File No. 221108 **Committee Item No.** 6
Board Item No. 13

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee **Date** November 16, 2022
Board of Supervisors Meeting **Date** November 29, 2022

Cmte Board

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Completed by: Brent Jalipa **Date** November 10, 2022
Completed by: Brent Jalipa **Date** November 22, 2022

FILE NO. 221108 RESOLUTION NO.

[Accept and Expend Grant - Retroactive - California Department of Insurance - Workers' Compensation Insurance Fraud Program - $1,008,768]

Resolution retroactively authorizing the Office of the District Attorney to accept and expend a grant in the amount of $1,008,768 from the California Department of Insurance for the Workers' Compensation Insurance Fraud Program, for the grant period July 1, 2022, through June 30, 2023.

WHEREAS, The Administrative Code requires City departments to obtain Board of Supervisors' approval to accept or expend any grant funds (Section 10.170 et seq.); and

WHEREAS, The Board of Supervisors provided in Section 11.1 of the administrative provisions of the FY2022-2023 Annual Appropriation Ordinance that approval of recurring grant funds contained in departmental budget submissions and approved in the FY2022-2023 budget are deemed to meet the requirements of the Administrative Code regarding grant approvals; and

WHEREAS, The Department of Insurance of the State of California that provides grant funds to the Office of the District Attorney requires documentation of the Board's approval of their specific grant funds (Workers' Compensation-California Insurance Code, Section 1872.83, California Code of Regulations, Title 10, Section 2698.55 et seq.); and

WHEREAS, The Office of the District Attorney applied for funding from the California Department of Insurance for the "Workers' Compensation Insurance Fraud Program" and was awarded $1,008,768; and

WHEREAS, The purpose of the grant is to provide enhanced investigation and prosecution of workers' compensation insurance fraud cases, including the application process and subsequent reporting requirements as set forth in the Workers' Compensation-California Insurance Code, Section 1872.83, California Code of Regulations, Title 10,

Section 2698.55 et seq.; and

WHEREAS, The grant does not require an amendment to the Annual Salary Ordinance (ASO) Amendment; and

WHEREAS, The grant includes indirect costs of $24,544; now, therefore, be it

RESOLVED, That should the Office of the District Attorney receive more or less money than the awarded amount of $1,008,768, that the Board of Supervisors hereby approves the acceptance and expenditure by the Office of the District Attorney of the additional or reduced money; and, be it

FURTHER RESOLVED, That the Board of Supervisors hereby authorizes the Office of the District Attorney to accept and expend, on behalf of the City and County of San Francisco, a grant from the California Department of Insurance for the Workers' Compensation Insurance Fraud Program to be funded in part from funds made available through Workers' Compensation-California Insurance Code, Section 1872.83, California Code of Regulations, Title 10, Section 2698.55 et seq. in the amount of $1,008,768 to enhance investigation and prosecution of workers' compensation insurance fraud cases; and, be it

FURTHER RESOLVED, That the District Attorney of the City and County of San Francisco is authorized, on its behalf, to submit the attached proposal to the California Department of Insurance and is authorized to execute on behalf of the Board of Supervisors the attached Grant Award Agreement including any extensions or amendments thereof; and, be it

FURTHER RESOLVED, That it is agreed that any liability arising out of the performance of the Grant Award Agreement, including civil court actions for damages, shall be the responsibility of the grant recipient and the authorizing agency; the State of California and the California Department of Insurance disclaim responsibility for any such

liability; and, be it

FURTHER RESOLVED, That the grant funds received thereunder shall not be used to supplant expenditures controlled by this body.

Recommended:

Approved: /s/_____
London N. Breed
Mayor

/s/_____
Brooke Jenkins
District Attorney

Approved: /s/_____
Ben Rosenfield
Controller

File Number: 221108
(Provided by Clerk of Board of Supervisors)

Grant Resolution Information Form
(Effective July 2011)

Purpose: Accompanies proposed Board of Supervisors ordinances authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: **Workers' Compensation Insurance Fraud Program**

2. Department: **Office of the District Attorney**

3. Contact Person: **Lorna Garrido** Telephone: **(628) 652-4035**

4. Grant Approval Status (check one):

   [**X**] Approved by funding agency [ ] Not yet approved

5. Amount of Grant Funding Approved or Applied for: **$1,008,768**

6. a. Matching Funds Required: **$0**
   b. Source(s) of matching funds (if applicable): **n/a**

7. a. Grant Source Agency: **California Department of Insurance**
   b. Grant Pass-Through Agency (if applicable): **n/a**

8. Proposed Grant Project Summary: **To provide enhanced investigation and prosecution of workers' compensation insurance fraud cases, including the application process and subsequent reporting requirements as set forth in the California Insurance Code, Section 1872.83, California Code of Regulations, Title 10, Section 2698.55 et seq.**

9. Grant Project Schedule, as allowed in approval documents, or as proposed:
   Start-Date: **July 1, 2022** End-Date: **June 30, 2023**

10. a. Amount budgeted for contractual services: **$0**
    b. Will contractual services be put out to bid? **n/a**
    c. If so, will contract services help to further the goals of the Department's Local Business Enterprise (LBE) requirements? **n/a**
    d. Is this likely to be a one-time or ongoing request for contracting out? **n/a**

11. a. Does the budget include indirect costs?
    [**X**] Yes [ ] No
    b. 1. If yes, how much? **$24,544**
    b. 2. How was the amount calculated? **10% of total salaries = $66,824, only charging grant $24,544 to maximize use of grant funds on direct services.**
    c. 1. If no, why are indirect costs not included? **n/a**
    [ ] Not allowed by granting agency [ ] To maximize use of grant funds on direct services
    [ ] Other (please explain):
    c. 2. If no indirect costs are included, what would have been the indirect costs?

12. Any other significant grant requirements or comments:
We respectfully request for an expedited Resolution. The City and County of San Francisco Budget and Appropriation Ordinance includes this recurring grant; however, it does not meet the California Department of Insurance resolution regulations. Thus, a separate resolution is necessary. Grant funds will not be released until the California Department of Insurance receives an original or certified copy of the Resolution. The Resolution must be received as soon as possible.

****Disability Access Checklist***(Department must forward a copy of all completed Grant Information Forms to the Mayor's Office of Disability)**

13. This Grant is intended for activities at (check all that apply):

[**X**] Existing Site(s)	[ ] Existing Structure(s)	[**X**] Existing Program(s) or Service(s)
[ ] Rehabilitated Site(s)	[ ] Rehabilitated Structure(s)	[ ] New Program(s) or Service(s)
[ ] New Site(s)	[ ] New Structure(s)	

14. The Departmental ADA Coordinator or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local disability rights laws and regulations and will allow the full inclusion of persons with disabilities. These requirements include, but are not limited to:

1. Having staff trained in how to provide reasonable modifications in policies, practices and procedures;
2. Having auxiliary aids and services available in a timely manner in order to ensure communication access;
3. Ensuring that any service areas and related facilities open to the public are architecturally accessible and have been inspected and approved by the DPW Access Compliance Officer or the Mayor's Office on Disability Compliance Officers.

If such access would be technically infeasible, this is described in the comments section below:

Comments:

Departmental ADA Coordinator or Mayor's Office of Disability Reviewer:

Jessica Geiger
(Name)

Facilities Manager (Title)

Date Reviewed: 09/07/2022

Jessica Geiger Digitally signed by Jessica Geiger Date: 2022.09.07 16:38:49 -07'00'
(Signature Required)

Department Head or Designee Approval of Grant Information Form:

Eugene Clendinen
(Name)

Chief, Administration and Finance
(Title)

Date Reviewed: 09/08/2022

Eugene Clendinen Digitally signed by Eugene Clendinen Date: 2022.09.08 08:50:50 -07'00'
(Signature Required)

Application Report

Applicant Organization:

San Francisco

Project Name: 22-23WCSF

FundingAnnouncement: FY 22-23 Workers' Compensation Insurance Fraud Program

Requested Amount: $1,386,496.00

Section Name: Overview Questions

Sub Section Name: General Information

1. Applicant Question: Multi-County Grant

Is this a multi-county grant application request? If Yes, select the additional counties.

Applicant Response:

No

2. Applicant Question: Estimated Carryover

Enter the estimated carryover funds from the previous fiscal year. If none, enter "0".

Applicant Response:

$0.00

3. Applicant Question: Contact Updates

Have you updated the Contacts and Users for your Program? Did you verify the Contact Record for your County's District Attorney?

- ***Contacts*** *are those, such as your elected District Attorney, who need to be identified but do not need access to GMS.*
- ***Users*** *are those individuals who will be entering information/uploading into GMS for the application.* ***Confidential Users*** *have access to everything in all your grant applications.* ***Standard Users*** *do not have access to the Confidential Sections where Investigation Activity is reported. Typical Standard Users are budget personnel.*

Applicant Response:

Yes

4. Applicant Question: Program Contacts

Identify the individuals who will serve as the Program Contacts. These individuals shall be entered as a User or Contact in GMS.

On the final submission page, you will link these individuals' contact records to the application.

Project Director/Manager *is the individual ultimately responsible for the program. This person must be a Confidential User.*

Case Statistics/Data Reporter *is the individual responsible for entering the statistics into the DAR (District Attorney Program Report). This person should be a Confidential User.*

Compliance/Fiscal Officer *is the individual responsible for all fiscal matters relating to the program. This must be someone other than the Project Director/Manager. This person is usually a Standard User.*

Applicant Response:

Program Contacts	Name
Project Director / Manager	Tina Nunes Ober
Case Statistics / Data Reporter	Tina Nunes Ober
Compliance / Fiscal Officer	Eugene Clendinen

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5. Applicant Question: Statistical Reporting Requirements

Do you acknowledge the County is responsible for separately submitting a Program Report using the CDI website, DA Portal?

To access the DAR webpage on the CDI website: right click on the following link to open a new tab, or copy the URL into your browser.

http://www.insurance.ca.gov/0300-fraud/0100-fraud-division-overview/10-anti-fraud-prog/dareporting.cfm

Applicant Response:

Yes

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6. Applicant Question: Required Documents Upload

Have you reviewed the Application Upload List and properly named and uploaded the documents into your Document Library?

To view/download the Application Upload List: go the Announcement, click View, and at the top of the page select Attachments. Items must be uploaded into the Document Library before you can attach them to the upcoming questions.

Applicant Response:

Yes

Sub Section Name: BOS Resolution

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1. Applicant Question: BOS Resolution

Have you uploaded a Board of Supervisors (BOS) Resolution to the Document Library and attached it to this question?

A BOS Resolution for the new grant period must be uploaded to GMS to receive funding for the 2022-2023 Fiscal Year. If the

resolution cannot be submitted with the application, it must be uploaded no later than January 2, 2023. There is a sample with instructions located in the Announcement Attachments, 3b.

Applicant Response:

No

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2. Applicant Question: Delegated Authority Designation

Choose from the selection who will be the person submitting this application, signing the Grant Award Agreement (GAA) in GMS, and approving any amendments thereof.

The person selected must be a Confidential User, who will attest their authority and link their contact record on the submission page of this application. A sample Designated Authority Letter is located in the Announcement Attachments, 3a. CDI encourages the contact named as Project Director/Manger be the designated authority, should that be your selection.

Applicant Response:

Section Name: County Plan

Sub Section Name: Qualifications and Successes

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1. Applicant Question: Successes

What areas of your workers' compensation insurance fraud program were successful and why?

Detail your program's successes for ONLY the 20-21 and 21-22 Fiscal Years. It is not necessary to list every case. If a case is being reported in more than one insurance fraud grant program, clearly identify the component(s) that apply to this program. If you are including any task force cases in your caseload, name the task force and your county personnel's specific involvement/role in the case(s). Information regarding investigations should be given a reference number and details provided only in the Confidential Section, question 1.

Applicant Response:

Effective 12:00 a.m. on March 17, 2020, the City and County of San Francisco (CCSF) issued a Shelter in Place order to all citizens due to the alarming rates of infection, and risk to lives, caused by the novel coronavirus (COVID-19) pandemic. Over two years later, San Franciscans, like much of the world, are still overcoming the challenges posed by the lasting effects of pandemic restrictions. Our office of essential workers quickly adjusted operations to adapt to court closures, remote work, and a technology driven model for conducting daily work. Our paralegals converted thousands of pages of documents to electronic format, our attorneys made court appearances via Zoom, and we all adjusted to meeting remotely via Zoom and Microsoft Teams. This work occurred from homes replete with personal and family demands and concerns. Not to mention, children learning in Zoom classrooms, alongside their working parents. San Francisco is still adjusting and working on returning to pre-2020 normal life.

Despite concerns related to personal health, questions regarding the availability of resources, and in the face of great uncertainty, we worked together to continue the important work of investigating and prosecuting workers' compensation insurance fraud. One of our greatest challenges was moving our cases forward both in court and in the investigative phases. Meeting in person was still very limited over the last two years. Investigators were unable to go into certain health care facilities for their safety and the safety of patients/residents in those facilities.

The California Supreme Court issued emergency orders which limited jury trials and in person court hearings. The Chief Justice issued orders on March 23,2020, March 30, 2020, and April 29,2020. In addition, the San Francisco Superior Court issued its own orders on April 1, 2020 and April 30, 2020. Because of the emergency orders, jury trials could not proceed for much of 2020. This resulted in a very large backlog of criminal cases awaiting trial, including serious and violent felonies where defendants were in custody, due to public safety concerns.

Due to social distancing mandates, jury trials often required the use of two courtrooms for jury selection. This resulted in very few open courtrooms for jury trials. It was a challenge to get cases through preliminary hearing as well. Because our cases do not, generally involve in-custody defendants or violent offenses, our cases were not prioritized by the court.

The omicron wave struck in the late fall and early winter 2021-2022, causing further disruptions to our office and our court system. So many staff tested positive that we were short-staffed at times. At one point, so many courtroom deputies had tested positive that court calendars

had to be consolidated in order to have sufficient staffing in the courtrooms. Many inmates could not be transported due to positive tests.

However we continued to move forward despite these interruptions and disruptions. We made many court appearances and held meetings over Zoom and Micro-soft teams. We even managed to transition a new Program Manager. We also transitioned complex cases when one of our most experienced ADA's retired last year.

Now that restrictions have all been lifted, San Francisco is moving ahead and returning to normal. However that process will also take time as we all transition back into the office and back into in person meetings and court appearances. And the court continues to eliminate the jury trial backlogs. SFDA remains committed to preventing, investigating and prosecuting Workers' Compensation fraud. This type of fraud impacts all Californians. Economically trying times can also result in more fraudulent activity as businesses try to cut corners to save money or individuals use dishonest and illegal means to make money.

The SFDA Program recognizes that workers' compensation insurance fraud is one of the fastest growing types of insurance fraud and costs insurers and employers billions of dollars each year. According to the Federal Bureau of Investigation (FBI), "The insurance industry consists of more than 7,000 companies that collect over $1 trillion in premiums each year. The massive size of the insurance industry is a significant contributor to the cost of insurance fraud by providing more opportunities and bigger incentives for committing illegal activities." As noted by the California Department of Insurance (CDI), "Based on estimates by the National Insurance Crime Bureau (NICB), workers' compensation fraud is a $30 billion problem annually in the United States. In California, it is estimated that workers' compensation fraud costs the state between $1 billion to $3 billion per year."

The SFDA Program takes a multi-faceted approach to combating workers' compensation fraud. We recognize that workers' compensation insurance fraud victimizes individual claimants, law-abiding employers, and taxpayers. The SFDA has developed strategies and tactics to combat insurance fraud that are specific to San Francisco. The SFDA measures success, not only by convictions secured, restitution recovered, and criminal fines and penalties assessed, but also by prompt action on fraud referrals, consistency in charging decisions, fruitful collaboration, and progress in outreach efforts.

Our Program places high importance on maintaining a balanced caseload that addresses fraud at every level and against various actors including unlawful activity by employers, claimants, medical providers, insurance insiders, and third-party fraudsters. The most complex investigations and prosecutions encompassing hundreds of thousands of dollars in chargeable fraud are resource intensive. Our success with large, complex fraud investigations is the result of the special expertise of our investigators and prosecutors, together with our ability to collaborate with other agencies to augment investigative resources and skills.

While it is true that SFDA has a balanced approach, SFDA strategically tackles the most complex cases, with an emphasis on large premium fraud cases. The grant provides guidelines for assessing case complexity based on several factors such as the amount of suspected chargeable fraud, number of defendants, number of witnesses, search warrants issued, and pages of discovery, to name a few. The cases are classified as standard, medium, complex, or very complex based on these metrics. A review of our current investigations demonstrates that we do not shy away from investigating highly complex matters.

It is not surprising that our caseload at the investigation stage includes many claimant cases since most of our FD-1 and SFC referrals are for claimant cases, but the fact that 42% of our investigations are complex or very complex is an indicator that we are also successfully reaching stakeholders to receive referrals on the bigger cases, or we are growing them ourselves. Our cases often increase in complexity due, at least in part, to an experienced team that is committed to thoroughly investigating a claim of suspected fraud and having a "leave no stone unturned" mindset. In a recent, detailed review of our investigations we found that six investigations had to be reclassified to a higher complexity level, one was less complex after investigation, and sixteen cases remained as previously categorized. Similarly, in looking at our cases in court, two had to be reclassified at a higher complexity level, one to a lower complexity level and the rest stayed as categorized.

One example of this is a premium fraud investigation that started out as a standard case(2020-261-001). We planned to have it filed by now, but as we gathered more information and evidence, we discovered the scope of fraud is much greater than what was initially estimated. It has now become a very complex case with potential charges for premium fraud, tax fraud, and cash payments to workers to minimize, avoid, and circumvent workers' compensation insurance requirements.

The business is a large construction company that works on large scale, big budget projects. There are currently three suspects. An adjuster submitted a fraud tip because of the late report of an injury to a worker who had been injured almost a year prior. The worker had not been reported to the carrier or to EDD. One of the suspects told the carrier that the injured worker had been working there for only one year, when, in fact, he had worked there for two years. The worker said that he had paid for his medical treatments out of pocket and one of the suspects reimbursed him. EDD records show the business reported only 8-10 employees per year. Our investigator has learned that there are approximately 40 employees and about 20 are paid cash while the other 20 are on the payroll.

The carrier has conducted a significant investigation, which is ongoing. So far, there are 19 recorded interviews, a dozen by our investigator. Many of the employee witnesses do not speak English or speak limited English and require the services of an interpreter; coordinating the availability of an interpreter and conducting these interviews takes some time and resources. SFDA has reviewed the claims and policy files in both the old and new cases, which consisted of most of the 7,312 pages of discovery to date. SFDA obtained written consent from the worker to obtain his medical and banking records, which are expected to show deposits of checks he received from one of the suspects to reimburse the cost of his medical treatments. SFDA is in the process of drafting search warrants, which we expect to serve on the business, each of the three residences, banks, a payroll company, cellular providers, and internet service providers by the end of the fiscal year. SFDA Investigators also uncovered a previous 2013 case against this same employer, involving similar facts. We will continue to investigate that case to determine how that evidence can be utilized in the current case.

SFDA's commitment to the larger cases is also apparent when one takes a close look at our cases in court during this grant period. Of those, almost half are very complex. Additionally, 47% are premium fraud cases. Roughly 27% are codefendant cases. Much of our team's resources have been focused on these big cases. It goes without saying that not all cases are the same and the large, complex cases require more time and more resources to develop.

Progress Investigating Provider Fraud

Consistent with the stated goals and objectives of the Insurance Commissioner, the SFDA has developed strategies to detect, investigate, and prosecute medical provider fraud. The SFDA has identified industries in San Francisco in which medical provider fraud is a growing concern. These industries include care homes, drug treatment facilities, imaging services, pharmaceutical companies, drug testing companies and billing companies.

A subset of medical provider fraud is billing fraud, which also typically involves criminal behavior on the part of an office administrator. Billing fraud often includes "upcoding," e.g., falsely billing for a higher-priced treatment than was provided (which often requires the accompanying "inflation" of the patient's diagnosis code to a more serious condition consistent with the false procedure code). Billing fraud is also committed by "Unbundling," i.e. billing each step of a procedure as if it were a separate procedure.

In March of 2020, with the help of CDI, the SFDA Program opened an investigation into a medical provider suspected of engaging in double-billing, fraudulent lien billing, and accepting kickbacks. This suspect is an extremely sophisticated individual who appears to have engaged in a very complex fraud scheme implicating other businesses and business associates. As a Qualified Medical Examiner (QME), the suspect is knowledgeable of what can be billed at the higher "med-legal" rate. Our investigation has revealed that the suspect improperly billed for evaluations, and then once the insurance company denied payment, the suspect improperly identified the billing codes in liens, all in an attempt to gain greater reimbursement from the insurance company. In addition, the suspect continuously filed liens for the full amounts originally billed, including for some previously paid to the suspect. Our SFDA Investigator has met with San Francisco Department of Human Resources (SFDHR) personnel on many occasions over the course of the past year to gain deeper insight into the facts and evidence in this case. Some of this work has encompassed a detailed, line item review of thousands of pages of reporting and billing documentation. Our Investigator has also been in touch with district attorney offices in Southern California to obtain evidence that may be relevant in this investigation. The full extent of the fraud is just beginning to be apparent as the investigation has unearthed additional victims and hundreds of improperly submitted liens. There are multiple insurers that have submitted FD-1s suggesting fraudulent activity on the part of this provider. We anticipate needing to review thousands of pages of additional documentary evidence, consulting with a forensic expert, and interviewing several more parties that may have relevant information as we continue to build this case. (2020-072-002).

