SAN BERNARDINO COUNTY
DISTRICT ATTORNEY'S OFFICE
AUTOMOBILE INSURANCE FRAUD
PROGRAM GRANT

Financial Statement
with
Independent Auditors' Reports

For the Year Ended June 30, 2007

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POWELL & SPAFFORD, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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Patrick D. Spafford, CPA
Licensed by the California Board of Accountancy
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Independent Auditors' Report

To the Board of Supervisors
San Bernardino County District Attorney's Office

We have audited the accompanying statement of grant revenues and expenditures of the San Bernardino County District Attorney's Office (the Office) *Automobile Insurance Fraud Program* Grant in accordance with the State of California's Department of Insurance *Automobile Insurance Fraud Program* Grant Contract for the year ended June 30, 2007. This statement is the responsibility of the Office's management. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and in accordance with the State of California's Department of Insurance Fraud Division "Grant Financial Audit Guidelines". Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of grant revenues and expenditures was prepared for the purpose of complying with the audit requirements of the State of California's Department of Insurance Fraud Division as described in Note 1 and is not intended to be a complete presentation of the Office's revenues and expenditures.

In our opinion, the statement referred to above presents fairly, in all material respects, the grant revenues and expenditures of the San Bernardino County District Attorney's Office *Automobile Insurance Fraud Program* Grant in accordance with the State of California's Department of Insurance Fraud Division for the year ended June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2007 on our consideration of the Office's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance, 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 County's Board of Supervisors, District Attorney's Office management and the California Department of Insurance Fraud Division, and is not intended to be, and should not be, used by anyone other than these specified parties.

Powell & Spafford, LLP

December 17, 2007

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SAN BERNARDINO COUNTY DISTRICT ATTORNEY'S OFFICE
AUTOMOBILE INSURANCE FRAUD PROGRAM GRANT

Statement of Grant Revenues and Expenditures

For the Year Ended June 30, 2007

Revenues	
Reimbursements received/receivable	$ 650,000
Expenditures	
Salaries and benefits	736,548
Services and supplies	-
Total expenditures	736,548
Excess of revenues over (under) grant expenditures	(86,548)
Fund balance (carryover), beginning of year	86,548
Fund balance (carryover), end of year	$ -

The accompanying notes are an integral part of this statement.

SAN BERNARDINO COUNTY DISTRICT ATTORNEY'S OFFICE
AUTOMOBILE INSURANCE FRAUD PROGRAM GRANT

Notes to Financial Statement

1. Summary of Operations and Significant Accounting Policies

Description of the Reporting Entity

The statement represents the grant revenues and expenditures of the San Bernardino County District Attorney's Office (the Office) *Automobile Insurance Fraud Program* Grant for the year ended June 30, 2007. The grant is pursuant to the provisions of California Insurance Code Section 1872.8 and is solely for the purposes of enhancing investigation and prosecution of automobile insurance fraud cases. The grant was funded by the State of California Department of Insurance Fraud Division and administered by the San Bernardino County District Attorney's Office. The accompanying statement of grant revenues and expenditures presents only the activities of the Automobile Insurance Fraud Program Grant and is not intended to present the financial position of the San Bernardino County District Attorney's Office nor the County of San Bernardino itself in conformity with accounting principles generally accepted in the United States of America.

Description of Grant

The grant funds are issued pursuant to authority granted to the California Insurance Commissioner under the provisions of Section 1872.8 of the California Insurance Code, to all local district attorneys for distribution of funding for the investigation and prosecution of automobile insurance fraud cases.

The preparation of this financial statement requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of revenues and expenditures, as well as the disclosure of contingent liabilities. Actual results could differ from those estimates. Management also determines the accounting principles to be used in the preparation of the statement. A description of the significant accounting policies employed in the preparation of this statement follows:

Statement of Grant Revenues and Expenditures

The statement of grant revenues and expenditures presents the eligible costs charged to the *Automobile Insurance Fraud Program* Grant by the San Bernardino County District Attorney's Office and the revenues received in reimbursement of those costs by the State of California Department of Insurance Fraud Division.

Basis of Accounting

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 grant is awarded.

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Supervisors
San Bernardino County District Attorney's Office

We have audited the statement of grant revenues and expenditures of the San Bernardino County District Attorney's Office (the Office) *Automobile Insurance Fraud Program* in accordance with the State of California's *Automobile Insurance Fraud Program* Grant Contract for the year ended June 30, 2007 and have issued our report thereon dated December 17, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Office's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Office's control over financial reporting.

A control deficiency 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 misstatement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Office's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Office's financial statements that is more than inconsequential will not be prevented or detected by the Office's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Office's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

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Independent Auditors' Report on State Compliance

To the Board of Supervisors
San Bernardino County District Attorney's Office

We have audited the statement of grant revenues and expenditures of the San Bernardino County District Attorney's Office (the Office) *Automobile Insurance Fraud Program* in accordance with the State of California Department of Insurance's *Automobile Insurance Fraud Program* Grant Contract for the year ended June 30, 2007 and have issued our report thereon dated December 17, 2007. Our audit was made in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and Section 1872.8 of the California Insurance Code. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Office's management is responsible for the Office's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the Office's compliance with the state laws and regulations applicable to the following:

- Expenditures were made for the purposes of the program as specified in Section 1872.8 of the Insurance Code, the Regulations, and the guidelines in the Request for Application and the County Plan.

Based on our audit, we found that, for the items tested, the Office complied with the laws and regulations referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Office had not complied with state laws and regulations.

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

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December 17, 2007

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To the Board of Supervisors
San Bernardino County District Attorney's Office

We have audited the statement of grant revenues and expenditures of San Bernardino County District Attorney's Office (Office) *Automobile Insurance Fraud Program* Grant for the year ended June 30, 2007 and have issued our report thereon dated December 17, 2007. Professional standards require that we provide the following information related to our audit:

Our Responsibility Under Auditing Standards Generally Accepted in the United States and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statement is free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered the Office's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on the grant program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance.

As part of obtaining reasonable assurance about whether the Office's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with the State of California's *Automobile Insurance Fraud Program* Grant, we examined on a test basis, evidence about the Office's compliance with the types of requirements described in the State of California's Insurance Fraud Program Audit Guidelines for the purpose of expressing an opinion on the Office's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Office's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Office are described in Note 1 to the financial statement.

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We noted no transactions entered into by the Office as they relate to the *Automobile Insurance Fraud Program* Grant during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statement prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statement and because of the possibility that future events affecting them may differ significantly from those expected. Estimates for amounts due from granting agencies, including the State of California are particularly sensitive to estimation in the financial statement.

Significant Audit Adjustments

Significant audit adjustments are required to record those amounts for financial statement reporting purposes that are not recorded on the books and records for the grant. There were no such adjustments for the period ended June 30, 2007.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statement or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Office's financial statement or a determination of the type of auditors' opinion that may be expressed on that statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Office's grant auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

We would like to take this opportunity to express our sincere appreciation to all personnel within the San Bernardino County District Attorney's Office for their cooperation and valuable assistance during the performance of this engagement.

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

Powell & Spafford, LLP

December 17, 2007