

File No. 221107

Committee Item No. 5

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date November 16, 2022

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <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 type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER (Use back side if additional space is needed)

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Completed by: Brent Jalipa

Date November 10, 2022

Completed by: Brent Jalipa

Date _____

1 [Accept and Expend Grant - Retroactive - California Department of Insurance - Automobile
2 Insurance Fraud Program - \$314,180]

3 **Resolution retroactively authorizing the Office of the District Attorney to accept and**
4 **expend a grant in the amount of \$314,180 from the California Department of**
5 **Insurance for the Automobile Insurance Fraud Program, for the grant period of July**
6 **1, 2022, through June 30, 2023.**

7
8 WHEREAS, The Administrative Code requires City departments to obtain Board of
9 Supervisors' approval to accept or expend any grant funds (Sections 10.170 et seq.); and

10 WHEREAS, The Board of Supervisors provided in Section 11.1 of the administrative
11 provisions of the Fiscal Year (FY) 2022-2023 Annual Appropriation Ordinance that approval
12 of recurring grant funds contained in departmental budget submissions and approved in the
13 FY2022-2023 budget are deemed to meet the requirements of the Administrative Code
14 regarding grant approvals; and

15 WHEREAS, The Department of Insurance of the State of California, the entity
16 awarding these grant funds to the Office of the District Attorney, requires documentation of
17 the Board's approval of their award of grant funds under Automobile-California Insurance
18 Code, Section 1872.8, and California Code of Regulations, Title 10, Sections 2698.60 et
19 seq.; and

20 WHEREAS, The Office of the District Attorney applied for funding from the California
21 Department of Insurance for the "Automobile Insurance Fraud Program" and was awarded
22 \$314,180; and

23 WHEREAS, The purpose of the grant is to support enhanced investigation and
24 prosecution of automobile insurance fraud cases, and to support the application and
25 subsequent reporting that the Office of the District Attorney must submit to the state as a

1 condition of receiving these funds, as set forth in the California Insurance Code, Section
2 1872.8, and California Code of Regulations, Title 10, Section 2698.60s et seq.; and

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

5 WHEREAS, The grant includes indirect costs of \$8,402; now, therefore, be it

6 RESOLVED, That should the Office of the District Attorney receive more or less
7 money than the awarded amount of \$314,180, that the Board of Supervisors hereby
8 approves the acceptance and expenditure by the Office of the District Attorney of the
9 additional or reduced money; and, be it

10 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes the Office
11 of the District Attorney to accept and expend, on behalf of the City and County of San
12 Francisco, a grant from the California Department of Insurance for the Automobile
13 Insurance Fraud Program to be funded in part from funds made available through California
14 Insurance Code, Section 1872.8, California Code of Regulations, Title 10, Sections
15 2698.60 et seq. in the amount of \$314,180 to enhance investigation and prosecution of
16 automobile insurance fraud cases; and, be it

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

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

25

1 FURTHER RESOLVED, That the grant funds received hereunder shall not be used
2 to supplant expenditures controlled by the Board of Supervisors; and, be it

3 FURTHER RESOLVED, That within 30 days of the Grant Agreement being fully-
4 executed by all parties, the Office of the District Attorney shall provide the final Grant
5 Agreement to the Clerk of the Board for inclusion into the official file.

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1 Recommended:

Approved: /s/

2

London N. Breed

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Mayor

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/s/

5 Brooke Jenkins

Approved: /s/

6 District Attorney

Ben Rosenfield

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Controller

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File Number: 221107
(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: **(628) 652-4035**
4. Grant Approval Status (check one):
 Approved by funding agency Not yet approved
5. Amount of Grant Funding Approved or Applied for: **\$314,180**
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, 2022** End-Date: **June 30, 2023**

10. a. Amount budgeted for contractual services: **\$0**
b. Will contractual services be put out to bid? **n/a**
c. If so, will contract services help to further the goals of the Department's Local Business Enterprise (LBE) requirements? **n/a**
d. Is this likely to be a one-time or ongoing request for contracting out? **n/a**
11. a. Does the budget include indirect costs?
 Yes No
b. 1. If yes, how much? **\$8,402**
b. 2. How was the amount calculated? **10% of total salaries = \$21,671, only charging grant \$8,402 to maximize use of grant funds on direct service**
c. 1. If no, why are indirect costs not included? **n/a**
 Not allowed by granting agency To maximize use of grant funds on direct services
 Other (please explain):
c. 2. If no indirect costs are included, what would have been the indirect costs?

