

Sonoma County

Auditor-Controller-Treasurer-Tax Collector

Internal Audit Report

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

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

Engagement No: 3111 Report
Date November 22, 2019



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Engagement No. 3111
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Executive Summary

The California Department of Insurance awarded an Automobile Insurance Fraud Program (Program) grant totaling \$59,292 to the County of Sonoma District Attorney's Office for the purposes of enhanced investigation and prosecution of automobile 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.

We noted no exceptions.

Introduction and Background

Introduction

The ACTTC has completed an audit of the County of Sonoma District Attorney's (DA's) Office Automobile 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 1872.8 of the California Insurance Code, California Code of Regulations Section 2698.67 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 2010, and as specified in Section 1872.8 of the Insurance Code and the Request for Application's County Plan Program Strategy, is tasked to actively seek out insurance fraud within the jurisdiction of the County of Sonoma. The primary goal of the grant is to provide funding for the investigation and vertical prosecution of Automobile Insurance Fraud cases referred to the Office of the DA by area insurance firms and the CDI Fraud Division. The Sonoma County 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 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 \$59,292 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 two Deputy District Attorneys, two District Attorney Investigator positions and one Legal Assistant, as well as training expenditures associated with the Program.

Objective, Scope and Methodology

Objective

The primary objective of this audit was to determine if the County of Sonoma Program expenditures were made for the purposes of the Program as specified in Section 1872.8 of the Insurance Code, California Code of Regulations Section 2698.67, and the Grant Application County Plan Program Strategy.

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 County in meeting the certification requirement of Code of Regulations Section 2698.67. 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, Conclusion and Staff Acknowledgement

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. We also note that while the grant funds in total were expended and verified, the Expenditure Report submitted to the State varies from the approved modified budget submitted to the State. Personnel expenditures were \$6,302 more than budgeted and Operating expenditures were \$6,302 less than budgeted. An explanation of the variances was provided with the Annual Expenditure Report.

Conclusion

We hereby certify that the \$59,292 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 1872.8 of the Insurance Code, California Code of Regulations Section 2698.67, and the Grant Application County Plan Program Strategy.

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
Automobile Insurance Fraud Grant
Schedule of Revenues and Certified Expenditures
For the Year Ended June 30, 2019**

Revenues	
State	\$ 59,292
Expenditures	
State	<u>59,292</u>
Excess (Deficiency) of Revenues over Expenditures	<u><u>\$ -</u></u>

Supplemental Schedules

**County of Sonoma District Attorney's Office
California Department of Insurance
Automobile 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	\$ 46,097	\$ 52,399	\$ (6,302)
Operating Expenditures			
Operating Expenditures	13,195	6,893	6,302
Totals	<u>\$ 59,292</u>	<u>\$ 59,292</u>	<u>\$ -</u>

Supplemental Schedules

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

	Expenditure Report	Audited Expenditures Certified	Variance Over (Under) Report
Personnel Services			
Salaries and Benefits	\$ 52,399	\$ 52,399	\$ -
Operating Expenditures			
Operating Expenditures	6,893	6,893	-
Totals	<u>\$ 59,292</u>	<u>\$ 59,292</u>	<u>\$ -</u>

Supplemental Schedules

**County of Sonoma District Attorney's Office
California Department of Insurance
Automobile 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	\$ 52,399	\$ 52,399	\$ -	\$ -
Operating Expenditures	6,893	6,893	-	-
Totals	<u>\$ 59,292</u>	<u>\$ 59,292</u>	<u>\$ -</u>	<u>\$ -</u>