

File No. 190227

Committee Item No. 14

Board Item No. 16

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee

Date April 10, 2019

Board of Supervisors Meeting

Date April 16, 2019

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
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| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Introduction Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Grant Information Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
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Completed by: Linda Wong Date April 5, 2019

Completed by: Linda Wong Date April 12, 2019

1 [Accept and Expend Grant - Retroactive - California Department of Insurance - Automobile
2 Insurance Fraud Program - \$298,336]

3 **Resolution retroactively authorizing the Office of the District Attorney to accept and**
4 **expend a grant in the amount of \$298,336 from the California Department of**
5 **Insurance for the Automobile Insurance Fraud Program for the grant period of July 1,**
6 **2018, through June 30, 2019.**

7
8 WHEREAS, The Office of the District Attorney applied for funding from the California
9 Department of Insurance for the "Automobile Insurance Fraud Program" and was awarded
10 \$298,336; and

11 WHEREAS, The purpose of the grant is to provide enhanced investigation and
12 prosecution of automobile insurance fraud cases, including the application process and
13 subsequent reporting requirements as set forth in the California Insurance Code, Section
14 1872.8, California Code of Regulations, Title 10, Section 2698.60 et seq.; and

15 WHEREAS, This recurring grant was budgeted in the FY2018-2019 and FY2019-2020
16 Annual Budget and Appropriation Ordinance, Ordinance No. 181-18; and

17 WHEREAS, California Department of Insurance awarded additional FY2018-2019
18 funds of \$65,664; and

19 WHEREAS, The adopted budget for FY2018-2019 is \$232,672; and

20 WHEREAS, The amount of \$65,664 is required to be appropriated to equal the total
21 amount of \$298,336 awarded to the Office of the District Attorney for the 2018-19 fiscal year;
22 and

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

25 WHEREAS, The grant includes indirect costs of \$22,295; and now, therefore, be it

1 RESOLVED, That should the Office of the District Attorney receive more or less
2 money than the awarded amount of \$298,336, that the Board of Supervisors hereby
3 approves the acceptance and expenditure by the Office of the District Attorney of the
4 additional or reduced money; and, be it

5 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes the Office
6 of the District Attorney to accept and expend, on behalf of the City and County of San
7 Francisco, a grant from the California Department of Insurance for the Automobile
8 Insurance Fraud Program to be funded in part from funds made available through California
9 Insurance Code, Section 1872.8, California Code of Regulations, Title 10, Section 2698.60
10 et seq. in the amount of \$298,336 to enhance investigation and prosecution of automobile
11 insurance fraud cases; and, be it

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

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

22 FURTHER RESOLVED, That the grant funds received hereunder shall not be used
23 to supplant expenditures controlled by this body.
24
25

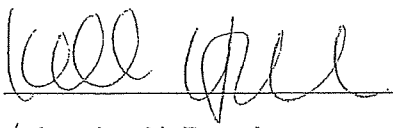
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Recommended:



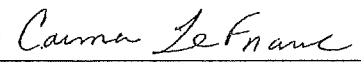
George Gascon

District Attorney

Approved: 

for London N. Breed

Mayor

Approved: 

for Ben Rosenfield

Controller

File Number: _____
(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: **Automobile Insurance Fraud Program**
2. Department: **Office of the District Attorney**
3. Contact Person: **Lorna Garrido** Telephone: **(415) 553-9258**
4. Grant Approval Status (check one):
 Approved by funding agency Not yet approved
5. Amount of Grant Funding Approved or Applied for: **\$298,336**
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 automobile insurance fraud cases, including the application process and subsequent reporting requirements as set forth in the California Insurance Code section 1872.8 California Code of Regulations, Title 10, Section 2698.60 et seq.**
9. Grant Project Schedule, as allowed in approval documents, or as proposed:
Start-Date: **July 1, 2018** End-Date: **June 30, 2019**
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?
 Yes No
b. 1. If yes, how much? **\$22,295**
b. 2. How was the amount calculated? **10% of total salaries**
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. On November 5, 2018, we were notified that the City and County of San Francisco Budget and Appropriation Ordinance that includes this recurring grant does not meet the California Department of Insurance resolution regulation. 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):

- | | | |
|--|---|---|
| <input checked="" type="checkbox"/> Existing Site(s) | <input type="checkbox"/> Existing Structure(s) | <input checked="" type="checkbox"/> Existing Program(s) or Service(s) |
| <input type="checkbox"/> Rehabilitated Site(s) | <input type="checkbox"/> Rehabilitated Structure(s) | <input type="checkbox"/> New Program(s) or Service(s) |
| <input type="checkbox"/> New Site(s) | <input type="checkbox"/> 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: 1/11/19

(Signature Required)

Department Head or Designee Approval of Grant Information Form:

Eugene Clendinen

(Name)

Chief Administrative & Financial Officer

(Title)

Date Reviewed: 1/11/19

(Signature Required)

FY18-19 Auto Insurance Fraud Budget

7/1/18-6/30/19

Positions	Biweekly Salary	pay periods	FTE	Amount	FY17-18 Carry Over	FY18-19 Award	Total Budget
8177 Trial Attorney (S. Zudekoff), Step 5	\$ 5,265	26	0.25	\$ 34,223		\$ 34,223	\$ 34,223
Social Security	\$ 8,249			\$ 2,062			
Social Sec. - Medicare	1.45%			\$ 496			
Health Ins	\$ 3,261			\$ 815			
Dependent Cov	\$ 11,771			\$ 2,943			
Retirement	23.92%			\$ 8,186			
Unemployment Ins	0.27%			\$ 92			
Long Term Disability	0.35%			\$ 120			
Dental Rate	\$ 1,517			\$ 379			
Total Benefits	44%					\$ 15,094	\$ 15,094
8177 Trial Attorney (A. Fasteau), Step 15	\$ 7,680	26	0.40	\$ 79,869		\$ 79,869	\$ 79,869
Social Security	\$ 8,249			\$ 3,300			
Social Sec. - Medicare	1.45%			\$ 1,158			
Health Ins	\$ 3,261			\$ 1,304			
Dependent Cov	\$ 11,771			\$ 4,708			
Retirement	23.92%			\$ 19,105			
Unemployment Ins	0.27%			\$ 216			
Dental Rate	\$ 1,517			\$ 607		\$ 30,398	\$ 30,398
Total Benefits	38%						
8177 Trial Attorney (A. Hernandez), Step 16	\$ 8,376	2	0.04	\$ 670		\$ 670	\$ 670
Social Sec. - Medicare	1.45%			\$ 10			
Health Ins	\$ 2,200			\$ 88			
Retirement	13.00%			\$ 87			
Unemployment Ins	0.25%			\$ 2			
Dental Rate	\$ 350			\$ 14		\$ 201	\$ 201
Total Benefits							
8550 DAI (J. O'Reilly), Step 6	\$ 5,014	26	0.83	\$ 108,192	\$ 52,029	\$ 56,163	\$ 108,192
Social Sec. - Medicare	1.45%			\$ 1,569			
Health Ins	\$ 3,084			\$ 2,560			
Dependent Cov	\$ 11,579			\$ 9,611			
Retirement	28.43%			\$ 30,759			
Unemployment Ins	0.27%			\$ 292			
Dental Rate	\$ 1,520			\$ 1,262			
Total Benefits	42.56%				\$ 23,522	\$ 22,529	\$ 46,052
Subtotal Salary					\$ 52,029	\$ 170,925	\$ 222,954
Subtotal Benefits					\$ 23,522	\$ 68,222	\$ 91,744
TOTAL SALARY & BENEFITS			1.48		\$ 75,551	\$ 239,147	\$ 314,698

Lease of Office Space (\$18,628/FTE)	\$18,628			\$ 27,569		\$ 27,569	\$ 27,569
Audit Expense				\$ 8,208		\$ 8,208	\$ 8,208
Travel and Training Expenses				\$ 1,116		\$ 1,116	\$ 1,116
Materials & Supplies							
Indirect Cost (10% of direct salary)	10%			\$ 22,295		\$ 22,295	\$ 22,295
TOTAL OPERATING						\$ 59,189	\$ 59,189

Equipment							
none requested					\$ -	\$ -	\$ -
TOTAL EQUIPMENT					\$ -	\$ -	\$ -

GRAND TOTAL					\$ 75,551	\$ 298,336	\$ 373,887
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DEPARTMENT OF INSURANCE

George Mueller, *Deputy Commissioner*

FRAUD DIVISION
2400 DEL PASO ROAD, SUITE 250
SACRAMENTO, CA 95834
(916) 854-5760
www.insurance.ca.gov



January 7, 2019

Eugene Clendinen
Chief Financial Officer
San Francisco County District Attorney's Office
850 Bryant Street, Suite 322
San Francisco, CA 94112

RE: Executed Grant Award Amendment for the Automobile Insurance Fraud Program
Fiscal Year 2018-19

Dear Eugene Clendinen:

Please find the County's original copy of the fully executed grant award amendment enclosed.

Thank you for San Francisco County's participation in Fiscal Year 2018-19 Automobile Insurance Fraud Program.

Sincerely,

Jan Perschler

Janis Perschler
Manager, Local Assistance Unit

Enclosure

cc: Supriya Perry, Managing Attorney

INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA

GRANT AWARD AMENDMENT
of Additional Funds for Fiscal Year 2018-19
Automobile Insurance Fraud Program

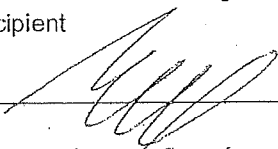
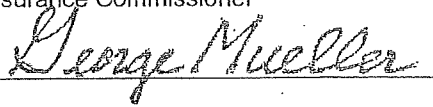
The Insurance Commissioner of the State of California hereby makes an amendment to the award of funds to **San Francisco County**, Office of the District Attorney, in the amount and for the purpose and duration set forth in this grant award.

This amended grant award consists of this agreement and the application for the grant and made a part hereof. By acceptance of the amended grant award, the grant award recipient agrees to administer the grant project in accordance with all applicable statutes, regulations and Request-for-Application (RFA).

Duration of Amended Grant: The grant award is for the program period, **July 1, 2018 through June 30, 2019.**

Purpose of Amended Grant: This grant award is made pursuant to the provisions of California Insurance Code §1872.8 and shall be used solely for the purposes of enhanced investigation and prosecution of automobile insurance fraud and economic car theft cases.

Amount of Amended Grant: The grant award agreed to herein is in the amount of **\$298,336** which is an increase of **\$93,996** above the initial funding amount. This amount has been determined by the Insurance Commissioner. However, the actual total award amount for the county is contingent on the collection and the authorization for expenditure pursuant to the Government Code §13000 et seq. The grant award shall be distributed pursuant to §1872.8 of the Insurance Code and to the California Code of Regulations Sub-Chapter 9, Article 4, §2698.65.

Official Authorized to Sign for Applicant/Grant Recipient  Name: George Gascón Title: District Attorney Address: 850 Bryant Street, Suite 322 San Francisco, CA 94112 Date: <u>12-13-18</u>	DAVE JONES Insurance Commissioner  Name: George Mueller Title: Deputy Commissioner Date: <u>1/2/19</u>
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I hereby certify upon my own personal knowledge that budgeted funds are available for the period and purposes of this expenditure.


Crista Hill, Budget Officer, CDI

1/2/19
Date

DEPARTMENT OF INSURANCE

George Mueller, *Deputy Commissioner*

FRAUD DIVISION
2400 DEL PASO ROAD, SUITE 250
SACRAMENTO, CA 95834
(916) 854-5760
www.insurance.ca.gov



November 6, 2018

Eugene Clendinen
Chief Financial Officer
San Francisco County District Attorney's Office
850 Bryant Street, Suite 322
San Francisco, CA 94103

RE: Executed Original of the Fiscal Year 2018-19 Grant Award Agreement for the
Automobile Insurance Fraud Program

Dear Eugene Clendinen:

San Francisco County was awarded \$204,340 for the Fiscal Year 2018-19 Automobile
Insurance Fraud Program.

Please find the following three documents enclosed:

- Executed Original of the Fiscal Year 2018-19 Grant Award Agreement
- Summary of Important Deadlines
- After Award Administrative Requirements

Sincerely,

Janis Perschler

Janis Perschler
Manager, Local Assistance Unit

Enclosures

cc: Supriya Perry, Managing Attorney

INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA

GRANT AWARD AGREEMENT

Fiscal Year 2018-19

Automobile Insurance Fraud Program

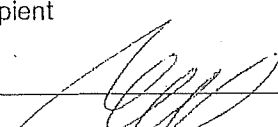
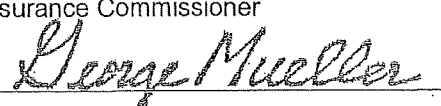
The Insurance Commissioner of the State of California hereby makes an award of funds to **San Francisco County**, Office of the District Attorney, in the amount and for the purpose and duration set forth in this grant award.

This grant award consists of this agreement and the application for the grant and made a part hereof. By acceptance of the grant award, the grant award recipient agrees to administer the grant project in accordance with all applicable statutes, regulations and Request-for-Application (RFA).

Duration of Grant: The grant award is for the program period, **July 1, 2018** through **June 30, 2019**.

Purpose of Grant: This grant award is made pursuant to the provisions of California Insurance Code §1872.8 and shall be used solely for the purposes of enhanced investigation and prosecution of automobile insurance fraud and economic car theft cases.