12. Any other significant grant requirements or comments:

We respectfully request for an expedited Resolution. The City and County of San Francisco Budget and Appropriation Ordinance includes this recurring grant; however, it does not meet the California Department of Insurance resolution 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: 10/03/2022

Jessica Geiger
(Signature Required)

Digitally signed by Jessica Geiger
Date: 2022.10.03 09:18:21 -07'00'

Department Head or Designee Approval of Grant Information Form:

Eugene Clendinen
(Name)

Chief, Administration and Finance
(Title)

Date Reviewed: 10/04/2022

Eugene Clendinen
(Signature Required)

Digitally signed by Eugene Clendinen
Date: 2022.10.04 09:02:14 -07'00'

FY2022-2023 Automobile Insurance Fraud Budget

07/01/2022-06/30/2023

Positions	Biweekly Salary	pay periods	FTE	Amount	Total Budget
8177 Trial Attorney (S. Zudekoff), Step 8	\$ 6,837	26.1	0.15	\$ 26,767	\$ 26,767
Social Security	\$ 9,331			\$ 1,400	
Social Sec. - Medicare	1.45%			\$ 388	
Health Ins	\$ 20,204			\$ 3,031	
Retirement	18.72%			\$ 5,011	
Unemployment Ins	0.10%			\$ 27	
Long Term Disability	\$ 354			\$ 53	
Dental Rate	\$ 1,602			\$ 240	
Life Insurance	\$ 190			\$ 29	
Total Benefits	38.03%				\$ 10,179
8177 Trial Attorney (A. Fasteau), Step 16	\$ 9,346	26.1	0.25	\$ 60,983	\$ 60,983
Social Security	\$ 9,331			\$ 2,333	
Social Sec. - Medicare	1.45%			\$ 884	
Health Ins	\$ 9,152			\$ 2,288	
Retirement	18.72%			\$ 11,416	
Unemployment Ins	0.10%			\$ 61	
Long Term Disability	\$ 354			\$ 89	
Dental Rate	\$ 534			\$ 134	
Life Insurance	\$ 190			\$ 48	
Total Benefits	28.29%				\$ 17,253
8550 DAI (J. O'Reilly), Step 6 (includes FLSA pay)	\$ 6,176	26.1	0.80	\$ 128,955	\$ 128,955
Social Sec. - Medicare	1.35%			\$ 1,741	
Health Ins	\$ 23,060			\$ 18,448	
Retirement	11.75%			\$ 15,152	
Unemployment Ins	0.06%			\$ 77	
Dental Rate	\$ 1,602			\$ 1,282	
Total Benefits	28.46%				\$ 36,700
Subtotal Salary					\$ 216,705
Subtotal Benefits					\$ 64,132
TOTAL SALARY & BENEFITS			1.20		\$ 280,837

	Amount	Total Budget
Facility Rental (annual rate of \$29,208 per FTE), 1.20 FTE x \$29,208 = \$35,050, only charging grant \$13,590	\$ 13,590	\$ 13,590
Audit Expense	\$ 4,351	\$ 4,351
In-State Travel and Training Expenses	\$ 3,000	\$ 3,000
Outreach	\$ 4,000	\$ 4,000
Indirect Cost (10% of personnel excluding benefits and overtime), \$216,705 x 10% = \$21,671, only charging grant \$8,402	\$ 8,402	\$ 8,402
TOTAL OPERATING		\$ 33,343

Equipment				
none requested				\$ -
TOTAL EQUIPMENT				\$ -

GRAND TOTAL				\$ 314,180
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Application Report



Applicant Organization:

San Francisco

Project Name: 22-23AFSF

Funding Announcement: FY 22-23 Automobile Insurance Fraud Program

Requested Amount: \$322,271.00

Project Summary: Auto Fraud Grant

Section Name: Overview Questions

Sub Section Name: General Information

1. Applicant Question: Multi-County Grant

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

Applicant Response:

No

2. Applicant Question: Estimated Carryover

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

Applicant Response:

\$0.00

3. Applicant Question: Contact Updates

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

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

Applicant Response:

Yes

4. Applicant Question: Program Contacts

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

Contact in GMS.

