



A Tradition of Stewardship
A Commitment to Service

**Napa County
District Attorney's Office
Automobile Insurance Fraud
Grant Program**

Auditor's Report
and Financial Schedules

For the Fiscal Year Ended June 30, 2018

Issued by
AUDITOR-CONTROLLER
Internal Audit Section
October 29, 2018

Table of Contents

	Page(s)
Auditor's Report	1-3
Financial Schedules:	
Schedule of Grant Revenues and Expenditures	4
Schedule of Eligible Costs – Budget to Actual	5
Notes to Financial Schedules	6-7
Other Report:	
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 <i>Government Auditing Standards</i>	8-9



A Tradition of Stewardship
A Commitment to Service

Auditor-Controller

1195 Third Street · Room B10
Napa, CA 94559
www.countyofnapa.org

Main: (707) 253-4551
Fax: (707) 226-9065

Tracy A. Schulze
Auditor-Controller

AUDITOR'S REPORT

Honorable Board of Supervisors
Napa County
Napa, California

We have audited the accompanying Schedule of Grant Revenues and Expenditures; and Schedule of Eligible Costs – Budget to Actual (the financial schedules) of the Napa County District Attorney's Office, California Department of Insurance Automobile Insurance Fraud Grant for the fiscal year ended June 30, 2018. 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.

Our responsibility is to express an opinion on these financial schedules based on our audit. In connection with the audit contained herein, there are certain disclosures that are necessary pursuant to Generally Accepted Government Auditing Standards (GAGAS) general statement #2.

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 GAGAS independence standards. Specifically, "Auditors should not audit their own work or provide non audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit."

Although Auditor-Controllers are statutorily obligated to maintain the accounts of departments, districts, or funds that are contained within the County treasury, we believe that the following safeguards and division of responsibility exist that would enable the reader of this report to rely on the information contained herein:

- The Internal Audit Section is not responsible for the input or reconciliation of any financial transactions.
- County policy requires the Board of Supervisors approval for material transactions.
- The Auditor-Controller is elected by and accountable to the Citizens of Napa County.
- Internal Audits are subject to and in compliance with an independent peer review every 5 years.

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 of 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 judgement, 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 District Attorney's Office 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 District Attorney's Office 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.

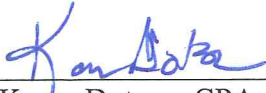
We believe the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinions.

As discussed in Note 1 of the *Notes to Financial Schedules*, the financial schedules referred to above present only the financial activities of the District Attorney's Office, California Department of Insurance Automobile Insurance Fraud Grant. Accordingly, the accompanying financial schedules do not purport to, and do not present fairly the financial position and the changes in financial position of the County or the District Attorney's Office as of June 30, 2018 and for the fiscal year then ended. In our opinion, the financial schedules referred to above present fairly, in all material respects, the grant revenues and expenditures of the District Attorney's Office, California Department of Insurance Automobile Insurance Fraud Grant for the fiscal year ended June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 29, 2018, on our consideration of the District Attorney's Office internal control over financial reporting as it relates to the California Department of Insurance Automobile Insurance Fraud Grant 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the California Department of Insurance, the management of the Napa County District Attorney's Office, and the Board of Supervisors and is not intended to be and should not be used by anyone other than those specified parties.

Tracy A. Schulze
Auditor-Controller

By 

Karen Dotson, CPA
Internal Audit Manager

October 29, 2018

**NAPA COUNTY DISTRICT ATTORNEY'S OFFICE
CALIFORNIA DEPARTMENT OF INSURANCE
AUTOMOBILE INSURANCE FRAUD GRANT PROGRAM**

Schedule of Grant Revenues and Expenditures
For the Fiscal Year Ended June 30, 2018

Grant Revenues:

Reimbursements received/receivable	\$ 39,533
------------------------------------	-----------

Expenditures:

Personnel Services	32,787
Training, Travel & Vehicle Expenses	855
Info. Tech., Records & Commun.	1,665
General Operating Supplies, Leases, etc.	246
Audit Expense	4,000
Administrative Overhead	2,347
Total expenditures	41,900

Excess of revenues over expenditures	(2,367)
--------------------------------------	---------

Grant carry forward, beginning of year	2,367
--	-------

Grant carry forward pending approval, end of year	\$ -
---	------

The notes to the financial schedules are an integral part of this schedule.

**NAPA COUNTY DISTRICT ATTORNEY'S OFFICE
CALIFORNIA DEPARTMENT OF INSURANCE
AUTOMOBILE INSURANCE FRAUD GRANT PROGRAM**

Schedule of Eligible Costs – Budget to Actual
For the Fiscal Year Ended June 30, 2018

<u>Budget Category</u>	<u>Current Budget</u>	<u>Eligible Costs</u>	<u>Variance</u>
Personnel Services	\$ 32,787	\$ 32,787	\$ -
Training, Travel & Vehicle Expenses	855	855	-
Info. Tech., Records & Commun.	1,665	1,665	-
General Operating Supplies, Leases, etc.	246	246	-
Audit Expense	4,000	4,000	-
Administrative Overhead	<u>2,347</u>	<u>2,347</u>	<u>-</u>
Total	<u>\$ 41,900</u>	<u>\$ 41,900</u>	<u>\$ -</u>

The audited expenditures listed above were made for the purpose of the program as specified in Section 1872.8 of the Insurance Code and California Code of Regulations, Title 10, Section 2698.60 et. seq.