Amount of Grant: The grant award agreed to herein is in the amount of **\$204,340**. This amount has been determined by the Insurance Commissioner. However, the actual total award amount for the county is contingent on the collection and the authorization for expenditure pursuant to the Government Code §13000 et seq. The grant award shall be distributed pursuant to §1872.8 of the Insurance Code and to the California Code of Regulations Sub-Chapter 9, Article 4, §2698.65.

Official Authorized to Sign for Applicant/Grant Recipient  Name: George Gascón Title: District Attorney Address: 850 Bryant Street, Suite 322 San Francisco, CA 94112 Date: <u>9-18-18</u>	DAVE JONES Insurance Commissioner  Name: George Mueller Title: Deputy Commissioner Date: <u>10-18-18</u>
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I hereby certify upon my own personal knowledge that budgeted funds are available for the period and purposes of this expenditure.

Crista Hill, Budget Officer, CDI

Date

**CALIFORNIA DEPARTMENT OF INSURANCE
FRAUD DIVISION**



**AUTOMOBILE
INSURANCE FRAUD PROGRAM**

**REQUEST FOR APPLICATION
FISCAL YEAR 2018-2019**

**SECTION III
ADMINISTRATIVE REQUIREMENTS
AFTER AWARD**

Pursuant to Insurance Code Section 1872.8(b)(1)(D),
the application for funding is a public document
and may be subject to disclosure.

However, information submitted to the
California Department of Insurance (CDI)
concerning criminal investigations,
whether active or inactive,
is considered confidential.

*For assistance during this process contact
Automobile Program Analyst
(916) 854-5818
LocalAssistanceUnit@insurance.ca.gov*

**AUTOMOBILE INSURANCE FRAUD PROGRAM
SUMMARY OF IMPORTANT DEADLINES
FISCAL YEAR 2018-2019**

This table summarizes the Reports/Documents required to comply with Insurance Code Section 1872.8 and California Code of Regulations, Title 10, Section 2698.60, et seq.

Due Date	Report/Document	Comments	Completed
Within 30 days of change	Program Contact Form FORM 03	Submit update(s) when contacts change	<input type="checkbox"/>
As needed	Budget Modification Request(s) FORMs 10, 11, and 12	Submit change(s) to original or last approved budget	<input type="checkbox"/>
With RFA or by Dec. 31, 2018	Board of Supervisors Resolution	Original or certified copy is required	<input type="checkbox"/>
Aug. 29, 2019	Estimate of Unexpended Funds and Carry Over Utilization Request FY 2018-19 into FY 2019-20 <i>A written justification must be submitted if you wish to utilize the estimated carry over.</i>	The justification should include: <ul style="list-style-type: none"> • Justification for the use of funds • Budget showing how the funds will be used If the carry over exceeds 25%, the justification must include an explanation of the extenuating circumstances resulting in the carry over.	<input type="checkbox"/>
Aug. 30, 2019	Annual Program Report Year End DAR (FORM 07) FY 2018-19	Submitted online	<input type="checkbox"/>
Nov. 1, 2019	Annual Expenditure Report FY 2018-19	Submitted by County <i>separate</i> from the Financial Audit Report	<input type="checkbox"/>
Nov. 1, 2019	Financial Audit Report FY 2018-19	Financial Audit Guidelines are provided at the end of Section III	<input type="checkbox"/>

**ADMINISTRATIVE REQUIREMENTS AFTER AWARD
AUTOMOBILE INSURANCE FRAUD PROGRAM
FISCAL YEAR 2018-2019**

When a county's application is selected for funding, the Insurance Commissioner, or his designee, will send a letter to the district attorney notifying them of their selection and the amount of the award. The following is a discussion of the county's administrative requirements after award.

The grant period will begin on July 1, 2018 and end on June 30, 2019.

A. ACCOUNTING SYSTEM

The County will maintain an accounting system that conforms to generally accepted accounting principles and practices and allows CDI to determine the county's adherence to these principles and practices.

Accounting systems include such practices as:

- Adequate separation of duties
- Fiscal policies and procedures that ensure grant expenditures comply with statute, regulation and guidelines set herein
- Maintain evidence of receipts of grant distributions
- Maintain source documentation to support claimed expenditures
- Account reconciliation
- All other records necessary to verify account transactions

The California State Controller's Office (SCO), in its Accounting Standards and Procedures for Counties manual (Government Code Section 30200 and California Code of Regulations, Title 2, Division 2, Chapter 2), also specifies minimal required accounting practices for counties. Counties may download a copy of this manual at the SCO website <http://www.sco.ca.gov>.

B. FUNDING CYCLE AND GRANT LIQUIDATION PERIOD

The program period will begin on July 1, 2018 and end on June 30, 2019. Counties responding to this application must budget funds for 12 months.

There shall be a grant liquidation period of ninety (90) days following the termination of the program period for costs incurred but not paid. Payment may be made and deducted from the program budget during this period.

C. PROGRAM CONTACT UPDATE(S)

An updated Program Contact Form (FORM 03) is due **within 30 days of the change.**

If there is a change in the county's contact information, an updated Program Contact Form (FORM 03) is to be submitted to CDI within 30 days of the change. FORM 03 can be found in SECTION II of this RFA.

D. BUDGET MODIFICATION REQUEST(S)

A budget modification is required if the grant award amount is different than the amount requested in the application. Additional Budget Modification Requests (FORMS 10-12) may be submitted for approval as needed.

Additional budget modifications to the original or last approved budget are allowable as long as they do not change the grant award amount. Budget modifications across budget categories (i.e., personnel services, operations, and equipment) require CDI approval. Each budget modification request shall be made in writing before it can be approved. Budget FORMS 10 - 12 can be found in SECTION II of this RFA.

E. RESOLUTION

If the Resolution cannot be submitted with the application, it must be submitted **by December 31, 2018.**

A Resolution from the Board of Supervisors authorizing the applicant to enter into a Grant Award Agreement with CDI is required. An **original or certified copy** of the current Board Resolution for the new grant period must be submitted to receive funding for the 2018-2019 fiscal year.

The Board Resolution must designate the official authorized by title to sign the Grant Award Agreement for the applicant. The Resolution must include a statement accepting liability for the local program. A sample Resolution is included in *Section II Application and Instructions.*

F. GRANT AWARD AGREEMENT

CDI will provide the County with two (2) original Grant Award Agreements (GAAs) for signature by the official authorized to sign.

- Two (2) GAAs, with original signatures should be returned to CDI.
- After the Insurance Commissioner or his designee signs; one (1) fully executed GAA will be returned to the county for its records.

By signing GAAs the county agrees to participate in the CDI Automobile Insurance Fraud Program and the district attorney assumes the responsibility for the proper utilization, accounting, and safeguarding of the program funds.

NOTE: Grant funds will not be distributed to the county until CDI has received the Resolution and the Grant Award Agreement is fully executed.

G. ESTIMATE OF UNEXPENDED FUNDS AND CARRY OVER UTILIZATION REQUEST

The Estimate of Unexpended Funds and Carry Over Utilization Request is due **by August 29, 2019.**

Section 2698.64(c) of the California Code of Regulations stipulates that any portion of distributed funds not used at the termination of each program period shall be returned to the Insurance Fraud Account to be reapportioned for use in the subsequent program year. Counties shall provide CDI with an estimate of unused funds within sixty (60) days after the termination of the grant period.

However, Section 2698.64(d) states that a district attorney who has undertaken investigations and/or prosecutions that will carry over into the following program year may carry over the distributed but unused funds. That district attorney must specify and justify in writing to CDI (1) how the funds will be used at the end of the program period and (2) a modified budget showing how the funds will be used in the subsequent application period. **If the carry over exceeds 25%**, the justification must also include an explanation of the extenuating circumstances resulting in the carry over.

H. DISTRICT ATTORNEY ANNUAL REPORT

Each district attorney receiving annual funds pursuant to Section 1872.8 of the California Insurance Code shall submit an annual report to the Insurance Commissioner on the local program and its accomplishments. The Annual Report is comprised of two documents--statistical and financial. These documents are referred to as the Program Report and the Expenditure Report and discussed below.

These documents shall be submitted at the close of the regular grant period and within the deadlines specified below. Failure to submit the annual report shall affect subsequent funding decisions.

ANNUAL PROGRAM REPORT

The Annual Program Report is due **by August 30, 2019.**

The Annual Program Report is the second collection of the biannual statistical information required in Section 1872.8 of the California Insurance Code. California Code of Regulations, Title 10, Section 2698.67(d) and (e)(2), further specifies that

Annual Program Reports must be submitted no later than two (2) months after the close of the program period.

The Program Report should include:

- The number of investigations initiated related to automobile insurance fraud, with the number of defendants indicated;
- The number of arrests or civil suits filed related to automobile insurance fraud, with the number of defendants indicated;
- The number of prosecutions or civil suits filed related to automobile insurance fraud;
- The number of convictions or civil awards related to automobile insurance fraud, with the number of defendants, trials, pleas and/or settlements indicated, and names of all convicted fraud perpetrators;
- The dollar savings realized as a result of automobile insurance fraud case prosecutions, as evidenced by fines and penalty assessments ordered and collected, and restitution ordered and collected, with the number of defendants indicated;
- The number of warrants issued; and
- A summary of activity with respect to pursuing a reduction of automobile fraud in coordination with the following:
 - a. Fraud Division
 - b. Insurance companies

ANNUAL EXPENDITURE REPORT

The Annual Expenditure Report is due **by November 1, 2019**.

California Code of Regulations, Title 10, Section 2698.67 (e)(1), specifies that Expenditure Report must be submitted to the CDI no later than four (4) months after the close of the program period.

If an organization-wide audit will delay the submission of the Expenditure Report, a county may request an extension of time. The extension request should be submitted to the Program Analyst for approval and clearly explain the need and planned submittal date.

The Expenditure Report is **prepared by the county** and should include:

- Personnel salaries and benefits;
- Operations cost breakdown;
- Equipment; and an
- Explanation of any significant variances from the district attorney's approved budget plan.

I. FINANCIAL AUDIT REPORT

The Financial Audit Report is due **by November 1, 2019**.

California Code of Regulations, Title 10, Section 2698.67 (e)(1) requires each district attorney receiving funds to submit a Financial Audit Report. The Financial Audit Report must be submitted to the CDI no later than four (4) months after the close of the program period.

If an organization-wide audit will delay the submission of the Financial Audit Report, a county may request an extension of time. The extension request should be submitted to the Program Analyst for approval and clearly explain the need and planned submittal date.

The Financial Audit Report is to be prepared by either an independent auditor who is a qualified state or local government auditor, an independent public accountant licensed by the State of California, or the County Auditor/Controller.

The county may include the cost of the Financial Audit in their budget as a line-item in Operating Expenses (FORM 11).

The audit report shall:

- Indicate that expenditures were made for the purposes of the program. (CIC Section 1872.8 and CCR, Title 10 Section 2698.60 et seq.)
- Indicate that the auditor shall use county policies and procedures as the standard for verifying appropriateness of personnel and support costs.
- Separately show revenues and expenditures for the local program, in the event the program audit is included as a part of an organization-wide audit.

NOTE: Grant Financial Audit Guidelines, which sets forth the standards for audit preparation, is provided as an attachment at the end of this Section.

J. AUDITS BY CDI

Section 2698.67(g) and (h) of the California Code of Regulations allows CDI to perform audits and reviews of the Automobile Insurance Fraud Fund. To maximize the effectiveness and efficiency of these reviews, and to minimize the disruption to the county's operation, CDI will conduct the reviews of the Workers' Compensation Insurance Fraud, Automobile Insurance Fraud, Organized Automobile Fraud Activity Interdiction, Disability and Healthcare Insurance Fraud, and/or Disability and Healthcare—Supplemental Insurance Fraud Programs at the same time and, if applicable, any additional funds received pursuant to the above sections.

The principle objective of the fiscal audit is to evaluate overall administration of the Fraud Grant Programs. An audit will focus on whether the county district attorney's office

complies with the laws, regulations, and general program administrative and accounting control requirements.

CDI Fraud Grant Audit Program (FGAP) will perform the audits. FGAP will:

Determine the revenue, expenditures and approved prior year carry over are an accurate reflection of the information contained in the county fiscal records for the applicable program;

- Compare the results of the financial audit to the expenditure report and approved budget and note any discrepancies;
- Determine that actual personnel time charged to the program is limited to personnel funded by the grant and to specific program investigative and prosecutorial activities;
- Determine that equipment charged to the program are only for items specifically approved by CDI in the county's program budget;
- Determine that equipment purchased by the grant is in the custody and use of the personnel funded by the grant; and
- Examine the documentation that supports the number of investigations, arrests, prosecutions, convictions, and outreach events reported in the biannual program report.

In addition, the audit will focus on the internal controls the county has implemented to safeguard the insurance fraud grant funds, including, but not limited to, a review of accounting records, payment documents, and accounting processes and procedures. FGAP will review prior year audit reports, supporting working papers, the status of previous audit findings, and any required corrective action.

K. RESTITUTION

Funds resulting from assessments, fees, penalties, fines, restitution, or recovery of costs of investigation and prosecution that are ordered to be deposited in the Insurance Fund shall not be deemed "unexpended" funds for any purpose.

Restitution should be submitted to CDI for deposit into the Disability and Healthcare Fraud Account.

NOTE: Instructions for Submitting Restitution Payments to CDI is provided as an attachment at the end of this Section.