We are also investigating the facts of a 2015Contra Costa case against this same provider. That case could provide useful evidence in our current case. This very complex case is resource intensive. However, SFDA agrees with the Insurance Commissioner on the importance of prosecuting provider fraud. Provider fraud is a huge problem in the Workers' Compensation system.

Another example is a case filed in March 2022 against Chiropractor Marijan Mateus Pevec. Pevec is charged with forging a settlement letter from an insurance company agreeing to pay him $10,000. On October 2, 2020, Dr. Pevec filed a Workers' Compensation lien seeking payment for medical services he allegedly provided, which the insurance company had previously denied. The insurer's defense attorney was unable to reach an informal settlement agreement with Dr. Pevec and scheduled a Workers' Compensation Appeals Board (WCAB) lien conference. Interrupting the February 23, 2021 WCAB lien conference that was not going his way, Dr. Pevec told the defense attorney and the judge, "oh, wait a minute." He went on to state that the insurer had offered to settle the claim for $10,000, he had accepted, and he had the documents to prove it. Within minutes he emailed the insurer's defense attorney the documents which include a letter that appears to be on the letterhead of the insurer, addressed to him, stating that insurer agreed to settle the claim for $10,000.

Evidence obtained during this investigation shows that Dr. Pevec impersonated the insurance company by utilizing its logo, business name, and address on the fraudulent letter. The letter Dr. Pevec emailed the lawyer for the insurance company is a forgery through which he attempted to defraud the insurer of $10,000. Dr. Pevec was arrested on the warrant and will be arraigned soon. This case was developed through an investigation conducted by San Francisco District Attorney Senior Inspector Jennifer Kennedy and San Francisco District Attorney Inspector Michael Morse. District Attorney Alex Feigen Fasteau is the prosecutor assigned to the case. This case will be proceeding through court in the next fiscal year.

Continued Successes Combatting Premium Fraud

Premium fraud impacts employers across all industries by allowing those employers who commit fraud to operate with less overhead, secure more bids than their competitors, and realize greater profits than those employers that honestly pay their required, actual premiums. Premium fraud is especially troubling because it creates an unfair advantage and creates an unlevel playing field. Premium fraud is also alarming in that employers are lying about the number of employees and the nature of the work they perform, which has many negative consequences as discussed throughout this application. As a result, the SFDA has prioritized premium fraud investigations and these cases are at the heart of our program.

On March 23, 2021, our office filed the case of *People v. Tommy Jue*. This is a very complex premium fraud case. Mr. Jue is accused of installing and inspecting fire prevention systems that require a C-10 electrical license when, in fact, he does not possess one. The case came to light when a building that he had worked on burned down and a man died because the fire alarm did not activate. Our investigator examined evidence related to 15 jobsites where Jue installed or inspected fire prevention systems. The defendant is alleged to have used C-10 electrical contractor's licenses belonging to other people to obtain building permits, both with and without the true owner's permission.

During the investigation, the SFDA investigator obtained information from both documents and interviews that the suspect was misrepresenting his business activities for insurance purposes; he reported having no employees, and no payroll for the year, when he was observed using employees at two of the jobsites. He misrepresented the scope of his work to reduce his premium and maintain his insurance, and on several occasions appears to have used employees that were not insured. Specifically, he claimed to be licensed when he was not; had his insurer known the truth it never would have issued the policy. This case is another example of the SFDA identifying workers' compensation insurance fraud through cross-functional and agency collaboration, including the SFDA Special Prosecutions Unit, Contractors' State License Board (CSLB), the San Francisco Fire Department, the San Francisco Building Department, and EDD. An arrest warrant was filed on January 28, 2021, charging Jue with multiple felonies and one misdemeanor, including one count of felony premium fraud and one count of Penal Code § 550(b)(3) felony insurance fraud. Mr. Jue was arraigned on March 23, 2021. This case generated significant public interest.

We continue to heavily litigate issues in *People v. Gina Gregori, et al. (GMG),* a pending case where a large janitorial company, with

contracts throughout California – GMG – has been grossly underreporting payroll to the State Fund since 2009. SFDA and CDI have been working together to prosecute this very complex premium fraud case involving excessive takings, with white-collar crime allegations and enhancements totaling $7,100,000. The owner submitted falsified Employment Development Department (EDD) documents to State Fund, claiming far lower numbers of employees and wages paid than were stated in the records that she filed with EDD. On several occasions she changed the company name and changed the listed owner from herself to a family member, presumably to make it appear as though it were a newly established company and thus obtain lower premiums.

In 2017, all the bank accounts that we could find, associated with the already filed case against GMG, were placed into a receivership. The SFDA prosecutor successfully litigated motions to secure court orders freezing the janitorial company's assets and place them in a receivership, so the employees could continue to work and be paid while the defendant did not profit from the company's operations. While the receiver was not put in place to run the janitorial business, the receiver was put in place to ensure that Gregori did not siphon the money away and that any money left over after the employees were paid was to go to restitution.

During the past year we learned that Gregori started a new janitorial business and opened new bank accounts to fund it; all outside the oversight of the receiver. SFDA and CDI immediately undertook additional, extensive investigation to validate this information. In August of 2020, on SFDA's motion, the court placed a temporary restraining order on additional bank accounts in her name and the name of her occasional boyfriend, who had posted her bail and funded her ventures in the past. The court extended the receivership to cover these accounts. The records from the newly added bank accounts show Gregori was running a new janitorial business, "Heart & Soul." Despite the court's orders, Ms. Gregori failed to report to the receiver, thereby excluding from purview of the receivership and its control, the renaming of the business, the continued business operations, the opening of additional bank accounts, the business earnings, and the existence of and payments to employees. This required more investigation and in September 2021, over the defendant's objection, the court granted our motion to amend the complaint to add a charge of contempt of court.

To date, three search warrants have been executed and nine locations have been searched, including the businesses, homes, and bank accounts of the defendants and associates. The discovery in this case which consists of more than two terabytes of data continues to increase. This case is currently pending in San Francisco Superior Court. We hope to set the preliminary hearing date or resolve this case in the coming months. The complexity and the large amount of restitution makes this case labor and resource intensive.

The SFDA also works with the California Contractor State License Board (CSLB), the Division of Occupational Safety and Health (Cal/OSHA), and EDD to identify employers suspected of committing premium fraud. These premium fraud investigations follow a common pattern where an employer reports no employees to his/her insurance carrier despite reporting employees to EDD or to Cal/OSHA. This difference in reported payroll by the employer is the starting point for the SFDA to launch a premium fraud investigation. The conflicting payroll statements provide evidence of the employer's fraudulent intent since there is rarely a legitimate reason for an employer to report two different payroll amounts (for the same company) to two separate entities.

In January 2019, the SFDA filed a complaint in *People v. Kai Cheng Tang dba Amherst Associates Construction Management Inc.,* a complex, collaborative premium fraud investigation. According to State Fund's review, Amherst underreported payroll from 2010 through 2015, resulting in an estimated premium loss of $249,987. Initially, Amherst Construction was fined $20,000 by the Department of Industrial Relations (DIR) for failure to provide wage statements to employees. State Fund subsequently conducted an audit of the company's workers' compensation policy. Between 2010 and 2015, Amherst Construction reported to State Fund that they had no employees. An SFDA investigator prepared and served multiple search warrants for Amherst's banking records to identify payroll. The investigation also required locating and interviewing uncooperative employees, and coordinating efforts with investigators from DIR, CSLB and State Fund. This case is currently in court. The defense has filed a motion to dismiss certain counts in the complaint and the prosecution has opposed that motion as well as urging the court to set a preliminary hearing.

Because premium fraud investigations are heavily reliant on document and payroll analysis, the SFDA has employed creative solutions to investigate these highly complex cases. Rather than relying solely on auditors and accountants from various state regulatory agencies to assist in the analysis of seized records and documents, in past years the SFDA has sought assistance from volunteer forensic auditors who are looking for experience working on premium fraud cases.

The SFDA provides other unallocated resources in the form of paralegals, and experienced DA investigators from other divisions. For example, the SFDA recently hired a highly qualified, senior-level DAI, who was the lead in Jue case described above. This investigator has over thirty years of law enforcement experience, that includes workers' compensation fraud, and he is a certified computer forensic analyst. Although assigned to our Special Prosecutions Unit, he has been available for advice and guidance related to SFDA premium fraud cases. Further, his prior experience in workers' compensation fraud investigations resulted in the SFDA identifying and investigating premium fraud in other white-collar crime division cases.

In another case, *B & A Bodyworks and Towing* discussed below, our office has committed substantial resources to this exceptionally large case reviewing, processing, assembling, and providing discovery. At this point, there are 79,245 pages of discovery. It took five unfunded paralegals working one to two days a week for about two months to scan, bate number and process just the evidence seized from the search warrants. Additionally, there are 17 audio recordings, and our office has transcribed 13 of them, again from non-grant funded sources. Settlement negotiations are ongoing while the defense continues to review discovery.

In recent years, the SFDA has identified and investigated premium fraud cases with a focus on specific industries and businesses that are engaged in the underground economy. Employers who often exploit immigrants as cheaper labor sources also tend to underreport their payroll and their number of employees to their insurer. Such employers can be held criminally liable for premium fraud charges.

Joint Employer Compliance Efforts

In addition to swift and efficient criminal prosecution, the SFDA recognizes that public safety is enhanced by implementing measures that promote crime prevention and deterrence. As such, SFDA has successfully instituted a compliance check program aimed, in the first instance, at bringing employers into compliance with workers' compensation regulations and requirements, and thereby avoiding criminal prosecution.

The SFDA is committed to protecting public safety and worker safety by way of ensuring that employers secure workers' compensation insurance. In February 2014, the SFDA expanded its efforts to investigate and prosecute fraud in the underground economy by launching an

Employer Compliance Program. The purpose of the program was to: (1) alert and inform employers of their obligation to secure workers' compensation insurance for their employees; (2) ensure compliance with Insurance Code §3700.5, by prosecuting those not in compliance; and (3) identify any businesses that may be in compliance with Insurance Code §3700.5, but are committing premium fraud.

An Employer Compliance Program initiative typically begins with an investigator receiving leads from a partner agency (DIR, EDD, State Fund, CDI, SFDPH) regarding suspected workers' compensation insurance non-compliance. The partner agency may have generated this list through its own investigation, compliance checks, and/or the personal observations made by regulators. Once the leads are received our office sends a notification letter to the employers requesting proof of their workers' compensation insurance policies per Labor Code § 3711. For those businesses that still do not respond, an SFPD investigator conducts a site visit to personally serve the compliance request letter and ensure receipt by the appropriate person. Typically, if proof of insurance is not provided within 10 days, the investigator might commence an investigation for a violation of § 3700.5 of the Labor Code. If proof of insurance is provided within the 10 days, the investigator would still follow-up with the business within six months to one year later, to determine whether the business was still in compliance. Additionally, in some instances, if an employer recently obtained insurance, the investigator contacted the carrier to determine whether the employer was properly classifying and reporting his/her employees and whether a premium fraud investigation was warranted.

Fraud Related to Massage Parlors

In 2020, an SFDA workers' compensation compliance initiative stemmed from concerns that businesses were violating COVID-19 related shelter-in-place orders. In mid-April, 2020, there were reports to the San Francisco Department of Public Health (hereafter referred to as SFDPH) that a number of massage parlors were fully operational despite San Francisco's mandatory shelter-in-place non-essential business closure ordinance, intended to stop the spread of the COVID-19 pandemic. Most of these businesses were not properly permitted through SFDPH and were suspected of not having any or adequate workers' compensation insurance coverage. In accordance with Labor Code § 3711, SFDAI Inspectors hand delivered compliance letters to the 12 massage parlors identified by SFDPH.

In a departure from pre-pandemic years, and due to health and safety concerns related to the pandemic, the SFDAI did not attempt to enter the establishments to effectuate personal service on the business owner or manager. Since they did not enter, the Inspectors were not able to verify if or to what extent employees were working. However, by mid-July 2020, 6 of the 12 establishments on the list had responded to the compliance letter, and 4 of the 6 provided proof of workers' compensation insurance. Two other parlors indicated their intent to obtain workers' compensation insurance. Follow-up investigation in collaboration with SFDPH and the SFPD continues as to those parlors that did not respond.

In April 2020, the SFDA filed arrest warrants and a nine-count felony complaint against two massage parlor business owners in *People v. Strong and Ma*. This case originated when in February 2018, SFDAI checked multiple massage establishments via the WCIRB website to ensure they had workers' compensation insurance and discovered that Pressure Point Massage was not compliant. In collaboration with SFDPH and EDD, SFDAI learned that despite having employees, the owners failed to secure workers' compensation insurance, lied under oath to DPH in their permit applications, stating that they did not need workers' compensation insurance, failed to register with EDD, and filed no or false quarterly contribution returns and reports of wages with EDD, in violation of the Unemployment Insurance Code. This case resolved with a plea.

Construction/Roofing Industry

Roofing industry insurance premiums are among the highest in the state due to the inherent risks and high injury/casualty rate in this work. The workers' compensation insurance premium charged to an employer is determined by a number of factors: the type of work done by employees and represented by the Workers' Compensation Insurance Rating Bureau (WCIRB) advisory job classification code; an "experience modification" rate that factors in claims history; the employer's total payroll. The insurance rate for a class code is typically expressed by a percentage of payroll. (For illustrative purposes, the WCIRB pure premium rate for high wage roofers is $8.52/$100 of payroll whereas the pure premium rate for a clerical office worker is $.23/$100.) A May 2019, "Fall Protection in Construction" safety publication by Cal/OSHA begins, "Falls are among the most common reasons for workplace injuries and fatalities in California. Falls generally occur when employees are working at an elevated height and are not adequately protected." Given the high costs of maintaining adequate workers' compensation insurance coverage for job codes such as roofing, and especially in a construction epicenter such as CCSF, the misclassification and non-reporting of employees is not uncommon. Thus, workers' compensation premium fraud is a significant problem in this industry.

The SFDA has partnered with DIR's Roofing Compliance Working Group (RCWG), a multi-agency task force created to combat the underground economy and improve California's business environment. RCWG is an arm of California's Labor Enforcement Task Force (LETF), a coalition of state agencies formed to combat the underground economy. The task force operates under the direction of DIR and conducts inspections in high-risk industries. LETF member partners include Cal/OSHA, Division of Labor Standards Enforcement (DLSE), the Contractors State License Board (CSLB), EDD, CDI, the Bureau of Automotive Repair, Alcoholic Beverage Control and the California Department of Tax and Fee Administration. The objectives of RCWG include responding rapidly to complaints of workplace health and safety hazards in the roofing industry, as well as investigations of complaints related to payroll, misclassification of workers' activities, and adequacy of appropriate workers' compensation insurance.

Once a tip is received, a member of the RCWG – usually from Cal/OSHA – is dispatched to the job site to investigate the complaint. DIR notifies RCWG participating agencies by email when the RCWG receives a complaint of a roofer suspected of operating an unsafe worksite and/or violating workers' compensation laws. DIR's email notification generally includes preliminary information from the LETF lead and photographs that indicate the employer may not be complying with safety and/or labor laws. Given the inherently dangerous nature of roofing work, Cal/OSHA and/or CSLB typically first respond to the complaints to address the safety issues. As may be requested and warranted, SFDA Investigators respond to the complaint by physically visiting the jobsite or by conducting research of the employer's building permit status with SFDBI, their registration and payroll information with EDD, and determining their workers' compensation insurance policy status.

If the SFDA determines that a roofing contractor working in San Francisco is violating workers' compensation laws – including failing to report employee payroll to the workers' compensation provider, misclassifying employees to save money on workers' compensation premiums, or failing to have a workers' compensation policy – then SFDA will conduct a formal investigation. The SFDA has also successfully employed other investigative strategies to combat premium fraud committed by roofing contractors. The first step is to identify problematic roofing companies. SFDA investigators contact carriers and request information about roofing contractors that are reporting almost zero or no payroll for roofer employees, and who are operating in San Francisco. By cross-referencing these businesses with payroll records from EDD, permit

information from the San Francisco Department of Building Inspection (SFDBI), and information from the carriers of prior workers' compensation claims by employees, the SFDA investigators have been able to flag businesses suspected of engaging in premium fraud. Furthermore, employers who have no workers' compensation insurance but falsely state they are insured could be guilty of filing false documents with SFDBI.

The SFDA's membership in the RCWG has allowed our investigators to: (1) act expeditiously on tips to enforce employers' compliance with workers' compensation insurance mandates; and (2) develop criminal investigations of insurance fraud within the underground economy. By participating in the RCWG, the SFDA can better respond to allegations that workers are working in unsafe conditions. This enables the SFDA to simultaneously interview employees and conduct investigations that could lead to premium fraud charges. These investigative tasks include observing the number of employees at the job sites, and their roles and activities; identifying the job foreman and requesting proof of workers' compensation insurance; and interviewing the employees/workers regarding their length of employment and methods of payment. Referrals received from other members of the RCWG may lead to viable premium fraud investigations, since employers who subject their employees to unsafe work conditions are often the same employers who commit payroll and premium fraud. Catching an employer (who claims no employees) at a job site supervising several workers is strong evidence that the employer is committing premium and payroll fraud.

Care Home Facilities

The care home, home health care and hospice industries are an unfortunate breeding ground for worker exploitation and fraud that is challenging to address due to the residential nature of the businesses, the disabled and/or elderly consumers and wide-spread utilization of vulnerable, non-English speaking workers. The following table from the UC Berkeley Center for Labor Research and Education[7] highlights some statistics particular to homecare workers:

The lack of compliance with workers' compensation insurance regulations is particularly troubling in industries such as these, where workers are paid low wages for physically and emotionally taxing work. To address issues in the industry related to workers' compensation premium fraud, in 2018 the Golden Gate Workers' Compensation Fraud Consortium brought care home investigations to the next level by developing premium and uninsured employer cases "from the ground up." An investigator and prosecutor team from another county provided training to Consortium members on how to successfully investigate care home cases. Rather that passively waiting for SIUs to forward leads, seven District Attorneys' Offices in the San Francisco Bay Area together with the Golden Gate Regional Office of CDI collaborated to investigate and charge several premium fraud cases involving care homes. CDI identified potential care homes that were committing premium fraud and then ordered the insurance carrier files and EDD records to see whether there were discrepancies in the amounts of payroll reported. This revealed, for example, that one care home in San Francisco had only reported roughly 30% of the payroll to State Fund that they had reported to EDD. CDI drafted search warrants for both the suspect care home and the owners' residence; both searches yielded a significant amount of evidence. The owners and employees of the care homes were interviewed by CDI. The entire operation was conducted by members of CDI, SFDA investigators, and other agencies working collaboratively. The operation resulted in the successful prosecution of *People v. Antonio Bondoc*; the owner of the care home was charged with five counts of felony premium fraud and one count of felony grand theft. This case was prosecuted and resulted in a felony guilty plea and our office obtaining more than $65,000 in victim restitution for State Fund and fines to CDI. We have built on this dynamic, and with CDI, we currently have two open investigations related to care homes in San Francisco. (2019-098-001 and 2019-098-002). In one, CDI compared the EDD records with the wages reported to the carrier and was able to identify premium fraud. At this point, we suspect about $17,000 of premium fraud, but this figure may well increase when search warrants are served. We have chosen to wait to serve search warrants on care homes until we can do so safely, considering COVID-19 restrictions. Once those restrictions are lifted, we will serve search warrants on the care homes, residences of suspects, the relevant banks, and payroll providers. The success of our care home operations is undoubtedly attributable to multi-agency collaboration.

Claimant Fraud

The highest percentage of FD-1s the SFDA receives relate to suspected claimant fraud. The SFDA is most successful in promptly prosecuting these cases when we receive complete and thorough investigations that are presented to us as documented case referrals. If we must wait for lengthy periods of time to receive documents, recorded interviews, *sub rosa* video, or additional QME reports, then the case begins to age and lose viability. The SFDA considers a well-documented case referral to be one that comes to our office with a detailed fraud report, deposition transcripts, an investigation file including surveillance video, medical reports, QME evaluations, and other evidence and corroboration to prove fraud beyond a reasonable doubt. The SFDA is committed to working with SIUs and with CDI to improve procedures so that well-documented cases of claimant fraud can be filed more quickly.

On December 4, 2019, the SFDA filed, *People v. Kinahan et al.,* a claimant fraud case resulting in the arrest of husband and wife defendants. This case involves allegations of "double-dipping," or continuing to work while receiving disability benefits and not informing the insurer of the secondary work. This case has been actively litigated this year and is discussed below.

In March 2022, we filed the case of *People v. Babak Sadreddin.* This claimant fraud case involved a San Francisco City and County (CCSF) employee. The defendant was alleging shoulder pain and injury after he had sustained a valid hernia injury which required surgery. The case was referred to SFDA in October 2020 after being referred to us by the San Mateo County District Attorney when they determined SFDA had jurisdiction. ADA Stephanie Zudekoff and DAI Michael Morse were able to complete the initial review and investigation of this case in four months. This case is currently pending in court.

