

**COUNTY OF SACRAMENTO, CALIFORNIA
OFFICE OF THE DISTRICT ATTORNEY'S
CALIFORNIA DEPARTMENT OF INSURANCE
GRANTS**

**AUTOMOBILE INSURANCE FRAUD
PROGRAM, ORGANIZED AUTOMOBILE
FRAUD ACTIVITY INTERDICTION PROGRAM,
AND WORKERS' COMPENSATION
INSURANCE FRAUD PROGRAM**

Independent Auditor's Report and Financial Schedules
For the Fiscal Year ended June 30, 2020



Certified
Public
Accountants

**COUNTY OF SACRAMENTO, CALIFORNIA
OFFICE OF THE DISTRICT ATTORNEY'S
CALIFORNIA DEPARTMENT OF INSURANCE GRANTS**

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Independent Auditor's Report

Board of Supervisors and the District Attorney
County of Sacramento
Sacramento, California

Report on the Financial Schedules

We have audited the accompanying Schedule of Grant Revenues and Expenditures and Carry-Over Funds and related Schedule of Eligible Costs – Budget to Actual (Financial Schedules) for the fiscal year ended June 30, 2020, and the related notes to the Financial Schedules, for the County of Sacramento, California (County), Office of the District Attorney's (DA Office), California Department of Insurance Grants, which comprise the Automobile Insurance Fraud Program, the Organized Automobile Fraud Activity Interdiction Program, and the Workers' Compensation Insurance Fraud Program as listed in the table of contents.

Management's Responsibility for the Financial Schedules

Management is responsible for the preparation and fair presentation of these Financial Schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of Financial Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these Financial Schedules 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Financial Schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the Financial Schedules referred to above present fairly, in all material respects, the grant revenues, expenditures, carry-over funds, and budgeted amounts of the County's California Department of Insurance Automobile Insurance Fraud Program, the Organized Automobile Fraud Activity Interdiction Program, and the Workers' Compensation Insurance Fraud Program, for the fiscal year ended June 30, 2020, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2A, the Financial Schedules present only the financial activities of the County's California Department of Insurance Automobile Insurance Fraud Program, the Organized Automobile Fraud Activity Interdiction Program, and the Workers' Compensation Insurance Fraud Program and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2020, and the changes in financial position, or where applicable, its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020 on our consideration of the County DA Office's internal control over financial reporting as it relates to the California Department of Insurance Grants and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County DA Office's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County DA Office's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP
Sacramento, California
October 28, 2020

COUNTY OF SACRAMENTO, CALIFORNIA
OFFICE OF THE DISTRICT ATTORNEY'S
CALIFORNIA DEPARTMENT OF INSURANCE GRANTS
Schedule of Grant Revenues and Expenditures and Carry-Over Funds
For the Year Ended June 30, 2020

	Automobile Insurance Fraud Program	Organized Automobile Fraud Activity Interdiction Program	Workers' Compensation Insurance Fraud Program
Revenues:			
Current Year State Award	\$ 504,333	\$ 333,861	\$ 1,122,796
Carry-over of Prior Year State Award	33,093	-	44,628
Less State Award Not Yet Earned	-	-	(29,486)
Total Revenues	537,426	333,861	1,137,938
Expenditures:			
Personnel Services	608,785	320,444	1,053,449
Operating Expenditures	55,588	25,484	79,142
Equipment	-	-	5,347
Total Expenditures	664,373	345,928	1,137,938
Deficiency of Revenues Under Expenditures	(126,947)	(12,067)	-
Carry-over Funds/(Deficits), June 30, 2020	\$ (126,947)	\$ (12,067)	\$ 29,486

The accompanying notes are an integral part of these schedules.

COUNTY OF SACRAMENTO, CALIFORNIA
OFFICE OF THE DISTRICT ATTORNEY'S
CALIFORNIA DEPARTMENT OF INSURANCE GRANTS
Schedule of Eligible Costs – Budget to Actual
For the Year Ended June 30, 2020

Automobile Insurance Fraud Program

	Final Budget	Eligible Costs	Variance
Personnel Services	\$ 535,228	\$ 608,785	\$ (73,557)
Operating Expenditures	2,198	55,588	(53,390)
Totals	\$ 537,426	\$ 664,373	\$ (126,947)

Organized Automobile Fraud Activity Interdiction Program

	Final Budget	Eligible Costs	Variance
Personnel Services	\$ 319,821	\$ 320,444	\$ (623)
Operating Expenditures	14,040	25,484	(11,444)
Totals	\$ 333,861	\$ 345,928	\$ (12,067)

Workers' Compensation Insurance Fraud Program

	Final Budget	Eligible Costs	Variance
Personnel Services	\$ 1,079,882	\$ 1,053,449	\$ 26,433
Operating Expenditures	82,195	79,142	3,053
Equipment	5,347	5,347	-
Totals	\$ 1,167,424	\$ 1,137,938	\$ 29,486

The accompanying notes are an integral part of these schedules.