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ATTACHMENT: FINANCIAL AUDIT GUIDELINES

AUTOMOBILE INSURANCE FRAUD PROGRAM FINANCIAL AUDIT GUIDELINES FISCAL YEAR 2018-2019

The financial audit of the district attorney's office participation in CDI's Automobile Insurance Fraud Program must be conducted using generally accepted auditing standards and the most recent Government Auditing Standards (GAS) and related guidance published by the Comptroller General of the United States. The audit must include an examination of the internal control structures of the district attorney's office as it applies to this program.

The following are specific, minimum areas of examination that are applicable for conducting an audit of the Automobile Insurance Fraud Program. These guidelines are not intended to be all-inclusive but, rather, specific areas to be examined during the performance of the audit of this program.

1. Verify the appropriateness of personnel and support costs, including equipment purchases, using the county's policies and procedures as the standard for verification. Note any conflicts with program requirements and potential disallowed expenses.
2. Determine the approved budget for the audited grant period by line item within each budget category. Examine district attorney's office records, the grant applications, grant amendments and augmentations, CDI grant award letter(s) and, if any, CDI approved prior year carry over. Compare the approved budget to the year-end Expenditure Report. Note any exceptions.
3. Determine that the Expenditure Report is an accurate reflection of information contained in the County Auditor/Controller's records for this program. Note any differences between the two.
4. Determine that grant revenues from CDI for the grant period are included in the Financial Report even if they were deposited by the county after the end of the grant period (i.e., treats grant revenues from CDI on an accrual basis).
5. Ensure that the Audit Report reflects the correct amount of grant revenues received for the grant period and, if applicable, the correct amount of prior year carry over. Note any differences between the calculated carry over found as a result of the audit and the amount approved by CDI.
6. Determine that personnel time charged to the program was expended only for the purpose of enhancing investigations and prosecutions of automobile insurance fraud.
7. Determine that personnel expenses charged to the program are limited to personnel funded by the grant.

8. Determine that direct charges to the program are not also included in indirect costs (i.e., space charges) charged to the program.
9. Determine that equipment purchases made with grant funds are only for items specifically approved by CDI in the applicant's budget.
10. Determine that no vehicle purchases have been charged against this program without specific written approval by CDI.
11. Determine that equipment purchased by the grant is in the custody and use of the personnel funded by the grant.
12. Compare the results of the audited expenses to the end-of-the-year Expenditure Report and note any exceptions, particularly variances between audited expenditure, claimed and budgeted categories.
13. Identify non-compliance with applicable statute, regulation, county policy or grant application requirements, and any questionable or disallowed grant amounts received for the grant period.

ATTACHMENT: SUBMITTING RESTITUTION

INSTRUCTIONS FOR SUBMITTING RESTITUTION PAYMENTS
FISCAL YEAR 2018-2019

Mail Restitution, Fine, and Penalty Payments to:

California Department of Insurance
Accounting - Cashiering Unit
300 Capitol Mall, 14th Floor
Sacramento, CA 95814

Payable to: California Department of Insurance

Acceptable forms of payment:

- Money Order
- Cashier Check
- County Check

Cover letter or stub should include:

- Defendant's Name
- County Name
- County Case Number
- Program
- Type of payment (such as, 3700.5 fines, restitution, etc.)

If you have any questions, please contact the CDI Local Assistance Unit at LocalAssistanceUnit@insurance.ca.gov.

NOTE: The county is responsible for tracking collections.

DEPARTMENT OF INSURANCE

George Mueller, Deputy Commissioner

Enforcement Branch
2400 DEL PASO ROAD, SUITE 250,
SACRAMENTO, CA 95834
(916) 854-6760
www.insurance.ca.gov



October 26, 2018

via email

Ms. Supriya S. Perry
Managing Attorney
San Francisco County District Attorney's Office
732 Brannan Street 2nd Floor
San Francisco, CA 94103

RE: Fiscal Year (FY) 2017/18 Carryover and FY 2018/19 Modified Budget –
Automobile Insurance Fraud Program

Dear Ms. Perry:

We received your County's request to carryover unexpended FY 2017/18 Automobile Insurance Fraud Program grant funds into FY 2018/19. After careful review, **FY 2017/18 Carryover in the amount of \$75,551 and FY 18/19 modified budget are approved.**

If the financial audit report determines a different carryover amount, please submit a modified budget to the Local Assistance Unit.

FY 2018/19 grant funding is:

FY 2017/18 Carryover Approval:	\$ 75,551
FY 2018/19 Grant Base Award:	<u>\$204,340</u>
FY 2018/19 Total Funding:	\$279,891

Please note: In FY 2017/18, the County's unexpended grant funds were more than 25% of the grant award. Be advised that if the FY 2018/19 total funding above is not expended, it may affect future grant awards and/or the County may be asked to return the unexpended funds.

Thank you for your commitment to the program. Through our coordinated efforts, we make a difference in the fight against automobile insurance fraud in California.

For questions, please contact Marita Kwiatkowski, Local Assistance Program Analyst, at (916) 854-5818 or Marita.Kwiatkowski@insurance.ca.gov.

Sincerely,

ERIC CHARLICK
Assistant Chief, Fraud Division

cc: Eugene Clendinen, Chief Financial Officer
George Mueller, CDI Deputy Commissioner
Jack Horvath, CDI Division Chief



GEORGE GASCON
DISTRICT ATTORNEY
CITY AND COUNTY OF SAN FRANCISCO

June 22, 2018

Marita Kwiatkowski
California Department of Insurance
2400 Del Paso Road, Suite 250
Sacramento, CA 95834

Dear Ms. Kwiatkowski:

Enclosed please find the original of the 2018-2019 Automobile Insurance Fraud Grant Application for the Office of the District Attorney for the City and County of San Francisco. A CD containing a digital copy of the application is also included in this package.

Please note that a copy of County Ordinance 391-97 is included in this grant application in lieu of a certified resolution. This Ordinance authorizes County Department Heads to apply for and to expend grant proceeds. Specifically, the Ordinance states (in Section 10.170-1) that Programs that are recurring or have continuous funding from year to year shall be included in the budget submission by the department. This eliminates the necessity for a new resolution each year. For fiscal year 2018-2019, the District Attorney's proposed budget will include an expenditure of up to \$338,663 for the investigation and prosecution of automobile insurance fraud.

Our year-end report for fiscal year 2017-2018 is in the process of being completed. Our office will forward the report to you once it is finalized. As you will note, there will be an estimated \$7,872 in carry over funds at the end of the current fiscal year.

Thank you for your attention to this request. Should you have any questions or need additional information, please feel free to contact Kelly Burke at (415) 551-9523.

Very truly yours,



George Gascon
District Attorney

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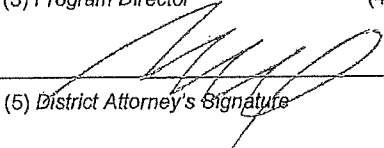
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**GRANT APPLICATION CHECKLIST and SEQUENCE
FISCAL YEAR 2018-2019**

THE APPLICATION MUST INCLUDE THE FOLLOWING:

	<u>YES</u>	<u>NO</u>
1. GRANT APPLICATION TRANSMITTAL (FORM 02) completed and signed by the district attorney?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. PROGRAM CONTACT FORM (FORM 03) completed?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. Original or certified copy of the BOARD RESOLUTION (FORM 04) included? If NOT, the cover letter must indicate the submission date.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. TABLE OF CONTENTS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
5. The County Plan includes:		
a) COUNTY PLAN QUALIFICATIONS (FORM 05)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b) STAFF QUALIFICATIONS (FORM 06(A))	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c) ORGANIZATIONAL CHART (FORM 06(B))	<input checked="" type="checkbox"/>	<input type="checkbox"/>
d) PROGRAM REPORT (DAR OR FORM 07)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e) COUNTY PLAN PROBLEM STATEMENT (FORM 08)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
f) COUNTY PLAN PROGRAM STRATEGY (FORM 09)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6. Projected BUDGET (FORMS 10-12) included?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
a) LINE-ITEM TOTALS VERIFIED?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b) PROGRAM BUDGET TOTAL (FORM 12) matches amount requested on FORM 02?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
7. EQUIPMENT LOG (FORM 13) completed and signed?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8. JOINT PLAN (Attachment A) completed and signed?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9. CONFIDENTIAL CASE DESCRIPTIONS (Attachment B) Is all content readable? A partial narrative is not acceptable.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10. ELECTRONIC VERSION (CD/DVD) included?	<input checked="" type="checkbox"/>	<input type="checkbox"/>

GRANT APPLICATION TRANSMITTAL	
AUTOMOBILE INSURANCE FRAUD PROGRAM	
Grant Period: July 1, 2018 to June 30, 2019	
Office of the District Attorney, County of <u>San Francisco</u> , hereby makes application for funds under the Automobile Insurance Fraud Program pursuant to Section 1872.8 of the California Insurance Code.	
Contact: <u>Kelly S. Burke</u>	
Address: <u>732 Brannan Street, San Francisco, CA 94103</u>	
Telephone: <u>(415) 551-9523</u>	
(1) New Funds Being Requested: <u>\$ 338,663</u>	
(2) Estimated Carryover Funds: <u>\$ 7,872</u>	
Kelly S. Burke (3) Program Director	Eugene Clendinen (4) Financial Officer
 (5) District Attorney's Signature	
Name: <u>George Gascón</u>	
Title: <u>District Attorney</u>	
County: <u>San Francisco</u>	
Address: <u>850 Bryant Street, Suite 322</u>	
<u>San Francisco, CA 94103</u>	
Telephone: <u>(415) 553-1741</u>	
Date: <u>June 22, 2018</u>	

**AUTOMOBILE INSURANCE FRAUD PROGRAM
PROGRAM CONTACT FORM
FISCAL YEAR 2018-2019**

1. Provide contact information for the person with day-to-day operational responsibility for the program, who can be contacted for questions regarding the program.
 - a. Name: Kelly S. Burke
 - b. Title: Assistant District Attorney
 - c. Address: 732 Brannan Street
 - d. San Francisco, CA 94103
 - e. E-mail address: Kelly.Burke@sfgov.org
 - f. Telephone Number: (415) 551-9523 Fax Number: (415) 551-9501

2. Provide contact information for the District Attorney's Financial Officer.
 - a. Name: Eugene Clendinen
 - b. Title: Chief Financial Officer
 - c. Address: 850 Bryant Street, Suite 322
 - d. San Francisco, CA 94103
 - e. E-mail address: Eugene.Clendinen@sfgov.org
 - f. Telephone Number: (415) 553-1895 Fax Number: (415) 553-9700

3. Provide contact information for questions regarding data collection/reporting.
 - a. Name: Kelly S. Burke
 - b. Title: Assistant District Attorney
 - c. Address: 732 Brannan Street
 - d. San Francisco, CA 94103
 - e. E-mail address: Kelly.Burke@sfgov.org
 - f. Telephone Number: (415) 551-9523 Fax Number: (415) 551-9504

City and County of San Francisco Ordinance 391-97

SEC. 10.170. GRANT – APPLICATION PROCEDURE.

(a) Applications for federal, State, or other grants involving any project or program shall be filed on behalf of a department upon the approval by the department head.

(b) For annual or otherwise recurring grants of \$5,000,000 or more, the department head shall submit a resolution articulating the grant application to the Board of Supervisors at least 60 days prior to the grant deadline for review and approval. The department shall provide as supporting documents to the resolution all relevant materials, including but not limited to the funding source's grant criteria, the department's most recent draft of its grant application materials, anticipated funding categories that the department will establish in the subsequent Request for Proposals (RFPs) process, and comments from any relevant citizen advisory body. Should the department fail to submit the resolution and/or supporting documents prior to the 60-day deadline, all funds received through the grant application shall be placed on reserve at the Board of Supervisors.

For applications for annual or otherwise recurring grants of \$5,000,000 or more that anticipate the issuance of Requests for Proposals, the department head shall submit a resolution articulating anticipated funding categories to the Board of Supervisors at least 60 days prior to the issuance of the RFPs for review and approval. The department shall provide as supporting documents to the resolution all relevant materials, including but not limited to the funding source's grant criteria, the department's most recent draft of its grant application materials, and comments from any relevant citizen advisory body. Should the department fail to submit the resolution and/or supporting documents prior to the 60-day deadline, all funds received through the grant application shall be placed on reserve at the Board of Supervisors.

The Board of Supervisors shall approve the resolution before the department head issues the RFPs. Should the Board of Supervisors neither approve nor disapprove a resolution submitted by a department head for review and approval by three business days prior to the issuance date for RFPs, the department head may issue the RFPs.

In exercising its powers of review and approval of the aforementioned grant applications, the Board of Supervisors shall take into account whether, and to what degree, its policy priorities, and those expressed by the Mayor's Office and any applicable citizen advisory bodies, have been addressed.

(c) The provisions of subsection (b) above are not intended to apply to annual or otherwise recurring Department of Homeland Security grants, grants for equipment purchases, or capital grants used only for capital improvements or as authorized by federal or State law.

(Amended by Ord. 93-86, App. 3/21/86; Ord. 204-90, App. 6/8/90; Ord. 401-90, App. 12/20/90; Ord. 187-91, App. 5/23/91; Ord. 301-91, App. 8/6/91; Ord. 931-97, App. 10/17/97; Ord. 265-05, File No. 051414, App. 11/18/2005)

SEC. 10.170-1. GRANT FUNDS – ACCEPTANCE AND EXPENDITURE.

