

Sonoma County

Auditor-Controller-Treasurer-Tax Collector

Internal Audit Report

**Grant Audit:
County of Sonoma District Attorney's Office
California Department of Insurance
Workers' Compensation Insurance Fraud Program**

For the Period: July 1, 2018 - June 30, 2019

Engagement No: 3145 Report
Date November 22, 2019



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Executive Summary

The California Department of Insurance awarded a Workers' Compensation Insurance Fraud Program (Program) grant totaling \$101,215 to the County of Sonoma District Attorney's (DA) Office for the purposes of enhanced investigation and prosecution of workers' compensation insurance fraud cases.

As required by the California Code of Regulations and requested by the District Attorney's Office, the Internal Audit Division of the Sonoma County Auditor-Controller-Treasurer-Tax Collector's Office (ACTTC) performed certain procedures to certify that grant expenditures were made for the purposes of the Program.

The Annual Expenditure Report submitted to the State for the period ending June 30, 2019 was overstated by approximately \$7,500, due to the inclusion of certain staff benefit costs that had already been included in the prior year Annual Expenditure Report. This overstatement of costs however did not result in the overstatement of the amount claimed as the total qualifying cost incurred exceeds the grant award. All Program grant funds received from the State are sufficiently supported.

Program expenditures of \$101,215 reported by the DA's Office for the period ending June 30, 2019 were made for the purposes of the Program as specified in Section 1872.83 of the Insurance Code, California Code of Regulations Section 2698.59 and the Grant Application County Plan.

Introduction and Background

Introduction

The ACTTC has completed an audit of the County of Sonoma District Attorney's (DA's) Office Workers' Compensation Insurance Fraud Program (Program) grant awarded by the California Department of Insurance (CDI) for the period July 1, 2018 to June 30, 2019. We conducted the audit in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*, and the California Insurance Code and Code of Regulations. These standards require that we identify, analyze, evaluate, and document sufficient information and evidence to achieve our audit objectives. We believe that the evidence obtained provides a reasonable basis for the results, observations, and recommendations contained in our report.

The primary purpose of our engagement is to conduct an audit of the Program, as required by law, and to certify that the expenditures reported to the State were made for the purposes of the Program as specified in Section 1872.83 of the California Insurance Code, California Code of Regulations Section 2698.59 and the guidelines in the Grant Application County Plan Program Strategy.

Background

The DA's Office is responsible for prosecution of public offenses in Sonoma County and institutes proceedings for the arrest of persons charged with public offenses. In addition to prosecution of public offenses, the DA's Office advises the County Grand Jury. The Program is administered by the DA's Office.

The CDI Program was established in 1991 through the passage of Senate Bill 1218 (Chapter 116). The DA's Office has participated in this Program since 1996, and as specified in Section 1872.83 of the California Insurance Code and the Grant Application County Plan, is tasked with actively seeking out and prosecuting insurance fraud within the jurisdiction of the County of Sonoma. The DA's Office is located at the County of Sonoma Hall of Justice Building, 600 Administration Drive, Room 212-J, Santa Rosa, California 95403. The primary goal of the grant is to provide funding for the investigation and vertical prosecution of workers' compensation insurance fraud cases referred to the DA's Office by insurance firms and the CDI Fraud Division. The vertical prosecution process allows one prosecutor to remain on the case from the initial referral to the final disposition, better serving the victims, witnesses and law enforcement officials involved in the prosecution of the crime.

The CDI distributed Program funding totaling \$101,215 in apportioned funds to the Program for the period July 1, 2018 to June 30, 2019. During the period of the audit, the grant funds were used to partially fund one Legal Secretary, one Deputy District Attorney III, one Deputy District Attorney IV and DA Investigator positions as well as the audit expenditures associated with the Program.

Objective, Scope and Methodology

Objective

The primary objective of this audit was to determine if the Program expenditures were made for the purposes of the Program as specified in Section 1872.83 of the Insurance Code, California Code of Regulations Section 2698.59 and the guidelines in the Grant Application County Plan.

Scope

The audit was for the period July 1, 2018 to June 30, 2019. The scope of our work included the following:

- A risk analysis to identify significant risks of non-compliance with policies, procedures or laws, loss or misuse of assets and inefficiencies in processes.
- A review and evaluation of internal controls designed to ensure compliance with the above requirements and to adequately reduce the risk identified.
- Tests of compliance to gain assurance that the internal control system is functioning as intended and is achieving its design objectives.