**COUNTY OF SACRAMENTO, CALIFORNIA
OFFICE OF THE DISTRICT ATTORNEY'S
CALIFORNIA DEPARTMENT OF INSURANCE GRANTS**

Notes to the Financial Schedules
For the Fiscal Year Ended June 30, 2020

NOTE 1 – ORGANIZATION

A. Program Description

Automobile Insurance Fraud Program

The County of Sacramento (County) Office of the District Attorney (DA Office) entered into an agreement with the California Department of Insurance (DOI) for the Automobile Insurance Fraud Program for the period of July 1, 2019 to June 30, 2020. The funds are to provide for enhanced investigation and prosecution of automobile insurance fraud and economic car theft cases. The funds are available to the Insurance Commissioner for distribution to local district attorneys under provisions of Section 1872.8 of the California Insurance Code.

The program was approved by Resolution No. 2019-0420, adopted by the Sacramento County Board of Supervisors on June 18, 2019. The grant agreement in the amount of \$537,426 provides for reimbursement of costs incurred from July 1, 2019 through June 30, 2020. Included in the \$537,426 is the carry-over funds from prior year grant award of \$33,093. Total program expenditures incurred were \$664,373 for the period of July 1, 2019 to June 30, 2020.

Organized Automobile Fraud Activity Interdiction Program

The County DA Office entered into an agreement with the California Department of Insurance (DOI) for the Organized Automobile Fraud Activity Interdiction “Urban Grant” Program for the period of July 1, 2019 to June 30, 2020. The funds are to provide for prosecuting and eliminating organized automobile insurance fraud activity. The funds are available to the Insurance Commissioner for distribution to local district attorneys under provisions of Section 1874.8 of the California Insurance Code.

The program was approved by Resolution No. 2019-0421, adopted by the Sacramento County Board of Supervisors on June 18, 2019. The grant agreement in the amount of \$333,861 provides for reimbursement of costs incurred from July 1, 2019 through June 30, 2020. Total program expenditures incurred were \$345,928 for the period of July 1, 2019 to June 30, 2020.

Workers’ Compensation Insurance Fraud Program

The County DA Office entered into the Workers’ Compensation Insurance Fraud Program with the California Department of Insurance (DOI) for the period of July 1, 2019 to June 30, 2020. The funds are to provide for enhanced investigation and prosecution of workers’ compensation insurance fraud cases. The funds are available to the Insurance Commissioner for distribution to local district attorneys under provisions of Section 1872.83 of the California Insurance Code.

The program was approved by Resolution No. 2019-0419, adopted by the Sacramento County Board of Supervisors on June 18, 2019. The grant agreement in the amount of \$1,167,424 provides for reimbursement of costs incurred from July 1, 2019 through June 30, 2020. Included in the \$1,167,424 is the carry-over funds from prior year grant award of \$44,628. Total program expenditures incurred were \$1,137,938 for the period of July 1, 2019 to June 30, 2020.

**COUNTY OF SACRAMENTO, CALIFORNIA
OFFICE OF THE DISTRICT ATTORNEY'S
CALIFORNIA DEPARTMENT OF INSURANCE GRANTS**

Notes to the Financial Schedules (Continued)
For the Fiscal Year Ended June 30, 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

A. Schedule of Grant Revenues, Expenditures and Carry-Over Funds

The Schedule of Grant Revenues and Expenditures and Carry-Over Funds (Financial Schedules) present the eligible costs charged to the Automobile Insurance Fraud Program, the Organized Automobile Fraud Activity Interdiction Program, and the Workers' Compensation Insurance Fraud by the County DA Office and the revenues awarded to the County DA Office by the California Department of Insurance Fraud Division. The Financial Schedules present only the financial activities of the County's California Department of Insurance Automobile Insurance Fraud Program, the Organized Automobile Fraud Activity Interdiction Program, and the Workers' Compensation Insurance Fraud Program of the County and do not purport to, and do not, present fairly the financial position of the County as of fiscal year June 30, 2020, and the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

B. Basis of Accounting

The Financial Schedules are prepared in accordance with GAAP. Revenues and expenditures are presented on an accrual basis. Expenditures are recognized in the accounting period in which they are incurred, that is, when goods are received or services are provided. Revenues are recognized in the accounting period in which the eligible expenditures are incurred.

C. Use of Estimates

The preparation of these Financial Schedules requires management to make estimates and assumptions that affect certain reported revenues and expenditures. Actual results could differ from those estimates.

NOTE 3 – FUNDING AMOUNTS

Automobile Insurance Fraud Program

The amount of the grant payments received from the DOI is based on the amount of funds available for disbursement. These funds are based on any carryover funds from the prior grant and an annual fee to be determined by the Insurance Commissioner, not to exceed one dollar annually, for each vehicle insured within the State of California (State). Fifty-one percent of the assessment after incidental expenditures is available for distribution to district attorneys. Consequently, the budget amounts are estimated funding levels from the DOI until actual payment is received by the County DA Office.

