

**SAN BERNARDINO COUNTY  
DISTRICT ATTORNEY'S OFFICE  
ORGANIZED AUTOMOBILE FRAUD  
ACTIVITY INTERDICTION PROGRAM GRANT  
(URBAN GRANT)**

**FINANCIAL STATEMENT  
WITH INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**

SAN BERNARDINO COUNTY DISTRICT ATTORNEY'S OFFICE  
ORGANIZED AUTOMOBILE FRAUD ACTIVITY INTERDICTION  
PROGRAM GRANT (URBAN GRANT)

**CONTENTS**

JUNE 30, 2012

	<b>PAGE</b>
Independent Auditors' Report . . . . .	1
<b>Financial Statement</b>	
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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## 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) Organized Automobile Fraud Activity Interdiction Program Grant in accordance with the California Department of Insurance Organized Automobile Fraud Activity Interdiction Program Grant Contract for the year ended June 30, 2012. 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 California Department of Insurance Fraud Division, "Insurance Fraud 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 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.

-1-

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 Organized Automobile Fraud Activity Interdiction Program Grant in accordance with the California Department of Insurance Fraud Division Organized Automobile Fraud Activity Interdiction Program Grant Contract for the year ended June 30, 2012, 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 3, 2012, 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 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 3, 2012  
Redlands, California

SAN BERNARDINO COUNTY DISTRICT ATTORNEY'S OFFICE  
ORGANIZED AUTOMOBILE FRAUD ACTIVITY INTERDICTION  
PROGRAM GRANT (URBAN GRANT)  
**STATEMENT OF GRANT REVENUES AND EXPENDITURES**  
FOR THE YEAR ENDED JUNE 30, 2012

<b>Revenues</b>	
Reimbursements received/receivable	<u>\$ 205,075</u>
<b>Expenditures</b>	
Salaries and benefits	187,862
Services and supplies	<u>11,492</u>
<b>Total Expenditures</b>	<u>199,354</u>
<b>Excess of revenues over expenditures</b>	5,721
<b>Fund balance (carryover), beginning of year</b>	<u>20,061</u>
<b>Fund Balance (Carryover), End of Year</b>	<u>\$ 25,782</u>

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

**SAN BERNARDINO COUNTY DISTRICT ATTORNEY'S OFFICE  
ORGANIZED AUTOMOBILE FRAUD ACTIVITY INTERDICTION  
PROGRAM GRANT (URBAN GRANT)  
NOTES TO THE STATEMENT OF GRANT REVENUES AND EXPENDITURES  
JUNE 30, 2012**

**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) Organized Automobile Fraud Activity Interdiction Program Grant (Urban Grant) for the year ended June 30, 2012. The grant is pursuant to the provisions of California Insurance Code Section 1874.8 and is solely for the purpose of prosecution and elimination of organized automobile 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 Urban 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 1874.8 of the California Insurance Code, to all local district attorneys' offices for distribution of funding for prosecution and elimination of organized automobile fraud cases.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**A. Use of Estimates**

The preparation of this financial statement requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures. Actual results could differ from those estimates.

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

The statement of grant revenues and expenditures presents the eligible costs charged to the Urban 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) Organized Automobile Fraud Activity Interdiction Program Grant in accordance with the California Department of Insurance Fraud Division Organized Fraud Activity Interdiction Program Grant Contract for the year ended June 30, 2012 and have issued our report thereon dated December 3, 2012. 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 California Department of Insurance Fraud Division, "Insurance Fraud Grant Financial Audit Guidelines."

Internal Control over Financial Reporting

Management of the Office is responsible for establishing and maintaining effective 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 Organized Automobile Fraud Activity Interdiction 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 Organized Automobile Fraud Activity Interdiction 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.



