



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

(1) DEPARTMENT Auditor – Controller – Treasurer – Tax Collector	(2) MEETING DATE 11/19/2019	(3) CONTACT/PHONE Kerry Bailey (805) 788-2979 Mark Maier (805) 781-4267	
(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 2018-19. All Districts.			
(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 2018-19.			
(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>11/06/2018</u>	
(17) ADMINISTRATIVE OFFICE REVIEW  Zachary A. Lute			
(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: November 19, 2019

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 2018-19. All Districts.

### **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 2018-19.

### **DISCUSSION**

The purpose of this 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. Our report includes one finding with regards to the timeliness of grant budget modification requests. 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 grants funds awarded were \$67,699 for FY 2018-19.

### **RESULTS**

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

### **ATTACHMENTS**

1 District Attorney Workers' Compensation Fraud Grant Report for FY 2018-19



**COUNTY OF SAN LUIS OBISPO**  
**AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR**

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

**October 2019**

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



**COUNTY OF SAN LUIS OBISPO**

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

**Lydia J. Corr, CPA** Assistant Auditor-Controller • Treasurer-Tax Collector

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TO: DAN DOW, DISTRICT ATTORNEY

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

DATE: OCTOBER 30, 2019

SUBJECT: AUDIT OF THE STATE OF CALIFORNIA DEPARTMENT OF INSURANCE WORKERS' COMPENSATION FRAUD PROGRAM GRANT FOR FISCAL YEAR 2018-2019

Our office recently completed an audit of the State of California Department of Insurance Workers' Compensation Fraud Program Grant (grant) for Fiscal Year 2018-19. The audit resulted in one finding.

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 reports, revenue, expenditures, and budgets for Fiscal Year 2018-19.

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; 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 statues within the California Government Code, County Auditor-Controllers are mandated to perform certain accounting, auditing, and financial reporting functions. These



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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 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

The department is in general compliance with the grant program guidelines in all material respects with the one exception noted below in the Finding and Recommendation section of this report. A finding is an issue which presents a serious enough risk to require consideration by management and a written department response.

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 expenditures were made for the purposes of the program as specified in Section 1872.83 of the Insurance Code and the California Code of Regulations, Title 10, Section 2698.50 et. seq.

The schedules below detail the program's budgeted, reported, and actual expenditures by line item.



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**County of San Luis Obispo District Attorney's Office  
Workers' Compensation Insurance Fraud Grant  
FY 2018-19**

<b>Schedule of Approved Budget to Actual Costs</b>			
<b>Item</b>	<b>Approved Budget</b>	<b>Actual Costs</b>	<b>Variance (Under) Over</b>
Grant Revenue	67,699	67,699	-
Salary & Benefits	59,374	58,448	(926)
Operating Expenses			
Prepared Financial Audit	2,000	2,000	-
Training/Travel	4,090	3,285	(805)
Vehicle Expense	1,278	2,515	1,237
Liability Insurance	-	406	406
Office Supplies & Postage	-	88	88
Equipment/Laptop	957	957	-
<b>Expenditures Total</b>	<b>\$ 67,699</b>	<b>\$ 67,699</b>	<b>\$ -</b>

<b>Schedule of Expenditure Report to Actual Costs</b>			
<b>Item</b>	<b>Annual Expenditure Report</b>	<b>Actual Costs</b>	<b>Variance (Under) Over*</b>
Grant Revenue	67,669	67,699	30
Salary & Benefits	58,448	58,448	-
Operating Expenses			
Prepared Financial Audit	2,000	2,000	-
Training/Travel	3,285	3,285	-
Vehicle Expense	2,514	2,515	1
Liability Insurance	405	406	1
Office Supplies & Postage	60	88	28
Equipment/Laptop	957	957	-
<b>Expenditures Total</b>	<b>\$ 67,669</b>	<b>\$ 67,699</b>	<b>\$ 30</b>

\* In accordance with CA Department of Insurance requirements, a written explanation of the budget variance was submitted to the CA Department of Insurance with the 2018-19 Annual Expenditure Report



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## Finding & Recommendation

### 1. **Actual Expenses Varied from Approved Budget**

The District Attorney's actual grant expenditures varied from the most recently approved California Department of Insurance (CDI) budgeted amounts. The grant's *Administrative Requirements After Award* state that the grantee submit in writing a budget modification request when changes are needed across budget categories. District Attorney staff were aware of the grant's expense variance and the budget modification requirement but misunderstood the grant's liquidation period (90 days following the end of the program period, September 30, 2019). Staff were made aware of this requirement by CDI subsequent to their submittal of a budget modification on October 3, 2019. Failure to submit timely budget modifications places the County out of compliance with the grant's administrative requirements and could result in the repayment of grant funds previously received due to unallowable costs.

#### **Recommendation**

We recommend the District Attorney's staff develop and implement a process to assist in the timely identification of variances between the grant's actuals and the budgeted expenditures so that subsequent budget modifications are submitted within the program year and prior to the end of the liquidation period.

#### **Department Response**

Prior to the District Attorney's Office receiving the audit results, an expenditure tracking spreadsheet was created to monitor monthly salaries and expenditures for the California Department of Insurance (CDI). At the end of Quarter 3, any approved budgeted line items that have any +/- variances will be addressed through a budget modification prior to the end of the performance period. This will ensure that all budgeted line items are true and correct.

We appreciate the courteous attitude of your staff and the cooperation we received during our audit.