(a) Any department, board, or commission that seeks to accept and expend federal, State, or other grant funds must comply with any applicable provisions of this Section.

(b) The acceptance and expenditure of federal, State, or other grant funds in the amount of \$100,000 or more is subject to the approval by resolution of the Board of Supervisors. If, as a condition of the grant, the City is required to provide any matching funds, those funds shall be included in determining whether the grant meets the \$100,000 threshold. This subsection (b) shall also apply to an increase in a grant where the increase, alone or in combination with any other previous increases to that grant, would raise the cumulative total amount of the grant to \$100,000 or more. The department, board, or commission requesting approval shall submit the following documents to the Board prior to its consideration:

(1) A proposed resolution approving the acceptance and expenditure of grant funds, or a proposed ordinance as required under subsection (d), signed by the department head, the Mayor or his or her designee, and the Controller;

(2) A completed "Grant Information Form." The Clerk of the Board shall prepare the form; it shall include a disability access checklist, indirect cost recovery, and other information as the Board of Supervisors may require;

(3) A copy of the grant application;

(4) A letter of intent to award the grant or acknowledgment of grant award from the granting agency; and,

(5) A cover letter to the Clerk of the Board of Supervisors substantially conforming to the specifications of the Clerk of the Board.

(c) **Grants or Increases to Grants of Less Than \$100,000.** The Controller may prescribe rules for the acceptance and expenditure of federal, State, or other grant funds in amounts less than \$100,000, or for increases to grants where the increase, alone or in combination with any other previous increases to that grant, would not raise the cumulative total amount of the grant to \$100,000 or more. The Controller may also prescribe rules for the acceptance and expenditure of increases to grants, where the original grant or any subsequent increase to the grant has been approved by the Board of Supervisors under subsection (b) or (d) and where the latest increase would be in an amount less than \$50,000.

(d) **Grant Funded Positions.** No position funded by a grant, regardless of the amount of the grant, shall be authorized or filled unless the classification, duration, and number of positions to be funded by the grant are specifically set forth in an ordinance approving acceptance and expenditure, which ordinance shall also contain appropriate amendments to the annual salary ordinance to reflect the positions proposed to be funded through the grant.

(e) **Recurring Grants.** Grants that provide funding to departments or programs of the City and County in a recurring manner or continue funding from one year to the next shall be included in the annual budget submission by the Department.

The Department budget submission shall also include a budget detail, explanations, and substantiations of the grant funding. If it is not possible for the Department to include recurring grant funds in its annual Department budget submission, the acceptance and expenditure of a recurring grant shall follow the procedure set forth in subsection (b).

(f) **Indirect Costs.** Every grant shall contain provisions for the reimbursement of indirect costs. Such indirect cost provisions shall reimburse the City and County from grant funds for administrative services that are necessary for the administration and performance of the project or program. Every department, office, board or commission shall establish a rate for such

indirect costs that is approved by the Controller and fixed in accordance with a directive issued by the Controller. The indirect cost rate shall be included in the grant budget that is submitted to the Board of Supervisors and in the authorizing resolution.

The receipt and expenditure of grant funds shall not be approved by the Board of Supervisors unless the Controller has certified that provisions for appropriate indirect cost reimbursement is included in the grant budget.

If indirect costs are not allowed by the funding agency, or for other reasons indirect costs cannot be included in the budget, these reasons shall be stated in the authorizing resolution. Upon approving acceptance and expenditure, the Board of Supervisors may waive the requirement for the inclusion of reimbursement of indirect costs.

(g) **Grant Budget.** Every department, board, commission, agency, or office submitting a budget for a grant of public funds to the Board of Supervisors pursuant to this Section shall submit such budget in a format that conforms to and provides the detail substantiation that is required of similar appropriations in the annual budget for the City and County. The mission and goals statement, which is required as part of the annual budget, is not required by this Section for submittal of a grant budget.

(h) **Grant Budget Revision.** A department, agency, or office may reallocate or transfer funds of line item expenditures within an approved grant budget, if such reallocations or transfers are within the total of the approved budget and are allowed by the granting agency. If any line item of a Federal or State grant is modified or increased by more than 15 percent, copies of documentation of such modification or increase which are transmitted to Federal or State agencies shall also be transmitted to the Board of Supervisors.

(i) **Grant Draw Down of Funds.** Departments, agencies, boards, and commissions shall promptly draw down grant funds from a Federal, State, or other funding agency and deposit such funds in the Treasury of the City and County of San Francisco to minimize the displacement of City funds that support grant activities.

(j) **Grant Transportation Authority.** The provisions of this Section shall not be applicable to applications for or expenditure of funds from the San Francisco County Transportation Authority. The Controller shall prescribe rules for the acceptance and expenditure of such funds.

(k) **Certain Transportation Funds (Proposition 1B Funds).** The voters of California adopted Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, at the November 7, 2006 California General Election. Under the Proposition, the State will appropriate two billion dollars (\$2,000,000,000) into the Local Streets and Road Improvement, Congestion Relief, and Traffic Safety Account of 2006 ("Proposition 1B Local Street and Road Improvement Funds"). These funds will be distributed to cities and counties for improvements to transportation facilities that will assist in reducing local traffic congestion and further deterioration, improving traffic flows, or increasing traffic safety that may include, but not be limited to, street and highway pavement, maintenance, rehabilitation, installation, construction and reconstruction of necessary associated facilities such as drainage and traffic control devices, or the maintenance, rehabilitation, installation, construction and reconstruction of facilities that expand ridership on transit systems, safety projects to reduce fatalities, or as a local match to obtain state or federal transportation funds for similar purposes. The Proposition requires that the funds distributed to the City be deposited in a local account that is designated for the receipt of state funds allocated for local streets and roads.

(1) The Board of Supervisors finds that while there are a range of projects involving various City departments that could benefit from the Proposition 1B Local Street and Road Improvement

Funds, implementing a coordinated planning process for use of those funds will help ensure the effective and efficient expenditure of funds in a manner that will maximize the benefit to the City and its residents.

(2) The Board of Supervisors further finds that given the range of projects and the Citywide impact of transportation-related projects, it is appropriate for the Board to review proposed expenditures of Proposition 1B Local Street and Road Improvement Funds, and to be kept apprised of the progress on projects that are receiving Proposition 1B Local Street and Road Improvement Funds.

(3) The Board of Supervisors shall not appropriate any Proposition 1B Local Street and Road Improvement Funds, as referenced above, until the Board has received from the department or departments requesting the appropriations a specific and detailed spending plan for the funds. The Spending Plan (the "Plan") shall set forth projects, programs and other improvements to be funded over the next ten years (10) years by Proposition 1B Local Street and Road Improvement Funds, and shall include a budget, scope, and schedule, as well as any other information requested by the Board. The Plan should also address the relative need or urgency, cost effectiveness, and fair geographic distribution of resources, taking into account the various needs of San Francisco's neighborhoods. The Plan shall be coordinated with other relevant City agencies including the Planning Department and the Municipal Transportation Agency, as well as the San Francisco Transportation Authority. The Plan should identify attempts to leverage or match Proposition 1B Local Street and Road Improvement Funds with funding from other sources, including any other state or federal funds. No City Department shall expend or encumber any Proposition 1B Local Street and Road Improvement Funds without approval from the Board of Supervisors pursuant to this ordinance. Any Proposition 1B Local Street and Road Improvement Funds received by the City and County of San Francisco will be deposited into a local account named "The Proposition 1B Local Account," and shall remain in such account until the Board of Supervisors approves a department's specific spending plan. Under no circumstances will Proposition 1B Local Street and Road Improvement Funds be mixed with other funds prior to the approval of the spending plans as outlined in this paragraph. Proposition 1B Local Street and Road Improvement Funds can be appropriated as part of the annual budget process only if the requirements of this paragraph are met. The Board of Supervisors further encourages any department seeking such an appropriation to consult and work with its commission if any, the public, and the Board on the development of such spending plans.

(4) Any department that receives an appropriation of Proposition 1B Local Street and Road Improvement Funds shall report back to the Board of Supervisors beginning six months from the date of the appropriation, and at six-month intervals thereafter until the appropriation has been spent. The report required by this Section shall state the amount of Proposition 1B Local Street and Road Improvement Funds expended as of the reporting date and shall describe the progress on the project, the projected date of completion, and such additional information as the Board may require as a condition of the appropriation.

(Added by Ord. 391-97, App. 10/17/97; amended by Ord. 230-06, File No. 060852, App. 9/14/2006; Ord. 102-07, File No. 070316, App. 5/4/2007; Ord. 97-12, File No. 120192, App. 5/29/2012, Eff. 6/28/2012; Ord. 166-13, File No. 130541, App. 8/2/2013, Eff. 9/1/2013; Ord. 6-17, File No. 161081, App. 1/20/2017, Eff. 2/19/2017)

SEC. 10.170-2. ACCOUNTING FOR GRANTS; DUTIES OF CONTROLLER, OFFICERS, BOARDS OR COMMISSIONS.

Upon receipt of a federal, State or other grant, the officer, employer, board or commission authorized to file application therefor pursuant to the provisions of Section 10.170 hereof, shall forthwith notify the Controller of such receipt. The Controller shall keep accounts of all such grants adequate to record the status of any such grant during the life thereof. All officers and employees shall keep such records and render to the Controller such grant reports as the Controller may require to comply with the provisions of this Section.

(Added by Ord. 129-73, App. 4/5/73; amended by 391-97, App. 10/17/97)

SEC. 10.170-2.5. LIMITATIONS UPON EXPENDITURE OF GRANT FUNDS.

Notwithstanding the provisions of Section 11.1 of Ordinance No. 244-77 (Annual Appropriation Ordinance, Fiscal Year 1977-1978), no federal, State or other grant funds received by any officer, employee, board or commission pursuant to an application filed in accordance with the provisions of Section 10.170 of this Article shall be expended in whole or in part unless and until such expenditure is approved by the Board of Supervisors.

(Added by Ord. 469-78, App. 10/20/78)

**COUNTY PLAN: QUALIFICATIONS
FISCAL YEAR 2018-2019**

Description of San Francisco's experience in investigating and prosecuting automobile insurance fraud during the last two (2) fiscal years:

**SUCCESSFUL AREAS OF THE SFDA
AUTOMOBILE INSURANCE FRAUD PROGRAM**

Over the last two fiscal years, the San Francisco District Attorney's Automobile Insurance Fraud Program (SFDA Program) has investigated and prosecuted multiple types of cases, including claimant fraud, auto body shop fraud, organized insurance fraud rings, and staged collisions. Many of our successful prosecutions originated from leads and referrals resulting from our outreach to the enforcement community. We continue to conduct regular case reviews with Department of Insurance (CDI) detectives from the Golden Gate Regional Office and meet regularly with members of carriers' Special Investigations Units (SIUs) to discuss case referrals, develop effective investigative plans, and prepare cases for prosecution.

A. Medical Provider Investigations and Prosecutions

The SFDA Program recognizes medical provider fraud cases are an important part of the Program. The SFDA Program is working to identify innovative ways to detect and investigate medical provider fraud cases. Working with agencies and groups such as NICB, the San Francisco Bay Area Mini Medical Fraud Task Force, and the Health Care Task Force will allow the SFDA Program to further identify any automobile insurance fraud cases involving medical providers.

B. Success through SFDA's Program's Own Investigations

1. Complex and organized auto insurance fraud investigations

The SFDA Program investigates cases that involve complex insurance fraud schemes. For example, passenger transportation companies and auto body shops can be complex investigations where the loss is often much greater than claimant fraud cases, the schemes are more sophisticated and difficult to detect, and more conspirators are potentially involved. The following are examples of complex investigations and prosecutions that have been handled by the SFDA Program:

- Through the collaborative efforts of the assigned prosecutor, then-assigned Program District Attorney Investigator Pollie Pent, CDI, and the SIU of a major insurance carrier, the SFDA Program initiated a massive investigation into a multi-faceted fraud enterprise. Because the case is currently under investigation, the details are mentioned in Attachment B and identified as case #2015-0028. The case involves an airport transportation company employer who used fake identifications to purchase

insurance, and in ten separate claims, alleged overstated "loss of use" of the transportation vans by falsifying documents with inflated average profits. In addition, company van owners staged collisions. The investigation involves at least seven suspects. This case continues to be investigated between the SFDA Program and CDI.

- The SFDA Program is closing in on a two-year-long investigation, involving nine claims, in which the working partner of an automotive repair shop subscribed to each estimate drawn up by the insurance company, but then performed substandard repairs or made repairs using non-OEM replacement parts. Sometimes this partner waived the insureds' deductibles for repairs. In all instances, inspections uncovered substandard repairs or repairs using non-OEM replacement parts. The shop did not disclose these substandard repairs to the carrier. The differences between the repairs for which the insurance companies paid and what the insureds actually got in repairs ranged between \$700 and \$3,000 per claim.
- An enormous current investigation involves a body shop in San Francisco. The auto body shop runs a towing company, a towing storage company, a vehicle rental company, and an automobile insurance company. Suspects within or affiliated with the shop are suspected of staging many of the collisions, or claiming there were collisions when there were none – oftentimes using vehicles they own. It is suspected that they are staging collisions involving vehicles owned by the body shop. There are fraud complaints from nine different carriers based on claims for what is suspected to be preexisting vehicle damage created by the shop. An auto body shop employee claims to be a different person and the driver of the vehicle in some of these claims. The auto body shop seeks coverage for fraudulent tow fees or inordinately high storage fees for vehicles. The auto body shop routinely makes false statements. In some cases the shop used substandard parts to repair at a cost lower than what had been fraudulently billed to the insurance companies. The SFDA Program has collected forty FD-1s associated with the auto body shop, spanning a 12 year period beginning in 2006.
- A current investigation involves an owner of a transportation company who has multiple vehicles in his fleet. The suspect has filed numerous suspected false claims of damage. An employee driver has confirmed that the owner directed him to falsify a collision claim. There are several auto insurance carriers in the San Francisco Bay Area that are impacted by this operator in San Francisco.

