

**SONOMA COUNTY DISTRICT ATTORNEY
WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM**

**AUDIT REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2007**

California Department of Insurance Grant

**SONOMA COUNTY DISTRICT ATTORNEY
WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM**

**Audit Report
For the Fiscal Year Ended
June 30, 2007**

California Department of Insurance Grant

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RODNEY A. DOLE
AUDITOR-CONTROLLER
TREASURER -TAX COLLECTOR



DONNA M. DUNK
ASSISTANT
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ROBERT BOITANO
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PAM JOHNSTON
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District Attorney Stephan R. Passalacqua
Sonoma County District Attorney's Office
600 Administration Drive, Suite 212-J
Santa Rosa, CA 95403

Auditor-Controller's Report

We have audited the accompanying financial statement which summarizes the reported financial results and cash position of the Workers' Compensation Insurance Fraud Program Grant awarded to the Sonoma County District Attorney by the California Department of Insurance for the period July 1, 2006 to June 30, 2007. The financial reports are the responsibility of the Sonoma County District Attorney's Office. Our responsibility is to express an opinion on the financial reports based on our audit.

We conducted our audit 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, and in accordance with certain sections of the California Insurance Code and Code of Regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial reports are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial reports. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial reports presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statement represents only the Sonoma County District Attorney's Office/California Department of Insurance grant funds designated for the Workers' Compensation Insurance Fraud Investigation and Prosecution Program and are not intended to present fairly the financial position and results of operations of the Sonoma County District Attorney's Office as a whole, in conformity with accounting principles generally accepted in the United States of America.

As described in Note II-B of the Notes to the Basic Financial Statement, the Auditor-Controller is mandated by various statutes within the California Government Code to perform certain accounting, auditing, and financial reporting functions. These activities, in themselves, necessarily impair the auditor's independence. However, we believe adequate safeguards and divisions of responsibility exist. We also believe that subject to this qualification, the information in the audit report can be relied upon.

In our opinion, except for the effects, if any, of the impairment to auditor independence, the accompanying financial statement presents fairly, in all material respects, the financial position of the Sonoma County District Attorney's Office California Department of Insurance Workers' Compensation Insurance Fraud Program Grant, as of June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2007 on our consideration of the Sonoma County District Attorney's Office California Department of Insurance Workers' Compensation Insurance Fraud Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended for the information and use of the management of the County of Sonoma and the State of California Department of Insurance and is not intended to be and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited.

Sonoma County Auditor-Controller

December 21, 2007

SONOMA COUNTY DISTRICT ATTORNEY
WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
Statement of Grant Revenues and Expenditures
California Department of Insurance Grant
From July 1, 2006 to June 30, 2007

Grant Revenues	
State	\$ 146,341
County Match	<u> -</u>
Total	<u>146,341</u>
 Grant Expenditures	
State	146,341
County Match	<u>13,736</u>
Total	<u>160,077</u>
 Grant Revenue Over (Under)	
Grant Expenditures at June 30, 2007	<u><u>\$ (13,736)</u></u>

The accompanying notes are an integral part of this statement.

**SONOMA COUNTY DISTRICT ATTORNEY
WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
Notes to the Basic Financial Statement
California Department of Insurance Grant
June 30, 2007**

I. Summary of Significant Accounting Policies

A. The Reporting Entity and Grant Description

The Sonoma County District Attorney's Office is responsible for prosecution of public offenses in Sonoma County and institutes proceedings for the arrest of persons charged with public offenses, and attends and advises the County Grand Jury. The Workers' Compensation Insurance Fraud Program is administered by the Sonoma County District Attorney's Office.

The Workers' Compensation Insurance Fraud Program was established in 1994, as specified in Section 1872.83 of the California Insurance Code, the guidelines in the Request for Application and the County Plan to actively seek out insurance fraud within the jurisdiction of the County of Sonoma. It is located at the Sonoma County District Attorney's Office 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 Office of the District Attorney by area insurance firms and the Fraud Bureau.

The California Department of Insurance distributed program funding totaling \$146,341 in apportioned funds to the Sonoma County District Attorney's Office Workers' Compensation Insurance Fraud Program for the period July 1, 2006 to June 30, 2007. The balance of the program costs were offset by the Sonoma County District Attorney's Office.

During the period of the audit, the grant funds were used to partially fund one Deputy District Attorney and one District Attorney Investigator associated with the Workers' Compensation Insurance Fraud Program.

The objectives of the audit were to determine whether the grant funds have been received and expended in accordance with applicable laws, regulations, and the grant agreement, and whether the financial reports submitted to the California Department of Insurance are presented fairly.

**SONOMA COUNTY DISTRICT ATTORNEY
WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
Notes to the Basic Financial Statement
California Department of Insurance Grant
June 30, 2007**

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accompanying financial reports have been prepared from the latest contract approved by the California Department of Insurance, financial reports submitted to the California Department of Insurance, and the County of Sonoma records. These reports represent only the California Department of Insurance Workers' Compensation Insurance Fraud Grant and are not intended to present fairly the financial position and results of operation of the Sonoma County District Attorney's Office as a whole, in conformity with accounting principles generally accepted in the United States of America.

Governmental funds are used to account for the Sonoma County District Attorney's Office activities. Governmental fund types use the flow of current financial resources as their measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available, and expenditures are generally recognized in the period in which they are incurred.

The California Department of Insurance Workers' Compensation Insurance Fraud Program Grant receipts were accounted for in a separate account in the County of Sonoma accounting system. Program expenditures were accounted for by using account codes unique to this grant's activities.

