

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, 2016 - June 30, 2017

Engagement No: 3145  
Report Date October 20, 2017



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## Executive Summary

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### Executive Summary

The California Department of Insurance awarded a Workers' Compensation Insurance Fraud Program grant totaling \$82,120 to the County of Sonoma District Attorney's 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, we performed certain procedures to certify that grant expenditures were made for the purposes of the program.

We noted no exceptions.

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## Introduction and Background

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### Introduction

The Internal Audit Division of the Sonoma County Auditor-Controller-Treasurer-Tax Collector's Office has completed an audit of the County of Sonoma District Attorney's (DA's) Office Workers' Compensation Insurance Fraud Program grant awarded by the California Department of Insurance (CDI) for the period July 1, 2016 to June 30, 2017. We conducted the audit in accordance with the *International Standards for the professional Practice of Internal Auditing (Standards)*, and in accordance with certain sections of 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 Workers' Compensation Insurance Fraud Program expenditures as 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 Workers' Compensation Insurance Fraud Program is administered by the DA's Office.

The CDI Workers' Compensation Fraud 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 area insurance firms and the CDI Fraud Division.

The CDI distributed program funding totaling \$82,120 in apportioned funds to the DA's Office Workers' Compensation Insurance Fraud Program for the period July 1, 2016 to June 30, 2017. During the period of the audit, the grant funds were used to partially fund one Deputy District Attorney and one District Attorney Investigator position as well as training and audit expenditures associated with the Workers' Compensation Insurance Fraud Program.

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## Objective, Scope and Methodology

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### Objective

The primary objective of this audit was to determine if the DA's Office Workers' Compensation Insurance Fraud 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 Program Strategy.

### Scope

The audit was for the period July 1, 2016 to June 30, 2017. 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:

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

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## **Results, Conclusion and Staff Acknowledgement**

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### **Results**

As a result of our procedures, we verified the total grant funds received and deposited by the DA's Office. We also traced the personnel costs and operating expenditures reported to the State on the Annual Financial Report to the applicable supporting documentation to verify that the costs reported were accurate and made for the purposes of the Program. Finally 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.

### **Conclusion**

We hereby certify that the \$82,120 in expenditures reported by the DA's Office for the Workers' Compensation Insurance Fraud Program as of June 30, 2017 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 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 engagement.

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## Supplemental Schedules

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**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, 2017**

<b>Revenues</b>	
State	\$ 82,120
 <b>Expenditures</b>	
State	<u>82,120</u>
 <b>Excess (Deficiency) of</b>	
Revenues over Expenditures	<u>\$ -</u>

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## Supplemental Schedules

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**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, 2017**

	Approved Budget	Expenditure Report	Variance Under (Over) Budget
<b>Personnel Services</b>			
Salaries and Benefits	\$ 72,839	\$ 72,464	\$ 375
<b>Operating Expenditures</b>			
Operating Expenditures	9,281	9,656	(375)
<b>Totals</b>	<u>\$ 82,120</u>	<u>\$ 82,120</u>	<u>\$ -</u>

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**Supplemental Schedules**

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**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, 2017**

	<u>Expenditure Report</u>	<u>Audited Expenditures Certified</u>	<u>Variance Over (Under) Report</u>
<b>Personnel Services</b>			
Salaries and Benefits	\$ <u>72,464</u>	\$ <u>72,464</u>	\$ <u>-</u>
<b>Operating Expenditures</b>			
Operating Expenditures	<u>9,656</u>	<u>9,656</u>	<u>-</u>
<b>Totals</b>	<u>\$ <u>82,120</u></u>	<u>\$ <u>82,120</u></u>	<u>\$ <u>-</u></u>

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**Supplemental Schedules**

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**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, 2017**

<b>Category Classification</b>	Costs Claimed	Audited Costs Certified	Variance Audited Over/(Under) Claimed	Claimed Costs Recommended For Disallowance
Personnel Services	\$ 72,464	\$ 72,464	\$ -	\$ -
Operating Expenditures	9,656	9,656	-	-
Totals	<u>\$ 82,120</u>	<u>\$ 82,120</u>	<u>\$ -</u>	<u>\$ -</u>