The SFDA Program recognizes that automobile insurance fraud needs to be investigated at all levels, including standard fraudulent claims that have been made by individuals. The following are examples of that type of less complex automobile insurance fraud matters that are being handled by the SFDA Program:

- One case involves a suspect whose boyfriend was driving her car when he got into an accident with a vehicle driving the opposite direction. The suspect's insurance had lapsed at the time; however, she filed a claim with the insurance company anyway.

Because she never had coverage for her boyfriend, she lied and said she had been the driver. After her original claim was denied, she purchased insurance through a different company. She then lied about when the accident had occurred, claiming it had occurred after the purchase of the insurance. She also lied about who had been driving, and the circumstances surrounding the accident. She filed a false police report in support of the false claim to the second insurance company.

- Another case involves two suspects. The first suspect got into a solo car accident. She called the second suspect, who owns a towing company, to tow her car. Then the first suspect purchased automobile insurance. She later filed a claim stating that the accident had occurred the day after she purchased the insurance. The first suspect asked the second suspect (the tow company owner) to change the date of the tow invoice to be consistent with the lie she had told the insurance company about when the accident had occurred, and he did so.
- A third case involves a suspect who lied about the circumstances and the date of the collision. She said she had been sideswiped in a hit and run, but an inspection of the vehicle revealed that this was not the likely cause of the damage. The suspect lied when she told the insurance company that the collision had occurred hours after she purchased a collision and comprehensive coverage policy. The tow invoice reflected a date that was three days before the purchase of comprehensive and collision coverage. She ultimately admitted to the material misrepresentation.
- One case involves a suspect who cashed two checks for the same vehicle damage claim. In that case, the suspect cashed a check from the insurance company for the collision in which he was involved. Then, several days later, he falsely told the insurance company that he had never received payment, and he demanded that the insurance company reissue the check.
- A suspect filed four separate claims with his insurance company, all for the same damage, while misrepresenting the date of the hit-and-run each time.
- A suspect filed two claims with two different insurance companies for the same damage, while misrepresenting the date when his car had been vandalized.
- Two suspects who were involved in an auto collision made material misrepresentations to their carriers. The first suspect was uninsured and subsequently purchased automobile insurance. However, the investigation revealed that the first suspect was never at the accident and that a female had been driving the suspect's car at the time of the collision. Two days later, the first suspect reported that he had been in an automobile collision on that day. The second suspect, who was the driver of the second car, also lied to her separate insurance company, stating that the collision had happened the same date that the first suspect claimed it happened, which was two days after the actual collision.

- Another case involved a suspect who upgraded his insurance policy from “liability only” to a full coverage policy. The same day that he upgraded his coverage on his policy, he reported having been in a collision. However, the actual date of the accident occurred prior to the change in the policy as indicated by the driver of the other vehicle, which was also corroborated by the metadata of the photographs taken by the suspect.
- A suspect had an expired insurance policy and rear-ended another driver. The suspect provided only her personal information to the other driver before leaving the scene. The suspect then secured an insurance policy and filed a false police report claiming that she had been the victim of a hit-and-run crime. She filed a claim for damage with her new carrier using the false police report to support her claim.

2. Successful Prosecutions that originated from SFDA Program investigations

Through the collaborative efforts of the assigned SFDA Program prosecutor and inspector with carrier SIUs, the SFDA Program initiated its own investigations in many cases that have resulted in several successful felony prosecutions in the past two fiscal years:

- In People v. Alicia Alvarado, the SFDA Program secured a felony Penal Code section 550(b) conviction in April 2018. The defendant purchased Esurance hours after she was involved in an auto accident. She later filed a claim, falsely stating that the accident had happened after the inception of her policy. However, the other driver and the metadata from the photos taken at the scene revealed fraud. The potential loss to the carrier was \$3,368.22.
- In People v. Douglas Harper, the SFDA Program secured a three-year prison sentence on a PC 550(a)(4) felony conviction in November 2017. The defendant falsely reported his vehicle stolen to the San Francisco Police Department. He subsequently filed a claim for payment of a stolen vehicle and received \$13,205.54 from GEICO. Nearly three years later, the same vehicle was located by the Roseville Police Department at the defendant’s former residence, establishing that the defendant had falsely reported that his car had been stolen.
- In People v. Ricky McLane, the SFDA Program secured a misdemeanor Penal Code section 550(b) conviction in October of 2017. This defendant purchased a GEICO policy, and two days later filed a claim stating that his car had been struck while parked in a lot, sustaining damage to both sides. However, when confronted, the defendant admitted that the damage had been sustained in two separate collisions, both of which occurred prior to the purchase of his policy. Had the fraud gone undetected, GEICO would have been responsible for \$2,500.
- In People v. Jian Le Liu, the SFDA Program secured a felony Penal Code section 550(b) conviction in May 2017. The defendant in that case got in an accident, and conferred with the driver of the other vehicle. They both filed false claims stating

that the defendant's vehicle had been parked when it was struck by the other car. An accident reconstruction specialist opined that some of the damage to the vehicles was consistent with both having been in motion at the time of the collision, and that the remaining damage had conclusively not been caused by a collision between these two specific vehicles. When confronted, the defendant admitted that he lied because he had been driving drunk. Had the fraud gone undetected, GEICO would have paid out almost \$25,000.

- In February 2017, the SFDA Program secured a misdemeanor Penal Code section 550(b) conviction in the case of People v. Maricruz Fernandez. There the defendant reported to Pioneer Pacific/AFA Claims that her vehicle had been damaged by a hit-and-run driver while it was parked. She later admitted that she lied about the circumstances surrounding the collision and that an excluded driver had actually been driving the vehicle. Defendant then filed another claim, involving more extensive damage to her vehicle in the same area that had been affected by the first collision, whereby she claimed that her car struck a parked car. Finally she filed a third claim, wherein she said was driving and a victim of a hit-and-run. Again, her car suffered damage in the same area. However, as to the third claim, eyewitness testimony established that defendant had struck a parked vehicle. Had the fraud not been discovered, AFA would have paid out \$7,465.
- In People v. Sharon Lau, the SFDA Program secured a misdemeanor Penal Code section 550(b) conviction in January 2017. This defendant lied to CNA and claimed that an insured male driver caused damage from not only the collision in which her car was struck while parked, but also from another subsequent collision. The defendant submitted her claim for \$3,718.43. Due to a photograph of the defendant's vehicle taken by the male driver, as well as the defendant's subsequent admission, CNA detected the fraud.
- In January 2017, the SFDA Program secured a felony Penal Code section 550(b) conviction in People v. Cassandra Carter, a case that was handled by our SFDA Program inspector. In this case, the defendant misrepresented the circumstances of the collision. The defendant filed a claim for \$2,199 in damage stating that she swerved to avoid hitting a fox and struck a cement barrier. She later admitted that she had been driving drunk when she struck a wall.

3. Current Prosecutions from SFDA Program Investigations

The assigned SFDA Program inspector and prosecutor collaborated for the investigation and prosecution of the following case, which is pending in Court:

- In June 2018, the SFDA Program filed felony Penal Code 550(a) and 550(b) charges in People v. Madison Alexander, a case where the defendant got into an accident while driving for Uber – with a passenger in the car – and fled the scene. The victim followed the suspect for a period of time, and then filed a police report when the suspect did not stop driving. The defendant made a claim with his personal auto

insurance, and stated that he had not been driving for Uber at the time of the accident. The suspect also lied about the circumstances of the accident. When the Uber passenger later complained of pain to Uber, her claim went through Uber's auto insurance. However, the defendant's personal insurance company initially paid for the damages to the defendant's car and the victim's car based on the material misrepresentations the defendant made in his claim to them.

C. Success through Our Partnerships

During FY 2016-18, the SFDA Program continued to enjoy a close partnership with CDI. The SFDA Program worked on multiple investigations with CDI, and kept CDI apprised of pending prosecutions. At the moment, the Program and CDI are actively collaborating on a number of open investigations (please see Attachment B for more details).

During FY 2016-18, the SFDA Program also worked collaboratively with NICB and a multiple SIUs for multiple carriers in connection with a large investigation involving a body shop in San Francisco. The auto body shop runs a towing company, a towing storage company, a vehicle rental company, and an automobile insurance company. Suspects within or affiliated with the shop are suspected of staging many of the collisions, or claiming there were collisions when there were none – oftentimes using vehicles they own. It is suspected that they are staging collisions involving vehicles owned by the body shop. There are fraud complaints from nine different carriers based on claims for what is suspected to be preexisting vehicle damage created by the shop. An auto body shop employee claims to be a different person and the driver of the vehicle in some of these claims. The auto body shop seeks coverage for fraudulent tow fees or inordinately high storage fees for vehicles. The auto body shop routinely makes false statements. In some cases the shop used substandard parts to repair at a cost lower than what had been fraudulently billed to the insurance companies. The SFDA Program has collected forty FD-1s associated with the auto body shop, spanning a 12 year period beginning in 2006.

The SFDA Program prosecutors and inspectors met with Special Agents from the NICB, who have been providing the SFDA Program with information about the extensive auto insurance fraud associated with this auto body shop and one of its employees, who is also a licensed insurance agent.

Unfunded Contributions

The SFDA Program prosecutor is only partially funded by the California Department of Insurance Fraud Program. As illustrated by our Organizational Chart (described in Form 06(b) below), automobile insurance fraud is a branch of our Economic Crimes Unit and falls under the supervision of the managing attorney, Kelly Burke. Ms. Burke, who supervises the auto insurance fraud prosecution team, spends more than 15% of her time supervising the investigation and prosecution of auto insurance fraud cases; she reviews all FD-1s submitted to our office; communicates directly with the SIUs and law enforcement on cases initially presented to our office; approves all investigative plans; edits and approves all search warrants and arrest warrants; conducts regular team meetings to monitor the progress of pending investigations and prosecutions; arranges and oversees case reviews with the local regional office; identifies and

directs operational issues with the SFDA Program personnel; and oversees all negotiations of auto insurance prosecutions. Ms. Burke's salary is not funded by the SFDA Automobile Insurance Fraud Program.

Lt. Robert Guzman, the supervisor of the District Attorney Inspectors in the Economic Crimes Unit, is also unfunded. He spends more than 5% of his time supervising the automobile insurance fraud inspectors: he assists in the drafting and execution of their search or arrest warrants; oversees and manages their investigations in conjunction with the managing attorney; oversees and participates in field operations involving the inspectors, such as surveillance and witness interviews; tracks and logs grant related inspector activity; and supervises the execution of insurance fraud related search warrants and arrest warrants. Lt. Guzman's salary is not funded by the SFDA Automobile Insurance Fraud Program.

Continuity of Assigned Personnel

The San Francisco District Attorney's Office does not have a formal rotations policy. However, the Office understands the importance of continuity when investigating and prosecuting complex automobile insurance fraud cases. Maintaining control over investigations and fostering relationships with outside agencies, such as CDI and carrier SIUs, is crucial to our Program's success, which is why the San Francisco District Attorney's Office continues to ensure that two seasoned career law enforcement professionals are assigned to the task at all times.

Assistant District Attorney **Alexis Fasteau** has served as the Program prosecutor since March 2016. Ms. Fasteau has worked for the San Francisco District Attorney's Office for almost twelve years. She is a highly experienced attorney who has had forty-five jury trials during her fourteen years as a prosecutor. She previously worked at the Solano County District Attorney's Office. Ms. Fasteau has spent the bulk of her prosecutorial career in the following specialized units: Child Assault and Sexual Assault, Economic Crimes, Public Integrity, and Domestic Violence. She has tried high profile and complex cases involving charges of premeditated attempted murder, aggravated mayhem, torture, stalking, criminal threats, possession and distribution of child pornography, child molest, and child endangerment resulting in death. In the Economic Crimes Unit, she has also prosecuted cases involving workers' compensation insurance fraud, life insurance and annuity fraud, and major fraud/embezzlement. Ms. Fasteau graduated Phi Beta Kappa in Economics from the University of California, Berkeley, where she also attended law school. She speaks Spanish fluently.

District Attorney Inspector **John O'Reilly** has served as our Program's inspector since January 2018. He became a peace officer in February of 1991 for the Oakland Police Department. In the 27 years he worked for the Oakland Police Department, he held the position of Police Officer where he was assigned to the Patrol Division, Community Policing Division and the Recruiting and Backgrounds Unit. While in Patrol, Community Policing, and Recruiting and Backgrounds he served as an Acting Sergeant when needed by the department. He conducted criminal investigations involving a variety of crimes including murder, rape, robbery, assault, burglary, theft, fraud, forgery, embezzlement, possession of firearms and narcotics. He also conducted hundreds of civilian and sworn Peace Officer Standards and Training (POST)

compliant background investigations for sworn and civilian positions with the City of Oakland. He holds a Bachelor of Arts degree in History from Saint Mary's College of California, and possesses an Advanced Certificate from the California Commission on POST.