We continue to review all claimant fraud referrals (FD-1 and SFC) submitted to our office to not only evaluate them for prosecution, but also as a form of outreach to individual SIU members as to the types of crime we can charge, our procedures in the investigation and filing of these cases, and to make well-informed, well-reasoned filing or declination decisions.

Voucher Fraud

A 2017 DIR white paper titled "Report on Anti-Fraud Efforts in the California Workers' Compensation System," referenced the existence of emerging schemes in which workers' compensation claimants were being defrauded of Supplemental Job Displacement Benefits (SJDB). "Voucher" fraud," as it is more commonly referred to, can occur when a fraudulent educational or skill retraining entity purports to

"help" a claimant obtain a voucher for benefits, but fails to provide any real retraining or service, improperly uses voucher funds, and/or obtains kickbacks for referrals. It can also occur wherein a claimant's name and personal identifying information are used to submit fraudulent claims without the claimant worker's knowledge. We recently opened a new voucher fraud investigation that is referenced in Attachment B. (2020-224-001.) We issued a demand letter to obtain more information, but the fact that the target business was operating as a copy business and then became involved in issuing vouchers was one basis for the SIU reporting potential fraud.

Resolved Cases

In the past two years, we have successfully resolved the following cases:

People v. Marta Betancur

On December 4, 2020, Betancur pleaded guilty to one count of Ins. Code §1871.4(a)(1) as a felony for 80 hours of county jail servable through alternatives given the pandemic, and a two-year probationary term. At the time of the plea, Betancur paid in full restitution of $80,000 to CCSF. Betancur was sentenced on January 15, 2021.

This successful prosecution was a collaborative effort of an SFDAI Inspector who conducted a very thorough investigation, the hard work of the prosecutor who filed the case before going on leave, and an experienced SFDA program prosecutor who inherited the case and expertly negotiated a sound resolution.

The following two cases were resolved in 2019, but we continue to engage in litigation and monitoring related to recovering additional amounts of restitution:

People v. Francis Doherty

On April 10, 2019, defendant was sentenced on two violations of Insurance Code § 11760(a) to 60 days of county jail (that could be served through 500 hours of community service), three years of probation, restitution, a search condition, and fines and fees. At the time of the sentencing defendant paid $20,000 in restitution. The remaining amount of restitution owed will be determined after a restitution hearing. Our office is currently in extended discussions with defense counsel on the premiums owed from the Defendant's fraudulent activity. The defense has recently hired an expert to assess the findings of CDI and the insureds to determine if a restitution hearing would be necessary.

People v. Jay Trisko & Christopher Ramos (dba cSolutions)

Another resolved complex fraud case involved the owners of cSolutions Insurance Company who stole their customers' insurance premiums. The defendants operated an insurance brokerage, and they stole money from clients who hired them to obtain liability and workers' compensation insurance for their businesses. For over two years, Ramos and Trisko, doing business as cSolutions, received $556,133 in insurance premiums from various consumers and failed to remit them to the carriers. Unbeknownst to the victims, their policies were never placed and there was no coverage in effect. By stealing their clients' money and pretending to purchase insurance policies, these defendants jeopardized their customers' businesses, which were financially vulnerable without insurance coverage.

On March 20, 2019, both Defendants were sentenced pursuant to a plea agreement where they pleaded guilty to three felonies: violations of Penal Code § 487(a) - Grand theft; Penal Code § 182(a)(4) - Conspiracy to commit Theft; and Insurance Code § 1733 - Breach of fiduciary as an insurance broker. The Defendants were placed on five years of probation with the following terms: one year in the county jail; payment by each of $20,000 towards restitution and the outstanding balance will be ordered by the court; subject to warrantless search; and the Defendants are not to negotiate or effect contracts of insurance other than for their own personal liability. Since being placed on probation and as a part of the Court's restitution order, Ramos has paid an additional $1,425 and Trisko has paid an additional $2,270. We are monitoring this case for continued payments as the Court's Collection Unit oversees receipt of restitution funds.

People v. Jack Strong and Mikyong Ma

On April 29, 2020, our office filed nine felony counts and one misdemeanor count against Jack Strong and Mikyong Ma, owners of San

Francisco's Pink House Salon and Spa (formerly Pressure Point Massage) in San Francisco Superior Court for workers' compensation and unemployment insurance fraud.

Jack Strong and Mikyong Ma opened Pressure Point Massage in San Francisco in 2013 and changed the business name to Pink House in 2019. From 2014 through 2019, the defendants appear to have employed upwards of ten to fifteen individuals. However, Strong and Ma never obtained workers' compensation insurance for their employees. Between 2014 and 2019, Strong and Ma perjured themselves in sworn permit applications filed with the SFDPH, by falsely stating their employee count. In so doing, they avoided compliance with both labor code requirements and workers' compensation insurance regulations. They also feloniously submitted false quarterly returns and reports of wages to EDD and underpaid or altogether avoided paying state mandated payroll contributions and taxes.

This case involved drafting, filing and executing search warrants on three financial institutions in February 2020. This investigation was possible through collaboration with DPH investigators and information obtained from EDD and the FBI. The investigation revealed the defendants may have been operating an illicit business. Our office charged the defendants with Labor Code§ 3700.5 -Failure to Secure Workers' Compensation Insurance; Penal Code § 118(a) -Perjury; Penal Code § 115(a) -Filing False Legal Documents in a Public Office; Unemployment Insurance Code § 2101.5 -Making a False Statement to Avoid Contributions; Unemployment Insurance Code § 2108 -Refusal to Make Contributions; Unemployment Insurance Code § 2117.5 -Failure to File Tax Returns.

On June 15, 2020 both defendants were arraigned in court, and over the course of the COVID-19 pandemic, the Program prosecutor made several court appearances over Zoom litigating discovery issues. On November 19, 2021, each of the defendants was sentenced on a felony as well as a violation of Labor Code section 3700.5(a) to two years of probation, 500 hours of community service, and a $10,000 fine that, at the time of plea, they paid to the Workers' Compensation Fraud Account.

People v. Paul Kinahan and Karen O. Kinahan

This was a claimant fraud case arising from Paul Kinahan injuring his finger on October 13, 2015, while he was working for a local construction firm. Kinahan required medical treatment as well as surgeries to repair his severed finger. He received TTD checks for lost wages from the employer's insurer, Gallagher Bassett. The TTD payments that Paul Kinahan received from October 14, 2015 to August 15, 2017, were deposited into Paul and his wife Karen's joint bank account. On February 28, 2017, the Kinahans were deposed as part of a civil lawsuit they filed against the prime contractor on site on the date of the injury. At the deposition, Paul and Karen both testified under oath that Paul had not worked and had not been able to work since his injury on October 13, 2015. To the contrary, the surveillance footage, invoices, and bank records showed that while Paul Kinahan collected disability benefits, he ran a construction business, and performed physical work. Karen Kinahan managed the company's finances and paid vendors and suppliers. The investigation also revealed that Paul Kinahan did not have an active contractor's license while performing construction work during part of the period of his purported disability.

In 2021, the Program Investigator conducted additional witness interviews related to a claim by the defense that Paul Kinahan was entitled to the TTD payments he received, because he took legitimate leave related to surgery, and that once he started his new job, he still suffered wage loss.

Ultimately, even after additional interviews and investigation, it remained clear that Paul Kinahan was not entitled to TTD payments beyond April 21, 2016, and $50,110 was owed to Gallagher Bassett.

On March 14, 2022 the Insurance Code section to which both of the defendants pled, 1871.4(a)(1), were reduced to misdemeanors, because together they had paid $50,110 in restitution to Gallagher Bassett and each had completed 250 hours of community service. They received 1 year of adult probation and were ordered to complete recommended treatment.

1. **Notable Current Prosecutions**

The following are cases currently being prosecuted by SFDA attorneys:

People v. Dominique Smith

We filed an arrest warrant in this case on April 12, 2021. Our DAI team is working to have Ms. Smith surrender. The Complaint sets forth felony violations of insurance fraud (Insurance Code section 1871.4 and Penal Code sections 550(a)(1) and 550(b)(1)).
According to the filed arrest warrant, on June 24, 2020 Smith broke her finger in a domestic dispute and received medical treatment. She went to work the next day on June 25, 2020 at UPS located at 2222 17th Street and then reported to her supervisors that she injured her hand while sorting packages for delivery. Smith was immediately treated for her injury at SFGH telling medical staff that she injured her hand at work.

Smith became eligible for medical benefits and disability pay under UPS' workers' compensation insurance. Smith also confirmed with the insurance adjuster, in a subsequent interview, that she was injured at work and that her hand had not previously been injured. Video surveillance of her work area at UPS revealed no incident causing Smith to suffer a hand injury during her shift. She also appeared to avoid using her left hand when she arrived to work and during her work shift, prior to reporting that she was injured. UPS paid $6,058.79 for treatment and services from June 25, 2020 through November 5, 2020.

People v. Tommy Jue

This case was discussed at length above. An arrest warrant was filed on January 28, 2021, charging Jue with multiple felonies and one misdemeanor, including one count of felony premium fraud and one count of Penal Code § 550(b)(3) felony insurance fraud. Mr. Jue was arraigned on March 23, 2021. The case is pre-preliminary hearing and the parties are engaging in discovery and pretrial conferences.

People v. Kai Cheng Tang d.b.a Amherst Associates Construction Management Inc.

In January 2019, our office filed charges of insurance premium fraud, theft and perjury against defendants *Amherst Associates Construction Management (Amherst Construction)* and its owner *Kai Cheng Tang*. This is a complex premium fraud case that was developed with CDI. In January 2015, Amherst Construction was fined $20,000 by DIR. State Fund then audited the company's workers' compensation policy. Between 2010 and 2015, Amherst Construction reported to State Fund that they had no employees. However, according to State Fund's review, Amherst underreported payroll from 2010 through 2015, resulting in an estimated premium loss of $249,987.

An SFDA investigator prepared and served multiple search warrants for Amherst's banking records to identify payroll. The investigation also required locating and interviewing uncooperative employees as well as coordinating and working with investigators from DIR, CSLB and State Fund. The owner-defendant surrendered on the arrest warrant on January 18, 2019. This case has been arraigned and we were engaged in negotiations until the defense learned that SFPD is investigating Kai Cheng Tang, with the expectation of filing an arrest warrant, for real estate fraud.

People v. B & A Bodyworks and Towing/Richard Bilafer

This case involved a referral by State Fund regarding a towing company (B & A) that allegedly underreported payroll in 2013-2015, totaling $828,200, with an original estimated loss of $90,973.94. According to the referral, an injured worker was sent to B & A's "personal chiropractor" when he injured his shoulder on the job. He was then referred for an MRI and was told he would have to pay for it out-of-pocket. On his own, the injured worker went to the Veteran's Administration, who advised him to file a worker's compensation claim, which he did. Of note is the fact that he was injured so badly he can no longer work as a tow truck driver.

Once State Fund referred the case to our office, we launched an intensive investigation. Investigators conducted seventeen recorded interviews of State Fund employees and former employees of the target business. Three of these were conducted by a private investigator hired by State Fund and the other fourteen by our investigators. Our investigators also thoroughly researched the business entity and operations and EDD records were obtained. In comparing them, it became clear the suspect was reporting much less payroll to State Fund than he was to EDD. Our investigator prepared two search warrants, one for a payroll company and another for Bilafer's bank, where he had three business checking accounts, two personal checking accounts, and one personal savings account. In reviewing the voluminous bank records, we learned that payments had been made to 38 employees. Using the evidence from the bank search warrant, the search warrant on the payroll company, State Fund payroll report and audits, and B & A's quarterly EDD reports, our office was able to reconstruct B & A's payroll for the 2013-2015 policy years.

In this way, we developed probable cause to serve search warrants on three large business locations in two counties, as well as on the primary suspect's residence concurrently with an arrest warrant. With an SFDA investigator as lead of this major operation the execution of these warrants was successfully effectuated by 19 SFDA investigators, 14 CDI detectives, 6 CHP officers, and members of SFPD, Burlingame Police Department, and the San Mateo Sheriff's Office. The defendant was arrested on April 3, 2019 and both he and the company were charged with multiple felony counts of premium fraud.

The original charged period was for the years 2013 to 2015. After reviewing the voluminous amount of seized evidence, we amended the complaint in July of 2020 to charge two additional counts of premium fraud, for 2016 to 2018. As a result, the amount of restitution owed to State Fund grew from $90,000 to $240,132.46.

This case is a very complex one. The restitution alone almost renders it a very complex case, but even classifying it as complex, because the restitution is just shy of a quarter million dollars, there are seven aggravating factors: (1) multiple defendants or suspects, (2) more than 2000 pages of reviewable materials, (3) more than 20 witnesses, (4) search warrants involving 2 or more search locations, (5) search warrant that require assistance of a computer forensics expert, (6) more than 2 public agencies involved and (7) one or more motions requiring a filed response.

There are nearly 80,000 pages of discovery and 17 interviews. Settlement negotiations are ongoing while the defense continues to review discovery.

People v. Gina Gregori, et al. (GMG)

This is a four-defendant premium fraud case involving excessive takings, with white-collar crime allegations and enhancements totaling $7,100,000, by a large janitorial company with numerous contracts throughout California discussed above.

A significant new development in this case was the information we received that the defendant has started a new janitorial business, presumably during the pendency of the current case. In August 2020, on our motion, the court signed an additional temporary restraining order on bank accounts in Gregori's name and the name of her occasional boyfriend, who had posted her bail and funded her ventures in the past. The court extended the Receivership to cover these accounts. The records from the newly added bank accounts show Gregori was indeed running a new janitorial business, "Heart & Soul."

In March 2021, at our request and to secure restitution for the insurers, the Receiver filed a claim on sale proceeds of home formerly owned by Gregori's occasional boyfriend, that had been in the receivership. Gregori's assets are subject to numerous lienholders and their claims have added an increased level of complexity to this case.

To date, three search warrants have been executed and nine locations have been searched, including the businesses, homes, and bank accounts of the defendants and their associates. The discovery consists of more than two terabytes of data. This case is pending in San Francisco Superior Court.

People v. Catherine Gregoire (Claims Litigation Management Solutions); People v. Adela Delores Belfrey

This is a complex provider fraud prosecution involving conspiracy to commit fraud, forgery, claims adjuster fraud, identity theft, grand theft, and money laundering. The co-conspirator's company was not an approved vendor for the employer. After eight months, the company learned that the insider had secretly approved over $528,000 in payments to her co-conspirator. When the victim insurance company asked the insider about her approval of the invoices, she claimed not to remember approving the invoices and then she quickly resigned. The co-conspirator used her fraudulently obtained proceeds to pay for an exorbitant lifestyle, which included Louis Vuitton luggage, high-end jewelry, and a Mercedes Benz.

This case involved more than 200,000 pages of discovery, 10 search warrants, and over $528,000 in money fraudulent obtained from the insured. To date, over $35,000 of defendant's assets have been frozen and seized pursuant to Penal Code §186.11(e). The defendant is awaiting preliminary hearing which is scheduled to begin May 7, 2021. Due to the complexity of the multiple fraudulent liens and demands for payments the Defendants have allegedly made, extensive time has been devoted to collaborating with the victim insurance company's SIU and claims analyst in preparation for the hearing's testimony. Our office issued four *subpoenas duces tecum* for records involving over 20 provider liens that have been received by the Court on January 26, 2021, in preparation for the hearing.

People v. Luca Minna (Farina)

An arrest warrant was filed on July 9, 2019 in a case that involves a high-end restaurant that is suspected of not paying appropriate sales taxes to a state regulatory tax agency and of committing workers' compensation premium fraud. The complaint alleges nine counts of workers' compensation insurance premium fraud, failure to pay taxes and theft. Luca Minna operated a high-end Italian restaurant located at 3560 18th Street called Farina Focaccia Cucina Italiana Restaurant and Farina Pizza located at 700 Valencia Street. From 2008 through 2016, Minna had intentionally underreported his sales revenue to the CDTFA, formerly the Board of Equalization. Minna is charged with tax evasion for failing to properly report sales revenue for both his restaurants resulting in $468,022 in taxes that were not paid to the California Department of Tax and Fees Administration.

Further, from 2008 through 2016, Minna was fraudulently underreporting his employee payroll to both the EDD and to his workers' compensation insurance carriers. EDD is estimated to have lost $789,716 in payroll taxes. During those same years, Minna's different workers' compensation insurance carriers also suffered $167,678 in total premium losses.

This investigation was initiated from the Board of Equalization's investigative unit resulting in search warrants being executed at both restaurants and Minna's residence in September 2015. Auditors and investigators from BOE and EDD examined seized records to determine the actual sales and payroll records for both restaurants. SFDA worked with CDI to identify premium fraud losses to Minna's workers' compensation carriers. Finally, several employees working for Minna, were not paid their full wages during employment and have filed claims with DIR.

The defendant is currently a fugitive and believed to be living outside the United States. Our office was evaluating the possibility of extradition. Due to the pandemic and domestic and international travel restrictions, extradition was not viable in the past year. However, the State Department and Customs Border and Protection will notify our office if the defendant enters the country and/or if the Defendant seeks a visa to travel to the United States.

People v. Dr. Pevec Marijan

On March 24, 2022, our Program arrested Chiropractor Marijan Mateus Pevec for forging a settlement letter from Sedgwick, agreeing to pay Dr. Pevec $10,000. Our thorough and efficient investigation revealed that on October 2, 2020, Dr. Pevec filed a lien seeking payment for medical services he allegedly provided, which Sedgwick had previously denied. Sedgwick's defense attorney was unable to reach an informal settlement agreement with Dr. Pevec and scheduled a Workers' Compensation Appeals Board (WCAB) lien conference. Interrupting the February 23, 2021 WCAB lien conference that was not going his way, Dr. Pevec told the defense attorney and the judge, "oh, wait a minute." He went on to state that the insurer had offered to settle the claim for $10,000, he had accepted, and he had the documents to prove it. Within minutes he emailed Sedgwick's defense attorney the documents which include a letter that appears to be on Sedgwick's letterhead, addressed to him, stating that Sedgwick agreed to settle the claim for $10,000. Dr. Pevec impersonated Sedgwick by utilizing its logo, business name, and address on the fraudulent letter. The letter Dr. Pevec emailed the lawyer for the insurance company is a forgery through which he attempted to defraud the insurer of $10,000. Dr. Pevec is being arraigned in San Francisco Superior Court on April 25, 2022 on charges of: Insurance Code§ 1871.4(a)(1) Fraudulent Misrepresentation to Obtain Insurance Benefit; Penal Code § 470(b) Counterfeiting a Seal; Penal Code § 530.5(a) Identity Theft; Penal Code § 550(b)(2) False Statement to Obtain Insurance Benefit; and Penal Code § 664/487(a) Attempted Grand Theft.

Successful Efforts in Outreach and Training

Our office continues to increase and expand our outreach and training to carriers, law enforcement agencies and associations fighting insurance fraud.

The SFDA Program and The Golden Gate Workers' Compensation Fraud Consortium

The Golden Gate Workers' Compensation Fraud Consortium (previously North Bay High Impact Workers' Compensation Fraud Consortium) was established in 2017. A Memorandum of Understanding exists between CDI's Benicia Regional Office and the District

Attorney's Offices of San Francisco, Alameda, Contra Costa, Solano, Napa, Marin, and Sonoma Counties. The SFDA's participation in the Golden Gate Workers' Compensation Fraud Consortium presents opportunities for collaboration in various areas of fraud investigation between the seven-member district attorney offices in the San Francisco Bay Area and the Golden Gate Regional Office of CDI.

Through collaboration, the exchange of information, and the sharing of resources, the Consortium's goal is to be more effective within the region in combatting complex workers' compensation fraud. Part of the Consortium's mandate is to reach out to SIUs and other agencies to provide and receive training, and to identify and discuss current trends and schemes in complex workers' compensation fraud cases. Consortium members meets quarterly to exchange ideas, hear from industry experts, and to discuss topics relevant to the joint mission of engaging in best practices in the investigation and prosecution of insurance fraud. For the past five years, the Consortium also planned and presented an annual (now national) free one-day training event.

The move away from in-person and to remote gatherings due to COVID-19 has had a significant impact on outreach efforts, arguably in both good and bad ways. In what could be considered a silver lining, the pandemic forced groups to gather virtually thus facilitating virtual gatherings of many more people from geographically dispersed locations. For example, as noted, the Consortium organizes and hosts an annual fraud training intended to be an educational, networking and outreach event for stakeholders committed to preventing and fighting workers' compensation fraud. Last year, the virtual Consortium training drew 522 attendees from 26 states. The event included a morning presentation by telehealth experts Tom Fraysse and Dr. Michael Stahl. In the afternoon session, SFDA Managing Attorney Supriya Perry and State Fund Senior Vice President of Special Investigations Jay Bobrowsky co-moderated a panel on Law Enforcement Perspectives on fraud referrals.

Representatives from all seven Golden Gate Consortium counties presented and engaged with participants in a presentation and question and answer format that received very positive participant feedback. Through the training we were able to provide participants, including many SIUs from across the country with insights into our processes and contact information for inquiries and referrals. This format was such a success, that the Consortium is considering both an in-person and virtual broadcasting format for future trainings.