Methodology

We performed the procedures outlined below solely to assist the DA's Office in meeting the certification requirement of Code of Regulations Section 2698.59. The DA's Office is solely responsible for the Program and for compliance with statutory requirements related to the Program. The procedures were as follows:

- Obtained a copy of the Program's grant award agreement and attached application to verify the existence and amount of funding available to be disbursed to the DA's Office.
- Verified the total grant funds received and deposited by the DA's Office.
- Traced the personnel costs and operating expenditures reported to the State on the Annual Expenditure Report to the applicable supporting documentation to verify that the costs reported were accurate and made for the purposes of the Program.
- Determined whether the amount of grant funds received exceeded expenditures reported to the State.
- Verified that the various report submission deadlines were complied with.

Results, Recommendation, and Management's Response

Results

We verified the total grant funds received and deposited by the DA's Office. We traced the personnel costs and operating expenditures reported to the State on the Annual Expenditure Report to the applicable supporting documentation to verify that the costs reported were accurate and made for the purposes of the Program. We determined that the amount of grant funds received did not exceed expenditures reported to the State, and verified that the various report submission deadlines were complied with.

The Annual Expenditure Report submitted to the State was overstated by approximately \$7,500, due to the inclusion of staff benefit costs that had already been included in the prior year Annual Expenditure Report. This overstatement of cost however did not result in the overstatement of the amount claimed as the total qualifying cost incurred exceeds the grant award. All Program grant funds received from the State are sufficiently supported.

Recommendation

The District Attorney's Office should implement policies and procedures to ensure that the report it submits to the state reconciles to its internal records.

Management's Response

The DA Administrative Management appreciates and will adopt the recommendation of a new best practice. After the program analyst creates an expenditure report, before submitting to the state, a second analyst will be assigned to review the expenditure report and verify the information.

Conclusion and Staff Acknowledgement

Conclusion

We hereby certify that the \$101,215 in expenditures reported by the DA's Office for the Program as of June 30, 2019 were made for the purposes of the Program as specified in Section 1872.83 of the Insurance Code, California Code of Regulations Section 2698.59 and the Grant Application County Plan.

Staff Acknowledgement

We would like to thank the management and accounting staff of the DA's Office for their time, information, and cooperation throughout the audit.

Supplemental Schedules

**County of Sonoma District Attorney's Office
California Department of Insurance
Workers' Compensation Insurance Fraud Grant
Schedule of Revenues and Certified Expenditures
For the Year Ended June 30, 2019**

Revenues	
State	\$ 101,215
Expenditures	
State	<u>101,215</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ -</u>

Supplemental Schedules

**County of Sonoma District Attorney's Office
California Department of Insurance
Workers' Compensation Insurance Fraud Grant
Schedule of Approved Budget to Expenditure Report
For the Year Ended June 30, 2019**

	Approved Budget	Expenditure Report	Variance Under (Over) Budget
Personnel Services			
Salaries and Benefits	\$ 92,815	\$ 92,815	\$ -
Operating Expenditures			
Operating Expenditures	8,400	8,400	-
Totals	\$ 101,215	\$ 101,215	\$ -

Supplemental Schedules

County of Sonoma District Attorney's Office
California Department of Insurance
Workers' Compensation Insurance Fraud Grant
Schedule of Reported Expenditures to Certified Expenditures
For the Year Ended June 30, 2019

	<u>Expenditure Report</u>	<u>Audited Expenditures Certified</u>	<u>Variance Over (Under) Report</u>
Personnel Services			
Salaries and Benefits	\$ 92,815	\$ 92,815	\$ -
Operating Expenditures			
Operating Expenditures	8,400	8,400	-
Totals	<u>\$ 101,215</u>	<u>\$ 101,215</u>	<u>\$ -</u>

Supplemental Schedules

**County of Sonoma District Attorney's Office
California Department of Insurance
Workers' Compensation Insurance Fraud Grant
Schedule of Costs Claimed, Certified, and Recommended Disallowed
For the Year Ended June 30, 2019**

Category Classification	Costs Claimed	Audited Costs Certified	Variance Audited Over/(Under) Claimed	Claimed Costs Recommended For Disallowance
Personnel Services	\$ 92,815	\$ 92,815	\$ -	\$ -
Operating Expenditures	8,400	8,400	-	-
Totals	<u>\$ 101,215</u>	<u>\$ 101,215</u>	<u>\$ -</u>	<u>\$ -</u>