

**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, 2023

COUNTY OF SACRAMENTO, CALIFORNIA
OFFICE OF THE DISTRICT ATTORNEY'S
CALIFORNIA DEPARTMENT OF INSURANCE GRANTS
Independent Auditor's Report and Financial Schedules
For the Fiscal Year Ended June 30, 2023

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Independent Auditor's Report

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

Report on the Audit of the Financial Schedules

Opinion

We have audited the Schedule of Grant Receipts, Expenditures and Excess Funds and the 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, 2023, and the related notes to the financial schedules as listed in the table of contents.

In our opinion, the accompanying Financial Schedules referred to above present fairly, in all material respects, the grant receipts, expenditures, excess 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, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Schedules section of our report. We are required to be independent of the County's DA Office and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

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, 2023, and the changes in financial position, or where applicable, its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Schedules

The County's DA Office management is responsible for the preparation and fair presentation of the Financial Schedules in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Schedules

Our objectives are to obtain reasonable assurance about whether the Financial Schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Financial Schedules.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the Financial Schedules, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Financial Schedules.
- obtain an understanding of internal control relevant to the audit 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 County DA Office's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Financial Schedules.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, on our consideration of the County DA Office's internal control over financial reporting 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.



Sacramento, California
October 30, 2023

FINANCIAL SCHEDULES

COUNTY OF SACRAMENTO, CALIFORNIA
OFFICE OF THE DISTRICT ATTORNEY'S
CALIFORNIA DEPARTMENT OF INSURANCE GRANTS
Schedule of Grant Receipts, Expenditures and Excess Funds
For the Fiscal Year Ended June 30, 2023

	Automobile Insurance Fraud Program	Organized Automobile Fraud Activity Interdiction Program	Workers' Compensation Insurance Fraud Program
Receipts:			
Current Year State Award	\$ 596,224	\$ 278,614	\$ 1,371,721
Carry-Over of Prior Year State Award	19,133	-	100,179
Total Receipts	615,357	278,614	1,471,900
Expenditures:			
Personnel Services	572,394	28,286	765,403
Operating Expenditures	26,690	2,258	57,489
Total Expenditures	599,084	30,544	822,892
Excess Funds - June 30, 2023	\$ 16,273	\$ 248,070	\$ 649,008

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 Fiscal Year Ended June 30, 2023

Automobile Insurance Fraud Program

	Final Budget	Eligible Costs	Variance
Personnel Services	\$ 585,563	\$ 572,394	\$ 13,169
Operating Expenditures	29,794	26,690	3,104
Totals	<u>\$ 615,357</u>	<u>\$ 599,084</u>	<u>\$ 16,273</u>

Organized Automobile Fraud Activity Interdiction Program

	Final Budget	Eligible Costs	Variance
Personnel Services	\$ 274,200	\$ 28,286	\$ 245,914
Operating Expenditures	4,414	2,258	2,156
Totals	<u>\$ 278,614</u>	<u>\$ 30,544</u>	<u>\$ 248,070</u>

Workers' Compensation Insurance Fraud Program

	Final Budget	Eligible Costs	Variance
Personnel Services	\$ 1,377,542	\$ 765,403	\$ 612,139
Operating Expenditures	94,358	57,489	36,869
Totals	<u>\$ 1,471,900</u>	<u>\$ 822,892</u>	<u>\$ 649,008</u>

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, 2023

NOTE 1 – ORGANIZATION

Program Description

Automobile Insurance Fraud Program

The County of Sacramento (County) Office of the District Attorney (DA Office) entered into a grant agreement with the California Department of Insurance (DOI) for the Automobile Insurance Fraud Program for the period of July 1, 2022, to June 30, 2023. 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 the provisions of Section 1872.8 of the California Insurance Code.

The program was approved by Resolution No. 2022-0553, adopted by the Sacramento County Board of Supervisors on July 12, 2022. The grant agreement in the amount of \$615,357 provides for reimbursement of costs incurred from July 1, 2022, through June 30, 2023. Included in the \$615,357 are carry-over funds from the prior year grant award of \$19,133. Total program expenditures incurred were \$599,084 for the period of July 1, 2022, to June 30, 2023. The County DA's Office is planning on reverting \$16,273 in grant funding to DOI for the Automobile Insurance Fraud Program.

Organized Automobile Fraud Activity Interdiction Program

The County DA Office entered into a grant agreement with the DOI for the Organized Automobile Fraud Activity Interdiction Grant Program for the period of July 1, 2022, to June 30, 2023. 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 the provisions of Section 1874.8 of the California Insurance Code.