Governmental Agencies

The SFDA Automobile Insurance Fraud Program has developed collaborative relationships with the United States Attorney's Office, Northern District; United States Postal Service; Internal Revenue Service; Federal Bureau of Investigations; California Department of Insurance, Bureau of Investigations; California Department of Consumer Affairs, Bureau of Automotive Repair; California Department of Transportation; California Franchise Tax Board; California State Board of Pharmacy; California State Board of Chiropractic Examiners; California State Bar; California Highway Patrol; University of California, San Francisco Hospital; San Francisco Police Department; San Francisco Sheriff's Department; San Francisco Fire Department; San Francisco Department of Parking and Traffic; San Francisco Municipal Transit Authority; San Francisco General Hospital; Alameda County District Attorney's Office; Marin County District Attorney's Office, Santa Clara County District Attorney's Office, and Solano County District Attorney's Office.

Frozen Assets

No frozen assets were distributed.

**COUNTY PLAN: STAFFING
FISCAL YEAR 2018-2019**

List the name of the Program's prosecutor(s) and investigator(s). Include position titles and percentages for any vacant positions to be filled. For each, list:

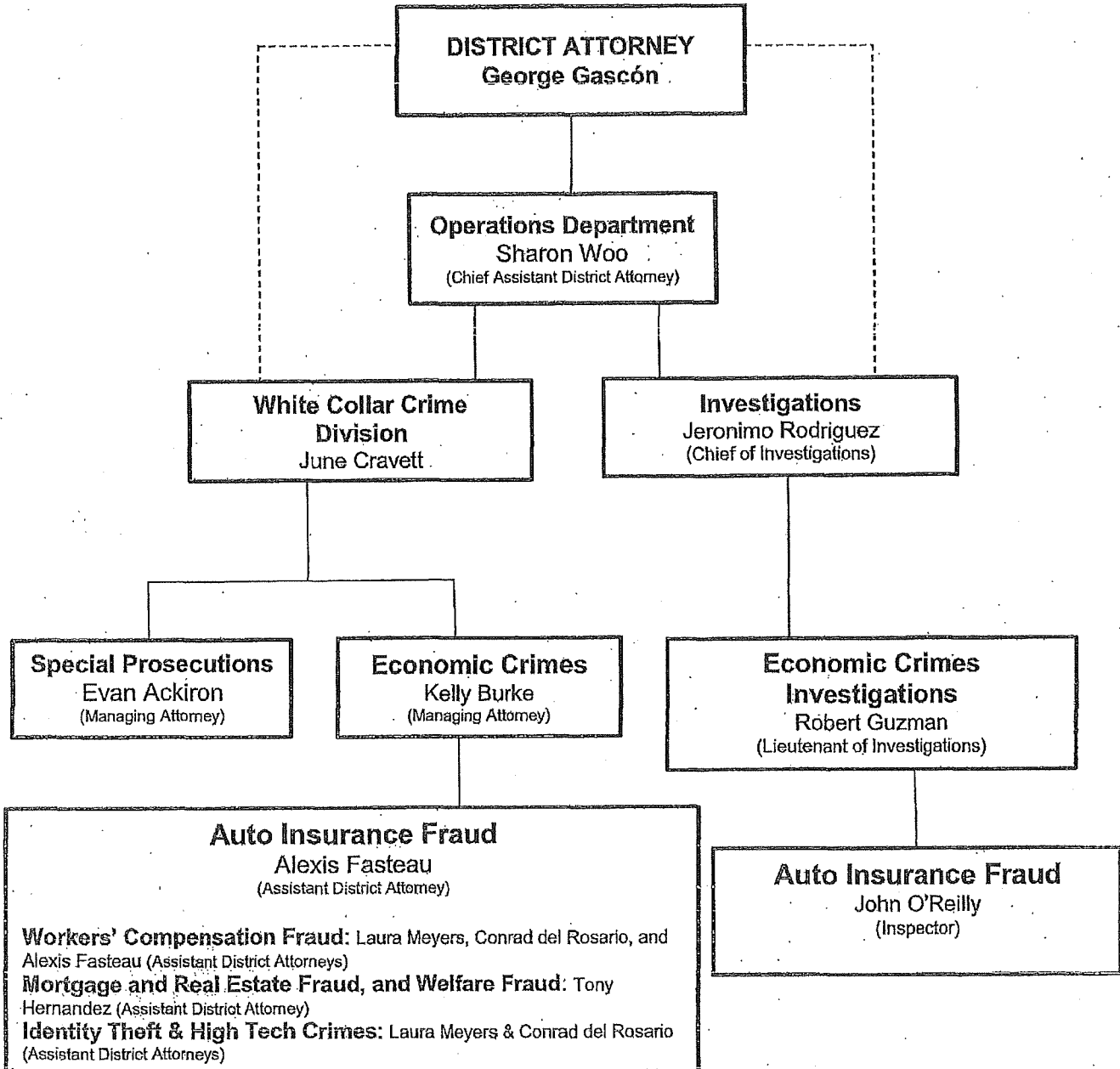
1. The percentage of time devoted to the Program
2. How long the prosecutor(s)/investigator(s) have been with the Program

**COUNTY PLAN: STAFFING
FISCAL YEAR 2018-2019**

COUNTY OF SAN FRANCISCO		
Prosecutors	% Time	Time With Program Start Date/End Date
Alexis Fasteau	50%	March 2016 – present

COUNTY OF SAN FRANCISCO		
Investigators	% Time	Time With Program Start Date/End Date
John O'Reilly	80%	January 2018 – present

Organizational Chart



**QUALIFICATIONS
PROGRAM REPORT**

For this application, statistical information from July 1, 2017 to June 15, 2018 will be electronically entered online.

COUNTY PLAN PROBLEM STATEMENT

Sources and Causes of Automobile Insurance Fraud

Automobile insurance fraud is generally motivated by the prospect of financial gain. The fraud can exist when an uninsured motorist is seeking coverage after an accident, or when a body shop owner is looking to make money by falsely representing that a car was repaired as estimated, when in reality, the shop owner used substandard replacement parts or performed a substandard repair. Basic greed appears to drive each offender, no matter how large or small.

Opportunities present themselves where first-time uninsured offenders may look to capitalize on a single, quick, and easy fraudulent claim to pay for damage or injuries. On the other hand, repeat offenders – encouraged by past success – continue to defraud insurance carriers on either: 1) subsequent claims; or 2) multiple scams at once in a more sophisticated manner.

In addition, the SFDA Program continues to review referrals, open investigations, and prosecute cases involving fraud perpetrated by those who orchestrate and stage accidents as well as insurance “insiders” who abuse their positions to cheat victim carriers. The Program also pursues dishonest repair facilities, medical providers, and anyone else who seeks to capitalize from the claims process by reaping undue profit. For example, as described in Attachment B case #2015-0028, the SFDA Program has been collaborating with a CDI investigator involving a large-scale organized automobile fraud investigation into a private ground transportation company suspected of staging accidents and filing fraudulent claims on automobile insurance policies that were sold to fictitious persons.

Economic and Social Impact of Automobile Insurance Fraud

Automobile insurance fraud presents obvious costs to the insurance industry at large, as carriers are faced with absorbing the costs of fraudulent claims, costs of internal investigations, and costs associated with assisting law enforcement and being witnesses for court proceedings. Automobile insurance fraud also costs law-abiding consumers who diligently pay their automobile insurance premiums and then potentially face increased prices when carriers must raise rates to cover costs associated with losses suffered as a result of criminal activity. Fraud also presents costs to law enforcement agencies, such as the District Attorney’s offices, the Enforcement branch of the Department of Insurance, and local police agencies tasked with investigating and prosecuting such cases. Moreover, successful, unrestrained fraudsters invite others to follow their lead.

Aspects Unique To San Francisco

Dense Population and High Concentration of Roadways

A unique aspect of San Francisco is its dense population and high concentration of roadways, indicating the prevalent role of vehicles in the City and County. According to the 2017 U.S. Census, the City and County of San Francisco, despite its relatively small size (49 square miles), had a population of 884,363.¹ However, U.S. Census statistics have shown that people who commute into San Francisco increase the City's daytime population by 21 percent.²

Moreover, in 2010, San Francisco County's estimated population density was 17,179.2 per square mile of land area.³ By contrast, Alameda County's estimated population density in the same year was 2,047.6 people per square mile⁴ and Santa Clara County's 2010 estimated population density was 1,381.0 people per square mile.⁵

The City and County of San Francisco has 1,088 total miles of roads,⁶ 59 miles of which are freeways including ramps to freeways and freeway-to-freeway exchanges.⁷ Both Highway 1 and Route 101 run through San Francisco on surface streets, 19th Avenue to Park Presidio and Van Ness Avenue, respectively. In all, San Francisco has 19,500,000 square feet of paved street area⁸ and an estimated 7,200 intersections.⁹ San Francisco's street pattern is much more grid-like than the more suburban communities that surround the County. These statistics emphasize the importance that vehicles play in San Francisco.

Identified Forms of Automobile Insurance Fraud

Staged Accidents

As referenced in the Qualifications Section above, the SFDA Program has launched an organized auto insurance fraud investigation. Because the investigation is continuing, the case is described in Attachment B as case #17BA023448.

Insider Fraud

The aforementioned organized auto insurance fraud investigation mentioned in Attachment B case #17BA023448 also includes one or more possible corrupt sales agents who knowingly issued fictitious policies to facilitate the scheme.

¹ U.S. Census Bureau, 2017 Census.

² U.S. Census Bureau, Commuter Adjusted Daytime Population: 2009-2013 5-year American Community Survey.

³ U.S. Census Bureau, 2010 Census.

⁴ Ibid.

⁵ Ibid.

⁶ San Francisco County Transportation Association (SFCTA).

⁷ SFCTA.

⁸ San Francisco Department of Public Works.

⁹ San Francisco Municipal Transportation Agency (SFMTA), Traffic Sign, Pain and Signal Shops.

Auto Body & Repair Shops

Insurance fraud in San Francisco County is also driven by a combination of demographics unique to San Francisco that create a very fertile environment for local auto body and repair shops to simultaneously defraud their customers and California's insurance carriers.

A current complex investigation involves the owner and employees of a large auto body shop. The auto body shop runs a towing company, a towing storage company, a vehicle rental company, and an automobile insurance company. Suspects within or affiliated with the shop are suspected of staging many of the collisions, or claiming there were collisions when there were none – oftentimes using vehicles they own. It is suspected that they are staging collisions involving vehicles owned by the body shop. There are fraud complaints from nine different carriers based on claims for what is suspected to be preexisting vehicle damage created by the shop. One auto body shop employee claims to be a different person and the driver of the vehicle in some of these claims. The auto body shop seeks coverage for fraudulent tow fees or inordinately high storage fees for vehicles. The auto body shop routinely makes false statements. In some cases the shop used substandard parts to repair at a cost lower than what had been fraudulently billed to the insurance companies. The SFDA Program has collected forty FD-1s associated with the auto body shop, spanning a 12-year period beginning in 2006.

The SFDA Program has also handled the following auto body case during the current fiscal year: in a pending investigation being conducted by the SFDA Program, the manager and working partner of an auto body shop committed fraud by performing substandard repairs. Inspections of some of the vehicles revealed that they were not repaired as paid for by the insurance company, and were often repaired with substandard or inferior replacement parts.

Dense Population and High Concentration of Roadways

As evidenced by the statistics listed generally above under *Aspects Unique to San Francisco*, our city is densely populated and has a high number of streets and intersections for a county of its geographical size. Judging by the large number of injury accidents above, it is safe to assume that San Francisco experiences an even higher number of property-only accidents than a jurisdiction with less population density, longer distances between intersections, and freeways that are separated from the regular surface streets. As stated above, these property-only accidents are generally not documented by the police department, thereby enabling the auto body shops to overestimate or exaggerate the damage incurred in these collisions. Similarly, many of the property-only collisions occur at lower speeds due to the frequency of intersections, which results in lesser dollar amounts of damage. Lower claim amounts will receive less scrutiny from the auto insurance carriers, which also provides a greater opportunity for auto body shops to submit fraudulent claims to the carriers.

According to the latest statistics from the San Francisco Municipal Transit Authority, the annual total of fatal vehicle collisions in San Francisco was 20 in 2017. According to the latest statistics, the annual total of approximately 3,100 non-fatal injury collisions in 2015 has changed little since 2006. Pedestrian collisions were 724 in 2015.

In a recent statistical study, San Francisco was identified as having the most factors contributing to dangerous driving conditions in California. The statistic study considered such

factors as: collision rate, fatality rate, injury rate, alcohol-related crash rate, speed-related crash rate, hit and run rate, and population density.¹⁰

Language and Cultural Barriers

Additionally, the County has a large population of residents who are isolated from the rest of the community by language and cultural differences.¹¹ The U.S. Census Bureau estimated that from 2012-2016, of San Francisco’s total population, 34.9% were foreign-born. Furthermore, 94.4% of people were age five and older with the City’s total population as of 2016, and the data for the language spoken at home by these San Franciscans was estimated as follows:

- 44 % speak a language other than English;
- 11.1 % speak Spanish;
- 6.2 % speak Other Indo-European languages;
- 26.0 % 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 2012-2016 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 (margin of error for each estimate is in parenthesis):

State of California:

All households	9.4% (+/- 0.1)
Households speaking --	
Spanish	20.7% (+/-0.2)
Other Indo-European languages	16.3% (+/-0.3)
Asian and Pacific Island languages	27.3% (+/-0.2)
Other languages	19.3% (+/-0.8)

San Francisco:

All households	12.2% (+/-0.4)
Households speaking --	
Spanish	21.0% (+/-1.5)
Other Indo-European languages	17.0% (+/-1.5)

¹⁰ Study by Liljegen Law Group and 1point21 Interactive. Based on source data from California Office of Traffic Safety and CHP SWITRS Data for 2015.