The notes to the financial schedules are an integral part of this schedule.

**NAPA COUNTY DISTRICT ATTORNEY'S OFFICE
CALIFORNIA DEPARTMENT OF INSURANCE
AUTOMOBILE INSURANCE FRAUD GRANT PROGRAM**

Notes to Financial Schedules
For the Fiscal Year Ended June 30, 2018

Note 1: Summary of Significant Accounting Policies

Background

The Napa County District Attorney's Office applied for a grant from the California Department of Insurance under the Automobile Insurance Fraud Grant Program (Grant) pursuant to Section 1872.8 of the California Insurance Code in order to institute a program for the investigation and prosecution of automobile insurance fraud.

Each insurer doing business in the State of California must pay an annual fee determined by the Insurance Commissioner (not to exceed \$1) for each vehicle insured under an insurance policy issued in the State. The revenue funds increased investigation and prosecution of fraudulent automobile insurance claims and automobile theft.

Distribution of the annual fees collected occurs in accordance with California Insurance Code Section 1872.8, wherein 51 percent of ninety-five cents (\$0.95) of this earmarked assessment fee collected by the State Department of Motor Vehicles shall be distributed to district attorney for the sole purpose of investigation and prosecution of automobile insurance fraud cases. Distribution is to be made by the State to qualifying district attorneys on a semi-annual basis at a minimum, in that period following collection of the assessment. The remaining (\$0.05) is earmarked to enhance automobile insurance fraud investigation by the state fraud division.

Basis of Accounting

Basis of accounting refers to the criteria governing the timing of the recognition of revenues and expenditures in the financial schedules. The Grant utilizes the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, increases and decreases in financial resources are recognized only to the extent that they reflect near-term inflows and outflows of cash. Revenues are recognized when earned, only so long as they are collectible within the period or soon enough thereafter to be used to pay liabilities of the current period. Therefore, revenues are only recognized to the degree to which they are measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the related liability is incurred, if measurable.

Financial Schedule Presentation

The financial schedules present only the financial activities of the Grant and are not intended to present fairly the financial position or changes in financial position of the

**NAPA COUNTY DISTRICT ATTORNEY'S OFFICE
CALIFORNIA DEPARTMENT OF INSURANCE
AUTOMOBILE INSURANCE FRAUD GRANT PROGRAM**

Notes to Financial Schedules
For the Fiscal Year Ended June 30, 2018

District Attorney's Office in conformity with accounting principles generally accepted in the United States of America.

Note 2: Grant Funding

The amount of grant payments from the California Department of Insurance is based on the amount of funds available for disbursement. These funds are based on an annual fee determined by the Insurance Commissioner, not to exceed \$1 annually for each vehicle insured within the State of California. The amounts are estimated until actual payment is received by the District Attorney's Office. In accordance with the guidelines of the Grant, the County is not required to provide matching funds.

For the fiscal year ended June 30, 2018, the California Department of Insurance awarded \$39,533 to the District Attorney's Office under the Grant program. The County was approved a carryover of \$2,367 from fiscal year 2016-17 in addition to the award amount.

Note 3: Operating Expenses and Administrative Overhead

Operating expenses and administrative overhead include certain Direct Shared Costs incurred by the District Attorney's Office budget unit that have been spread to the grant program based on full-time equivalents. Such costs include communications/IT, waste disposal services, office supplies, insurance, memberships, and book/periodical subscriptions. Central service costs and overhead pertaining to administrative staff were excluded in the Direct Shared Costs. This indirect cost allocation is restricted by California Code of Regulations, Title 10 §2698.66 (c). The code requires that indirect costs, including those costs not readily itemized but necessary to the local program operation, may not exceed ten percent (10%) of personnel salaries (excluding benefits and overtime) or five percent (5%) of total direct program costs (excluding equipment). Administrative overhead allocated to the grant in fiscal year 2017-18 did not exceed 10% of personnel salaries.

Note 4: Contingencies

The Grant is awarded from the California Department of Insurance (Department). The Grant is subject to a financial and compliance audit by the Department. It is uncertain whether an audit of the Grant would result in expenditures which might be disallowed and therefore, could result in funds being returned to the Department. At this time, District Attorney's Office management does not expect any amounts to be disallowed which could be material in relation to the financial schedules.



A Tradition of Stewardship
A Commitment to Service

Auditor-Controller

1195 Third Street · Room B10
Napa, CA 94559
www.countyofnapa.org

Main: (707) 253-4551
Fax: (707) 226-9065

Tracy A. Schulze
Auditor-Controller

**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***

Honorable Board of Supervisors
Napa County
Napa, California

We have audited the financial schedules of the Napa County District Attorney's Office, California Department of Insurance Automobile Insurance Fraud Grant (Grant) as of, and for the fiscal year ended June 30, 2018, and have issued our report thereon dated October 29, 2018. 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 Audit Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District Attorney's Office internal control over financial reporting as it relates to the Grant in order to determine our auditing procedures 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 District Attorney's Office internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District Attorney's Office internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District Attorney's Office 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

Compliance and Other Matters

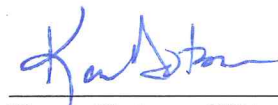
As part of obtaining reasonable assurance about whether the District Attorney's Office financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. 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 District Attorney's Office internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District Attorney's Office internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Tracy A. Schulze
Auditor-Controller

By



Karen Dotson, CPA
Internal Audit Manager

October 29, 2018