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

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

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

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

Applicant Response:

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

5. Applicant Question: Statistical Reporting Requirements

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

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

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

Applicant Response:

Yes

6. Applicant Question: Required Documents Upload

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

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

Applicant Response:

Yes

Sub Section Name: BOS Resolution

1. Applicant Question: BOS Resolution

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

A BOS Resolution for the new grant period must be uploaded to GMS to receive funding for the 2022-2023 Fiscal Year. If the resolution cannot be submitted with the application, it must be uploaded no later than January 2, 2023. There is a sample with instructions located in the Announcement Attachments, 3b.

Applicant Response:

No

2. Applicant Question: Delegated Authority Designation

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

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

Applicant Response:

Designated Person named in Attached Letter

Attachment:

[22-23WCSFDesignatedAuthroityLetterCBSigned.pdf](#) - PDF FILE

Section Name: County Plan

Sub Section Name: Qualifications and Successes

1. Applicant Question: Successes

What areas of your automobile insurance insurance fraud program were successful and why?

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

Applicant Response:

The City and County of San Francisco(CCSF) was perhaps one of the most greatly restricted California counties over the course of the Covid-19 pandemic. All city offices were closed to the public, including the District Attorney's Office, for much of 2020 and 2021. The courts ceased jury trials for many months which resulted in a large backlog of jury trials and even made live preliminary hearings difficult. District Attorney staff immediately started working remotely where and when possible. Schools were shuttered for over a year, forcing parents to work from home while their minor children attended school over Zoom. Public schools in San Francisco remained closed over the entirety of the 2020-21 school year. While CCSF is now fully reopened, the recovery process and return to fully in-person work has been a gradual process. Additionally San Francisco has had surging case counts which have impacted staffing needs in the courts and the DA's office to the present day.

Over two years into the COVID-19 pandemic, our team is still working remotely part of the week. Our attorneys continue to appear in court over Zoom at times, such as when a case is continued to another date. The criminal justice system as a whole quickly pivoted, in 2020 adapting to a technology driven model for numerous aspects of daily work. Much of the technology fixes are still being used today. Our paralegals continue to convert thousands of pages of documents to electronic format; we still train and meet remotely with colleagues and justice partners via Zoom and Microsoft Teams. The SFDA's office is in the process of converting from the use of Damion to E-Prosecutor. This new system will allow us to streamline our data collection and to keep track of new investigations more efficiently.

Our attorneys have returned to court in person for contested and involved court hearings, such as hearings on motions to consolidate, preliminary hearings, and sentencings. However, the court is still backlogged, and even when defendants have asserted their rights to speedy trial, jury trials begin months after the last day. The challenge for our team is that the court's priority is serious or violent felonies where the defendants are in custody. Auto insurance fraud defendants, generally do not fall into those categories. In an effort to move our cases through the courts, we have had to be more creative. We have been collaborating to continue the important work of investigating and prosecuting automobile insurance fraud and settling cases with an emphasis on restitution and obtaining restitution orders (filing of CR 110/111).

Complex and Organized Auto Insurance Fraud Investigations

The SFDA Program investigates cases that involve complex insurance fraud schemes. For example, fraud perpetrated by passenger transportation companies and autobody shops can be complex investigations where the financial loss is greater than claimant fraud cases, the schemes are more sophisticated and difficult to detect, and co-conspirators are potentially involved. The following are examples of complex investigations and prosecutions that are being handled by the SFDA Program:

Pacific Heights Autobody and Rios

#2016-133-001

The owner of Pacific Heights Auto Body Shop, Eric Rios, was also an insurance agent, working for Farmers, who referred Farmers insureds to Pacific Heights without disclosing his financial interest in Pacific Heights. Subsequent inspections of eight vehicles involved in nine Farmers claims revealed that repairs made by Raymundo Prado were not performed as quoted. A total of \$13,572.31 in payouts from Farmers did not go to repairs. Parts were not replaced at all or were using substandard or inferior, rather than Original Equipment Manufacturer (OEM), replacement parts. Additionally, Eric Rios deposited into his own personal bank account \$3,290 that was supposed to go to Farmers, intended for insurance premium payments.

