

County of Los Angeles
DISTRICT ATTORNEY'S OFFICE

State of California Department of Insurance
Disability and Healthcare Insurance Fraud Program

Program Statements
With Independent Auditor's Report

For the Year Ended June 30, 2022



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COUNTY OF LOS ANGELES
DISTRICT ATTORNEY'S OFFICE
State of California Department of Insurance
Disability and Healthcare Insurance Fraud Program

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INDEPENDENT AUDITOR'S REPORT

Ms. Arlene Barrera
Auditor-Controller
500 West Temple Street. Room 525
Los Angeles, California 90012-2766

Report on the Audit of the Program Statements

Opinion

We have audited the accompanying Status of Cash, Statement of Approved Budget and Total Costs, and Statement of Total Costs and Costs Accepted (Program Statements) of the Disability and Healthcare Insurance Fraud Program (Grant) of the County of Los Angeles District Attorney's Office in accordance with the State of California Department of Insurance for the Disability and Healthcare Insurance Fraud Program for the year ended June 30, 2022, and the related notes to the Program Statements, which collectively comprise the Grant's Program Statements as listed in the table of contents.

In our opinion, the Program Statements referred to above present fairly, in all material respects, the Status of Cash and the related approved budget and claimed expenditures and the allowable costs of the County of Los Angeles District Attorney's Office Disability and Healthcare Insurance Fraud Program in accordance with the requirements of the State of California Department of Insurance for the Disability and Healthcare Insurance Fraud Program for the year ended June 30, 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Program Statements section of our report. We are required to be independent of the County of Los Angeles District Attorney's 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 2, the Program Statements present only the financial activities of the Disability and Healthcare Insurance Fraud Program of the County of Los Angeles District Attorney's Office. They do not purport to, and do not, present fairly the financial position of the County of Los Angeles as of June 30, 2022, and the changes in its financial position for the 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.

Responsibility of Management for the Program Statements

Management of the County of Los Angeles District Attorney's Office is responsible for the preparation and fair presentation of the Program Statements 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 the Program Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Program Statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County of Los Angeles District Attorney's Office's ability to continue as a going concern for twelve months beyond the Program Statements' date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Program Statements

Our objectives are to obtain reasonable assurance about whether the Program Statements 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 generally accepted auditing standards 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 judgement made by a reasonable user based on the Program Statements.

In performing an audit in accordance with the generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Program Statements, 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 Program Statements.

- 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 of Los Angeles District Attorney's Office, 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 Program Statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County of Los Angeles District Attorney's Office's ability to continue as a going concern for a reasonable period of time.

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.

BCA Watson Rice, LLP

Torrance, CA
October 26, 2022

COUNTY OF LOS ANGELES
DISTRICT ATTORNEY'S OFFICE
State of California Department of Insurance
Disability and Healthcare Insurance Fraud Program

Status of Cash
June 30, 2022

Carryover funds from FY 2020-2021	\$ 43,336
Interest earned	981
Grant cash received	1,513,498
Total grant revenues	<u>1,557,815</u>
 Grant expenditures	 1,498,196
Less: Expenditures exceeding approved budget	<u>-</u>
Adjusted grant expenditures	<u>1,498,196</u>
 Cash on hand at June 30, 2022	 <u><u>\$ 59,619</u></u>

See accompanying notes to the program statements.

COUNTY OF LOS ANGELES
DISTRICT ATTORNEY'S OFFICE
State of California Department of Insurance
Disability and Healthcare Insurance Fraud Program

Statement of Approved Budget and Total Costs
For the Year Ended June 30, 2022

	Approved Budget	Total Costs	Variance
Personnel services	\$ 1,452,733	\$ 1,394,094	\$ 58,639
Operating expenses	104,101	104,102	(1)
Totals	<u>\$ 1,556,834</u>	<u>\$ 1,498,196</u>	<u>\$ 58,638</u>

See accompanying notes to the program statements.