1. **Workers' Compensation Fraud Prevention Public Service and Outreach Campaign**

The SFDA recognized a need to intensify outreach efforts with the goals of raising public awareness and encouraging reporting of workers' compensation fraud. At the same time, the SFDA sought to minimize the use of grant funds for this purpose. In 2019, the SFDA Economic Crimes Unit manager, who is also the Workers' Compensation Insurance Fraud Program Manager, prioritized developing and launching a city-wide public service campaign aimed at increasing reporting of workers' compensation insurance fraud to the SFDA and the SFPD. The public education campaign was also meant to raise fraud awareness among employers and employees in minimum-wage and cash-paying businesses (i.e., childcare providers, caregivers, contractors, construction workers, restaurant servers) and encourage them to anonymously report suspected workers' compensation insurance fraud. The intent behind the campaign slogan "Workers' Comp. Insurance FRAUD—one LIE, we all PAY"is to convey a sense of personal accountability and agency to all those involved in the workers' compensation system to assist in fraud detection and prevention.

For the first phase of this campaign, SFDA worked with SFMTA to run posters on the interior and exterior advertising spaces of fifteen Muni buses. SFMTA, through its public service partnership program, provided the advertising space to SFDA at no cost; this is an estimated unfunded value of over $20,000. All the printed material for the campaign includes reference to the SFDA's anonymous, multi-lingual fraud reporting hotline number. The messages are screened by an SFDAI Supervisor and then assigned to an investigator to follow up on the lead.

In the coming fiscal year, we will take this effort into the next phase. We will work with other city agencies to distribute the informational pamphlets which we printed in multiple languages. We will work to get them to unions and businesses and out to the public in general. This campaign will educate the public on the various types of Workers' Compensation Fraud prevalent in San Francisco. With the increased awareness, we expect to prevent future fraud along with uncovering any present or ongoing crimes.

SFDA's New and Innovative Outreach Initiatives

Under the leadership of District Attorney Chesa Boudin, our office has launched several new initiatives related to outreach. To name a few: (1) the DA presents on important public safety issues at a weekly Facebook Live event; (2) our newly designed website includes a contact page where the SFDA Insurance Fraud Hotline is prominently displayed at https://www.sfdistrictattorney.org/contact/; (3) the launch of the Community Liaisons program, which is intended to strengthen ties between our office and the communities we serve; (4) SFDA participation in new Bay Area task force initiatives, including a North Bay joint task force that is fighting fraud related to unemployment

insurance. The SFDA Program continues to prioritize outreach and finding innovative ways to encourage fraud reporting.

Allied Governmental Agencies

The SFDA has long recognized that working closely with other governmental agencies and sharing information and investigative techniques is an incredibly effective method of combating fraud. The SFDA worked very closely with the Bureau Chief for CDI in Northern California to establish a multi-jurisdictional consortium consisting of CDI investigators along with prosecutors from the following seven counties: Alameda, Contra Costa, Marin, Napa, San Francisco, Solano, and Sonoma.

The SFDA team has learned that State Fund was growing its data analytics capabilities to better address fraud. Our Program Managing Attorney quickly reached out to State Fund to explore avenues for collaboration and to better understand the resource that State Fund was developing to assist prosecutors in identifying county specific areas and industries where workers' compensation fraud appeared to be most prevalent. In February and March 2021 our team met with members of State Fund SIU to learn about State Fund's data analytics capabilities and discuss opportunities for collaboration. The State Fund team has been an invaluable partner to the SFDA Program this past year.

Prior to the creation of the Golden Gate Workers' Compensation Fraud Consortium, there was no formalized communication between these governmental agencies and little opportunity to share prosecution strategies or "best practices" investigative techniques. The SFDA Program was instrumental in creating this Consortium. Since its inception, members meet quarterly to share investigative strategies and identify multi-jurisdictional criminal targets.

Participation in the Consortium has not only made it easier for prosecutors to share information, but also for government agencies to easily access a wide cross-section of local prosecutors. Representatives from the following agencies have attended Consortium meetings and discussed ways in which they could assist us in our fight against insurance fraud: CDI, DIR, CSLB, the Franchise Tax Board, the Department of Consumer Affairs, the Department of Labor, and the Northern California Carpenters Regional Council.

The SFDA, along with the Consortium, continues to work hard to establish a network of contacts within various governmental agencies so that we can more easily share and access investigative resources. As noted above, the virtual format of this year's Golden Gate Consortium annual training is an example of how many more agencies and contacts we can reach. Our ability to interact and collaborate on a larger scale was apparent just by the fact that the training was attended by participants in 26 states outside of California.

In addition to our work with the Consortium, the SFDA has worked closely with CSLB, the RCWG, the United States Department of Labor, and EDD to share information and develop criminal insurance fraud targets. In September 2015, the SFDA developed an innovative technique to identify premium fraud targets by comparing payroll information that employers submitted to their insurance carriers with payroll information that they submitted to EDD. In its simplest form, the employer would report no employees to its insurance carrier but report substantial payroll to the EDD. Using this technique, we continue to identify premium fraud targets within San Francisco.

Every year, SFDA and CDI execute a Joint Plan to recommit to the stated purpose of ensuring that the Department of Insurance's Fraud Division and the San Francisco District Attorney's Office will continue to operate in a cooperative effort to achieve successful insurance fraud prosecutions in CCSF. The SFDA Program Manager is in close communication with CDI sergeants and detectives and members of both teams meet regularly for case reviews. Enhanced and frequent communication have been key factors in moving investigations forward.

In March 2018, the SFDA entered into a Joint Plan of Action on Combating Workers' Compensation Fraud and a Data Sharing Agreement with DIR to share designated information to combat workers' compensation fraud. The purpose of the Joint Plan of Action was to formalize the process of identifying the information to be shared between the SFDA and DIR and coordinating the effort of identifying suspected workers' compensation fraud. SFDA continues to build on this working relationship with DIR within the data analytics space and in joint fraud investigations.

Cultivating partnerships with a wide variety of governmental agencies is a top priority for our office. We have long recognized that regular communications and information sharing with fellow governmental agencies is an incredibly effective way to maximize our investigative capabilities and to pursue mutual objectives.

San Francisco is a thriving city with a booming construction industry. Many construction employers unfortunately ignore their obligations to carry adequate insurance or to abide by city regulations. We have had great success working closely with the CSLB and our Special Prosecutions Unit to develop insurance fraud targets. The CLSB will often provide reports on investigations involving unlicensed contractors who are additionally operating without workers' compensation insurance or working with underreported or misclassified employees. The CSLB may first become involved through consumer complaints, but once the CSLB interviews and investigates the employer, they share their investigation with us if they uncover payroll or licensing discrepancies.

People v. Jorge Madero is an example of a case SFDA SPU recently resolved and that originated with a CSLB lead. From October 2015 to June 2017, Mr. Madero diverted construction funds into his other businesses rather than the projects to which they were promised and had not reported employee wages (nor made withholdings) to EDD. This investigation was conducted by the SFDA Special Prosecutions Unit

(SPU). Madero was arrested on August 19, 2019 and charged with Penal Code § 484b (diverting over $69,000) and Unemployment Insurance Code Section 2108. On September 2, 2020, Madero pleaded guilty to Penal Code § 487(a) (misdemeanor grand theft) and was sentenced to a term of three years of probation, 250 hours of community service, fines and fees, and a restitution order in the amount of $125,004, payable to a San Francisco victim. We had initially hoped to include uninsured employer charges in this case, but we were unable to do so due to the lengthier investigation that was necessary in this case and the short one-year statute of limitations for such a charge. However, we continue to work with the newer attorneys and investigators in SPU to educate them on evaluating these contractor fraud cases to consider the addition of charges related to workers' compensation insurance fraud.

We have also allied ourselves with top governmental and civilian operations dedicated to combating insurance fraud. The SFDA actively participates in the Anti-Fraud Alliance and the Coalition Against Insurance Fraud. Both organizations are nationally recognized as leading organizations comprised of both governmental agencies and private sector organizations joining forces to combat insurance fraud.

Attending and presenting at the Anti-Fraud Alliance's quarterly meetings, and at AFA's annual insurance fraud conference, are examples of how SFDA works to establish strong communication throughout the insurance industry and to keep abreast of new fraud trends and investigative techniques.

Even prior to the formation of the Consortium, the SFDA has worked closely with neighboring counties including San Mateo County, Contra Costa County, Alameda County, and Santa Clara County in the fight against insurance fraud. We assist agencies conducting operations within San Francisco County and we have referred our cases to neighboring counties when an investigation revealed an insufficient San Francisco nexus.

2. Applicant Question: Task Forces and Agencies

List the governmental agencies and task forces you have worked with to develop potential workers' compensation insurance fraud cases.

Applicant Response:

SIU's

CDI

SCIF

DIR

CAL/OSHA

EDD

CSLB

San Francisco Fire Department

San Francisco Police Department

San Francisco Building Department

SFDA Special Prosecutions Unit

San Francisco Department of Human Relations (Workers' Compensation Division)

Golden Gate Workers' Compensation Fraud Consortium

Roofing Compliance Working Group

San Francisco Department of Public Health

California Department of Justice

Federal Bureau of Investigation

US Postal Service

Department of Motor Vehicles

Department of Labor

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3. Applicant Question: Unfunded Contributions

Specify any unfunded contributions and support (i.e., financial, equipment, personnel, and technology) your county provided in Fiscal Year 21-22 to the workers' compensation insurance fraud program.

Applicant Response:

The SFDA commits significant resources that are not grant funded to fight insurance fraud, including, personnel, financial, equipment, and technological resources. Supriya Perry, the previous manager of the Economic Crimes Unit, and Program Director of the SFDA's Workers' Compensation Insurance Fraud Program, was unfunded. Ms. Perry supervised the workers' compensation insurance fraud team and represented the SFDA Program at various department, board and commission meetings and fraud conferences throughout California. Ms. Perry regularly met with team prosecutors, investigators, and support staff to discuss issues, strategize and ensure that investigations were proceeding efficiently and expeditiously. She reviewed all FD-1s submitted to the office and communicated directly with TPAs, SIUs and law enforcement

on cases submitted for prosecution. She met regularly with CDI managers and investigators to discuss the status of their investigations. Ms. Perry reviewed search warrants and arrest warrants prior to their being filed, regularly met with and discussed substantive legal and procedural issues with program assigned prosecutors and district attorney investigators and oversaw all negotiations of workers' compensation criminal prosecutions. Ms. Perry was also personally handling a new, complex insurance fraud medical provider investigation. Ms. Perry's salary and operating expense costs were an unfunded contribution.

In March of 2022, Ms. Perry resigned her position from the SFDA to take on a new career challenge at another agency. Assistant District Attorney Tina Nunes Ober was appointed the Managing Attorney position and will continue the roles that Ms. Perry filled for the Workers' Compensation Fraud Grant Program. All of Ms. Nunes Ober's salary will be drawn from the SFDA general funds and not funded by the grant.

In August of 2020, SFDAI Lieutenant Molly Braun took over supervision of the SFDAI Economic Crimes Unit team. Lt. Braun is an invaluable team member and leader with significant experience in fraud investigation, including workers' compensation insurance fraud. She has investigated large scale fraud cases including a case involving fraudulent business practices and theft, and the false impersonation of an attorney. She investigated a case referred by the Office of Labor Standards Enforcement involving numerous victims that were owed back pay. She has attended courses and seminars on financial crimes and fraud investigations by the Northern California Fraud Investigators Association, California Department of Insurance, and the International Association of Financial Crimes Investigators. She graduated from the Los Angeles Police Department Leadership Academy in 2016 and attended the Senior Management Institute for Policing program in Boston in 2018. She has both conducted and participated in hundreds of criminal investigations, including dozens of financial crimes investigations that involved a wide range of criminal acts constituting theft and fraud.

Lt. Braun reviews reports of investigations, ensures the case logs are current and works closely with allied agencies such as CDI. She also reviews and tracks arrest warrants, search warrants, and investigative plans submitted by the SFDA investigators. She is in the process of reviewing evidence obtained from financial institutions related to the investigations of GMG. Lieutenant Braun's salary and associated operating expenses come from SFDA's general fund and are not grant funded.

The SFDA has historically and continues to rely heavily on the unfunded assistance of paralegals in the White Collar Crime Division, both to provide generalized administrative support to the attorneys and investigators tasked with investigating and prosecuting workers' compensation insurance fraud cases, but also to provide paralegal assistance that is very specific to the SFDA Program. The paralegals maintain a database of all FD-1s submitted to our office to effectively track whether an FD-1 has been closed or an investigation has been initiated. This database tracks which investigator and prosecutor are assigned to each case and permits the supervising attorney to monitor the progress of any open investigation. Our technology staff, also unfunded, create reports from the database that allow us to engage in case review to move investigations forward efficiently. An unfunded paralegal, Valerie Blasi, has also created a spreadsheet to assist with the functionality of that database and that specifically captures case and investigation data that assists the SFDA Program in program analysis and reporting. Every resource in our office is made available to assist in the prosecution of workers' compensation insurance fraud cases.

The SFDA program is supported at all levels; District Attorney Chesa Boudin is committed to fighting fraud and has already allocated resources to that effort. In April 2020, DA Boudin launched the Economic Crimes Against Workers Unit to investigate and prosecute law violations committed by employers against workers. This innovative unit, one of the first of its kind in the nation, focuses on crimes such as wage theft and labor trafficking, as well as civil enforcement of workplace violations like misclassification, through the office's express authority under California's Unfair Competition Laws ("UCL"). The Unit is led by Assistant District Attorney Scott Stillman who has more than ten years' experience litigating issues related to workers' rights and employment law.

In June 2020, the Unit filed a civil enforcement action against DoorDash for misclassifying its delivery workers as independent contractors rather than employees in violation of California's UCL and Assembly Bill 5. Similarly, on March 27, 2021, the Unit filed a misclassification action against Handy Technologies for illegally classifying its cleaners and handypersons as independent contractors instead of as employees. Both actions are ongoing and seek restitution for workers throughout the State of California, injunctive relief to halt the ongoing misclassification, and civil penalties. Cases being brought by this Unit, such as misclassification and wage theft actions, frequently go hand-in-hand with workers' compensation insurance violations and have the potential to serve as an additional recovery source for workers' compensation insurance fraud.

The case of *People v. Jue*, discussed in detail above, is another example of cross-functional, unfunded work that our office engages in. This case was initiated and investigated by a team in our office's Special Prosecutions Unit. The lead SPU investigator has over thirty years of law enforcement experience, that includes experience investigating workers' compensation fraud, and he is a certified computer forensic analyst. Although assigned to our Special Prosecutions Unit, his

prior experience in workers' compensation fraud investigations was an asset to the SFDA Program's mission of combatting insurance fraud.

Volunteers, Interns, and Outside Agency Partnerships

Our office has a robust internship and fellowship program. Our interns are highly qualified and eager to work and learn. They organize documents, research issues, update forms, prepare presentations and contribute in immeasurable ways to our success. The SFDA has utilized the resources of SFDA volunteers and interns to identify and contact businesses for the Employer Compliance Program. That includes: randomly selecting businesses from various databases that indicate whether a business is operational in San Francisco; confirming businesses are currently operating by monitoring social media sites; creating and mailing letters requesting certificates of workers' compensation insurance; and collaborating with the SFDA investigator on any issues involved with this program. The SFDA has provided unfunded contributions by engaging volunteer financial accountants, forensic analysts, and graduate school students to review and analyze financials documents in workers' compensation premium and provider fraud cases.

Finally, in addition to partnering with the policy team to create the blueprint for a workers' compensation fraud reporting outreach campaign, the SFDA received the equivalent of more than $20,000 worth of advertising costs through its participation in a joint program with SFMTA to run the workers' compensation fraud prevention outreach message on local city transportation. The posters encouraging fraud reporting were run both on the interior and the exterior of local city buses.

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4. Applicant Question: Personnel Continuity

Detail and explain the turnover or continuity of personnel assigned to your workers' compensation insurance fraud program. Include any rotational policies your county may have.

Applicant Response:

The SFDA reaffirms its commitment to fighting insurance fraud by adding another SFDAI Inspector to the Program. In August 2021, we welcomed Senior Inspector Maura Duffy. Inspector Duffy began her law enforcement career in 1995 with the SFDA's office after graduating from the Police Academy. She has extensive experience investigating child abduction, sexual assault, domestic violence and juvenile delinquency cases. Inspector Duffy has received awards and recognition for her work with victims and witnesses. She has also worked in our Special Prosecutions Unit, investigating real estate fraud.

Inspector Douglas Keely officially joined our team on April 5, 2021. Prior to that date, in February and March 2021 he began work on an insurance fraud claimant case that we recently filed with the court. Inspector Keely is a veteran law enforcement officer. He graduated from the Oakland Police Department's police academy in March of 1999.

In the 19 years he worked for the Oakland Police Department, he was assigned to the Patrol Division, Community Policing Division, Crime Prevention Unit, Special Operation Unit, and Homicide Unit. Inspector Keely was promoted to Sergeant at OPD in 2014. He joined the SFDAI in March 2019 and joins the Economic Crimes Unit this year.

Our Program-funded attorneys and investigators bring deep experience in workers' compensation prosecutions to the Program and bring continuity to the Program due to the many years they have been affiliated with it.

Our most experienced prosecutor has over 27 years of experience prosecuting cases in both San Francisco and Solano Counties. He is an acknowledged subject matter expert on high tech crimes and is a certified POST instructor who teaches law enforcement throughout California how to use high technology to enhance their investigations. During his seven years as the Managing Attorney formerly assigned to oversee the Program, he was instrumental in establishing the North Bay (now Golden Gate) Consortium, which sprang from meetings and trainings he organized with workers' compensation prosecutors within the Bay Area counties.

Another SFDA , Alex Fasteau, is an experienced felony trial attorney who has been prosecuting insurance fraud for 4 years. A veteran trial prosecutor with more than 19 years of experience in both Solano and San Francisco County, they have handled some of the most serious and violent felony cases in our office, including the prosecution of defendants charged with sex crimes involving minors and human trafficking.

Assistant District Attorney Stephanie Zudekoff has served as a primary Program prosecutor since August 2018. Ms. Zudekoff joined the San Francisco District Attorney's Office in 2014 where she served as lead prosecutor for a wide range of crimes from misdemeanors, ranging from vehicular manslaughter to serious and violent felonies such as, attempt murder. Prior to joining this office, Ms. Zudekoff practiced law in Georgia for five years, including with the Georgia Attorney General's office. She received her Bachelor of Arts degree from the University of Georgia, and her Juris Doctor degree from Georgia State University, College of Law. She came to the SFDA Economic Crimes Unit having completed many general felony trials in San Francisco. In the Economic Crimes Unit, she prosecutes standard and complex white-collar crimes including financial fraud, workers compensation and automobile insurance fraud, and identity theft cases. Daily, Ms. Zudekoff collaborates in the investigation of suspected fraud referrals, which includes the preparation of investigative plans, the review of evidence and monitoring the progress of fraud investigations with District Attorney Investigators. Ms. Zudekoff works with local and state agencies to assess, target, combat and prosecute fraud schemes. Additionally, Ms. Zudekoff participates in interagency alliances and task forces formed to identify and combat fraud.

We will be adding a new ADA, Rebecca Friedemann, to our team this summer to fill an open position. She comes to SFDA from private practice. She joined the SFDA in January 2022 and is gaining tremendous courtroom experience on our general felony unit. Ms. Friedemann has been a member of the California Bar since December 2018. As an attorney in private practice, she handled complex commercial litigation and white collar defense. She will be a great addition to our team as she has worked on the defense side and brings a different perspective.

In March 2022, ADA Tina Nunes Ober was appointed as Managing Attorney for the team. Ms. Nunes Ober joined SFDA in April 2019. She has served as a prosecutor in Ventura and Santa Clara Counties and has over 28 years experience. Her position is unfunded by the grant. She has extensive jury trail experience, having handled every facet of criminal prosecution and practically every type of crime. She spent over 7 years prosecuting Consumer and Environmental cases in large complex civil prosecutions against major corporate defendants. She brings a wealth of knowledge to the team.

There is no set policy to rotate members into or out of the Economic Crimes Unit. We have, however, experienced turnover due to our investigators' strong analytical and organizational skills making them attractive to other teams within our organization. SFDA is committed to addressing the issue of personnel consistency, especially with respect to program investigators. SFDA has greatly benefitted in the last few years by having the same two highly experienced and skilled DA Inspectors investigating workers' compensation insurance fraud.

Investigator Jennifer Kennedy started her law enforcement career as an officer for the California Highway Patrol in 1991. While working for the CHP, she gained extensive experience in the investigation of vehicle thefts, vehicle collisions, and auto fraud. In addition, she received awards and commendations for her work against criminal street gangs. Investigator Kennedy also worked as an investigator with the CSLB, where she investigated licensed and unlicensed contractors who were accused of defrauding property owners. Investigator Kennedy's training and experience made her a natural fit as part of the workers' compensation fraud investigation team.