According to his attorney, Mr. Prado is in the process of gathering \$13,572.31, so that he can enter a plea.

SuperShuttle;Gretchko,et al 2015-0028

Through the collaborative efforts of assigned prosecutor Alex Feigen Fasteau, then assigned Program District Attorney Investigator Pollie Pent, and a Farmers Insurance SIU, the SFDA Program investigated and is currently prosecuting a multi-faceted organized auto insurance fraud enterprise. The case involves a local franchise of SuperShuttle: a private ground transportation company that services major cities and airports throughout the world.

Two brother and sister franchisees, the Grechkos, together with three passenger vehicle owners insured by Farmers, are charged with submitting multiple fraudulent claims from 2011-2015, involving staged shuttle van versus passenger car collisions. Four of five defendants have been arrested and charged with staging accidents between high-end cars and Super Shuttle vans owned by the Grechkos, in a conspiracy to defraud an insurance company. We believe Vadzim Klimasheuski, the suspect for whom an arrest warrant is outstanding and who is believed to be residing in a country from which we cannot extradite, was the caper orchestrating the fraud scheme.

Within the six months leading up to the collisions, defendants Mykhailo Fornin, Ilia Suhaka, and Vadzim Klimasheuski insured their high-end cars, using false or stolen identities. All of the staged collisions occurred in the late night and early morning hours on Treasure Island. In one of them, a driver was injured. In each instance, the defendants claimed that the individual drivers of each passenger vehicle, as opposed to the Shuttle drivers, were at fault in the collisions.

Knowing that the Super Shuttle vans would not be used for business while they were being repaired, the franchise-owning siblings inflated their loss of use by up to \$20,000 a claim, lying about how much business they had engaged in prior to the collisions. The insurer paid out nearly \$200,000 in excess payments as a result of this fraud. Together the defendants are charged with a total of seventy-eight counts, including identity-theft, conspiracy, staging automobile collisions, and insurance fraud.

Of particular concern here is the fact that the fraud involves a door-to-door, shared ride airport shuttle service. Given the high volume of passenger activity at San Francisco International Airport (SFO) as well as San Francisco proper's dense population and high concentration of roadways, the suspects in this case were in contact with many members of the public and traveling on numerous streets and highways in and around our city. The Grechkos are in the process of gathering the money they owe in restitution, with hopes of entering pleas.

KENNETH JONES/TANARA DOMINGUE

Kenneth Jones is charged with committing three different types of insurance fraud arising from separate incidents. (He is charged with misappropriating \$250,000.00 in life insurance proceeds while acting as an insurance agent.) He is separately charged with stealing an automobile insurance premium in the amount of \$2,312.00 from a monolingual Mandarin speaking car buyer at a dealership, by issuing her a fake policy. Mr. Jones didn't obtain any insurance coverage for the new car owner, who discovered as much only when she was involved in a car accident.

The Program ADA successfully moved to consolidate the case involving the conduct outlined above with another case, to form a twenty-one-count complaint against Mr. Jones, and also Tanara Domingue, his cohabitant and coparent. Working with Ms. Domingue, Mr. Jones submitted false and duplicate claims to two auto insurance companies.

Ms. Domingue sideswiped the car of another driver, damaging both it and her own car. Mr. Domingue took her car to Bee Automotive autobody shop, where Jones was working as an auto insurance agent.

On the day of the accident, Mr. Jones called Ms. Domingue's insurance company, pretending to be Ms. Domingue, and falsely claimed that three, not two, cars had been involved and both sides of Ms. Domingue's car were damaged. Soon after, Mr. Jones called her insurer, as himself, and said that the third vehicle involved in the accident was his own. Mr. Jones failed to tell this insurance company that he worked at Bee Automotive, where Ms. Domingue's car was awaiting repair, and that he knew Ms. Domingue, prior to making the claim. In a separate conversation with her insurer, he pretended that he was a different employee of Bee Automotive (he made up a name) in order to negotiate higher storage (at Bee Automotive) fees.

