



# County of Santa Cruz

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**AUDITOR-CONTROLLER'S OFFICE**  
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AGENDA: December 12, 2000

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December 4, 2000

Board of Supervisors  
County of Santa Cruz  
701 Ocean Street  
Santa Cruz, CA 95060

**SUBJECT: DISTRICT ATTORNEY'S OFFICE GRANT ACCOUNTING**

Dear Members of the Board:

We have completed a special investigation of the District Attorney's Office grant accounting procedures and policies involving the State of California Workers' Compensation Insurance Fraud and Auto Insurance Fraud grants covering the 1997-98 and 1998-99 fiscal years. This report is attached. As reported in prior years and currently, we have found a lack of accounting management controls to support grant accounting activities within the department.

As a result of information provided by a staff member of the District Attorney's Office, we were able to determine that the State Department of Insurance was improperly charged for work performed on non-grant related activities in the amount of \$33,196 for the two fiscal years. Our review did not produce any evidence of fraud.

These problems have been reported for nearly a decade without adequate remedies. We believe the situation can be corrected through implementation of a proper system of controls developed with the full cooperation of the District Attorney, County Administrative Office and the Auditor-Controller.

We believe that the District Attorney's Office should contact the Department of Insurance and request that the County be authorized to perform grant eligible services rather than pay back the amount over claimed.

This investigation involves personal and confidential personnel matters that cannot be disclosed in our report. Under a separate cover letter, we will outline the nature of the events and circumstances leading up to the investigation for the District Attorney. The District Attorney will need to determine what actions, if any, should be taken.

IT IS THEREFORE RECOMMENDED that your Board of Supervisors:

1. Accept and file the attached report,
2. Direct the District Attorney to work with County Administrative Office and the Auditor-Controller to establish and implement proper policies, procedures and controls,
3. Direct the District Attorney to contact the State Department of Insurance as previously mentioned, and
4. Direct the District Attorney to review the personal and confidential personnel material provided by the Auditor-Controller for appropriate actions.

Sincerely yours,

  
Gary A. Knutson  
Auditor-Controller

Attachment

cc: CAO, District Attorney, Auditor-Controller

**AUDITOR-CONTROLLER'S REPORT ON THE REVIEW OF GRANT TIME KEEPING  
IN THE DISTRICT ATTORNEY'S OFFICE  
FOR THE YEARS ENDED JUNE 30, 1998 AND 1999**

**Auditor-Controller County of Santa Cruz  
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AUDITOR-CONTROLLER’S REPORT ON THE REVIEW OF GRANT TIME KEEPING IN THE DISTRICT ATTORNEY’S OFFICE’S FOR THE YEARS ENDED JUNE 30, 1998 AND 1999

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AUDITOR-CONTROLLER'S REPORT ON THE REVIEW OF GRANT TIME KEEPING IN THE  
DISTRICT ATTORNEY'S OFFICE'S FOR THE YEARS ENDED JUNE 30, 1998 AND 1999

BACKGROUND

During recent budget hearings, the Auditor-Controller's Office was asked to review allegations that District Attorney's Office **staff** may have charged hours to Department of Insurance (**DOI**) grants for non-grant funded activities.

PURPOSE AND SCOPE

The purpose of our review was to determine if the allegations about billing practices could be sustained and if any amounts would be owed to the **DOI**. We examined the District Attorney's Office's grant accounting records for DOI grants for the fiscal years ended June 30, 1998 and 1999. These included employee time cards, grant agreements, and expenditure claims to the **DOI**. We compared these records to the documentation supporting the allegations. We also interviewed District Attorney **staff**.