COUNTY OF LOS ANGELES
DISTRICT ATTORNEY'S OFFICE
State of California Department of Insurance
Disability and Healthcare Insurance Fraud Program

Statement of Total Costs and Costs Accepted
For the Year Ended June 30, 2022

	Audited			
	Total Costs	Costs Accepted	Costs Questioned	Costs Recommended for Disallowance
Personnel services	\$ 1,394,094	\$ 1,394,094	\$ -	\$ -
Operating expenses	104,102	104,102		
Totals	\$ 1,498,196	\$ 1,498,196	\$ -	\$ -

See accompanying notes to the program statements.

COUNTY OF LOS ANGELES
DISTRICT ATTORNEY'S OFFICE
State of California Department of Insurance
Disability and Healthcare Insurance Fraud Program

Notes to the Program Statements
For the Year Ended June 30, 2022

1. BACKGROUND

The Disability and Healthcare Insurance Fraud Program (Grant) is administered by the County of Los Angeles District Attorney's Office. Grant funds are received from the State of California Department of Insurance to pay for costs of investigation and prosecution of disability and healthcare insurance fraud cases. The program is regulated by *Section 1872.85 of the California Insurance Code*, the guidelines in the *Request for Application*, the Program Regulations, and the *County Plan*.

The accompanying Status of Cash, Statement of Approved Budget and Total Costs, and Statement of Total Costs and Costs Accepted (Program Statements) represents only the activities of the Disability and Healthcare Insurance Fraud Program and do not constitute the entire funds of the County of Los Angeles District Attorney's Office. In accordance with the criteria adopted by the Governmental Accounting Standards Board, the entire operations of the County of Los Angeles District Attorney's Office is included in the County of Los Angeles' Annual Comprehensive Financial Report.

The program provided funding for personnel services (salaries and employee benefits) and operating expenses, and the maximum approved budget of the grant was \$1,556,834 for the year ended June 30, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The County of Los Angeles District Attorney's Office receives funds from the State of California Department of Insurance, which are deposited into the County grant trust fund. All interest earned on funds held in the trust account are required to be used for grant purposes. Expenditures are reimbursed by transferring funds from the trust account to a revenue account to reimburse the County general fund for program expenditures. This is done by journal entries prepared by the District Attorney's Office personnel based on the District Attorney's Office internal accounting records which document program related expenditures.

The Program Statements have been prepared from the original County of Los Angeles District Attorney's Office budget of program cost schedules submitted to the State of California Department of Insurance, summary of monthly expenditures, and the District Attorney's Office financial records.

COUNTY OF LOS ANGELES
DISTRICT ATTORNEY'S OFFICE
State of California Department of Insurance
Disability and Healthcare Insurance Fraud Program

Notes to the Program Statements
For the Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The County of Los Angeles District Attorney's Office follows the modified accrual basis of accounting in preparing the Program Statements. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Revenues are available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized when the related fund liability is incurred. Grant funds are considered earned to the extent expenditures are made under the provisions of the grant.

Program Statement Presentation

The Program Statements are intended to present only the financial activities of the Disability and Healthcare Insurance Fraud Program of the County of Los Angeles District Attorney's Office. They do not purport to, and do not, present fairly the financial position of the County of Los Angeles as of June 30, 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Estimates

The preparation of the Program Statements in conformity with the accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could be different from those reported.

3. DEFINITIONS

Questioned costs are costs that require additional support from the County of Los Angeles District Attorney's Office or requires an allowability determination by the State of California Department of Insurance.

Disallowed costs are costs where we have obtained documentary evidence beyond a reasonable doubt that the County of Los Angeles District Attorney's Office is in violation of legislative or regulatory requirements, or specific conditions imposed by the grant agreement.

