



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

(1) DEPARTMENT Auditor – Controller – Treasurer – Tax Collector	(2) MEETING DATE 11/17/2020	(3) CONTACT/PHONE Mark Maier (805) 781-4267 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 2019-20. 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 2019-20.			
(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>11/19/2019</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 17, 2020

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 2019-20. 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 2019-20.

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 retention of supporting documentation for the biannual statistical reports. We determined that the District Attorney's Office is in compliance with all other grant program guidelines.

OTHER AGENCY INVOLVEMENT/IMPACT

The District Attorney's Office administers the grant.

FINANCIAL CONSIDERATIONS

Total grants funds awarded were \$74,452 for FY 2019-20.

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 2019-20



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

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

October 2020

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

TO: DAN DOW, DISTRICT ATTORNEY

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

DATE: OCTOBER 30, 2020

SUBJECT: AUDIT OF THE STATE OF CALIFORNIA DEPARTMENT OF INSURANCE WORKERS' COMPENSATION FRAUD PROGRAM GRANT FOR FISCAL YEAR 2019-2020

Our office recently completed an audit of the State of California Department of Insurance Workers' Compensation Fraud Program Grant (grant) for Fiscal Year 2019-20.

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 2019-20.

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 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


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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.

Personnel costs and operating expenditures reported to the State on the Annual Expenditure Report were accurate and appropriate as specified in Section 1872.83 of the California Insurance Code and the California Code of Regulations, Title 10, Section 2698.50 et. seq.

The schedule below details the program's budgeted, reported, and actual expenditures by category.

County of San Luis Obispo District Attorney's Office Workers' Compensation Insurance Fraud Grant FY 2019-20				
<u>Schedule of Budgeted, Expended, and Actual Costs</u>				
Item	Approved Budget	Expenditure Report	Actual Costs	Variance (Under) Over
Grant Revenue	74,452	74,452	74,452	-
Salary & Benefits	66,428	66,428	68,029	1,601
Operating Expenses	6,771	6,771	7,552	781
Equipment/Copier	1,253	1,253	1,253	-
Expenditure Totals	\$ 74,452	\$ 74,452	\$ 76,834	\$ 2,382



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Finding & Recommendation

1. Support Documentation for Reported Case Data Not Retained

The support documentation used to report statistical case data to the California Department of Insurance was not retained. California Insurance Code Section 1872.83 (h, i) requires biannual reporting of the District Attorney's activities supported by the grant funds. While the District Attorney's Office does maintain a spreadsheet to track current statistical case information, the spreadsheet is perpetually updated with new data throughout the year and the historical data submitted in the biannual reports is not retained. Therefore, the data reported to the California Department of Insurance could not be verified and potential misreporting could not be identified.

Recommendation

We recommend District Attorney staff retain documentation to support the data reported in the biannual program reports.

Department Response

The Worker's Compensation Fraud Unit will retain copies of the supporting documentation used to complete the biannual statistical reports.

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 Auditor at (805) 781-4846 or Desiré Harris, Internal Auditor at (805) 781-5099.