

**SAN BERNARDINO COUNTY
DISTRICT ATTORNEY'S OFFICE
WORKERS' COMPENSATION
INSURANCE FRAUD PROGRAM GRANT**

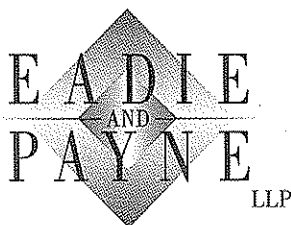
**FINANCIAL STATEMENT
WITH INDEPENDENT
AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2011

SAN BERNARDINO COUNTY DISTRICT ATTORNEY'S OFFICE
WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM GRANT
CONTENTS
JUNE 30, 2011

	PAGE
Independent Auditor's Report	1
Financial Statement	
Statement of Grant Revenues and Expenditures	3
Notes to the Statement of Grant Revenues and Expenditures	4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	6
Independent Auditors' Report on State Compliance	8
Schedule of Findings and Responses	10
Status of Prior-Year Findings and Responses	11

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*Certified Public Accountants
and
Business Advisors*

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of grant revenues and expenditures of the San Bernardino County District Attorney's Office (Office) Workers' Compensation Insurance Fraud Program Grant in accordance with the California Department of Insurance Fraud Division Workers' Compensation Insurance Fraud Program Grant Contract for the year ended June 30, 2011. 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 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 accompanying statement of grant revenues and expenditures was prepared for the purpose of complying with the audit requirements of the California 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 Workers' Compensation Insurance Fraud Program Grant in accordance with the California Department of Insurance Fraud Division Workers' Compensation Insurance Fraud Program Grant Contract for the year ended June 30, 2011, 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 12, 2011, 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, 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 County's Board of Supervisors, the 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.

Eadie and Payne, LLP

December 12, 2011

SAN BERNARDINO COUNTY DISTRICT ATTORNEY'S OFFICE
 WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM GRANT
 STATEMENT OF GRANT REVENUES AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2011

Revenues	
Reimbursements received/receivable	\$2,173,413
Miscellaneous	<u>1,817</u>
Total Revenue	<u>2,175,230</u>
Expenditures	
Salaries and benefits	1,919,525
Services and supplies	187,458
Equipment	<u>23,082</u>
Total Expenditures	<u>2,130,065</u>
Excess of revenues over expenditures	45,165
Fund balance (carryover), beginning of year	<u>154,554</u>
Fund Balance (Carryover), End of Year	<u>\$ 199,719</u>

The accompanying notes are an integral part of this financial statement.

SAN BERNARDINO COUNTY DISTRICT ATTORNEY'S OFFICE
WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM GRANT
NOTES TO THE STATEMENT OF GRANT REVENUES AND EXPENDITURES
JUNE 30, 2011

1. **ORGANIZATION**

A. **Description of Reporting Entity**

The statement represents the grant revenues and expenditures of the San Bernardino County District Attorney's Office (Office) Workers' Compensation Insurance Fraud Program Grant for the year ended June 30, 2011. The grant is pursuant to the provisions of California Insurance Code Section 1872.83 and is solely for the purpose of enhancing investigation and prosecution of workers' compensation fraud cases. The grant was funded by the 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 Workers' Compensation Insurance Fraud Program Grant and is not intended to present the financial position of the San Bernardino County District Attorney's Office or the County of San Bernardino itself in conformity with accounting principles generally accepted in the United States of America.

B. **Description of Grant**

The grant funds are issued pursuant to authority granted to the California Insurance Commissioner, under the provisions of Section 1872.83 of the California Insurance Code, to all local district attorney's offices for distribution of funding for investigation and prosecution of workers' compensation insurance fraud cases.

2. **SIGNIFICANT ACCOUNTING POLICIES**

A. **Use of Estimates**

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.

B. **Statement of Grant Revenues and Expenditures**

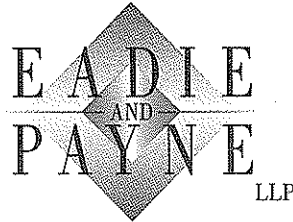
The statement of grant revenues and expenditures presents the eligible costs charged to the Workers' Compensation Insurance Fraud Program Grant by the San Bernardino County District Attorney's Office and the revenues awarded to the Office by the California Department of Insurance Fraud Division.

NOTES TO THE STATEMENT OF GRANT REVENUES AND EXPENDITURES (Continued)

C. 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 and
San Bernardino County District Attorney's Office
San Bernardino, California

We have audited the statement of grant revenues and expenditures of the San Bernardino County District Attorney's Office (Office) Workers' Compensation Insurance Fraud Program Grant in accordance with the California Department of Insurance Fraud Division Workers' Compensation Insurance Fraud Program Grant Contract for the year ended June 30, 2011, and have issued our report thereon dated December 12, 2011. 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 statement of grant revenues and expenditures, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control over financial reporting for the Workers' Compensation Insurance Fraud Program Grant. Accordingly, we do not express an opinion on the effectiveness of the Office's 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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

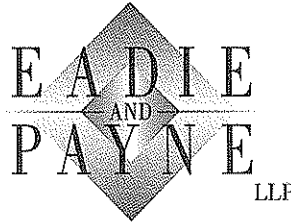
As part of obtaining reasonable assurance about whether San Bernardino County District Attorney's Office Workers' Compensation Insurance Fraud Program Grant statement of grant revenues and expenditures is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the San Bernardino County District Attorney's Office management, the Board of Supervisors for the County of San Bernardino, 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 12, 2011

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

We have audited the statement of grant revenues and expenditures of the San Bernardino County District Attorney's Office Workers' Compensation Insurance Fraud Program Grant in accordance with the California Department of Insurance Fraud Division Workers' Compensation Insurance Fraud Program Grant Contract for the year ended June 30, 2011, and have issued our report thereon dated December 12, 2011. 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 Section 1872.83 of the State of California Insurance Code. Those standards require that we plan and perform the audit to obtain 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 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 San Bernardino County District Attorney's Office 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 State laws and regulations applicable to the following:

Expenditures made for the purpose of the program as specified in Section 1872.83 of the California 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 San Bernardino County District Attorney's 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 San Bernardino County District Attorney's Office had not complied with State laws and regulations.

This report is intended solely for the information and use of the San Bernardino County District Attorney's Office management, the Board of Supervisors for the County of San Bernardino, 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.

Eadie and Payne, LLP

December 12, 2011

SAN BERNARDINO COUNTY DISTRICT ATTORNEY'S OFFICE
WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM GRANT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011

There are no findings or questioned costs for the year ended June 30, 2011.

**SAN BERNARDINO COUNTY DISTRICT ATTORNEY'S OFFICE
WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM GRANT
STATUS OF PRIOR-YEAR FINDINGS AND RESPONSES
JUNE 30, 2011**

There were no findings or questioned costs for the year ended June 30, 2010.