SUMMARY AND CONCLUSION

The District Attorney's Office performed non-grant funded activities and charged hours for these activities to the Workers' Compensation Insurance Fraud and the Auto Insurance Fraud grants during fiscal years 1997-98 and 1998-99. We estimate that the District Attorney's Office owes \$33,196 to the DOI for those two fiscal years. We also noted weaknesses in grant documentation, accounting, and supervision. Since 1993-94, auditors have repeatedly been critical of this department's lack of a basic audit trail and procedures. In a separate memo to the County Administrative Office, we will recommend that the County consider implementing a "whistleblower" policy, designating the Auditor-Controller as the investigating authority.

COMMENTS AND RECOMMENDATIONS

1. TIME CARD PREPARATION

The District Attorney's Office performed non-grant funded activities and charged hours for these activities to the Workers' Compensation Insurance Fraud and the Auto Insurance Fraud grants during fiscal years 1997-98 and 1998-99.

The District Attorney's **Office** assigned staff to work 75% of available hours on the Workers' Compensation Insurance Fraud grant and 25% on the Auto Insurance Fraud grant. Staff were regularly assigned non-grant funded duties but recorded 100% of all hours worked to these grants. We estimate that the District Attorney's Office owes \$33,196 to the DO1 for fiscal years 1997-98 and 1998-99. See Exhibit A following this report.

The 1997-98 and 1998-99 DO1 agreements for the Auto and Workers' Compensation Insurance Fraud restricted the use of the grant awards under California Insurance Code § 1872. These agreements stated that the grant awards shall only be used for enhanced investigative and prosecutorial efforts for automobile insurance fraud and economic car theft cases, and workers compensation **fraud** cases.

### Recommendations

- District Attorney management must ensure that all District Attorney staff are trained and formally directed to record only actual hours worked for grant activities. **Staff** should record hours worked after the actual performance of the work activity daily. This will reduce the need to estimate the hours worked.
- District Attorney management must review employee time cards for accuracy and completeness prior to approving them.
- District Attorney fiscal staff should prepare grant reports analyzing budgeted to actual activity at least quarterly. These reports should be distributed to District Attorney management. Unusual trends should be identified at this time to prevent delays in corrective action.

## 2. GRANT DOCUMENTATION AND ACCOUNTING

The District Attorney's **Office** did not maintain a satisfactory audit trail for the Workers' Compensation and Auto Insurance Fraud grants.

We were informed that, previous to last year's audit, a discrepancy concerning the transposition of user codes on time cards occurred. It was asserted that the grant records were recalculated. However, we found no evidence in the grant files to document any corrections:

We also found that the District Attorney's grant records were not reconciled to **FAMIS** (the County's central accounting system). Claimed expenditures did not agree **with FAMIS** and the time cards.

Any adjustments to centralized accounting records for grant reporting should be supported. Supporting documentation should consist of any records or summaries which show how the calculation of the figures used in the accounting records and grant reports. Figures which are combined for the accounting records and grant reports should be identified and show the details and totals of the amounts combined. The records should lead the reviewer back to the detailed

source documentation. Any records used to adjust the centralized accounting records for grant reporting, should always be reconciled **with** the centralized accounting records so that they agree.

### Recommendations

- The District Attorney's Office should maintain traceable supporting documentation with applicable grant accounting records and reports or in a location that is easily accessible. We also recommend they implement a policy concerning record maintenance for grant accounting records and reports, including a record retention policy minimum of five years,
- District Attorney staff assigned to grants should maintain time summaries that include pertinent information such as the date the case was worked, case number, hours worked and related administrative time. This information, which is not presently recorded, would **simplify** the preparation of any required grant reporting and provide an audit trail.
- The District Attorney's Office should use FAMIS as its source for preparing all grant claims. Any adjustments to FAMIS that are necessary to **simplify** preparation of these claims should be documented and reconciled to FAMIS.
- District Attorney management should review accounting records for accuracy, completeness and timeliness at least semi-annually. Documentation of this review should be maintained.

### 3. GRANT MANAGEMENT AND STAFF SUPERVISION

Based on our interviews, it appears that District Attorney management does not adequately supervise and oversee the work of staff related to grants. We estimate that the District Attorney's **Office** owes \$33,196 to the DO1 for the Worker's Compensation and Auto Insurance Fraud grants for fiscal years 1997-98 through 1998-99. See Exhibit A following this report.