The program was approved by Resolution No. 2022-0554, adopted by the Sacramento County Board of Supervisors on July 12, 2022. The grant agreement in the amount of \$278,614 provides for reimbursement of costs incurred from July 1, 2022, through June 30, 2023. Total program expenditures incurred were \$30,544 for the period of July 1, 2022, to June 30, 2023. The County DA's Office is planning on reverting \$248,070 in grant funding to the DOI for the Organized Automobile Fraud Activity Interdiction Grant Program.

Workers' Compensation Insurance Fraud Program

The County DA Office entered into an agreement with DOI for the Workers' Compensation Insurance Fraud Program for the period of July 1, 2022, to June 30, 2023. 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 the provisions of Section 1872.83 of the California Insurance Code.

The program was approved by Resolution No. 2022-0552, adopted by the Sacramento County Board of Supervisors on July 12, 2022. The grant agreement in the amount of \$1,471,900 provides for reimbursement of costs incurred from July 1, 2022, through June 30, 2023. Included in the \$1,471,900 are carry-over funds from the prior year grant award of \$100,179. Total program expenditures incurred were \$822,892 for the period of July 1, 2022, to June 30, 2023. The County DA's Office is planning on reverting \$649,008 in grant funding to the DOI for the Workers' Compensation Insurance Fraud Program.

**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, 2023

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

A. Schedule of Grant Receipts, Expenditures and Excess Funds

The Schedule of Grant Receipts, Expenditures and Excess Funds and the Schedule of Eligible Costs – Budget to Actual (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 Program by the County DA Office and the funds awarded to the County DA Office by the DOI 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 and do not purport to, and do not, present fairly the financial position of the County, as of fiscal year June 30, 2023, 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 year grant award 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 (51%) of the assessment after incidental expenditures are 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.

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 year grant award and an annual fee to be determined by the Insurance Commissioner, not to exceed fifty cents annually, for each vehicle insured within the State. Forty-two and a half percent (42.5%) 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, 2023

NOTE 3 – FUNDING AMOUNTS (Continued)

Workers' Compensation 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 year grant award, annual assessments determined by the Fraud Assessment Commission, and fines collected for violations of unlawful acts. A minimum of forty percent (40%) of the available funds provided to the DOI 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 Grant Receipts is an amount due from the State at the end of the program period of \$139,402. Of this amount, \$139,402 was received in August 2023. Total grant funds available for the program were \$615,357, which is comprised of \$596,224 in the current year grant award with carry-over funds from the prior year grant award of \$19,133. The amount recognized as grant revenue was \$599,084, which included the carry-over funds. Budgeted revenues exceeded program expenditures by \$16,273 which could be used by the County DA Office for future program activities, if requested as a carry-over. However, the County DA Office has elected to return the unused grant funds rather than applying for carry-over funds due to continuing staff shortages and program needs.

Organized Automobile Fraud Activity Interdiction Program

Included in Grant Revenues is an amount due from the State at the end of the program period of \$64,427, which was received in August 2023. Total grant funds available for the program were \$278,614, which is comprised entirely of the current year grant award. The amount recognized as grant revenue was \$30,544 in the current year. Budgeted revenues exceeded program expenditures by \$248,070 which could be used by the County DA Office for future program activities, if requested as a carry-over. However, the County DA Office has elected to return the unused grant funds rather than applying for carry-over funds due to continuing staff shortages and program needs.

Workers' Compensation Insurance Fraud Program

Included in Grant Revenues is an amount due from the State at the end of the program period of \$935,660, which was received in August 2023. Total grant funds available for the program in the current year were \$1,471,900, which is comprised of \$1,371,721 in the current year grant award with carry-over funds from the prior year grant award of \$100,179. The amount recognized as grant revenue in the current year is \$822,892. Budgeted revenues exceeded program expenditures by \$649,008 which could be used by the County DA Office for future program activities, if requested as a carry-over. However, the County DA Office has elected to return the unused grant funds rather than applying for carry-over funds due to continuing staff shortages and programmatic needs.

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OTHER REPORT

**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 the 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 (*Government Auditing Standards*), the Schedule of Grant Receipts, Expenditures and Excess Funds and the 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, 2023, and the related notes to the financial schedules, and have issued our report thereon dated October 30, 2023. 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, 2023.

Report on 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 opinion 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 the 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 Schedules 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County DA Office's 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.

A handwritten signature in black ink that reads "Macias Gini E O'Connell LPA". The signature is written in a cursive style with a distinct loop for the letter 'P'.

Sacramento, California
October 30, 2023