



**COUNTY OF SAN LUIS OBISPO
BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor – Controller – Treasurer – Tax Collector	(2) MEETING DATE 12/6/2022	(3) CONTACT/PHONE Kari Lekvold (805) 781-4846	
(4) SUBJECT Submittal of a compliance audit report for the District Attorney's Office State of California Department of Insurance Workers' Compensation Insurance Fraud Program Grant for FY 2021-22. All District.			
(5) RECOMMENDED ACTION It is recommended the Board receive, review, and file the attached compliance audit report for the District Attorney's Office State of California Department of Insurance Workers' Compensation Insurance Fraud Program Grant for FY 2021-22.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date <u>12/7/2021</u>	
(17) ADMINISTRATIVE OFFICE REVIEW Rebecca Campbell			
(18) SUPERVISOR DISTRICT(S) All Districts			



COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: James W. Hamilton, CPA, Auditor – Controller – Treasurer – Tax Collector

DATE: December 6, 2022

SUBJECT: Submittal of a compliance audit report for the District Attorney's Office State of California Department of Insurance Workers' Compensation Insurance Fraud Program Grant for FY 2021-22. All District.

RECOMMENDATION

It is recommended the Board receive, review, and file the attached compliance audit report for the District Attorney's Office State of California Department of Insurance Workers' Compensation Insurance Fraud Program Grant for FY 2021-22.

DISCUSSION

The purpose of our audit was to determine whether the District Attorney's Office was in compliance with the approved grant guidelines; including appropriate expenditure of personnel and support costs, adherence to the budget, accurate completion of expenditure reports, and appropriate treatment of carryover funds. We determined that the District Attorney's Office is in compliance with the grant program guidelines in all material aspects.

OTHER AGENCY INVOLVEMENT/IMPACT

The District Attorney's Office administers the grant.

FINANCIAL CONSIDERATIONS

Total grant funds expended were \$51,004 for FY 2021-22.

RESULTS

The Auditor-Controller-Treasurer-Tax Collector's review of grant programs helps maintain and improve internal controls and procedures for grant compliance and contributes to the County's vision of a well-governed community.

ATTACHMENTS

1 District Attorney Workers' Compensation Fraud Grant Report for FY 2021-22



COUNTY OF SAN LUIS OBISPO
Office of James W. Hamilton, CPA

Auditor-Controller • Treasurer-Tax Collector • Public Administrator

Michael Stevens, Deputy
Justin Cooley, Deputy

Office of the District Attorney
Compliance Audit of the State of California Department of
Insurance Workers' Compensation Fraud Program Grant

October 2022

JAMES W. HAMILTON, CPA
Auditor-Controller • Treasurer-Tax Collector



TO: DAN DOW, DISTRICT ATTORNEY

FROM: JAMES W. HAMILTON, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR

DATE: OCTOBER 31, 2022

SUBJECT: AUDIT OF THE STATE OF CALIFORNIA DEPARTMENT OF INSURANCE WORKERS'
COMPENSATION FRAUD PROGRAM GRANT FOR FISCAL YEAR 2021-2022

Our office recently completed an audit of the State of California Department of Insurance Workers' Compensation Fraud Program Grant (grant) for Fiscal Year 2021-22. The audit did not result in any findings.

Purpose

The purpose of this audit was to determine whether the District Attorney's Workers' Compensation Fraud Program was in compliance with the grant award requirements, Section 1872.83 of the Insurance Code and the California Code of Regulations, Title 10, Section 2698.50 et. seq. through the appropriate expenditure of personnel and support costs, adherence to the budget, accurate completion of expenditure reports, and appropriate treatment of carryover funds.

Scope

Our audit covered the Workers' Compensation Fraud Program Grant revenues, expenditures, and budgets for Fiscal Year 2021-22. Our audit also included review of the statistical case data reported to the California Department of Insurance.

Methodology

We conducted our audit using generally accepted auditing standards and the Government Auditing Standards published by the Comptroller General of the United States (revised July 2018). Our work included review of grant payments received; grant expenditures, including salaries of staff assigned to the grant; statistical case data; and the department's internal controls. Our evaluation of internal controls was limited to inquiries of departmental staff and direct observations.

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 generally accepted auditing standards of independence. Specifically, "auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant and/or material to the subject of the audit." Although the San Luis Obispo County Auditor-Controller-Treasurer-Tax Collector is statutorily obligated to maintain the accounts of departments, agencies or funds that are contained within the County Treasury, we believe adequate



Michael Stevens, Deputy
Justin Cooley, Deputy

safeguards and division of responsibility exist. The Auditor-Controller-Treasurer-Tax Collector’s Internal Audit Division, which has the responsibility to perform audits, has no other responsibility for the accounts and records being audited including the approval or posting of the transactions subject to audit. This enables the reader of this report to rely on the information contained herein.

The County of San Luis Obispo does not follow a three-year peer review cycle as required by Governmental Auditing Standards; however, the County is peer reviewed on a five-year cycle.

Results

All personnel costs and operating expenditures were made for the purposes of the grant program and the expenditures reported on the expenditure report were accurate.

We also determined the statistical case data reported to the California Department of Insurance to be accurately reported and substantiated.

The following schedules detail the grant program’s revenues and expenditures for FY 21-22.

Approved Budget	Financial System Revenue Recorded	Allowable Claimed Revenue	Return of Unused Funds
\$ 164,455	\$ 39,634	\$ 51,004	\$ 113,451

	Approved Budget	Expenditure Report*	Financial System**
Salaries & Benefits	125,724	33,546	33,546
Operating Expenses	38,731	17,458	6,088
Equipment	-	-	-
Expense Total	\$ 164,455	\$ 51,004	\$ 39,634

* In accordance with CA Department of Insurance procedures, a written explanation of the budget variance was submitted to the CA Department of Insurance with the Annual Expenditure Report.

**Variance between the Expenditure Report and the Financial System relates to prior year audit adjustment and indirect cost allocation not being included in the Financial System.



Prior Year Finding and Implementation Status of Recommendation

Grant Expenditure Charged to the Incorrect Grant Year (Prior Year)

\$10,772 of local media outreach costs were charged to the grant in FY 2020-21, however the media advertisements will not air until FY 2021-22. The California Department of Insurance requires grant expenditures be charged in the year the benefit is received and does not allow for the prepayment of expenditures which cross grant fiscal years. Staff incorrectly interpreted the grant requirements which dictate when expenditures can be charged to the grant. The California Department of Insurance may allow unused grant revenues to be carried over to the subsequent grant year upon an approved request.

Recommendation (Prior Year)

We recommend expenditures charged to the grant be related to the same grant year as the benefit is received and the Department submit a request to carryover the unused grant revenues into the subsequent grant period.

Current Status

The recommendation has been implemented.

We appreciate the courteous attitude of your staff and the cooperation we received during our audit. If you have any questions regarding this report or the review that was conducted, please contact Kari Lekvold, Internal Audit Manager at (805) 781-4846.

James Hamilton (Oct 28, 2022 11:21 PDT)

James W. Hamilton, CPA
Auditor-Controller-Treasurer-Tax Collector

Cc: Tiffany Johansing, Administrative Services Manager
Jennifer Tran, Program Analyst, LAU, CA Department of Insurance