We determined that key District Attorney management personnel:

- were not involved with the grant activities or the writing of the grants. Key management did not read the grants, were not familiar with the provisions of the grants, did not attend grant meetings, and did not evaluate the grant work prepared by **staff**.
- made the grant assignments and most case assignments to staff with the exception of the DO1 referrals and some other specialized activities, sometimes without the knowledge of the in-charge supervisor.
- were not aware of how staff were recording hours which were chargeable and non-chargeable to grants. Time cards were approved without reviewing the accuracy of the hours reported. Management was not aware that **staff had** charged grants for hours which they had not worked.

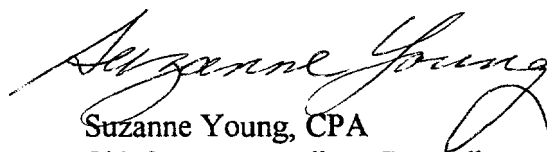
The **fundamental** elements of management include planning, organizing, **staffing**, coordinating, supervising, and evaluating results. This provides accountability. Supervisors must review time cards for accuracy and completeness, prior to approving them.

Recommendations

- District Attorney management must review staff time cards for accuracy and completeness, prior to approving them.
- District Attorney management must ensure that all District Attorney **staff are** trained and formally directed to record only actual hours worked for grant activities. **Staff** should record hours worked after the actual performance of the work activity. This will reduce the need to estimate the hours worked.
- District Attorney management should review grant reports prepared by the fiscal **staff** analyzing budgeted to actual activity. This will improve management's ability to oversee the staff in relation to the grants. Any unusual trends should be identified as soon as possible to prevent delays in corrective action.

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This review was performed by the Santa Cruz County Auditor-Controller's Audit and Systems Division in accordance with The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing to acknowledge the assistance and cooperation of District Attorney personnel.

  
Suzanne Young, CPA  
Chief Deputy Auditor-Controller



## EXHIBIT A

## AUDITOR-CONTROLLER'S REPORT ON THE REVIEW OF GRANT TIME KEEPING IN THE DISTRICT ATTORNEY'S OFFICE'S FOR THE YEARS ENDED JUNE 30, 1998 AND 1999

## EFFECT OF GRANT TIME KEEPING PRACTICES

To determine if any money is owed to the DOI as a result of grant time keeping practices, we compared the grant budget, the memo supporting the allegations and the expenditures claimed to the DOI. Our analysis was based on the premise that the District Attorney's Office was entitled to claim expenditures up to a maximum of the grant budgeted amount.

<i>Document Description</i>	<i>1997-98</i>		
	<i>Work Comp Grant</i>	<i>Auto Grant</i>	<i>Total</i>
Grant budget	\$ 55,884	\$ 18,394	\$ 74,278
Expenditures claimed by DA	21,767	58,239	80,006
Maximum reimbursable expenditures	21,767	18,394	40,161
Documentation estimating the expenditures for hours actually worked	17,963	13,815	31,778
Amount owed to DOI	<u>\$ 3,804</u>	<u>\$ 4,579</u>	<u>\$ 8,383</u>

<i>Document Description</i>	<i>1998-99</i>		
	<i>Work Comp Grant</i>	<i>Auto Grant</i>	<i>Total</i>
Grant budget	\$ 25,493	\$ 26,993	\$ 52,486
Expenditures claimed by DA	53,634	29,666	83,300
Maximum reimbursable expenditures	25,493	26,993	52,486
Documentation estimating the expenditures for hours actually worked	18,083	9,590	27,673
Amount owed to DOI	<u>\$ 7,410</u>	<u>\$ 17,403</u>	<u>\$ 24,813</u>
Grand total owed to DOI			<u>\$ 33,196</u>