Investigator Michael Morse has decades of experience in law enforcement and has been a sworn police officer since 1989. During his 28 years with the Oakland Police Department, he held the position of Officer when he was assigned to the Patrol Division, Community Policing Division, Traffic Division, and the Special Events Unit. He was also assigned as an acting Sergeant of Police at the Animal Services Division for one year and the Property and Evidence unit for more than four years. He has conducted criminal investigations involving a variety of crimes including murder, rape, robbery, assault, burglary, theft, fraud, forgery, and embezzlement. Investigator Morse has interviewed thousands of victims, witnesses, and suspects, and gained knowledge and insight as to how these crimes are committed. He has written and executed search warrants where he seized evidence related to criminal investigations. He has authored thousands of official reports documenting criminal investigations and arrests and has testified in court regarding such investigations.

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5. Applicant Question: Frozen Assets Distribution

Were any frozen assets <u>distributed</u> in the current reporting period?

If yes, please describe. Assets may have been frozen in previous years.

Applicant Response:

No

Sub Section Name: Staffing

1. Applicant Question: Staffing List

Complete the chart and list the individuals billed to the program, including prosecutor(s), investigator(s), and support staff. Include any vacant positions to be filled.
For each, list the percentage of time devoted to the program and the start and end dates the individual is billed to the program.

Applicant Response:

Name	Role	Start Date	End Date (leave blank if N/A)	% Time
Conrad Del Rosario	Prosecutor	03/01/2011		.15
Alex Fasteau	Prosecutor	03/01/2016		.45
Stephanie Zudekoff	Prosecutor	08/01/2018		.45
Jennifer Kennedy	Investigator	01/01/2017		1.00
Michael Morse	Investigator	02/01/2017		1.00
Douglass Keely	Investigator	04/01/2021		.10
Maura Duffy	Investigator	08/01/2021		1.00
Rebecca Friedemann	Prosecutor	07/01/2022		.60

2. Applicant Question: FTE and Position Count

Complete the FTE and Position Chart, summarizing the positions listed in the previous question.

The chart should match what you will be entering in the budget. The budget entry will roll over into Post Award.

Applicant Response:

Salary by Position	# of Positions	FTE (1.00 = 2080 hours/year)
Supervising Attorneys		
Attorneys	4	1.65
Supervising Investigators		
Investigators (Sworn)	4	3.10
Investigators (Non-Sworn)		
Investigative Assistants		
Forensic Accountant/Auditor		
Support Staff Supervisor		
Paralegal/Analyst/Legal Assistant/etc.		
Clerical Staff		
Student Assistants		
Over Time: Investigators		
Over Time: Other Staff		
Salary by Position, other		
	Total: 8.00	**Total: 4.75**

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3. Applicant Question: Organizational Chart

Upload and attach to this question an Organizational Chart; label it "22-23 WC (county name) Org Chart".

The organizational chart should outline:

- *Personnel assigned to the program. Identify their position, title, and placement in the lines of authority to the elected district attorney.*
- *The placement of the program staff and their program responsibility.*

Applicant Response:
SFDA Org Chart _Form 06(b).docx - WORD DOCUMENT
22-23WCSF Joint Plan.pdf - PDF FILE
22-23WCSF BOSResolution.docx - WORD DOCUMENT
22-23WCSFTraining&Outreach.xlsx - EXCEL DOCUMENT

Sub Section Name: Problem Statement & Program Strategy

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1. Applicant Question: Problem Statement

Describe the types and magnitude of workers' compensation insurance fraud (e.g., claimant, single/multiple medical/legal provider, premium/employer fraud, insider fraud, insurer fraud) relative to the extent of the problem specific to your county.

Use local data or other evidence to support your description.

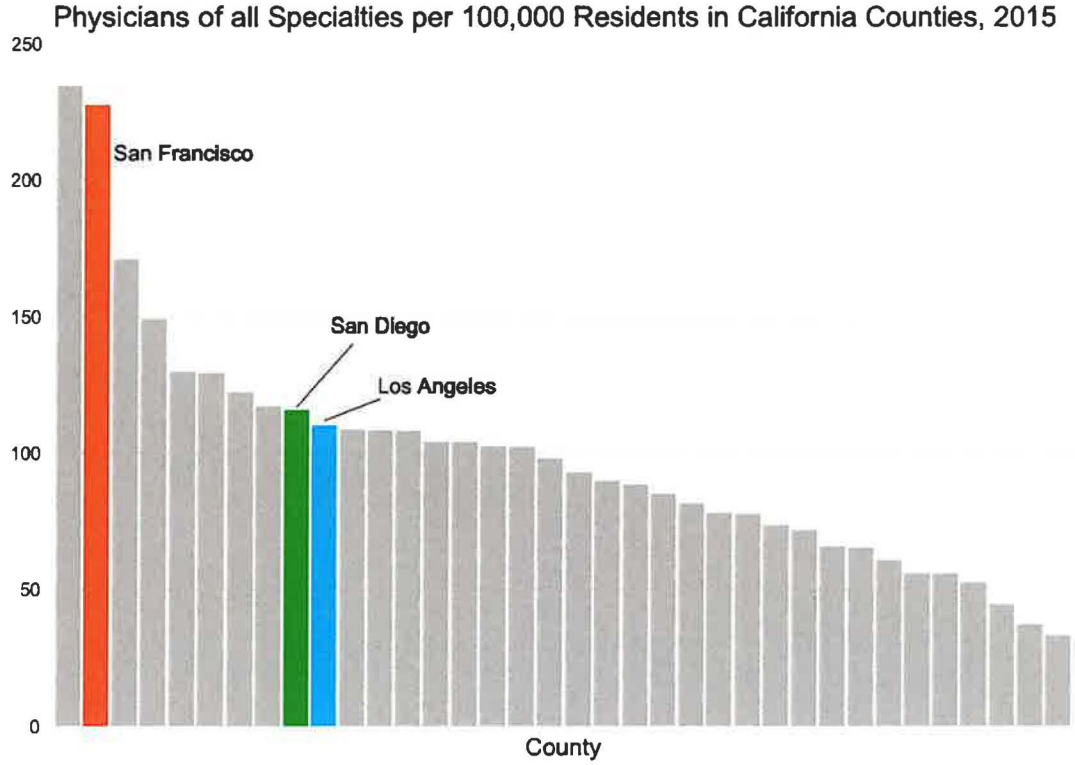
Applicant Response:

The San Francisco District Attorney's Workers' Compensation Insurance Fraud program (the SFDA or SFDA Program) has identified certain issues that are specific to workers' compensation fraud in San Francisco. First, consistent with the concerns of the Insurance Commissioner and the Fraud Assessment Commission, the SFDA recognizes medical provider fraud as a substantial cost driver in insurance fraud. Second, San Francisco's underground economy impacts multiple industries, including construction and various service providers such as massage establishments and nursing care facilities, and fosters crimes such as premium fraud and human trafficking. Third, because the City and County of San Francisco (CCSF) is the largest employer in the Bay Area, and a self-insured entity for all workers' compensation claims, fraudulent claims by city employees can drain the general budget of the employer department, resulting in reduced funding for that department's services, and negatively impacting the citizens of San Francisco.

Medical Provider Fraud

The SFDA recognizes that a major cost driver in insurance fraud is medical provider fraud. Combatting medical provider fraud is a priority of the San Francisco District Attorney's Office. Working with the California Department of Insurance (CDI) and local district attorneys, the Department of Industrial Relations (DIR) has, as of August 2019, suspended or indicted over 500 medical providers, effectively removing them from the workers' compensation system. Over half of the indicted medical providers who participated in the workers' compensation system were paid approximately 10 times more than other medical providers. Between 2012 and 2017, approximately 10% of indicted providers, including medical doctors, pharmacists, chiropractors, medical equipment providers and hospitals, in that order, received more than $10,000,000 in payments for worker's compensation related services.

San Francisco is home to UCSF, one of the country's 10 best hospitals, as well as 54 other primary care health centers. Medical care is relatively well distributed throughout the city's neighborhoods, with slightly fewer clinics per resident in the lower income areas. This county also has a very high number of primary care physicians relative to the size of its population. In fact, San Francisco boasts 80 primary care physicians per 100,000 residents, which exceeds the California average of 49 primary care physicians per 100,000 residents. San Francisco county is also home to the second-highest concentration of medical specialists in California, with 227 specialists per 100,000 residents.



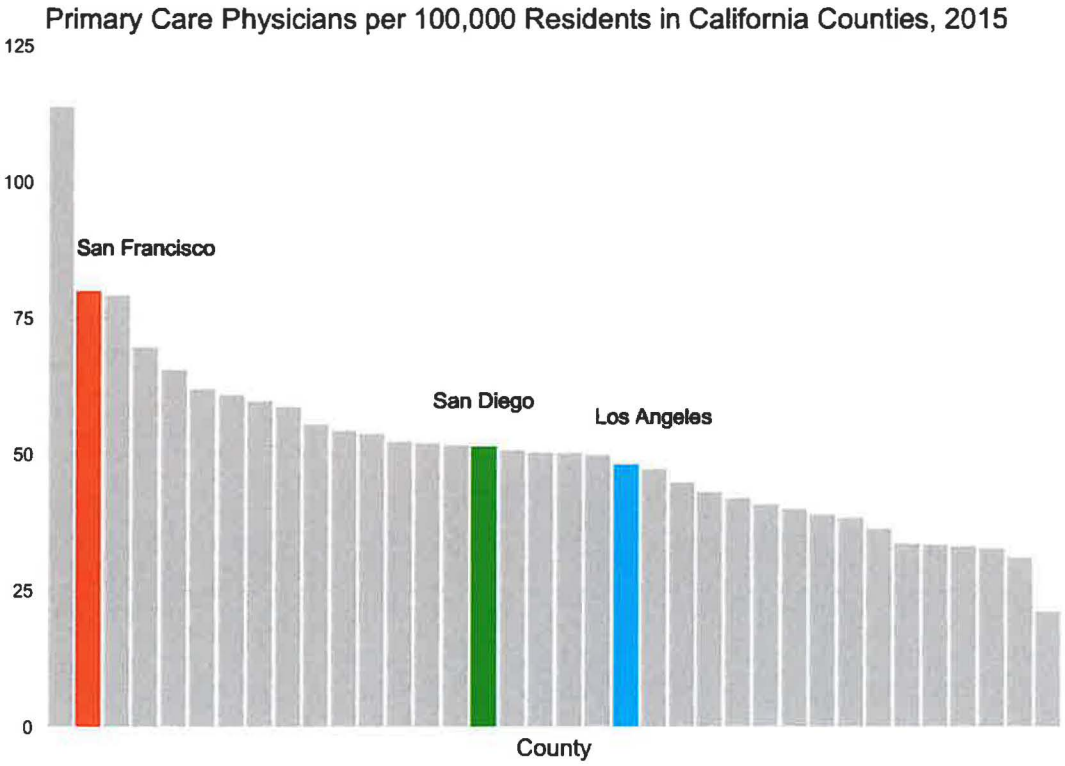


Chart data source: Survey of Licensees (private tabulation), Medical Board of California, 2015; Annual Estimates of the Resident Population by Sex, Age, Race, and Hispanic Origin for the United States and States: April 1, 2010 to July 1, 2015, US Census Bureau, June 2015. Compiled by

With such a large supply of medical providers there will inevitably be medical provider fraud. According to The National Health Care Anti-Fraud Association, "[t]he most common types of fraud committed by dishonest [health care] providers include:

- Billing for services that were never rendered-either by using genuine patient information, sometimes obtained through identity theft, to fabricate entire claims or by padding claims with charges for procedures or services that did not take place.

- Billing for more expensive services or procedures than were actually provided or performed, commonly known as 'upcoding' – i.e., falsely billing for a higher-priced treatment than was actually provided (which often requires the accompanying 'inflation' of the patient's diagnosis code to a more serious condition consistent with the false procedure code).

- Performing medically unnecessary services solely for the purpose of generating insurance payments – seen very often in nerve-conduction and other diagnostic-testing schemes.

- Misrepresenting non-covered treatments as medically necessary covered treatments for purposes of obtaining insurance payments – widely seen in cosmetic-surgery schemes, in which non-covered cosmetic procedures such as 'nose jobs' are billed to patients' insurers as deviated-septum repairs.

- Falsifying a patient's diagnosis to justify tests, surgeries or other procedures that aren't medically necessary.

- Unbundling – billing each step of a procedure as if it were a separate procedure.

- Billing a patient more than the co-pay amount for services that were prepaid or paid in full by the benefit plan under the terms of a managed care contract.

- Accepting kickbacks for patient referrals.

- Waiving patient co-pays or deductibles for medical or dental care and over-billing the insurance carrier or benefit plan (insurers often set the policy with regard to the waiver of co-pays through the provider contracting process; while, under Medicare, routinely waiving co-pays is prohibited and may only be waived due to 'financial hardship')."

Medical provider fraud can be particularly challenging to prosecute unless the prosecution is able to identify witnesses who can – and are willing to – truthfully relate what they know about the fraud. Documents alone do not usually prove intentional wrongdoing. One way to obtain evidence in connection with such fraud is via *qui tam* lawsuits. According to legaldictionary.net, "*Qui tam* is a philosophy of law in the U.S. that

allows individuals who 'blow the whistle' on fraud against the government to receive all or part of the financial recovery received by the government. *Qui tam* refers to a civil lawsuit brought by a private individual, the 'whistleblower,' against the company or individual who is believed to have engaged in a criminal act involving fraud, in performance of its contract, or otherwise defrauded the government, on behalf of the government." Once the whistleblower has filed such a lawsuit, the government may step in and take over the lawsuit. Absent information from insiders who can supply requisite details that give rise to probable cause supporting a warrant, it can be challenging to marshal sufficient evidence to file criminal charges against fraudulent providers.

The SFDA has developed strategies to detect, investigate, and prosecute medical provider fraud, concentrating on workers' compensation program providers who have been engaging in kickback schemes, upcoding, double billing, billing for services not rendered and charging in excess of official medical fee schedules. The SFDA continuously strives to identify innovative approaches to developing leads in suspected medical provider fraud and billing fraud cases, including by monitoring claims by whistleblowers, developing leads through partner agency data analytics, and collaboration with other district attorney offices.

The Underground Economy

The underground economy refers to businesses and employers using schemes to avoid paying workers' compensation insurance, payroll taxes, and other labor related expenses mandated by federal, state, and local regulations when paying their employees. Employers engaging in the underground economy engage in common schemes such as:

- paying employees in cash to avoid payroll taxes;
- underreporting the number of employees working for the business and the wages paid to employees;
- declaring to a regulatory agency that the employer has the required workers' compensation policy when there is no policy or alternatively, when the employer has a policy that misrepresents the employees' wages, and/or the activity of its business;
- misclassifying employees as independent contractors to pay lower premiums for workers' compensation insurance;
- misclassifying the business as a massage parlor when in fact it should be otherwise classified (i.e., as a bath house,) which would amount to higher premiums; and/or
- committing wage theft.

The underground economy is prevalent in San Francisco for several reasons: (1) San Francisco requires employers to pay more than seven dollars over the federal minimum wage and to provide greater benefits to their employees; (2) San Francisco's prime real estate values fuel the building construction industry as a major contributor to the economy; and (3) many members of San Francisco's labor supply are recent immigrants and/or speak a language other than English as their primary language.

The underground economy's impact, however, extends far beyond the loss of monetary value to insurance carriers, governmental agencies, and the economy – its impact is most evident on the human lives brought in this county as trafficked victims. Under the federal Trafficking Victim Protection Act, severe forms of human trafficking are sex and labor trafficking. The U.S. Department of Justice estimates that approximately 17,500 men, women and children are trafficked into the United States every year and according to human rights groups, an

estimated 60,000 people live-in modern-day slavery in the United States.

Human/Labor Trafficking

Human trafficking is a highly complex international criminal enterprise, involving vulnerable victims that are unlikely to self-identify, and that requires multi-faceted investigative and prosecutorial approaches. Survivors of all forms of trafficking have unique and layered needs for safety, provision for basic needs, trauma recovery, and life skills development. These challenges are intensified by linguistic and cultural isolation, fear related to immigration status, and vulnerability to perpetrator manipulation, control, exploitation and violence.

In March 2013, former San Francisco Mayor Edwin Lee launched the Mayor's Task Force on Anti-Human Trafficking. The Mayor's Task Force meets to identify gaps in services, improve anti-trafficking policies, and increase the City's responsiveness to this issue. In a 2019 report issued by the Mayor's Task Force on Anti-Human Trafficking in San Francisco (compiling data through 2017), 22 government and community-based agencies identified 673 known victims of human trafficking, with 166 of those having been subjected to labor trafficking. 76% of these victims were recruited in California and 51% of those in San Francisco County.

In the same year the National Human Trafficking Hotline run by Polaris (a national non-profit agency that works to prevent human trafficking) reported that there was a total of 67 calls from San Francisco referencing trafficking cases, most of which pertained to sex trafficking. Polaris emphasizes that labor trafficking often goes unrecognized compared to sex trafficking because of a lack of awareness about the issue and the vulnerable workers it affects. There are likely many more labor trafficking victims in San Francisco. In fact, the Mayor's Task Force Report indicates that labor trafficking accounted for 25% of identified trafficking cases. Nationally, 46% of the reported cases involved sex trafficking and 64% involved labor trafficking. However, data from the International Labor Organization (ILO) indicates that labor trafficking is three times as prevalent as sex trafficking worldwide.

Regrettably, San Francisco is a hub for human trafficking where 16% of the victims are transported to this country or across state and county boundaries, predominantly from Mexico and the Philippines, exploited for profit, and then deprived of their basic human rights. They are viewed as a replaceable and cheap labor force by the unscrupulous employers. The SFDA has uncovered this activity in businesses that are engaging in the underground economy in the construction industry and in massage parlors. Through working with the Mayor's Task Force, the SFDA has recognized the problem of workers being transported to San Francisco for labor or commercial sex. The SFDA will continue to partner with the SFDA Crime Strategies Unit, Victims' Service Division, and the Mayor's Task Force to identify strategies to combat fraud that is supported by the existence of the underground economy.

Between December of 2007 and December of 2019, the National Human Trafficking Hotline received reports of 63,380 trafficking cases. The Hotline identified 22,415 cases of trafficking between 2018 and 2019 alone. Sex trafficking is nearly three times more prevalent than the other major kind of human trafficking, labor trafficking. According to the Hotline, illicit escort services are the leading venues for sex trafficking.

To the Hotline, California has consistently reported more cases of human trafficking than any other state. Between 2018 and 2019, California had anywhere from 33% to 100% more cases than other states.

According to the Bay Area Anti-Trafficking Coalition, the main reason sex trafficking thrives in the Bay Area is the proximity of both the Oakland and San Francisco International Airports, allowing victims coming in from other countries to be easily transported to local venues. As per the Coalition, traffickers oftentimes traffic people from their own countries.

Construction/Roofing Industry

San Francisco's economic and employment boom has had a massive impact on the real estate market, especially in new construction. According to the Department of Building Inspection's most recent annual report, during the Fiscal Year 2017-18, it issued 70,493 permits and performed over 158,000 inspections. This resulted in issued construction permits with a construction valuation of $4.4 billion dollars. As of December 30, 2017, there were approximately 392,000 residential units in San Francisco with about 4,500 units added in 2017 alone. The City adopted a production target in 2015 of 28,870 new units built between 2015 and 2022. Building contractors, and particularly those in the roofing industry where workers' compensation insurance is one of the most expensive industries to insure, fuel the underground economy by obtaining policies and understating or misclassifying their employees, their wages, and/or their entire business operations to secure less expensive

insurance policies. According to data from the Workers' Compensation Insurance Rating Bureau (WCIRB), roofing-related falls in California from 2008-2010 resulted in medical costs and total indemnity of over $70 million. Premium fraud becomes richly rewarded as employers can secure more projects by bidding lower with their expenses and overhead than law-abiding contractors.

Working closely with State Fund, SFDA requested a listing of roofing companies that were insured by State Fund but were reporting no payroll or staff. Based on our investigative experience and conversations with members of DIR's RCWG, an employer that pulls multiple permits for roofing projects and reports little to no payroll may be misrepresenting the company's activities and payroll to secure lower insurance premiums. At least 40 employers who were insured for roofing activities claimed to have no employees. This number suggests how widespread the problem of premium fraud is in the roofing industry in San Francisco County.

As further evidence of the widespread problem of roofing companies, the SFDA gets referrals of companies committing regulatory violations from various sources. CSLB will often provide reports on investigations involving unlicensed contractors who are additionally operating without workers' compensation insurance or working with underreported or misclassified employees. These referrals are a credible source for the initiation of a §3700.5 or premium fraud investigation. Additionally, we get reports from DIR's RCWG on unsafe contracting practices through Cal/OSHA that lead us to initiate investigations as to whether they have or are properly

Massage Parlors

According to the Polaris Project, as of the beginning of 2018, there were 180 massage parlors in San Francisco, down from 220 in 2016. In 2016, the San Francisco Department of Public Health issued 345 violations, charged $71,000 in administrative fines, suspended operating permits for 685 days, revoked 2 practitioner permits and issued 1 permanent ban on an owner receiving permits. The efforts of law enforcement, including SFDA investigators, working hand-in-hand with the Department of Public Health, have forced many massage parlors to shut down.