COUNTY OF LOS ANGELES
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State of California Department of Insurance
Disability and Healthcare Insurance Fraud Program

Notes to the Program Statements
For the Year Ended June 30, 2022

4. EXPENDITURES

The Disability and Healthcare Insurance Fraud Program grant expenditures of the County of Los Angeles District Attorney's Office was incurred in accordance with *Section 1872.85 of the California Insurance Code*, the guidelines in the *Request for Application* requirements, the Program Regulations, and the *County Plan*. On a test basis, we verified that personnel time charged to the program was appropriately certified and limited to personnel funded by the program. In addition, we verified that direct charges were not included in the program's indirect costs.

During the year ended June 30, 2022, the County of Los Angeles District Attorney's Office incurred total expenditures of \$1,498,196 on the Disability and Healthcare Insurance Fraud Program. As such, expenditures were less than the maximum approved budget of \$1,556,834 by \$58,638.

As of the date of this report, the County of Los Angeles District Attorney's Office program costs totaling \$1,498,196 was offset by grant payments of \$1,513,498 from the State of California Department of Insurance, \$43,336 carryover funds from FY 2020-2021, and \$981 earned interest income in FY 2021-2022. As such, there is \$59,619 ($\$1,513,498 + \$43,336 + \$981 - \$1,498,196$) cash on hand as of June 30, 2022.

5. COVID-19 IMPACT AND CONSIDERATION

The COVID-19 pandemic in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. The County of Los Angeles District Attorney's Office expects this matter to negatively impact its operating environment; however, the related financial impact and duration cannot be reasonably estimated at this time.

6. CONTINGENCIES

The County of Los Angeles District Attorney's Office has received federal and other governmental funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowed expenditures under the terms of the grant, it is believed that any repayments resulting from disallowances will not be material.

COUNTY OF LOS ANGELES
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Disability and Healthcare Insurance Fraud Program

Notes to the Program Statements
For the Year Ended June 30, 2022

7. SUBSEQUENT EVENTS

In preparing these Program Statements, the County of Los Angeles District Attorney's Office has evaluated events and transactions for potential recognition or disclosure through October 26, 2022, the date the Program Statements were approved for issuance. No subsequent events occurred that require recognition or additional disclosure in the Program Statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF PROGRAM STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Ms. Arlene Barrera
Auditor-Controller
500 West Temple Street. Room 525
Los Angeles, California 90012-2766

We have audited, 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, the accompanying Status of Cash, Statement of Approved Budget and Total Costs, and Statement of Total Costs and Costs Accepted (Program Statements) of the Disability and Healthcare Insurance Fraud Program (Grant) of the County of Los Angeles District Attorney's Office for the year ended June 30, 2022, and the related notes to the Program Statements, which collectively comprise the County of Los Angeles, District Attorney's Office basic Program Statements, and have issued our report thereon dated October 26, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Program Statements, we considered the County of Los Angeles District Attorney's Office's internal control over financial reporting (internal control) with respect to the Grant as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Program Statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Los Angeles District Attorney's Office's internal control with respect to the Grant. Accordingly, we do not express an opinion on the effectiveness of the County of Los Angeles District Attorney's Office's internal control with respect to the Grant.

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 entity's Program Statements 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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Los Angeles District Attorney's Office Program Statements 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 Program Statement amounts. Such provisions include those provisions identified in the *California Insurance Code Section 1872.85*, the guidelines in the *Request for Application*, the Program Regulations, and the *County Plan*. 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 County of Los Angeles District Attorney's Office Grant program's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the County of Los Angeles District Attorney's Office's Grant program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "BCA Watson Rice, LLP". The signature is written in a cursive, flowing style.

Torrance, CA
October 26, 2022

COUNTY OF LOS ANGELES
DISTRICT ATTORNEY'S OFFICE
State of California Department of Insurance
Disability and Healthcare Insurance Fraud Program

Summary of Audit Findings and Responses
For the Year Ended June 30, 2022

There were no audit findings.

COUNTY OF LOS ANGELES
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Status of Prior Audit Findings and Responses

There were no prior year audit findings.