**COUNTY OF SACRAMENTO, CALIFORNIA
OFFICE OF THE DISTRICT ATTORNEY'S
CALIFORNIA DEPARTMENT OF INSURANCE GRANTS**

Notes to the Financial Schedules (Continued)
For the Fiscal Year Ended June 30, 2020

NOTE 3 – FUNDING AMOUNTS (CONTINUED)

Organized Automobile Fraud Activity Interdiction Program

The amount of the grant payments received from the DOI is based on the amount of funds available for disbursement. These funds are based on any carryover funds from the prior grant and an annual fee to be determined by the Insurance Commissioner, not to exceed fifty cents annually, for each vehicle insured within the State. 42.5 percent of the assessment after incidental expenditures is available for distribution to district attorneys. Consequently, the budget amounts are estimated funding levels from the DOI until actual payment is received by the County DA Office.

Workers' Compensation Insurance Fraud Program

The amount of the grant payments received from DOI is based on the amount of funds available for disbursement. These funds are based on any carryover funds from the prior grant, annual assessments determined by the Fraud Assessment Commission, and fines collected for violations of unlawful acts. A minimum of 40% of the available funds provided to the Department of Insurance Fraud Division is required to be distributed to district attorneys investigating and prosecuting workers' compensation fraud cases and cases relating to the willful failure to secure the payment of workers' compensation. Consequently, the budget amounts are estimated funding levels from the DOI until actual payment is received by the County DA Office.

NOTE 4 – REVENUE RECEIVED AFTER YEAR END AND CARRY-OVER FUNDS

Automobile Insurance Fraud Program

Included in State Grant Revenue is an amount due from the State at the end of the program period of \$222,150. Of this amount, \$122,522 and \$99,628 was received in August 2020 and September 2020, respectively. Total grant funds available for the program is comprised of \$504,333 in the current year grant award with carry-over funds from prior year grant award of \$33,093 and amount recognized as grant revenue was \$537,426. Expenditures exceeded program revenues creating a deficit of \$126,947, which is absorbed by the general operating fund of the County DA Office.

Organized Automobile Fraud Activity Interdiction Program

Included in State Grant Revenue is an amount due from the State at the end of the program period of \$62,677, which was received in July 2020. Total grant funds available and recognized as grant revenue for the program was \$333,861 in the current year grant award. Expenditures exceeded program revenues creating a deficit of \$12,067, which is absorbed by the general operating fund of the County DA Office.

COUNTY OF SACRAMENTO, CALIFORNIA
OFFICE OF THE DISTRICT ATTORNEY'S
CALIFORNIA DEPARTMENT OF INSURANCE GRANTS
Notes to the Financial Schedules (Continued)
For the Fiscal Year Ended June 30, 2020

**NOTE 4 – REVENUE RECEIVED AFTER YEAR END AND CARRY-OVER FUNDS
(CONTINUED)**

Workers' Compensation Insurance Fraud Program

Included in State Grant Revenue is an amount due from the State at the end of the program period of \$790,949, which was received in August 2020. Total grant funds available for the program in current year is \$1,167,424, which is comprised of \$1,122,796 in the current year grant award with carry-over funds from prior year grant award of \$44,628. The amount recognized as grant revenue in current year is \$1,137,938. Budgeted revenues exceeded program expenditures creating a carry-over of \$29,486 which is to be used by the County DA Office for future program activities.

NOTE 5 – COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally. Due to the nature of the Grants' operations, there was no impact of COVID-19 on the Financial Schedules, nor is it anticipated to have an impact in the future.



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Schedules Performed in Accordance with
*Government Auditing Standards***

Board of Supervisors and the District Attorney
County of Sacramento
Sacramento, California

We have audited, 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, the Schedule of Grant Revenues and Expenditures and Carry-Over Funds and related Schedule of Eligible Costs – Budget to Actual (Financial Schedules) of the County of Sacramento, California (County), Office of the District Attorney’s (DA Office), California Department of Insurance Grants, which comprise the Automobile Insurance Fraud Program, the Organized Automobile Fraud Activity Interdiction Program, and the Workers’ Compensation Insurance Fraud Program for the fiscal year ended June 30, 2020 and have issued our report thereon dated October 28, 2020. Our report included an emphasis of matter paragraph regarding the Financial Schedules not purporting to present fairly the financial position or the changes in financial position of the County for the fiscal year ended June 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the Financial Schedules, we considered the County DA Office’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Financial Schedules, but not for the purpose of expressing an opinion on the effectiveness of the County DA Office’s internal control. Accordingly, we do not express an opinion on the effectiveness of County DA Office’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Financial Schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the Financial Schedules. 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Sacramento, California
October 28, 2020