Surrounding Union Square in San Francisco are several massage parlors that operate as fronts for commercial sex. Human trafficking for commercial sex is oftentimes difficult to prosecute. Those sold for sex may not see themselves as victims or are afraid to come forward. Therefore, an alternative approach to combatting this problem is to prosecute a white-collar case against those who derive financial support from the earnings of their employees who engage in sex acts for money. Workers' compensation and unemployment insurance fraud cases, while document intensive, are less dependent on the testimony of employees who may be uncooperative, although there must still be proof of employees working.

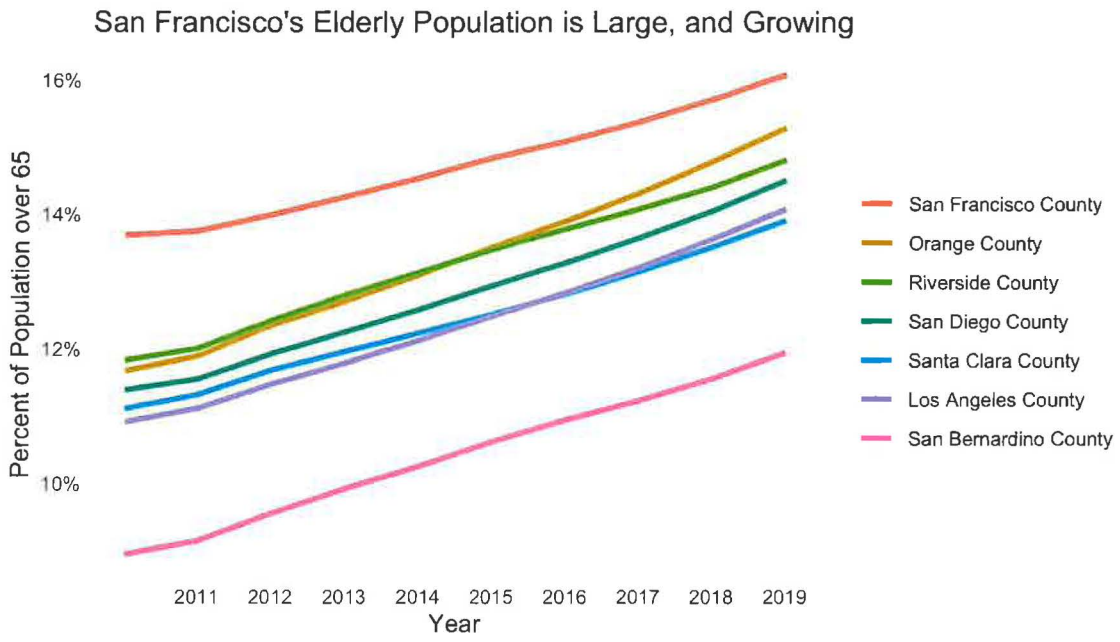
SFDA inspectors run regular WCIRB checks on massage parlors suspected of sex trafficking because they are frequently involved in economic crimes such as workers' compensation insurance fraud. Upon discovering that these businesses do not have workers' compensation insurance, a violation of Labor Code 3700.5, SFDA inspectors launch investigations into the parlors. The inspectors work with the San Francisco Department of Public Health (SFDPH). In applying for permits to operate, many of these massage parlor owners file false affidavits with SFDPH. The SFDA has filed cases against the owners of massage parlors for declaring under oath that they have workers' compensation insurance when in actuality they do not, or for declaring that they are exempt from the Labor Code requirement to have workers' compensation insurance because they do not have employees, when in fact they do have employees. Meanwhile, SFDPH inspections of such parlors uncover the presence of employees, and owners advertise on websites, often illicit ones, for services that employees of their businesses offer, and may even go so far as to name employees. For lies such as those made in applications for permits to operate filed with SFDPH, our Office has prosecuted owners for the felony crime of perjury.

As when investigating other kinds of businesses for workers' compensation fraud, SFDA inspectors work with the Employment Development Division (EDD). Massage parlor owners often feloniously submit false quarterly returns and reports of wages to the EDD. They may underreport payroll or decline to register their business with the EDD altogether and not report any payroll, thereby underpaying or altogether avoiding paying four requisite state payroll contributions and taxes, in violation of multiple provisions of the Unemployment Insurance Code. Yet search warrants of massage parlor owners' bank accounts often reveal larger payrolls that include more employees than reported.

One compliance operation related to massage parlors that we undertook last year related to massage parlors that continued to operate in violation of Shelter-in-Place orders. In *People v. Strong and Ma*, a case that led to two arrest warrants, the owners of a massage parlor and salon that has been operating out of San Francisco for most of the last seven years, did not have workers' compensation insurance and filed perjurious declarations with SFDPH, stating that they did not have employees and were exempt from the requirements of §3700 of the Labor Code. However, SFDPH inspections, web advertisements and bank records revealed that the owners had employees. By not reporting and

underreporting payroll in quarterly returns and reports of wages, the owners filed false declarations with a government office, the EDD, and committed multiple Unemployment Insurance Code violations. This case is one example of our commitment to investigating businesses in the massage parlor industry, which is unfortunately rife with incidents of exploitation.

Care Home Facilities



San Francisco has a higher elderly resident ratio than any of California's six largest counties, with 16% of the county aged 65 or older in 2019. Demographic analysis data published by the San Francisco's Department of Disability and Aging Services in 2018 projects that by 2030 nearly 30% of San Francisco residents will be age 60 or older. This represents a nearly 10% increase from 2010. The SFDA and CDI continue to partner on several "from the ground up" operations that impact the care home industry, where problems associated with the underground economy are prevalent. Rather than being simply reactive, *i.e.*, following up on referrals from outside sources, these investigations are developed from the "ground up" by obtaining documents from various agencies, as well as reviewing publicly available information, analyzing the data, and determining if sufficient evidence supports an investigation into whether an employer is failing to obtain workers' compensation insurance at all, or is making misrepresentations to pay less premiums than is warranted based on the type of business and the number of workers employed by it.

As discussed above, due to COVID-19 the SFDA temporarily halted investigations into care home facilities for health and safety reasons. The pandemic disproportionately impacted our elderly population and we could not risk engaging in investigations that would in any way further harm or impact care home residents and workers. Once it is safe to do so, our investigators will move forward with these investigations. San Francisco, like most of the nation, experienced a tremendous wave of covid cases in late fall of 2021 into early winter 2022 which created disruptions to investigations. Now that the city is opening up and returning to normal, we will be able to resume these investigations.

Employers Unwilling to Pay Employees their Required Wages

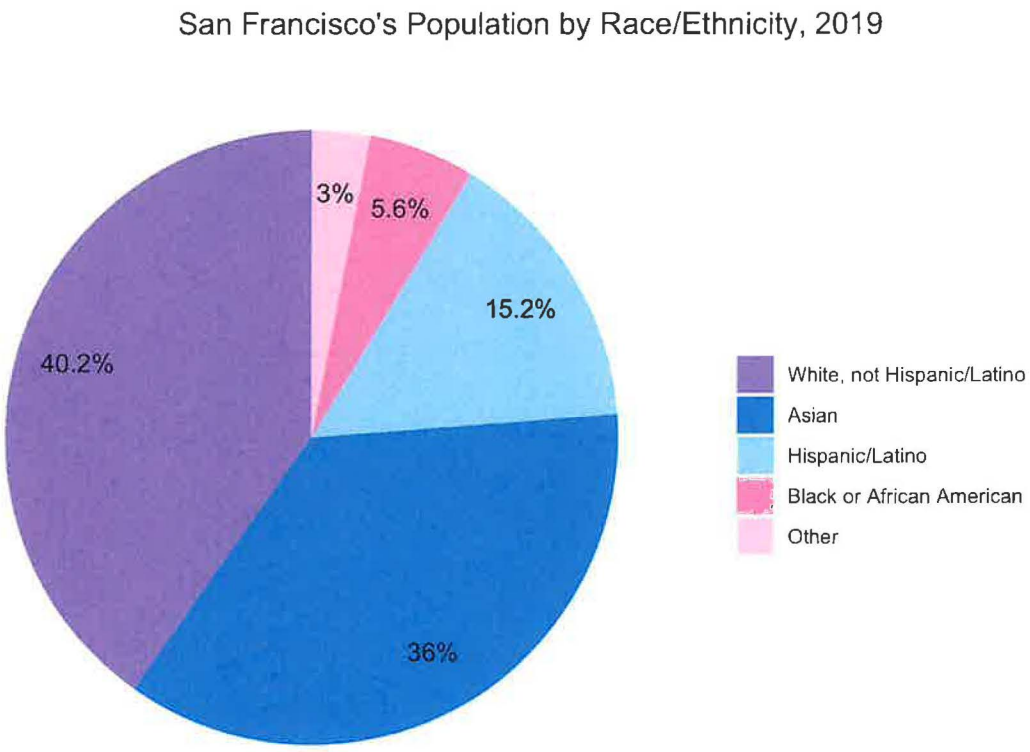
On July 1, 2020, the San Francisco minimum wage of $16.32/hour, went into effect on July 1, 2021. The San Francisco administrative code requires an increase in this rate on an annual basis keyed to the Consumer Price Index. This is more than the California minimum wage increase effective January 1,2021, of $14/hour for employers with 26 or more employees, and $13/hour for employees with 25 or fewer employees. Employers who are unwilling to pay their employees the required wages will likely engage in schemes to underpay their workers.

Additionally, among the greater benefits mandated by local laws in San Francisco, employers with 20 or more employees (and non-profit employers with 50 or more employees) must spend a minimum amount (set by law) on health care for each employee who works eight or more hours per week in San Francisco. Also, all employees who work in San Francisco, including part-time and temporary workers, are entitled to paid time off from work when they are sick or need medical care, and when they need to care for their family members or designated persons when those persons are sick or need medical care. These benefits, coupled with San Francisco's higher wages, motivate unscrupulous employers to commit wage theft and premium fraud by hiring employees "off the books" in order to make more money for the business owners and to gain an unfair economic advantage over their competition. They also may not pay workers the required overtime or prevailing wages on municipal projects. These employers may also intentionally misclassify their employees as independent contractors to avoid obtaining workers' compensation insurance.

San Francisco's unique demographic and immigrant employee population

According to the 2018 U.S. Census, San Francisco had an estimated population of 883,305. However, U.S. Census statistics have shown that employees who commute into San Francisco also increase the City's daytime population by as much as 20%. Furthermore, the City's population appears to be growing year by year. For example, the U.S. Census Bureau estimated that San Francisco's population grew 9.6% between 2010 and 2018. Moreover, in 2018, our percentage of residents aged 16 years or over in the civilian labor force (70.7%) is considerably higher than the national average (63%).

San Francisco's ever-growing population is racially diverse. For example, in 2019, the U.S. Census Bureau charted San Francisco's residential ethnic diversity to include:



It should be noted that the American Community Survey (ACS) is a relatively new survey conducted by the U.S. Census Bureau that collects sample socio-economic and housing data every year, rather than once every 10 years. Data on more than 40 topics, such as educational attainment, income, occupation, commuting to work, language spoken at home, nativity, ancestry, and selected monthly homeowner costs are included.

The U.S. Census Bureau estimated that from 2016-2020, of San Francisco's total population, 34.2% were foreign-born. Furthermore, 95.5% of people were age five and older with the City's total population as of 2021, and the data for the language spoken at home by these San Franciscans was estimated as follows:

42.9 % speak a language other than English;

10.7 % speak Spanish;

6.0 % speak Other Indo-European languages;

25.2 % speak Asian and Pacific Island languages; and

1.0 % speak other languages.

In addition, the U.S. Census Bureau defines a limited English-speaking household as one in which no member age 14 years and over (1) speaks only English or (2) speaks English "very well." The 2015-2019, 5-year ACS estimated the following figures for the number of limited English-speaking households located in San Francisco County, the State of California, Alameda County, and Santa Clara County by comparison. In California, 25.1% of limited English-speaking households spoke Asian and Pacific languages, 18.2% of limited English-speaking households spoke Spanish, 17.2% of limited English-speaking households spoke other languages; 15.2% of limited English-speaking households spoke other Indo-European languages. In San Francisco: 33.9% of limited English-speaking households spoke Asian and Pacific languages; 18% of limited English-speaking households spoke Spanish; 14.8% of limited English-speaking households spoke Indo-European languages; 8.6% of limited English-speaking households spoke other languages. By contrast, in Alameda County, 24% of limited English-speaking households spoke Asian and Pacific languages; 14.7% of limited English-speaking households spoke Spanish; 16.5% of limited English-speaking households spoke other languages; and 8.3% of limited English-speaking households spoke other Indo-European languages. In Santa Clara County, 27.7% of limited English-speaking households spoke Asian and Pacific languages; 15.5% of limited English-speaking households spoke Spanish; 12.0% of limited English-speaking households spoke other Indo-European languages; 1.6% of limited English-speaking households spoke other languages.

Data from the U.S. Census Bureau and ACD, shows among limited-English households in San Francisco, a high proportion,33.9%, speak an Asian or Pacific language at home and 18% speak Spanish at home, respectively greater than and equal to California's limited-English households overall and both greater than among limited-English households in Alameda and Santa Clara Counties. With respect to the limited English-speaking households, San Francisco County is:

above the state-wide average *and*

above (or at least comparable to) that of two other major counties within the Bay Area region.

San Francisco's large, limited-English speaking population is vulnerable to fraud, especially in the underground economy, due to English-language comprehension issues and probable lack of familiarity with California's comprehensive labor laws and employment rights.

Many San Francisco businesses, including hotels, restaurants, and construction companies, are owned, and operated by bilingual employers. With their ability to communicate with San Francisco's limited-English speaking labor pool, these businesses are the main employers of this group. Yet, these employers often engage in "cash pay" and wage theft when the employer fails to report to EDD all employee wages, while also neglecting to collect and remit the required state withholdings. In Chinatown alone, according to a 2010 survey by the Chinese Progressive Association, about half of the 433 surveyed restaurant workers received less than San Francisco's legally mandated minimum wage, then $9.79 an hour. Similarly, the Filipino Community Center surveyed 50 caregivers for the elderly and disabled, finding that they made an average hourly rate of $5.33.

In our experience, when an employer fails to report wages to EDD, the employer will also often fail to properly report the correct hours worked and wages paid to other state agencies, as well as to workers' compensation insurance carriers. Similarly, these employers may commit workers' compensation premium fraud because their employees may not have legal immigration status or Social Security cards. Also, the victimized employees often believe it is preferable to be paid in cash in order to avoid paying taxes, not realizing that they are being paid less than they legally deserve and are receiving absolutely no benefits, including health insurance and overtime pay. This is especially troublesome given

San Francisco's booming construction industry, particularly in roofing jobs, where the risk of catastrophic injury or death from a fall is high.

The City As A Self-Insured Employer of Public Employees

The CCSF is a public, self-insured employer with approximately 30,600 public employees, including the Police and Fire Departments. Most of the workers' compensation claims by CCSF employees are managed in-house by the City and County's Department of Human Resources' Workers' Compensation Division (WCD). About one-third of the City's claims are managed on behalf of the City by a third-party administrator called Intercare. With a staff of more than 6000, the San Francisco Municipal Transportation Agency (SFMTA), which operates all ground public transportation in the City, is one of the City's largest departments whose workers' compensation coverage is also managed by Intercare.

The cost of workers' compensation claims is charged back to the annual budget of the department where the employee worked at the time of the injury. Accordingly, detection of fraudulent claims is essential because of staffing shortages that occur when covered employees are placed on disability leave. Also, departments are forced to reallocate the limited public money that would have otherwise paid for important city projects, services, and programs. Essentially, workers' compensation fraud committed by San Francisco city employees is theft of public funds. In recent years, public employee claimant fraud investigations have involved employees of vital city service departments such as police, fire, and municipal transportation.

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2. Applicant Question: Problem Resolution Plan

Explain how your county plans to resolve the problem described in your problem statement. Include improvements in your program.

Information regarding investigations should be given a reference number and details provided only in the Confidential Section, question 2, and marked "Problem Resolution".

Applicant Response:

The SFDA will resolve the concerns identified in our Problem Statement by continuing our commitment to developing new and innovative strategies to identify, investigate, and prosecute complex medical provider cases, and by continuing to focus on employers of industries committing premium fraud. Our efforts will include: (1) identifying and overcoming barriers to expeditiously filing medical provider fraud cases; (2) initiating more complex investigations in premium fraud cases; (3) continued focus on care homes, roofing businesses, massage establishments, and industries benefiting from the underground economy; and (4) reevaluating best practices in the Employer Compliance Program.

Strategies to Identify and Investigate Medical Provider Fraud

The SFDA intends to address medical provider fraud in the next fiscal year by continuing to utilize a multifaceted approach to identifying activity which would lead to fruitful investigations.

i) Collaborative Agencies' Resources in Identifying Medical Provider Fraud

Most of the workers' compensation claims for employees of the City and County of San Francisco (CCSF) are managed in-house by employees of the City's Workers' Compensation Division (WCD). The SFDA has reached out to the new WCD workers' compensation claims manager to maintain our productive partnership. Further, about one-third of the City's claims are managed on behalf of the CCSF by Intercare, a third-party administrator. The SFDA attorneys and investigators communicate directly with the City's claims examiners to quickly assess the merits of a fraud submission and advance the investigation. Finally, the SFDA also works with the City Attorney's Office to identify viable criminal prosecutions among the civil workers' compensation cases that are being litigated by the City Attorney's Office.

There are governmental agencies local to the San Francisco Bay Area that monitor specific medical provider fraud investigations. For example, the Northern District of California Health Care Task Force meets regularly with federal and state agencies to discuss and identify trends and cases being investigated within the San Francisco Bay Area. Attending these meetings provides tips and leads on potential medical provider

cases.

Further, working in collaboration with CDI, the SFDA intends to utilize its resources to gather information to identify suspicious medical provider activity. For example, the Department of Insurance's Fraud Integrated Database (FIDB) is a database containing all reported suspected fraudulent activity for carriers. This database contains summaries of all suspicious activities, identification of providers, dates of the activities, nature of claims, etc. By developing leads from the Health Care Task Force and from attorneys working in the area of *qui tam* suits, the SFDA and CDI can conduct specific searches in FIDB to identify and locate claims involving the suspicious activities or providers. From these methods, and working in conjunction with CDI, we can develop leads for investigations of medical provider fraud.

Finally, as members of the Golden Gate Fraud Consortium we resource successful case development strategies and leads from our neighboring counties to investigate and file medical provider insurance fraud cases.

ii) Use of Data Analytics to Identify Suspicious and Recurring Billing Codes

There is great potential in being able to use present and historical data to gain insight into county specific industries where workers' compensation fraud may be most prevalent. Identifying trends and then investigating the reporting that occurs to various government and quasi-governmental agencies allows us to develop investigations internally rather than passively waiting for reports to come to us.

On March 2, 2021, the entire SFDA Program met with an SIU team from State Fund, including State Fund's new Data Analytics Manager, to better understand the data analytics tool that State Fund is developing to identify fraudulent behavior. We look forward to working closely with State Fund to explore leads and build investigations into insurance premium fraud and provider fraud.

At the January 14, 2015, Fraud Assessment Commission meeting in Sacramento, the commissioners invited Jim Fisher who was then of the Department of Industrial Relations (DIR) and Kate Zimmerman of the Kern County District Attorney's Office to discuss ways to identify medical provider fraud through the fraudulent use of medical billing codes. Mr. Fisher indicated that DIR has records of the billing codes submitted by medical providers in workers' compensation cases. Moreover, he explained that medical provider fraud could be identified through the fraudulent use of medical billing codes submitted by the providers. While these forms are often vetted by medical bill review companies, Mr. Fisher identified 10 medical billing codes often used in a fraudulent submission. He also indicated that DIR could identify top suspect medical providers in our area.

DIR can use data analytics to initiate investigations into suspected medical provider fraud and can perform specialized data mining on a suspected provider. DIR is also able to execute predictive modeling, which looks at connections and relational mapping. DIR can provide a list of providers of interest and factors common to convicted providers to DA offices with whom it has a MOU. The SFDA has already executed an MOU with DIR to share data to uncover medical provider fraud in San Francisco. In August 2018, the SFDA program manager and two investigators of the SFDA team met with two members of the DIR data analytics team. The meeting provided the SFDA team with further, county-specific insights into the capabilities of data analytics to aid in the successful prosecution of insurance fraud cases. After the meeting, the SFDA obtained County-specific data from DIR. The SFDA will continue to work with DIR to explore best practices for identifying fraud and developing cases using DIR data analytics.

iii) Reviewing *Qui Tam* Lawsuits to Identify Potential Medical Provider Cases

The SFDA continues to use our partnerships with other agencies to identify and investigate medical provider fraud. In fact, by tapping into referrals from *qui tam* lawsuits, we have been able to further expand our scope beyond traditional investigative sources. One of our most experienced Program attorneys is in regular contact with CDI regarding the *qui tam* actions.

We will continue to follow up on matters identified by this method and to file criminal charges when there is evidence to prove the case. Moreover, we plan to reach out to law offices and individuals specializing in this area of *qui tam* litigation to identify suspect medical providers and fraudulent schemes.