¹¹ In response to concerns expressed by data user groups, the Census Bureau decided to eliminate the term “linguistic isolation” for data products issued starting in 2011. The terminology was changed to be more descriptive and less stigmatizing. The phrase that will appear in all new products will be “Households in which no one 14 and over speaks English only or speaks a language other than English at home and Speaks English ‘Very Well.’” (April 18, 2011 email from David S. Johnson, Chief, Housing and Household Economic Statistics Division of the U.S. Census Bureau.)

Asian and Pacific Island languages	36.2% (+/-1.2)
Other languages	13.1% (+/-3.7)

Alameda County:

All households	9.8% (+/-0.3)
Households speaking --	
Spanish	22.1% (+/-1.0)
Other Indo-European languages	10.9% (+/-0.9)
Asian and Pacific Island languages	27.9% (+/-0.9)
Other languages	22.4% (+/-3.0)

Santa Clara County:

All households	11.0% (+/-0.3)
Households speaking --	
Spanish	17.9% (+/-1.0)
Other Indo-European languages	10.4% (+/-0.8)
Asian and Pacific Island languages	26.5% (+/-0.9)
Other languages	13.1% (+/-2.3)

As illustrated by the data above, with respect to the number of *limited English speaking* households, San Francisco County is clearly:

- above the state-wide average *and*
- above (or at least comparable to) that of two other major counties within the Bay Area region.

Insurance fraud perpetrators can take advantage of linguistically isolated individuals' lack of English language comprehension, cultural traits and deep-seated habits. One would expect linguistically isolated individuals to feel more comfortable around people of the same background, and to trust people who speak the same language who have been referred to them by a relative, friend or co-worker – as was the case in one of the automobile body shop fraud cases described above.

For these reasons, fraudulent automobile auto body or repair shops that cater to linguistically isolated individuals may be more likely to exaggerate the amount of damage to their vehicles or to charge for brand new replacement parts when the shop simply pulled, filled, and painted over the dents or scratches. Such shops know that a monolingual customer may not know the available enforcement remedies, or will not realize they have been defrauded in the first place. Alternatively, auto and repair shops that cater to a linguistically isolated community often hire monolingual employees who may be asked to facilitate schemes where the customers are committing fraud, but those employees are likely unaware of the criminal consequences that result from submitting exaggerated damage estimates or falsified invoices in support of fraudulent claims.

The losses due to fraud therefore flow in two directions: 1) the linguistically isolated person can be defrauded because they did not receive the quality of repairs to which they were

entitled; and/or 2) the insurance carrier is defrauded because it overpaid for the services actually rendered.

We are investigating a case in which the Spanish speaking manager of an auto body shop dealt primarily with monolingual Spanish speakers. He waived some of the insureds' deductibles for repairs, possibly as an incentive to have the insureds repair their cars at his shop. However, subsequent inspections of eight vehicles involved in nine claims revealed that they were improperly repaired. No parts were replaced, or substandard or inferior replacement parts were used, despite the insurance companies' payouts. The differences between the repairs for which the insurance companies paid and what the insureds actually got in repairs ranged between \$700 and \$3,000 per claim.

Claimant Fraud

During the fiscal years 2016 -2018, the SFDA Program has continued to investigate and prosecute claimant fraud cases, as evidenced by the following sample of felony filings, arrests, and prosecutions:

- In People v. Alicia Alvarado, the SFDA Program secured a felony Penal Code section 550(b) conviction in April 2018. The defendant purchased Esurance hours after she was involved in an auto accident. She later filed a claim, falsely stating that the accident had happened after the inception of her policy. However, the other driver and the metadata from the photos taken at the scene revealed fraud. The potential loss to the carrier was \$3,368.22.
- In People v. Douglas Harper, the SFDA Program secured a three-year prison sentence on a PC 550(a)(4) felony conviction in November 2017. The defendant falsely reported his vehicle stolen to the San Francisco Police Department. He subsequently filed a claim for payment of a stolen vehicle and received \$13,205.54 from GEICO. Nearly three years later, the same vehicle was located by the Roseville Police Department at the defendant's former residence, establishing that the defendant had falsely reported that his car had been stolen.
- In People v. Ricky McLane, the SFDA Program secured a misdemeanor Penal Code section 550(b) conviction in October of 2017. This defendant purchased a GEICO policy, and two days later filed a claim stating that his car had been struck while parked in a lot, sustaining damage to both sides. However, when confronted, the defendant admitted that the damage had been sustained in two separate collisions, both of which occurred prior to the purchase of his policy. Had the fraud gone undetected, GEICO would have been responsible for \$2,500.
- In People v. Jian Le Liu, the SFDA Program secured a felony Penal Code section 550(b) conviction in May 2017. The defendant in that case got in an accident, and conferred with the driver of the other vehicle. They both filed false claims stating that the defendant's vehicle had been parked when it was struck by the other car. An accident reconstruction specialist opined that some of the damage to the vehicles was

consistent with both having been in motion at the time of the collision, and that the remaining damage had conclusively not been caused by a collision between these two specific vehicles. When confronted, the defendant admitted that he lied because he had been driving drunk. Had the fraud gone undetected, GEICO would have paid out almost \$25,000.

- In February 2017, the SFDA Program secured a misdemeanor Penal Code section 550(b) conviction in the case of People v. Maricruz Fernandez. There the defendant reported to Pioneer Pacific/AFA Claims that her vehicle had been damaged by a hit-and-run driver while it was parked. She later admitted that she lied about the circumstances surrounding the collision and that an excluded driver had actually been driving the vehicle. Defendant then filed another claim, involving more extensive damage to her vehicle in the same area that had been affected by the first collision, whereby she claimed that her car struck a parked car. Finally she filed a third claim, wherein she said was driving and a victim of a hit-and-run. Again, her car suffered damage in the same area. However, as to the third claim, eyewitness testimony established that defendant actually struck a parked vehicle. Had the fraud not been discovered, AFA would have paid out \$7,465.
- In People v. Sharon Lau, the SFDA Program secured a misdemeanor Penal Code section 550(b) conviction in January 2017. This defendant lied to CNA and claimed that an insured male driver caused damage from not only the collision in which her car was struck while parked, but also from another subsequent collision. The defendant submitted her claim for \$3,718.43. Due to a photograph of the defendant's vehicle taken by the male driver, as well as the defendant's subsequent admission, CNA detected the fraud.
- In January 2017, the SFDA Program secured a felony Penal Code section 550(b) conviction in People v. Cassandra Carter, a case that was handled by our SFDA Program inspector. In this case, the defendant misrepresented the circumstances of the collision. The defendant filed a claim for \$2,199 in damage stating that she swerved to avoid hitting a fox and struck a cement barrier. She later admitted that she had been driving drunk and struck a wall.

COUNTY PLAN PROGRAM STRATEGY

1. Plans to address the issues described in the Problem Statement

The SFDA Program will continue to investigate and prosecute automobile insurance fraud through our continued outreach efforts and aggressive prosecution of viable cases.

We maintain regular contact with CDI's Golden Gate Regional Office regarding case referrals. The managing attorney schedules regular case-review sessions with CDI's detectives regarding the status and direction of open investigations to ensure that time and resources are allocated appropriately. These case reviews and frequent communications between the SFDA Program staff and CDI detectives ensure: (1) a close working relationship with CDI for reviewing suspected fraud complaints; (2) guidance and advice on open CDI investigations to expedite filings and ensure the best evidence will be secured for prosecution; and (3) timely closure of investigations as soon as prosecutions no longer become viable.

In addition, the managing attorney, the assigned Program prosecutor, and the assigned Program inspector have established close working relationships and open lines of communication with numerous carrier SIUs. We have always reached out to victim carriers to identify, understand, and improve their investigations for fraud referrals. Regardless of whether a fraud referral comes from a large insurer from which we receive regular suspected fraud referrals, or from a smaller company reaching out to our fraud unit, we contact the witnesses who were involved in identifying the suspect criminal activity.

2. Plans to meet goals of the Insurance Commissioner

The SFDA Program believes that a balance of enforcement actions and public education can discourage people from committing automobile insurance fraud.

As to the problems that we have identified in San Francisco (e.g., staged accidents, insider fraud, auto body or repair shop fraud), the SFDA Program maintains open communications with carrier SIUs and agencies such as CDI and the Bureau of Automotive Repair (BAR) concerning possible case referrals.

As mentioned above, the organized auto insurance fraud investigation mentioned in Attachment B, case #2015-0028, was developed as a result of the SFDA Program working directly with a major carrier's SIU.

The SFDA Program also remains committed to contributing its time and efforts to CDI Programs aimed at combatting automobile insurance fraud. For instance, our Memorandum of Understanding with the Golden Gate Regional Office ensures our close working relationship with CDI detectives and their operations.

3. Goals requiring multi-year commitment

An automobile insurance fraud case will often take several months to go from an SIU complaint to final disposition in court. Quite often, it takes at least one month to receive the carrier's claim file and supporting evidence after we formally commence an investigation. After the claim file is received, the investigator and prosecutor must carefully review its contents before making a decision to develop an investigative plan. Depending upon the nature of the suspected fraud, further investigation may be required to truly assess the case: we may need to obtain follow-up statements from witnesses, and/or obtain search warrants for materials such as cell phone records or bank records.

After we have completed the investigation, obtained an arrest warrant, and charged the case, it may still take time to locate a defendant. Further, despite the efforts of the prosecuting attorney to move towards a swift disposition, automobile insurance fraud cases also typically take several months before going to preliminary hearing. Due to the amount of documentary evidence that we often turn over to the defense, additional time is usually required to allow the defense to carefully review the discovery. Defense attorneys are often granted continuances before the court schedules formal evidentiary hearings.

In short, automobile insurance fraud cases can require more than one year from the initiation of the investigation to conviction. In the case of a massive investigation, significant time will be required to review and process several individual policy *and* claim files; numerous audio recordings; individual repair estimates; and other documents before we can begin to interview the many witnesses who will help us establish the existence of a criminal enterprise of such magnitude.

4. Training and outreach

Received: Our currently assigned SFDA Program prosecutor, Ms. Fasteau, attended the Auto Insurance Fraud Training presented by the Alameda County District Attorney's Office, the California Department of Insurance, and the National Insurance Crime Bureau in May of 2018. Ms. Fasteau has attended past annual conferences sponsored by the Anti-Fraud Alliance, CDI, CDAA and NICB, specifically their seminars on automobile insurance fraud. She has been to lectures on subjects including claimant fraud investigations, auto body shop fraud investigations, auto fraud ring investigations, accident reconstruction, digital vehicle forensics, trial techniques, and prosecutorial ethics. Also, the SFDA Program staff and managing attorney have attended quarterly SIU roundtables sponsored by the NICB throughout Northern California. Finally, Ms. Fasteau attends weekly in house trainings offered by the SFDA as part of her continuing legal education.

As an Inspector for the San Francisco District Attorney's Office, Inspector O'Reilly has attended the following trainings in 2018: the Northbay High Impact Workers' Compensation Fraud Consortium, sponsored by the National Insurance Crime Bureau (NICB); the 29th Annual Anti-Fraud Conference, sponsored by the National Insurance Crime Bureau, Anti-Fraud Alliance (AFA), California District Attorneys Association (CDAA), and California Department Insurance (CDI).

Provided: Within the current fiscal year, the entire SFDA Program has met on numerous occasions with carrier SIUs and CDI detectives to discuss active and potential case referrals regarding fraudulent behavior.

5. Efforts to obtain fines and restitution

The SFDA Program actively seeks restitution in each prosecution involving automobile insurance fraud. Whenever feasible, we insist that each defendant – as part of his/her plea agreement – make full and complete restitution on or before the date of the sentencing hearing. Included in the restitution calculations is the cost the carrier expended in identifying and investigating the claim. We notify the local representative of the victim carrier (usually the assigned SIU investigator) to attend the sentencing hearing and personally receive a cashier’s check to recover restitution, including the costs of their investigation.

In cases where full and complete restitution cannot be paid by a defendant prior to sentencing, the SFDA Program ensures that the sentencing court reserves jurisdiction over the issue of restitution for purposes of collection during the defendant’s probationary period. Further, the SFDA Program requests that the judge sign a Judicial Council CR-110 criminal restitution form that specifies the amount of restitution and which enables the victim to easily obtain a civil judgment.

6. Performance objectives

The SFDA Program anticipates being able to initiate 20-25 new investigations during Fiscal Year 2018-2019.

The SFDA Program anticipates being able to initiate 10-15 new prosecutions during Fiscal Year 2018-2019. The SFDA Program inspectors are currently preparing arrest warrants for multiple suspects in unrelated cases.