December 3, 2012  
Redlands, California



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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 financial statement of grant revenues and expenditures of the San Bernardino County District Attorney's Office (Office) Organized Automobile Fraud Activity Interdiction Program Grant, in accordance with the California Department of Insurance Fraud Division Organized Fraud Activity Interdiction Program Grant Contract for the year ended June 30, 2012, and have issued our report thereon dated December 3, 2012. 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 California Department of Insurance Fraud Division, "Insurance Fraud Grant Financial Audit Guidelines for Fiscal Year 2011-2012." 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 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:

Grant expenditures were made for the purpose of the program as specified in Section 1874.8 of the California Insurance Code, the applicable regulations, 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 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 3, 2012  
Redlands, California

SAN BERNARDINO COUNTY DISTRICT ATTORNEY'S OFFICE  
ORGANIZED AUTOMOBILE FRAUD ACTIVITY INTERDICTION  
PROGRAM GRANT (URBAN GRANT)  
**SCHEDULE OF FINDINGS AND RESPONSES**  
FOR THE YEAR ENDED JUNE 30, 2012

There are no findings or questioned costs for the year ended June 30, 2012.

SAN BERNARDINO COUNTY DISTRICT ATTORNEY'S OFFICE  
ORGANIZED AUTOMOBILE FRAUD ACTIVITY INTERDICTION  
PROGRAM GRANT (URBAN GRANT)  
**STATUS OF PRIOR-YEAR FINDINGS AND RESPONSES**  
JUNE 30, 2012

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



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December 3, 2012

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) Organized Automobile Fraud Activity Interdiction Program Grant (Urban Grant) for the year ended June 30, 2012 and have issued our report thereon dated December 3, 2012. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated July 2, 2012, our responsibility, as described by professional standards, is to express an opinion about whether the financial statement prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statement does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statement is free of material misstatement. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

As part of our audit, we considered the Office's internal control over the Urban Grant. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

**Significant Audit Findings**

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Urban Grant are described in Note 2 to the financial statement. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by the Urban Grant during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

**Difficulties Encountered in Performing the Audit**

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

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No audit adjustments were proposed as a result of our audit procedures.

**Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, 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.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated December 3, 2012.

**Management Consultation 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 Urban Grant's financial statement or a determination of the type of auditors' opinion that may be expressed on those statements, 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.

**Other Audit Findings or Issues**

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

This information is intended solely for the use of the San Bernardino County Board of Supervisors and management of the San Bernardino County District Attorney's Office and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Eadie and Payne, LLP*



County of San Bernardino  
**Office of the District Attorney**  
MICHAEL A. RAMOS, District Attorney

December 3, 2012

Eadie and Payne, LLP  
1839 W. Redlands Blvd.  
Redlands, CA 92373

We are providing this letter in connection with your audit of the statement of grant revenues and expenditures of the San Bernardino County District Attorney's Office Organized Automobile Fraud Activity Interdiction Program Grant for the year ended June 30, 2012 for the purpose of expressing an opinion as to whether the statement presents fairly, in all material respects, the grant revenues and expenditures in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statement in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of December 3, 2012, the following representations made to you during your audit.

- 1) The financial statement referred to above is fairly presented in conformity with accounting principles generally accepted in the United States of America and includes all properly classified financial information of the grant program required by generally accepted accounting principles to be included in the financial reporting entity.
- 2) We have made available to you all—
  - a) Financial records and related data.
  - b) Minutes of the meetings of Board of Supervisors that pertain to the Organized Automobile Fraud Activity Interdiction Program Grant.
- 3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statement.
- 5) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
- 6) We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statement.

- 7) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
- 8) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 9) The following, if any, have been properly recorded or disclosed in the financial statement:
  - a) Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - b) Guarantees, whether written or oral, under which the San Bernardino County District Attorney's Office Organized Automobile Fraud Activity Interdiction Program Grant is contingently liable.
  - c) All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances.
- 10) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 11) There are no—
  - a) Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statement, or as a basis for recording a loss contingency, or for reporting on noncompliance.
  - b) We are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments that that are required to be disclosed in accordance with generally accepted accounting principles, and we have not consulted a lawyer concerning litigation, claims or assessments.
  - c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.
- 12) As part of your audit, you assisted with preparation of the financial statement and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for the financial statement and related notes.
- 13) The San Bernardino County District Attorney's Office Organized Automobile Fraud Activity Interdiction Program Grant has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
- 14) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 15) Expenses have been appropriately classified in the statement of grant revenues and expenditures.
- 16) Revenues are appropriately classified in the statement of grant revenues and expenditures.
- 17) We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statement.

Signed: Cindy Monfort  
Title: Supervisor, Bureau of Administration

Signed: [Signature]  
Title: Chief, Bureau of Administration