Premium Fraud

In recent years we have successfully filed several new and significant premium fraud cases. The investigation and prosecution of premium fraud is of high importance to SFDA. We have seen that businesses that engage in workers' compensation insurance premium fraud are also failing to pay into the unemployment insurance system, engaging in tax fraud, and failing to maintain work sites and workplace conditions as required by law, among other violations.

Premium fraud investigations are typically complex and require, the following: analyzing large volumes of financial data; identifying cooperative witnesses; interviewing many witnesses; detailed forensic analysis of laptops, hard drives, and other technological devices used by businesses to maintain financial records; and synthesizing and reconciling data across insurers and agencies. In another scenario, the challenges are establishing the amount and extent of the premium fraud that an underground economy business engaged in, especially because many workers in these industries are uncooperative. We continue to address these challenges through collaboration and outreach.

Collaboration with SIUs

We will continue to improve upon and expand our lines of communications with SIUs to identify premium fraud cases for investigation and prosecution. Where a SIU submits a premium fraud FD-1 that is detailed, thorough, and shows multiple years of suspicious activity and audit based red flags we can immediately prioritize that investigation.

We have also successfully grown premium fraud investigations by doggedly pursuing and quickly developing new leads based on additional investigation, including document review and interviews.

San Francisco District Attorney's Insurance Fraud Hotline

The San Francisco District Attorney's Office maintains a Workers' Compensation Insurance Fraud Hotline to handle complaints and tips from the public. The hotline gives the public direct access to the SFDA.

In recent years, two cases, *People v. Belfrey* and *People v. Gregoire* were the direct result of a hotline complaint. Our hotline provided direct access for the carrier to report suspicious activities quickly. Within 24 hours of the hotline call, an assistant district attorney was speaking with an investigator from the victim carrier. Although the carrier suspected insider fraud, our office conducted the investigation that established that Gregoire used her company as an unauthorized provider, or vender, of lien negotiations. Through these unauthorized lien negotiations, she charged large commissions, at times more than that cost of the lien being negotiated. The victim carrier paid more than half a million dollars for these unauthorized services.

The SFDA established a new insurance fraud hotline number, in 2019 in anticipation of our office moving to a new location at 350 Rhode Island Street in San Francisco. The change was necessary because we have new telephone lines, infrastructure and equipment at the new location. In anticipation of the that move, the SFDA made sure that the hotline would continue to be available to the public and operational; we also used the new number in the August 2019 workers' compensation insurance fraud prevention and reporting outreach campaign. The new hotline number is 628-652-4362. These calls are screened by an SFDAI Supervisor and then assigned to an investigator for follow up. We cannot yet attribute a new workers' compensation insurance fraud case to a hotline lead, but we will continue to staff the hotline and raise public awareness of its existence in future outreach efforts.

Underground Economy Program

To combat the various issues related to the underground economy identified in the problem section, the SFDA has taken an approach to leverage other governmental agencies and their resources to assist in the investigation and prosecution of cases involving human trafficking activity, wage theft, and premium fraud.

The Mayor's Task Force on Anti-Human Trafficking

As mentioned earlier in this application, in March 2013, former San Francisco Mayor Edwin Lee launched the Mayor's Task Force on Anti-Human Trafficking. The Mayor's Task Force meets to identify gaps in services, improve anti-trafficking policies, and increase the City's responsiveness to this issue. The Mayor's Task Force focuses on a business or group of businesses engaging in human trafficking. Task Force members monitor social media postings, process leads and tips from law enforcement officers in the local districts, and review complaints and referrals identifying businesses engaging in suspected human trafficking. The SFDA works with members of the Mayor's Task Force to identify businesses that are suspected of engaging in human trafficking to investigate possible insurance fraud violations.

Construction contractors

The Mayor's Task Force addresses all forms of human trafficking including businesses profiting from a cheap and replaceable labor force.

The collaborative efforts between the SFDA and the Mayor's Task Force have resulted in an expansion of our investigative efforts to businesses suspected of trafficking for labor and workers' compensation insurance fraud.

Massage establishments

The SFDA has also learned that many identified business establishments suspected of human trafficking for commercial sex are also involved in committing insurance fraud. These businesses are not insured for workers' compensation insurance, which is a misdemeanor violation of the Insurance Code. The SFDA has discovered that these types of businesses are often falsely declaring to the City's Department of Public Health that they have the proper insurance at the time they obtain their business permit.

Filing false documents is a felony under the Penal Code. Furthermore, to avoid paying higher premiums, they often misclassify their businesses as strictly massage establishments when they should be classified as for example, bath houses, which would change the value of the premiums paid on their policy. The SFDA investigates employers who are filing false declarations with the Department of Public Health to secure business permits and who are misrepresenting the status of their workers' compensation policies. These investigations can result in the filing of felony criminal charges. The SFDA very recently filed an arrest warrant in one such case, *People v. Strong and Ma*, which has been in active litigation despite the pandemic.

The Roofing Compliance Working Group

As previously mentioned, the SFDA is now part of the DIR RCWG, a multi-agency effort to combat the various issues related to the underground economy and improve California's business environment. The SFDA has partnered with DIR's RCWG, a multi-agency task force created to combat the underground economy and improve California's business environment. A collaboration of state and local agencies, and the labor sector, RCWG's objectives include a rapid response to complaints of workplace health and safety hazards in the roofing industry, as well as investigations of complaints related to payroll, misclassification of workers' activities, and appropriate workers' compensation insurance. We believe that this affiliation will allow the SFDA to both: (1) immediately act upon tips to force employers into compliance, and (2) harvest/develop criminal investigations within the underground economy.

Working closely with State Fund, an SFDA prosecutor requested a listing of insured roofing companies that were reporting no payroll or staff. Based on our investigative experience and conversations with members of the RCWG, when an employer pulls multiple permits for roofing activity and reports little or no payroll, this may indicate that the employer is misrepresenting its activities to secure lower insurance premiums. State Fund, at the request of the SFDA, identified at least 40 roofing companies that were insured but claimed to have no employees. By requesting the insurance files, building permits from SFDBI, and payroll records from EDD, the SFDA investigator can efficiently investigate possible premium fraud violations with minimal resources expended. Additional investigation may include: (1) observing job sites to assess the employees' activities; and (2) interviewing employees, bookkeepers, site managers, and property owners to confirm employee staffing and wages paid. Also, the Program has employed two new tactics that have required minimal effort and have resulted in success: (1) requesting the carrier to provide records of prior workers' compensation claims for employers claiming no employees; and (2) using pretext recorded phone calls to suspected contractors to extract statements and admissions that could be used for the criminal prosecution. The SFDA has learned that an array of tactics can be easily applied to identify employers committing premium fraud, even though their own carriers have not suspected fraud.

A pending investigation was a referral that came from the RCWG involving visible safety violations. The SFDA investigators interviewed employees and obtained the State Fund policy. The SFDA investigator discovered that, although the company claimed to have no employees, it obtained multiple permits for roofing jobs in San Francisco since 2011. Further, EDD payroll reports indicated the company only recently registered and the payrolls only reported minimal amounts. Finally, further investigation also revealed that a contractor had been selling the use of his license to another unlicensed contractor. (2018-044-001)

The SFDA's Employer Compliance Program

The SFDA Employer Compliance Program based on Labor Code §3700 et. seq. is an important part of SFDA efforts to encourage compliance with workers' compensation insurance regulations and laws. The SFDA uses both a targeted and a random method for identifying businesses. As discussed above, the SFDA continues to make compliance a priority. Even with the challenges posed by the COVID-19 pandemic, last summer the SFDA successfully launched a compliance effort in collaboration with SFDPH and SFPD in the massage parlor industry. The suspicion that these businesses, which by their nature pose significant health and safety concerns pre-pandemic, were potentially operating during the pandemic without proper licenses or insurance was a major concern for all. Having an adaptable compliance program that

targets the most pressing current safety issues is evidence of SFDA's continued commitment to tackling the many problems that arise from a business's failure to secure workers' compensation insurance.

Public Employees

Most of the workers' compensation claims for employees of CCSF are managed in-house by employees of the City's Department of Human Services Workers' Compensation Division (WCD). We work closely with WCD and other CCSF departments.

The SFDA's Partnership with SFDHS WCD, Probe and Intercare

The SFDA is in regular communication with the WCD workers' compensation claims manager to maintain our productive partnership. Further, about one-third of the City's claims are managed on behalf of the City by Intercare, a third-party administrator. The SFDA attorneys and investigators communicate directly with the City's claims examiners to quickly assess the merits of a fraud submission and advance the investigation.

We also work with Probe Information Services (the SIU for Intercare and SFMTA) to share our experiences as a resource to help them better identify workers' compensation claims that may be associated with insurance fraud. The SFDA staff communicates directly with Probe's in-house team to streamline the process by which Probe refers suspected fraud claims to our office.

The SFDA's Partnership with SFMTA

We continue to have an excellent collaborative partnership with the San Francisco Municipal Transit Agency (SFMTA). SFMTA, a department of the CCSF, is responsible for the management of all ground transportation in San Francisco. SFMTA keeps people connected through the San Francisco Municipal Railway (MUNI), the nation's seventh largest public transit system. With an annual operating budget of $831 million and a staff of more than 6,000 employees, SFMTA is one the City's largest employers.
The agency directly manages five types of public transit in San Francisco (motor coach, trolley coach, light rail, historic streetcar, and cable car).

Upon review of the City's statistical data tracking claims in the City, 40% of claims from SFMTA are centered from two transportation locations: the Potrero Electric Trolley Transportation Unit and the Woods Motor Coach Transportation Unit. The SFDA will be partnering with the City Attorney's Office to conduct training with employees within these two specific divisions of SFMTA regarding the civil and criminal consequences of committing workers' compensation fraud. Our goals are twofold: (1) to deter employees who would consider committing fraud in the future; and (2) to develop informants (whistle-blowers) regarding any existing fraud.

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3. Applicant Question: Plans to Meet IC and FAC Goals

What are your plans to meet the announced goals of the Insurance Commissioner and the Fraud Assessment Commission?

If these goals are not realistic for your county, please state why they are not, and what goals you can achieve. Include your strategic plan to accomplish these goals. *Copies of the Goals can be found in the Announcement Attachments, 4g and 4h.*

Applicant Response:

1. **Investigating and Prosecuting Medical Provider Fraud**

In line with the Insurance Commissioner's stated objectives our office recognizes the importance of combatting the harm caused by fraudulent medical providers. SFDA has prioritized the investigation and prosecution of medical provider fraud recognizing the danger this type

of fraud poses, not only in terms of economic loss, but most significantly to innocent injured worker claimants. Most recently, in March of 2020, SFDA and CDI initiated a new investigation of a medical provider that is suspected of engaging in double-billing, fraudulent lien billing, billing for services not rendered and accepting kickbacks. This medical provider engages in business in various Bay Area counties and may have business interests beyond his medical practice that are connected to, and support, the fraudulent billing activity. It is apparent that this is a very complex medical provider fraud case. Our SFDA Investigator met with CDI and DHR personnel and we are proceeding with obtaining more information to evaluate this matter. (2020-072-002.)

The investigation of medical provider fraud and various other types of workers' compensation insurance fraud is facilitated by and advanced through cross-agency collaboration. SFDA has joint agreements with agencies to improve communication and formalize an agreement to work together to combat workers' compensation insurance fraud at every level.

1. **Joint Plans and Memoranda of Understanding**

SFDA annually executes a Memorandum of Understanding with the Department of Insurance, Fraud Division, entitled Joint Investigative Plan. The stated goals of the Joint Investigative Plan are to ensure that our offices "operate in a cooperative effort to achieve successful fraud prosecutions in the County of San Francisco, to "avoid duplicating efforts," and "maximize the use of limited resources." By following the Joint Investigative Plan, we have achieved these goals. The SFDA will continue to follow the Joint Investigative Plan to these ends.

SFDA has also joined in a Memorandum of Understanding with the Golden Gate Workers' Compensation Fraud Consortium consisting of the Counties of Alameda, Contra Costa, Solano, Napa, Marin, and Sonoma, as well as the Department of Insurance.
The Consortium emphasizes identifying complex workers' compensation fraud cases that may be multi-jurisdictional to more effectively investigate and prosecute these cases. Furthermore, the Consortium works to educate and share information about current trends and patterns related to complex fraud cases in the region with SIUs, regulatory agencies, public entities, and other law enforcement agencies.

In March 2018, the SFDA entered into a Joint Plan of Action on Combating Workers' Compensation Fraud and a Data Sharing Agreement with DIR to share designated information to combat workers' compensation fraud. The purpose of the Joint Plan of Action was to formalize the process of identifying the information to be shared between the SFDA and DIR and coordinating the effort of identifying suspected workers' compensation fraud.

The SFDA is exploring the potential for entering into an agreement with EDD that would streamline our ability to obtain evidence related to premium fraud investigations. We have partnered with EDD, federal law enforcement, and various local district attorneys' offices to combat unemployment insurance fraud. We strive to build on this relationship and continue to partner with EDD to obtain information that will allow us to build successful workers' compensation premium fraud investigations.

Balanced Caseload

The SFDA strives to maintain a balanced caseload and has been successful in so doing. We are investigating several cases in which restaurants, construction companies, and other businesses are operating in the underground economy while committing premium fraud, as well as defrauding employees through various means, including wage theft and denial of benefits.

The SFDA is prosecuting claimant fraud by employees of private businesses as well as by employees working for the CCSF.
In so doing, we are not only taking on a problem that causes a negative fiscal impact on the workers' compensation system, but we are also combatting the misuse of public funds.

The SFDA is making impactful, low-cost efforts to discover and bring into compliance willfully uninsured employers within the underground economy through our continued Employer Compliance Program and the Roofing Compliance Task Force.

Performance and Continuity Within the Program

We are aware of the need to ensure that the grant money we receive is used wisely. The SFDA assigns experienced prosecutors and investigators to the grant-funded positions. As a result, we are better able to choose which referrals merit investigation and quickly shut down those that do not. We have also expanded our unit with the addition of a new SFDAI Investigator to investigate reports of workers' compensation insurance fraud.

Outreach

The SFDA fully understands the deterrent effect of a coordinated and aggressive outreach strategy. We work closely with our office's director of communications to ensure that our workers' compensation fraud arrests are publicized via press releases.

Through the SFDA's collaboration with several other district attorney's offices in the Bay Area, our prosecutors and investigators can share "best practices" with their peers.

The SFDA has also found that our Employer Compliance Program continues to be a useful form of outreach. Now in its third year, we continue to bring numerous employers into compliance with California's insurance requirements. During this process, we receive tips from both employers in compliance and employers out of compliance regarding other businesses in their area that are not properly insured.

Given the City's building boom, our current focus has been in the particularly high-risk, roofing industry.
We are expanding our Employer Compliance Program into other San Francisco industries where the underground economy thrives. Two such industries include the tree-trimming industry and the home care/assisted living industry.

In August of 2019 the SFDA launched phase one of a multi-media outreach campaign that will continue into FY 2022-23. The next steps are to work with our Consumer Mediation group and neighborhood prosecutors to increase outreach efforts. We will also reach out to labor organizations and other community groups working with limited English speaking populations to raise awareness of Workers' Compensation Fraud.

SFDA has experienced ADA's on our grant who can present at the annual Anti-Fraud Alliance Conference, along with our very experienced investigators. We can share our knowledge and experience locally and statewide to educate and assist other prosecutors in developing workers' compensation fraud cases.

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4. Applicant Question: Multi-Year Goals

What specific goals do you have that require more than a single year to accomplish?

Applicant Response:

The SFDA is focused on its medical provider fraud investigations. Because these investigations are typically very complex and data-driven, they continue through to more than one fiscal year. Initiating these investigations from the ground up takes a substantial amount of time as it involves: finding patterns and anomalies in the data, reaching out to carriers to spot similar activities, developing probable cause for search warrants from an assessment of all of the data reviewed, executing multiple search warrants, and developing probable cause for arrest. Based on our experience – and what we are learning from counties that have been effective in these widespread and complex prosecutions – we are aware that embarking on this type of operation and arriving at a successful prosecution is likely to take longer than a year.

We are educating ourselves in the rapidly developing area of Telemedicine and the associated fraud. There is little doubt that the COVID-19 pandemic has resulted in expanded reliance on telemedicine in the health industry. Not only did telehealth emerge as a way to receive care during the pandemic, but often it was the only way that individuals were able to access the healthcare they needed. Unfortunately, that need has been exploited by greedy, unlawful agents. Last year our attorneys attended an extremely informative training on Telehealth fraud presented by two experts in the field. We are exploring avenues to encourage reporting, get referrals, and pursue investigations in telehealth fraud in the workers' compensation industry.

The SFDA continues to work with CDI, Alameda County and some counties in Southern California to combat the issues related to the underground economy operations that span multiple jurisdictions.

The SFDA is also looking at developing investigations in the relatively new areas of voucher fraud and Professional Employee Organization related fraud. The more recent emergence of these types of cases in CCSF, and the complexity and breadth of these investigations will require more than a single fiscal year to complete.

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5. Applicant Question: Restitution and Fines

Describe the county's efforts and the district attorney's plan to obtain restitution and fines imposed by the court to the Workers' Compensation Fraud Account pursuant to California Insurance Code Section 1872.83(b)(4).

Applicant Response:

The SFDA seeks restitution in every prosecution in which a victim suffers a loss. Restitution is a California constitutional right. Moreover, we recognize that justice is not served until a victim is made whole by being compensated for financial loss suffered because of crime. The SFDA Program attorneys pursue the payment of full restitution at the time a defendant enters a guilty plea or at the time of sentencing. Also, once sentenced, a defendant may be ordered to pay restitution as a condition of probation. Finally, the SFDA Victim's Services Division and dedicated Restitution Specialist help victims gather the documentation necessary to prove their losses. Once restitution is ordered, typically on or before the date of sentencing, we ask the Court to endorse and file restitution orders that specify the amount of restitution the defendant owes the victim, which may then be enforced by the victim as a civil judgment. Rather than relying on the probation department to do this important work for us, we strive to ascertain the exact amount of restitution owed to the victim, require payment of all or a substantial amount at the time of plea, and file the paperwork necessary for the court to order the money owed.

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6. Applicant Question: Restitution Numbers

Provide the amount of restitution ordered and collected for the past five fiscal years.

If this information is not available, provide an explanation.

Applicant Response:

Fiscal Year	Restitution Ordered	Restitution Collected
2021-22	$50,110.00	$50,110.00
2020-21	$80,000.00	$83,695.00
2019-20	$1,200.00	$1,200.00
2018-19	$471,093.00	$156,320.00
2017-18	$143,000.00	$143,000.00
	Total: $745,403.00	**Total: $434,325.00**

7. Applicant Question: Utilization Plan

Your budget provides the amount of funds requested for Fiscal Year 22-23.

Provide a brief narrative description of your utilization plan for the Fiscal Year 22-23 requested funds.

If an increase is being requested, please provide a justification. Any information regarding investigations should be given a reference number and details provided only in the Confidential Section, question 2, and marked "Utilization Plan."

Applicant Response:

For fiscal year 2022--2023 we are asking for an award equal to the funding formula allocation for our county of $1,386,496. Our requested increase is due to realized and upcoming increases in operating expenses. The office experienced salary increases in January 2021 and July 2021. We will also experience a salary increase on July 1, 2023 for our attorneys. As our projected budget shows, we continue to allocate resources towards investigative resources to be able to complete more investigations and file more cases.

This proposed budget anticipates having three senior investigators dedicating almost all of their time to combating workers' compensation fraud. It includes continued robust attorney participation in the prosecution of workers' compensation insurance fraud, and a more robust compliance and outreach program. Given the needs of our current cases, we intend to reallocate our limited resources so that our investigative needs are met first. Our pending investigations include provider fraud and premium fraud cases, and our partnerships with members of CDI, the RCWG, the Consortium, DIR, SFDPH, State Fund, and EDD, mandate that resources be prioritized for investigations.

Because we are focused on developing best practices to detect and investigate workers' compensation fraud, the SFDA anticipates a larger investigative and prosecutorial caseload in the future. The very experienced senior prosecutors who are currently staffing the unit have decades of combined experience in prosecuting workers' compensation violations and bring exceptional value to the team. The junior prosecutors are an integral part of the current program and its future success. We are developing complex and very complex cases that are resource intensive, but we hope will have a significant impact on combatting insurance fraud.

In the coming year, the SFDA will provide several sources of unfunded resources, including the Economic Crimes Unit managing attorney who oversees investigations, prosecutions, and program protocols; the Economic Crimes Unit lieutenant who oversees investigations; the non-program funded district attorney investigators who provide assistance with search warrant operations and who are the leads on some cases; and the paralegals and support staff who facilitate the operations of the unit.

The SFDA utilizes most of our grant budget toward personnel and operational costs. Maintaining and training an excellent team of prosecutors, investigators and staff members who can effectively and successfully identify, investigate, develop, and prosecute workers' compensation insurance fraud continues to be the highest priority. Our funding request is to maintain the SFDA program and for our increased overhead and personnel costs.

8. Applicant Question: Uninsured Employers

Describe the county's efforts to address the uninsured employers' problem.

Local district attorneys have been authorized to utilize Workers' Compensation Insurance Fraud funds for the investigation and prosecution of an employer's willful failure to secure payment of workers' compensation as of January 2003.