II. General Comments

A. Program Expenditures in Excess of Funding

The Sonoma County District Attorney's Office total program costs for the Workers' Compensation Insurance Fraud Program as of June 30, 2007 were \$160,077. Of this amount, \$146,341 was reimbursed by state funds through the California Department of Insurance grant. The \$13,736 balance was expensed through the District Attorney's Office general operating fund since this portion of the total program costs exceeded the total grant funds awarded as of June 30, 2007. The actual salary and benefits costs of \$160,077 were 9.4% more than the final grant award of \$146,341 for the period ended June 30, 2007. No operating costs or equipment/asset purchases were included in the final grant award.

**SONOMA COUNTY DISTRICT ATTORNEY
WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
Notes to the Basic Financial Statement
California Department of Insurance Grant
June 30, 2007**

B. Auditor Independence

As required by various statutes within the California Government Code, County Auditor-Controllers are mandated to perform certain accounting, auditing and financial reporting functions. These activities, in themselves, necessarily impair the auditor's independence. Specifically, "Auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant or material to the subject matter of the audit." Although the office of the Auditor-Controller is statutorily obligated to maintain accounts of departments, districts or funds that are contained within the County Treasury, we believe that adequate safeguards and divisions of responsibility exist. Therefore, we believe that subject to this qualification and disclosure, the reader can rely on the auditor's opinion contained in this report.

**SONOMA COUNTY DISTRICT ATTORNEY
WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
Statement of Approved Budget to Expenditure Report
California Department of Insurance Grant
From July 1, 2006 to June 30, 2007**

	<u>Approved</u> <u>Budget</u>	<u>Expenditure</u> <u>Report</u>	Variance <u>Under (Over)</u> <u>Budget</u>
Personnel Services			
Salaries and Benefits	\$ 146,341	\$ 154,606	\$ (8,265)
Total Personnel Services	<u>146,341</u>	<u>154,606</u>	<u>(8,265)</u>
Operating Expenses			
Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Equipment			
Equipment	<u>-</u>	<u>-</u>	<u>-</u>
Total Equipment Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 146,341</u>	<u>\$ 154,606</u>	<u>\$ (8,265)</u>

The accompanying notes are an integral part of this statement.

**SONOMA COUNTY DISTRICT ATTORNEY
WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
Statement of Claimed Expenditures to Audited Expenditures
California Department of Insurance Grant
From July 1, 2006 to June 30, 2007**

	Expenditure	Audited	Variance
	<u>Report</u>	<u>Expenditures</u>	<u>Over (Under)</u>
			<u>Report</u>
Personnel Services			
Salaries and Benefits*	\$ 154,606	\$ 160,077	\$ 5,471
Total Personnel Services	<u>154,606</u>	<u>160,077</u>	<u>5,471</u>
Operating Expenses			
Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Equipment			
Equipment	<u>-</u>	<u>-</u>	<u>-</u>
Total Equipment Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 154,606</u>	<u>\$ 160,077</u>	<u>\$ 5,471</u>

* Reported Salaries and Benefits were understated by \$5,471. This under reported amount was absorbed by the District Attorney's Office. No impact on grant funded expenditures.

The accompanying notes are an integral part of this statement.

**SONOMA COUNTY DISTRICT ATTORNEY
WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
Schedule of Questioned Costs
California Department of Insurance Grant
June 30, 2007**

There were no questioned costs disclosed during the audit.

**SONOMA COUNTY DISTRICT ATTORNEY
WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
Other Information
California Department of Insurance Grant
June 30, 2007**

Findings and Recommendations

As a result of our audit testing, evaluation of the internal control structure, and review of the Sonoma County District Attorney's Office compliance with applicable laws and regulations, the following administrative finding has been identified:

Administrative Finding: Timely Submittal of Program Report

The Sonoma County District Attorney's Office failed to submit the Program Report no later than two (2) months after the close of the program period as specified in the Request for Application [Section 2698.59(d)(2), California Code of Regulations, Article 3].

Recommendation

We recommend that the Sonoma County District Attorney's Office institute a monitoring process to assure that the Program Report is submitted no later than two (2) months after the close of the program period as required by the above referenced section.

Grantee's Response

"Going forward our office will comply with the requirement that the Program Report is submitted no later than two (2) months after the close of the program period as required by the California Code of Regulations."

Auditor's Conclusion

We concur with the grantee's proposed actions.

Exit Conference

The results of the audit were discussed in detail with representatives of the Sonoma County District Attorney's Office Workers' Compensation Insurance Fraud Program.

RODNEY A. DOLE
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TREASURER -TAX COLLECTOR



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**Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial Reports
Performed in Accordance with Government Auditing Standards**

We have audited the accompanying financial statements which summarize the reported financial results and cash position of the Workers' Compensation Insurance Fraud Grant awarded to the Sonoma County District Attorney's Office by the California Department of Insurance for the period July 1, 2006 to June 30, 2007 and have issued our report thereon dated December 21, 2007. We conducted our audit 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, and in accordance with certain sections of the California Insurance Code and Code of Regulations.

Compliance

As part of obtaining reasonable assurance about whether the Sonoma County District Attorney's Office California Department of Insurance Workers' Compensation Insurance Fraud Grant's financial reports are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial reports' amounts. 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sonoma County District Attorney's Office internal control over the California Department of Insurance Workers' Compensation Insurance Fraud Grant's financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial reports and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amount that would be material in relation to the financial reports being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Sonoma County Board of Supervisors, and the California Department of Insurance and is not intended to be and should not be used by anyone other than these specified parties.

Sonoma County Auditor-Controller

December 21, 2007