7. County plan to utilize grant funds

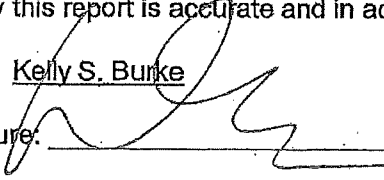
\$338,663 FY 2018-2019 Grant REQUEST	\$ 233,020 FY 2017-2018 Grant AWARD	\$ 105,643 FY 2018-2019 Increase Requested
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Utilization Plan: The SFDA Program has an investigator designated to work full-time on the investigation of auto insurance fraud cases. Several arrest warrants are currently in preparation, and multiple other investigations are pending. We also have more than one large, complex investigation, which require the analysis of voluminous evidence. The SFDA Program expects that the coming year will see many prosecutions and investigations, including those very large and complex cases (described in Attachment B).

AUTOMOBILE INSURANCE FRAUD PROGRAM					
BUDGET: PERSONNEL SERVICES					
FISCAL YEAR 2018-2019					
COUNTY NAME: SAN FRANCISCO					
A. PERSONNEL SERVICES: Salaries and Employee Benefits					COST
<u>Description</u>	<u>Bi-weekly</u>	<u># pay</u> <u>periods</u>	<u>FTE</u>	<u>Amount</u>	
8177 Trial Attorney	\$ 7,680	26	0.5	\$ 99,836	\$99,836
Fringe benefits					
Social Security	\$ 8,249			\$ 4,125	
Social Sec. - Medicare	1.45%			\$ 1,448	
Health Ins	\$ 3,261			\$ 1,631	
Dependent Coverage	\$ 11,771			\$ 5,886	
Retirement	23.92%			\$ 23,881	
Unemployment Insurance	0.27%			\$ 270	
Dental Rate	\$ 1,517			\$ 759	
Total Benefits	38%				\$38,000
8550 Investigator	\$ 5,014	26.0	0.8	\$ 104,282	\$104,282
Fringe benefits					
Social Sec. - Medicare	1.45%			\$ 1,101	
Health Insurance	\$ 3,084			\$ 2,775	
Dependent Coverage	\$ 11,579			\$ 11,486	
Retirement	31.08%			\$ 20,494	
Unemployment Insurance	0.27%			\$ 205	
Dental Rate	\$ 1,520			\$ 1,742	
Total Benefits	45%				\$47,151
TOTAL SALARY	\$ 204,118				
TOTAL FRINGE	\$ 85,151				
TOTAL PERSONNEL	\$ 289,269				
A. PERSONNEL SERVICES TOTAL					\$289,269

AUTOMOBILE INSURANCE FRAUD PROGRAM PROGRAM BUDGET: OPERATING EXPENSES FISCAL YEAR 2017-2018		
COUNTY NAME: SAN FRANCISCO		
B. OPERATING EXPENSES		COST
Office Space Lease	\$16,222 per FTE	\$21,089
Audit Expense	1% of personnel cost	\$2,893
Travel & Training Expense	Registration, travel, hotel, ground transportation, per diem, mileage	\$5,000
Indirect Cost	10% of direct salary	\$20,412
B. OPERATING EXPENSE TOTAL		\$49,394

AUTOMOBILE INSURANCE FRAUD PROGRAM PROGRAM BUDGET: EQUIPMENT FISCAL YEAR 2017-2018	
COUNTY NAME: SAN FRANCISCO	
C. EQUIPMENT	COST
None requested	\$0
C. EQUIPMENT TOTAL	\$0
D. PROGRAM BUDGET TOTAL	\$338,663

AUTOMOBILE INSURANCE FRAUD PROGRAM PROGRAM BUDGET: EQUIPMENT LOG PRIOR FISCAL YEAR 2017-2018					
COUNTY NAME: SAN FRANCISCO					
Equipment Ordered	Equipment Cost	Date Ordered	Date Received	Serial Number	Equipment Tag Number
Rows can be inserted as needed.					
<input checked="" type="checkbox"/> No equipment purchased.					
I certify this report is accurate and in accordance with the Grant guidelines.					
Name: <u>Kelly S. Burke</u>			Title: <u>Managing Attorney</u>		
Signature: 			Date: <u>June 21, 2018</u>		
25					

ATTACHMENT A

SAN FRANCISCO DISTRICT ATTORNEY'S OFFICE DEPARTMENT OF INSURANCE, FRAUD DIVISION

JOINT INVESTIGATIVE PLAN

Goals

The purpose of this Joint Plan is to ensure that the Department of Insurance, 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 the County of San Francisco. Members of both offices will meet with each other on a regular basis to share information and to coordinate activities. By this agreement, it is hoped that both agencies will avoid duplicating efforts, and will maximize the use of the limited resources of both offices.

Insurance Code Section 1871 requires that a joint operational plan be in effect between the Fraud Division and each local district attorney's office.

This Joint plan shall be effective from July 1, 2018 until June 30, 2019, and shall supersede the joint plan currently in effect.

Objectives

1. Utilize Fraud Division and County resources in a coordinated manner to reduce the impact of auto insurance fraud and other related criminal activity.
2. Develop investigative and prosecution strategies that will significantly deter incidents of auto insurance fraud.
3. Investigate and prosecute individuals, professionals, businesses, and enterprises that commit or attempt to commit auto insurance fraud or other related criminal activity.
4. Work together to educate employers and employees and the general public about the costs of fraud in terms of loss of profits, loss of jobs, and high costs of payouts.
5. Form alliances with entities and agencies in both the public and private sectors whose common goal is the detection, investigation and prosecution of auto insurance fraud.

Receipt and Assignment of Investigations

All procedures now in effect in this area will remain in effect in the next fiscal year. The Insurance Code requires that suspected fraudulent auto insurance claims be reported to the Fraud Division. In some instances, a suspected fraudulent claim may also be reported to the local district attorney; however, as a practical matter, the majority of investigations originate with the Fraud Division. Simple investigations will therefore be conducted by the agency that first receives the report. If, for some reason, the primary agency is unable to initiate or complete an investigation, the secondary agency may assist or take over the investigation. Complex investigations will be handled jointly by both agencies with the Fraud Division generally as the lead investigator. If needed, a separate investigative plan may be drafted to fit a particular investigation.

In matters where an apparently simple case might require extensive time and effort, both offices will work together to expeditiously complete the investigation to bring the matter to a successful conclusion.

Regular monthly meetings will continue to be conducted at the Golden Gate Regional Office of the Fraud Division. The captain of the Golden Gate Regional Office and investigators from that office will meet with attorneys from the San Francisco Economic Crimes Unit to discuss new cases and the status of ongoing investigations. Initial determination will be made whether the matter appears to be appropriate for further investigation, or should be closed immediately. This will avoid a needless waste of valuable investigative resources. The insurance company which referred a case that is rejected will be notified of the rejection. Should the insurance company request information about a rejection, the Fraud Division and the district attorney will make themselves available to discuss the file.

In an additional effort to avoid unnecessary duplication of investigative efforts, when an insurance company, private investigator, employer or third party administrator asks for a meeting with a member of the district attorney's office or the Fraud Division to present a "documented referral," both offices will be invited to be present. If one agency is unable to attend such meeting, the other member agency will advise whether the referral merits the opening of an investigation.

Once an investigation is opened, an investigator and an attorney will be assigned and an investigative plan, including a proposed timeline, will be initiated. All parties agree that any timeline is a projection and may be modified as the investigation dictates.

In addition to regular case review meetings, the manager of the District Attorney's Economic Crimes Unit and the captain of the Golden Gate Regional Office are in frequent, regular contact by phone, e-mail and in person. These regular meetings are meant to keep both agencies informed about issues relating to the common goal of fighting insurance fraud.

Investigations

Investigators from the Golden Gate Regional Office and district attorney investigators will use all of their skill and resources to develop cases and to pursue investigations. In addition, investigators and prosecutors from both agencies will use outreach and education in the business community to develop sources for potential fraud referrals. Investigators from both offices have a long standing personal working relationship and a tradition of mutual aid. It is generally understood that most investigations will be conducted by the Fraud Division. If one agency or the other needs assistance, all reasonable effort will be made to render that assistance. Once a case is filed, it is also generally understood that a district attorney investigator will handle follow up investigative work.

Ongoing investigations will be discussed at the regular meetings between the agencies. A San Francisco prosecutor is assigned to each investigation to assist with any legal issues that might arise and to insure that all elements of the case are present to meet charging requirements. That prosecutor is directly available to the investigator throughout the course of the investigation. This team concept will reduce unnecessary investigative efforts and will guarantee that a matter will be terminated at the earliest possible time if it becomes apparent that no further amount of work will result in a prosecution.

In the event that a complex investigation and prosecution will involve extensive efforts by both agencies, or will require the assistance of outside allied agencies such as EDD, the Medical Board, Franchise Tax, or the like, a memorandum of understanding and a joint investigative plan may be created to delineate the roles and responsibilities of each agency.

Undercover Operations

All undercover operations will be conducted in a professional manner giving priority to officer and public safety. The progress of any ongoing undercover investigation will also be a topic at the regular review meetings and in conversations between the manager of the insurance fraud unit and the captain of the Golden Gate Regional Office.

If the Fraud Division undertakes the goal of conducting a joint undercover operation, they will do so only after the mutual agreement of the District Attorney's Office. Prior to the commencement of any joint undercover operation involving both the Fraud Division and members of the District Attorney's Office, a separate joint investigative plan will be drafted setting forth the roles of investigators from both agencies, the estimated time frame of the investigation, the duties of each agency with respect to collection and storage of evidence, secretarial duties, and the like.

If, in the opinion of either agency, the integrity of the investigation, the safety of officers, or the safety of the public is at risk, the investigation will be terminated. It is also agreed between the two agencies that the conduct of any undercover investigation will be treated with the highest priority, and that any personnel participating in the investigation will be given complete support during their involvement in the operation.

Informants

There may be occasions when an informant may be utilized to develop and investigate a case. The use of informants will be consistent with the policies of each agency, with procedures agreed upon by members of the two agencies, and with the laws of the State of California.

Filing Requirements

Both agencies understand that the charging of a suspect with criminal conduct is the sole duty of the district attorney. San Francisco has adopted the filing protocol of the California District Attorneys' Association (CDA). Copies of that protocol are located in the offices of both agencies. In most insurance fraud matters, cases are filed as felonies. The district attorney has the discretion to select other options available in the county.

Before a case is filed, the District Attorney's Office must be satisfied that there is sufficient admissible evidence present to prove a case beyond a reasonable doubt to a judge or jury. Cases must contain:

Complete investigative reports and supporting documents including search warrants, videos, photos, and the like;

Copies of all items in the possession of the investigator, or, if voluminous, a description of such items and where they may be viewed;

A list of all actual and potential witnesses, including exculpatory witnesses, together with a criminal history check on each civilian witness, and information about any inducements or agreements regarding their statements or potential testimony;

A complete description of all suspects.

Training

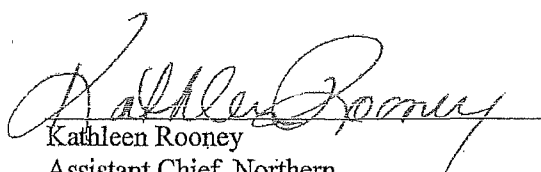
Both agencies will work together to provide training to insurance industry personnel, third party administrators, self-insured, employers, employee organizations and the general public. Both agencies have outreach plans in effect, and both agencies will continue to work together to host training sessions. A schedule of training opportunities will be discussed at each case review meeting. Both the Fraud Division and the District Attorney's Office will respond as promptly as possible to requests for training sessions.

In addition to outreach, San Francisco Economic Crimes Unit personnel and members of the Golden Gate Regional Office will periodically meet to discuss any new or innovative fraud fighting techniques, and to share intelligence on fraud activity in Northern California.


Problem Resolution

Prosecutors and investigators from both agencies have enjoyed a close working relationship. As a result, very few disputes arise which cannot be resolved between the parties at the lowest possible level. It is anticipated, however, that there may be a need for resolution of a disagreement at a higher level. As in the past, should there be such a need, the matter will be handled between the captain of the Golden Gate Regional Office and the manager of the San Francisco District Attorney's Economic Crimes Unit. Charging decisions will be the ultimate decision of the District Attorney's Office.

DATED: June 20, 2018


Kathleen Rooney
Assistant Chief, Northern
Department of Insurance, Fraud Division

DATED: June 19, 2018


Kelly S. Burke
Managing Attorney, Economic Crimes Unit
San Francisco District Attorney's Office

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Lorna Garrido, Grants and Contracts Manager
DATE: January 10, 2019
SUBJECT: Accept and Expend Resolution for Subject Grant
GRANT TITLE: Automobile Insurance Fraud Program

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

- Proposed grant resolution; original* signed by Department, Mayor, Controller
- Grant information form, including disability checklist
- Grant budget
- Grant application
- 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: (415) 553-9258

Interoffice Mail Address: DAT, 850 Bryant Street, Room 322

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).

Print Form

Introduction Form

By a Member of the Board of Supervisors or Mayor

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2019 FEB 26

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor [] inquiries"
- 5. City Attorney Request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No. []
- 9. Reactivate File No. []
- 10. Topic submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.

Sponsor(s):

Stefani

Subject:

Accept and Expend Grant - California Department of Insurance, Automobile Insurance Fraud Program - \$298,336

The text is listed:

Resolution authorizing the Office of the District Attorney to accept and expend a grant in the amount of \$298,336 from the California Department of Insurance for the Automobile Insurance Fraud Program for the grant period July 1, 2018 through June 30, 2019.

Signature of Sponsoring Supervisor: [Signature]

For Clerk's Use Only

