaries and Benefits</b>	<b>1,343,224</b>	<b>1,327,313</b>
Operating Expenditures:		
Audit fees	3,150	3,059
Books and publications	602	82
Bus pass and local mileage	-	1,625
Communications	7,636	5,592
Equipment maintenance	337	723
Facilities management	22,660	12,635
Membership fees	1,625	233
Miscellaneous	915	917
Office equipment	12,683	283
Office supplies and expenses	16,048	25,340
Parking	12,050	19,381
Postage and printing	250	13,979
Public Liability insurance	4,311	1,716
Publications/Legal notice	89,246	67,522
Software	376	80
Special departmental expense	2,844	2,899
Training/Registration	2,358	1,965
Transportation equipment	11,703	-
Travel	1,830	10,785
Utilities	8,757	7,752
Vehicle maintenance and fuel	30,124	20,507
Witness expense	1,808	11,261
<b>Total Operating Expenditures</b>	<b>231,313</b>	<b>208,336</b>
Indirect Costs - Note 1	85,336	83,830
<b>Total Expenditures</b>	<b>1,659,873</b>	<b>1,619,479</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>(46,813)</b>	<b>(33,100)</b>
Grant Balance, beginning of fiscal year	46,813	75,204
Prior Period Adjustments	-	4,709
Grant Balance, beginning of fiscal year, restated	46,813	79,913
Grant Balance, end of fiscal year – Note 2	\$ -	\$ 46,813

The accompanying notes are an integral part of this statement

**COUNTY OF SAN DIEGO  
AUTOMOBILE INSURANCE FRAUD GRANT  
NOTES TO THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN GRANT BALANCE  
For the Fiscal Year Ended June 30, 2017**

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

**General**

The Automobile Insurance Fraud Grant is administered by the San Diego County District Attorney's Office, the designated automobile insurance fraud prosecutor. Grant funds are received to pay for the costs of investigation and prosecution of automobile insurance fraud and economic car theft causes within the program area. The program is regulated by Section 1872.8 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 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, 2017 have not been all received from the State Department of Insurance. Only \$1,040,628 was received during the fiscal year and the remaining balance of \$567,749 was received after the grant period. 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 statement presents only the financial activity 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.

**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.

**COUNTY OF SAN DIEGO  
AUTOMOBILE INSURANCE FRAUD GRANT  
NOTES TO THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN GRANT BALANCE  
For the Fiscal Year Ended June 30, 2017**

**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
Chief Deputy District Attorney	0.05	Full Time	District Attorney
Deputy District Attorney V	0.90	Full Time	District Attorney
Deputy District Attorney IV	0.10	Full Time	District Attorney
Deputy District Attorney III	2.00	Full Time	District Attorney
D.A. Investigator IV	1.00	Full Time	District Attorney Investigator
D.A. Investigator III	1.10	Full Time	District Attorney Investigator
Criminal Legal Secretary III	0.50	Full Time	Non-Management
Criminal Legal Secretary II	1.00	Full Time	Non-Management
Paralegal II	0.50	Full Time	Non-Management
Department System Technician	0.50	Full Time	Non-Management
Graduate Law Clerk	0.20	Part Time	*

\* The classification Graduate Law Clerk is not represented by any bargaining unit and employees under this classification do not receive benefits.

**Indirect Expenditures**

The Grant provides for indirect costs as follows:

	2017	2016
Staff Salaries	\$ 853,358	\$ 838,302
Rate	10.00%	10.00%
Indirect Costs	<u>\$ 85,336</u>	<u>\$ 83,830</u>

**COUNTY OF SAN DIEGO  
AUTOMOBILE INSURANCE FRAUD GRANT  
NOTES TO THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN GRANT BALANCE  
For the Fiscal Year Ended June 30, 2017**

**Note 2 – RESERVED GRANT BALANCE**

The District Attorney did not request from the State of California Department of Insurance to reserve funds of the Automobile Insurance Fraud Grant for the fiscal year ending June 30, 2017. At the end of the fiscal year, \$0 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. Nine computers were purchased during the fiscal year ending June 30, 2017. In addition, one vehicle was transferred from the Workers' Compensation Insurance Fraud Grant.

**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 Automobile Insurance Fraud Grant's operations.





MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA  
ALEXANDER C HOM, CPA  
ADAM V GUISE, CPA  
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES  
433 N. CAMDEN DRIVE, SUITE 730  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.670.1689  
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES  
5800 HANNUM AVE., SUITE E  
CULVER CITY, CA 90230  
TEL: 310.670.2745  
FAX: 310.670.1689  
www.mlhcpas.com

**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 Automobile Insurance Fraud Grant (Grant) of the County of San Diego (County) for the fiscal year ended June 30, 2017, and the related notes to the Statement of Revenues, Expenditures, and Changes in Grant Balance, and have issued our report thereon dated December 4, 2017.

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) 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 Statement 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 4, 2017

**COUNTY OF SAN DIEGO  
AUTOMOBILE INSURANCE FRAUD GRANT  
SCHEDULE OF FINDINGS  
For the Fiscal Year Ended June 30, 2017**

No findings noted

**COUNTY OF SAN DIEGO  
AUTOMOBILE INSURANCE FRAUD GRANT  
SCHEDULE OF PRIOR YEAR FINDINGS  
For the Fiscal Year Ended June 30, 2017**

No findings noted