



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

(1) DEPARTMENT Auditor – Controller – Treasurer – Tax Collector		(2) MEETING DATE 12/7/2021		(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 2020-21. 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 2020-21.					
(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: N/A <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>11/17/2020</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: December 7, 2021

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 2020-21. 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 2020-21.

### **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. Our report includes one finding related to the improper recognition of local media outreach costs. Media outreach costs were expensed in grant year 2020-21, however the costs related to grant year 2021-22 and therefore, 2020-21 grant revenues could not be claimed for these costs. We recommended the District Attorney's Office submit a request to the California Department of Insurance to allow the unused 2020-21 grant revenues to be carried forward to the subsequent year. The District Attorney's Office agreed with our recommendation. 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 grant funds expended were \$52,259 for FY 2020-21.

### **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 2020-21



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**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**

**November 2021**

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



**COUNTY OF SAN LUIS OBISPO**  
**AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR**  
**James W. Hamilton, CPA** 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: NOVEMBER 1, 2021

SUBJECT: AUDIT OF THE STATE OF CALIFORNIA DEPARTMENT OF INSURANCE WORKERS'  
COMPENSATION FRAUD PROGRAM GRANT FOR FISCAL YEAR 2020-2021

Our office recently completed an audit of the State of California Department of Insurance Workers' Compensation Fraud Program Grant (grant) for Fiscal Year 2020-21. The audit resulted in one finding which required a departmental response. The finding and response are included below.

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 2020-21. 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



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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**

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. However, we did identify one expenditure which was charged to the FY 20-21 grant period which should have been charged to the FY 21-22 grant period. The details of this exception are provided in the Current Year Audit Finding and Recommendation section below.

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 20-21.

<b>Approved Budget</b>	<b>Financial System Revenue Recorded</b>	<b>Allowable Claimed Revenue</b>	<b>Potential Carryover Amount*</b>
\$ 84,224	\$ 64,514	\$ 52,259	\$ 31,965

\* In accordance with CA Department of Insurance procedures, a written request to carryover funds may be submitted to the CA Department of Insurance with the 2020-21 Annual Expenditure Report.



	Approved Budget	Expenditure Report*	Financial System**
Salaries & Benefits	53,262	38,845	38,845
Operating Expenses	30,962	13,414	21,836
Equipment	-	-	-
<b>Expense Total</b>	<b>\$ 84,224</b>	<b>\$ 52,259</b>	<b>\$ 60,681</b>

\* 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 2020-21 Annual Expenditure Report.

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

Current Year Audit Finding and Recommendation

**1. Grant Expenditure Charged to the Incorrect Grant Year**

\$10,722 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**

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.

**Department Response**

The work to prepare the media advertisements was done in the FY 2020-21 as was the due dates for payments owed to vendors, however, the advertisements were not scheduled to



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run until the following fiscal year 2021-22. The instructions from the California Department of Insurance did not clearly specify that this was not allowable and our staff interpreted it to be allowable due to work beginning in FY 2020-21. The grant did specify it was allowable to carry forward unspent expenditures to the following fiscal year. Our department will submit a request to carryover the unused grant revenues into the subsequent grant period, FY 2021-22. Moving forward our department will only charge expenditures to the grant in the same fiscal year the benefit is received.

Prior Year Finding and Implementation Status of Recommendation

1. *Support Documentation for Reported Case Data Not Retained (Prior Year)*

*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 (Prior Year)*

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

*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 Auditor at (805) 781-4846.

A handwritten signature in black ink, appearing to read "J. Hamilton", with a long horizontal flourish extending to the right.

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

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