Applicant Response:

In mid-April, 2020, there were reports to the San Francisco Department of Public Health (hereafter referred to as SFDPH) that a number of massage parlors were fully operational despite San Francisco's mandatory shelter-in-place non-essential business closure ordinance, intended to stop the spread of the COVID-19 pandemic. Most of these businesses were not properly permitted through DPH and were suspected of not having any or adequate workers' compensation insurance coverage. In accordance with Labor Code § 3711, SFDAI Inspectors hand delivered compliance letters to the 12 massage parlors identified by SFDPH. By mid-July 2020, 6 of the 12 establishments on the list had responded to the compliance letter, and 4 of the 6 provided proof of workers' compensation insurance. Two other parlors indicated their intent to obtain workers' compensation insurance. Follow-up investigation in collaboration with SFDPH and the SFPD continues as to those parlors that did not respond.

The SFDA partners with DIR's LETF, and licensing and regulatory agencies such as the CSLB an SFDPH to continue to identify uninsured employers. This strategy has yielded results. On April 29, 2020, our office filed nine felony counts and one Labor Code § 3700.5(a) count against Jack Strong and Mikyong Ma, owners of San Francisco's Pink House Salon and Spa.

Our goal is to evaluate all appropriate referrals that come into our White-Collar Crime Division alleging fraud by a business entity to determine if there has been compliance with laws protecting workers, including workers' compensation insurance laws. To accomplish this, the SFDA is educating investigators throughout our White-Collar Crimes Division to identify and charge Labor Code § 3700 violations, as and when appropriate.

Sub Section Name: Training and Outreach

1. Applicant Question: Training Received

List the insurance fraud training received by each county staff member in the workers' compensation fraud unit during Fiscal Year 21-22.

Applicant Response:

Name	Training Date	Provider	Location	Topic	Hours Credit
Tina Nunes Ober	04/13/2022	Anti-Fraud Alliance	Monterey, CA	Workers Compensation Fraud	20
Stephanie Zudekoff	07/14/2021	Golden Gate Ins. Fraud Consortium	virtual	Consortium Meeting	1
Jennifer Kennedy	07/14/2021	Golden Gate Ins. Fraud Consortium	virtual	Consortium Meeting	2
Alex Fasteau	07/14/2021	Golden Gate Ins. Fraud Consortium	virtual	PC 186.11 Seize & Freeze laws	2
Molly Braun	07/14/2021	Golden Gate Ins. Fraud Consortium	virtual	PC 186.11 Seize & Freeze laws	2

Supriya Perry	07/14/2021	Golden Gate Fraud Consortium	virtual	PC 186.11 Seize & Freeze laws	2
Maura Duffy	07/14/2021	Golden Gate Fraud Consortium	virtual	PC 186.11 Seize & Freeze laws	2
Jennifer Kennedy	07/02/2021	Coalition Against Insurance Fraud	virtual	Decoding Medical Fraud	2
Molly Braun	07/21/2021	Coalition Against Insurance Fraud	virtual	Decoding Medical Fraud	2
Supriya Perry	07/21/2021	Coalition Against Insurance Fraud	virtual	Decoding Medical Fraud	2
Maura Duffy	07/21/2021	Coalition Against Medical Fraud	virtual	Decoding Medical Fraud	2
Supriya Perry	08/03/2021	Golden Gate Fraud Consortium	virtual	DIR Data Analytics & Medical Provider FRaud	1.5
Jennifer Kennedy	09/22/2021	Golden Gate Fraud Consortium	virtual	Investigation Roundtable	2
Stephanie Zudekoff	09/22/2021	Golden Gate Fraud Consortium	virtual	Investigation Roundtable	2
Alex Fasteau	09/22/2021	Golden Gate Fraud Consortium	virtual	Investigation Roundtable	2
Michael Morse	09/22/2021	Golden Gate Fraud Consortium	virtual	Fraud Awareness Week	1
Molly Braun	09/22/2021	Golden Gate Fraud Consortium	virtual	Fraud Awareness Week	2
Maura Duffy	09/22/2021	Golden Gate Fraud Consortium	virtual	Fraud Awareness Week	2
Jennifer Kennedy	09/30/2021	SFDA Meeting w/SCCDA	SFDA	WC &Wage Theft	2
Stephanie Zudekoff	10/13/2021	SFDA Meeting w/SCCDA	virtual	WC & Wage Theft	3
Stephanie Zudekoff	12/15/2021	NICB	virtual	Intersection between WC fraud and HT	1
Supriya Perry	12/15/2021	NICB	virtual	Intersection between WC fraud and HT	1
Alex Fasteau	12/15/2021	NICB	virtual	Intersection between WC fraud and HT	1
Stephanie Zudekoff	01/25/2022	Golden Gate Insurance Fraud Consortium	virtual	Handwriting Expert Witness	2
Alex Fasteau	01/25/2022	Golden Gate Insurance Fraud Consortium	virtual	Handwriting Expert Witness	2
Michael Morse	01/25/2022	Golden Gate Fraud Consortium	virtual	Handwriting Expert Witness	1

Molly Braun	01/25/2022	Golden Gate Fraud Consortium	virtual	Handwriting Expert Witness	2
Supriya Perry	01/25/2022	Golden Gate Fraud Consortium	virtual	Handwriting Expert Witness	2
Maura Duffy	01/25/2022	Golden Gate Fraud Consortium	virtual	Handwriting Expert Witness	2
Stephanie Zudekoff	02/16/2022	Golden Gate Fraud 6th Annual Training Consortium	virtual	Annual Training Symposium Roundtable	4.25
Alex Fasteau	02/16/2022	Golden Gate WC 6th Annual Training Symposium	virtual	Annual Training Symposium Roundtable	4.25
Michael Morse	02/16/2022	Golden Gate WC 6th Annual Training Symposium	virtual	WC	4
Molly Braun	02/16/2022	Golden Gate WC 6th Annual Training Symposium	virtual	Insurance Fraud Training	5
Maura Duffy	02/16/2022	Golden Gate WC 6th Annual Training Symposium	virtual	Insurance Fraud Training	5
Supriya Perry (presenter)	02/16/2022	Golden Gate WC 6th Annual Training Symposium	virtual	Investigating premium & provider Fraud	4.25
Jennifer Kennedy	03/04/2022	CDI	virtual	Medical Capping	2
Molly Braun	03/04/2022	CDI	virtual	Medical Capping	2
Michael Morse	03/04/2022	CDI	virtual	Medical Capping	2
Jennifer Kennedy	03/22/2022	Golden Gate Insurance Fraud Consortium	virtual	WC Fraud in Cannabis Industry	2
Molly Braun	03/22/2022	Golden Gate Insurance Fraud Consortium	virtual	WC Fraud in Cannabis Industry	2
Stephanie Zudekoff	03/22/2022	Golden Gate Fraud Consortium	virtual	WC Fraud in Cannabis Industry	2
Maura Duffy	03/22/2022	Golden Gate Fraud Consortium	virtual	WC Fraud in Cannabis Industry	2
Molly Braun	03/22/2022	Golden Gate Fraud Consortium	virtual	WC Fraud in Cannabis Industry	2
Douglass Keely	10/18/2021	Gov't Training Agency	Southern CA	ICI Real Estate Fraud Investigations	32
Molly Braun	10/19/2021	CDAA	Carlsbad, CA	WC Fraud(various)	24
Supriya Perry	10/19/2021	CDAA	Carlsbad, CA	WC Fraud(various)	18.25
Molly Braun	04/13/2022	Anti-Fraud Alliance	Monterey, CA	Various Insurance Fraud	20

Attachment:
22-23WCSFTraining&Outreach.xlsx - EXCEL DOCUMENT

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2. Applicant Question: Training and Outreach Provided

Upload and attach the Training and Outreach Provided form in Excel; label it "22-23 WC (county name) Training and Outreach Provided"

If, in the form, you listed any "Other, Specify" provide a brief explanation here; other additional comments are optional. The blank form is located in the Announcement Attachments, 1a.

Applicant Response:

Label attachment "22-23 WC (County) Training and Outreach"

Attachment:
22-23WCSFTraining&Outreach.xlsx - EXCEL DOCUMENT

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3. Applicant Question: Future Training and Outreach

Describe what kind of training/outreach you plan to provide in Fiscal Year 22-23.

Applicant Response:

In the upcoming 2022-2023 fiscal year, our workers' compensation prosecution team will improve our outreach and training efforts. We have not been able to fully realize Phase two of our "One Lie-We All Pay," outreach campaign, but will strive to do so this year. We will collaborate with the SFDA neighborhood prosecutions team and as well as our Consumer Mediation Team to reach more community members to educate them about workers' compensation insurance fraud. The printed material from our campaign includes brochures in Spanish, English, and Chinese that we can still use to encourage fraud reporting. We plan to distribute the printed materials in the coming months as San Francisco is reopening and we are able to interact in person with the community.

We will hope to attend the California District Attorneys Association conference in person this year. Lt. Molly Braun and Program Manager Tina Nunes Ober attended the Anti-Fraud Alliance Conference this year. We are also hopeful that the annual Republic Indemnity training can take place. Much remains to be seen, as cities and businesses begin to reopen for in person gatherings, post-COVID. In the meantime, we will continue to participate in virtual meetings and trainings to teach, learn, network, and collaborate.

We will also offer to present virtually to individual SIU teams to discuss our experiences regarding successful prosecutions. We will reengage with the
CCSF workers' compensation insurance administrative entities to schedule a training focusing on issues particular to San Francisco's self-administered insurance system. As a member of the Golden Gate Consortium, we will again plan our annual one-day training for SIUs and law enforcement investigators to discuss issues in workers' compensation fraud cases. Further, we will continue to reach out to individual SIUs in response to FD-1s so that we can provide them with the information they need to successfully work with us to investigate and prosecute their cases in San Francisco County.

We will continue to work with ADA Scott Stillman to investigate and develop cases involving wage theft and workers' compensation fraud. Often the two crimes go hand in hand as businesses that are cheating their workers are often cheating in other ways.

We have experienced prosecutors who are handling complex cases. We hope to present case studies at future conferences so that we can educate our colleagues across the state. The Program Manager is very interested in participating in statewide and countywide opportunities to present information that may lead to public awareness of workers' compensation fraud and how we uncover it and prosecute it.

Sub Section Name: Joint Plan

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1. Applicant Question: Joint Plan

Upload your WC Joint Plan and label it "22-23 WC (county name) Joint Plan".

Each County is required to develop a Joint Plan with their CDI Regional Office, to be signed and dated by the Regional Office Captain and the Prosecutor in Charge of the Grant Program. Additional information is in the Announcement Attachments, 3c, and also copied into the attached instructions to this question.

Applicant Response:

Confirm signed and dated by all parties.

Attachment:
22-23WCSF Joint Plan.pdf - PDF FILE

Section Name: Investigation Case Reporting

Sub Section Name: Investigation Case Information Relating to Questions

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1. Applicant Question: County Plan Investigation Information

Regarding the County Plan, Qualifications and Successes, Question One: include here any investigation case information. *The reference number/citation used in the question narrative response should be repeated here. If no investigation information was referenced, mark the N/A response. Task Force cases should specifically name the task force and your county personnel's specific involvement/role in the case.*

Applicant Response:

Not Applicable

Applicant Comment:
Not Applicable

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2. Applicant Question: Program Strategy Investigation Information

Regarding the Problem Statement & Program Strategy: Include here any investigation case information.

Be sure you include the reference number/citation used in the question narrative response again here. If no investigation information was referenced, mark the N/A response. Task Force cases should specifically name the task force and your county personnel's specific involvement/role in the case.

Applicant Response:

Not Applicable

Applicant Comment:
Not Applicable

Sub Section Name: Reporting on All Investigations

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1. Applicant Question: Investigation Case Activity

Upload, mark Confidential, and attach the completed 22-23 WC (county name) Investigation Case Activity.

This document requires information regarding each investigation case that was reported in FORM 7, DAR, Section III C

(Investigations). Two of the three reporting components are case counts only The total of the case counts in Part 1 and Part 2, along with the number of case entries in Part 3, should equal your total investigation case count reported in the DAR Section III. Do NOT substitute descriptions in Part 3 in lieu of case counts for Part 1 and Part 2. Further details are provided in the instructions attached to this question. The blank form is located in the Announcement Attachments, 1bii.

Applicant Response:

Sub Section Name: New Investigation Information for Cases in Court

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1. Applicant Question: Cases in Court Investigation Case Activity

Do you have NEW Investigation Information for cases that started the year in prosecution that you want to include? This section is optional.

If you do have cases to report, download Announcement Attachment 1c, label it ***"22-23 WC (county name) Cases in Court Investigation Case Activity" upload and mark confidential, then attach to this question.***

Other than current status, no prosecution case information should be included.

Applicant Response:

No

RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

July 6, 2022

The Honorable Chesa Boudin
District Attorney
San Francisco County District Attorney's Office
350 Rhode Island Street North Building, Suite 400N
San Francisco, CA 94103

RE: Grant Award for Workers' Compensation Insurance Fraud Program
Fiscal Year 2022-2023

Dear District Attorney Boudin,

I am very pleased to report that, for Fiscal Year 2022-2023, a total of $50,545,239 is available in Workers' Compensation Insurance Fraud Program grant funds to be distributed to 35 District Attorney Offices representing 45 counties, of which **San Francisco** has been awarded **$1,008,768** for this important Program. This grant award is to be used for the investigation and prosecution of workers' compensation insurance fraud.

The decision to grant these funds was made by my Department staff, in consultation with the California Fraud Assessment Commission. Each application received for grant funding was thoroughly reviewed, with careful consideration given to the applicant's plan to achieve the goals and objectives set by me and the Fraud Assessment Commission earlier this year.

It is my continuing intent that these funds be used effectively to pursue and investigate fraud across California. It is also important to focus these finite resources on combating fraud that continues to increase costs on the workers' compensation system, including medical provider insurance fraud, employer premium fraud, insider fraud, and claimant fraud, among others. Additionally, a coordinated and aggressive outreach program to all communities by your office, including to diverse and underserved communities, with measurable outcomes remains a priority of mine.

Thank you for submitting your application for grant funding and, moreover, congratulations on your award. Please feel free to contact Victoria Martinez, CDI Assistant Chief, Fraud Division, at (323) 278-5062 should you have any questions regarding your award. I look forward to working together with you in our continuing pursuit against workers' compensation insurance fraud.

Sincerely,

RICARDO LARA
Insurance Commissioner

cc: Tina Nunes Ober, Managing Attorney/Program Director

PROTECT • PREVENT • PRESERVE
300 CAPITOL MALL, 17TH FLOOR
SACRAMENTO, CALIFORNIA 95814
TEL: (916) 492-3500 • FAX: (916) 445-5280
COMMISSIONERLARA@INSURANCE.CA.GOV

FY2022-2023 Workers' Compensation Insurance Fraud Budget

07/01/2022-06/30/2023

Positions	Biweekly Salary	pay periods	FTE	Amount	Total Budget
8177 Trial Attorney (C. del Rosario), Step 16	**$ 10,241**	**26.1**	**0.06**	**$ 16,037**	**$ 16,037**
Social Security	$ 9,331			$ 560	
Social Sec. - Medicare	1.45%			$ 233	
Health Ins	$ 10,435			$ 626	
Retirement	18.72%			$ 3,002	
Unemployment Ins	0.10%			$ 16	
Long Term Disability	$ 354			$ 21	
Life Insurance	$ 190			$ 11	
Dental Rate	$ 534			$ 32	
Total Benefits	28.07%				$ 4,501
8177 Trial Attorney (R. Friedemann), Step 5	**$ 6,022**	**26.1**	**0.30**	**$ 47,152**	**$ 47,152**
Social Security	$ 9,331			$ 2,799	
Social Sec. - Medicare	1.45%			$ 684	
Health Ins	$ 8,021			$ 2,406	
Retirement	18.72%			$ 8,827	
Unemployment Ins	0.10%			$ 47	
Long Term Disability	$ 354			$ 106	
Life Insurance	$ 190			$ 57	
Dental Rate	$ 319			$ 96	
Total Benefits	31.86%				$ 15,022
8177 Trial Attorney (S. Zudekoff), Step 8	**$ 6,837**	**26.1**	**0.40**	**$ 71,378**	**$ 71,378**
Social Security	$ 9,331			$ 3,732	
Social Sec. - Medicare	1.45%			$ 1,035	
Health Ins	$ 20,204			$ 8,082	
Retirement	18.72%			$ 13,362	
Unemployment Ins	0.10%			$ 71	
Long Term Disability	$ 354			$ 142	
Life Insurance	$ 190			$ 76	
Dental Rate	$ 1,602			$ 641	
Total Benefits	38.02%				$ 27,141
8177 Trial Attorney (A. Fasteau), Step 16	**$ 9,346**	**26.1**	**0.45**	**$ 109,769**	**$ 109,769**
Social Security	$ 9,331			$ 4,199	
Social Sec. - Medicare	1.45%			$ 1,592	
Health Ins	$ 9,152			$ 4,118	
Retirement	18.72%			$ 20,549	
Unemployment Ins	0.10%			$ 110	
Long Term Disability	$ 354			$ 159	
Life Insurance	$ 190			$ 85	
Dental Rate	$ 534			$ 240	
Total Benefits	28.29%				$ 31,052
8552 Senior DAI (J. Kennedy), Step 6 (includes FLSA pay)	**$ 6,747**	**26.1**	**0.93**	**$ 163,770**	**$ 163,770**
Social Sec. - Medicare	1.45%			$ 2,375	
Retirement	18.60%			$ 30,461	
Unemployment Ins	0.10%			$ 164	
Dental Rate	$ 534			$ 497	
Total Benefits	20.45%				$ 33,497
8550 DAI (M. Morse), Step 6 (includes FLSA pay)	**$ 6,060**	**26.1**	**0.84**	**$ 132,859**	**$ 132,859**
Social Sec. - Medicare	1.45%			$ 1,926	
Health Ins	$ 20,204			$ 16,971	
Retirement	18.66%			$ 24,791	
Unemployment Ins	0.10%			$ 133	
Dental Rate	$ 1,602			$ 1,346	
Total Benefits	34.00%				$ 45,167

FY2022-2023 Workers' Compensation Insurance Fraud Budget

07/01/2022-06/30/2023

8550 DAI (D. Keely), Step 6 (includes FLSA pay)	**$ 6,206**	**26.1**	**0.05**	**$ 8,099**	**$ 8,099**
Social Sec. - Medicare	1.45%			$ 117	
Retirement	18.66%			$ 1,511	
Unemployment Ins	0.10%			$ 8	
Dental Rate	$ 1,602			$ 80	
Total Benefits	21.19%				$ 1,716
8147 Senior DAI (M. Duffy), Step 6 (includes FLSA pay)	**$ 6,715**	**26.1**	**0.68**	**$ 119,178**	**$ 119,178**
Social Sec. - Medicare	1.45%			$ 1,728	
Health Ins	$ 10,434.78			$ 7,096	
Retirement	54.96%			$ 65,500	
Unemployment Ins	0.10%			$ 119	
Dental Rate	$ 534			$ 363	
Total Benefits	62.77%				$ 74,806
Subtotal Salary					$ 668,242
Subtotal Benefits					$ 232,902
TOTAL SALARY & BENEFITS			**3.71**		**$ 901,144**

				Amount	Total Budget
Facility Rental (annual rate of $29,208 per FTE), 4.75 FTE x $29,208 = $108,362, only charging grant $39,801	$29,208			$ 39,801	$ 39,801
Audit Expense				$ 23,879	$ 23,879
CDAA & Anti-Fraud Alliance Membership				$ 1,200	$ 1,200
In-State Travel and Training Expenses				$ 11,200	$ 11,200
Materials & Supplies					$ -
Outreach Campaign				$ 5,000	$ 5,000
Transcription				$ 2,000	$ 2,000
Indirect Cost (10% of personnel salaries excluding benefits and overtime), 10% x $668,242 = $66,824, only charging grant $24,544	10%			$ 24,544	$ 24,544
TOTAL OPERATING					**$ 107,624**

Equipment					
none requested					$ -
TOTAL EQUIPMENT					**$ -**

GRAND TOTAL					**$ 1,008,768**

TO: **Angela Calvillo, Clerk of the Board of Supervisors**

FROM: **Lorna Garrido, Grants and Contracts Manager**

DATE: **September 9, 2022**

SUBJECT: **Accept and Expend Resolution for Subject Grant**

GRANT TITLE: **Workers' Compensation Insurance Fraud Program**

Attached please find the original* and 1 copy of each of the following:

_X_ Proposed grant resolution; original* signed by Department, Mayor, Controller

_X_ Grant information form, including disability checklist

_X_ Grant budget

_X_ Grant application

_X_ Grant award letter from funding agency

___ Ethics Form 126 (if applicable)

___ Contracts, Leases/Agreements (if applicable)

___ Other (Explain):

Special Timeline Requirements:
Please schedule at the earliest available date.

Departmental representative to receive a copy of the adopted resolution:

Name: Lorna Garrido Phone: (628) 652-4035

Interoffice Mail Address: DAT, 350 Rhode Island Street, North Building, Suite 400N

Certified copy required Yes ☒ No ☐

(Note: certified copies have the seal of the City/County affixed and are occasionally required by funding agencies. In most cases ordinary copies without the seal are sufficient).