Domingue, on two separate occasions, falsely reasserted that she had hit not one, but two other vehicles, thereby establishing the basis for Jones's false claim of damage to his vehicle. She also lied under oath when she said that she had no prior relationship with Jones.

The claimed damage to Mr. Jones's car was evaluated and determined to be the result of key scratches, not accident related. The damage to the second side of Mr. Domingue's car appeared to be the result of hammer strikes. In fact, the purported second collision between Ms. Domingue and Mr. Jones's cars was found to be fabricated altogether. The driver of the car that Ms. Domingue truly hit confirmed no third vehicle was involved in the accident.

Mr. Jones went on to try to fraudulently obtained money out of his own insurance company, Progressive, claiming the same damages to his car that he had falsely presented to Ms. Domingue's insurer.

According to Mr. Jones's attorney, he is eager to accept responsibility. However, the Program ADA has informed his lawyer that we are preparing another arrest warrant for Mr. Jones. See Attachment B. Mr. Jones will wait to learn about the full scope of his criminal liability before entering any plea.

Successful Prosecutions that originated from SFDA Program Investigations

Through the collaborative efforts of the SFDA Program prosecutors and inspector, with carrier SIU s, the Program initiated investigations in many cases that have resulted in successful prosecutions in the past two fiscal years. We try our best to efficiently move cases through the courts, however there are challenges due to the covid closures and other factors that are unique to our jurisdiction. The following are examples of resolved cases:

People v. Micah Potts (22001455/18BA024723)

Potts reported to his insurance company, Progressive, that he was involved in a collision at 7th and Geary Streets in San Francisco. Potts was the at-fault party. At the time of reporting the collision, Potts denied driving for any ride-sharing platform. To Progressive, the claimant sent a photograph of Potts's insurance card, with an Uber sticker on it. Progressive contacted Uber and confirmed that Potts was driving for Uber at the time of the collision. Driving for a ride-sharing platform was expressly prohibited by Potts's insurance policy. Progressive paid out part of the claim, amounting to \$4990.

Progressive would have potentially paid \$10,203.58 total to repair both vehicles, had the fraud not ultimately been uncovered. Progressive would have denied the claim outright, had it known the accident occurred when Potts was driving for a ride-sharing company. This investigation was referred to our office by CDI, as part of a joint operation related to ride-share drivers lying to their personal insurance companies.

An arrest warrant issued, and Potts was arraigned on March 14, 2022 in San Francisco Superior Court. On May 2, 2022, a negotiated disposition was entered, but will not be finalized until August 10, 2022.

DARREN BROWN

Darren Brown was charged in San Francisco Superior Court with five counts of insurance fraud, stemming from a "crash and buy". Darren Brown was the driver of a vehicle that collided with another vehicle on December 26th, 2017. He was not insured at the time of the accident. Approximately one hour after the accident, Brown purchased an automobile insurance policy from Esurance. Three days later, he filed a claim for insurance benefits, falsely stating that the accident occurred an hour after he purchased the insurance. Esurance investigated and denied the claim based on statements provided by the other driver involved in the accident, and because the metadata on photographs submitted by Brown revealed that the accident occurred prior to his having purchased the Esurance policy.

Within three weeks of the first denial, Brown filed another claim with Esurance for what appeared to be identical damages, but this time he stated his parked car was struck during a hit and run. Had his lies not been discovered, Esurance would have paid him \$10,869.42.

On January 19, 2022, Darren Brown pled guilty to a violation of Penal Code section 550(b)(1), a felony. He was sentenced to two years of adult probation and one year of county jail, servable through electronic monitoring or home detention. He was ordered to undergo testing and complete counseling as directed by the Adult Probation Department. He was also ordered to pay restitution in the amount of \$2,047.72 to Esurance, for the costs of investigation, and a CR110 to that effect was signed by the court.

WALTER SANCHEZ

19BA013066

In this case, Walter Sanchez, the claimant insured, is charged with fraud because he reported that in March 2018, he swerved into a highway barrier to avoid being struck by another vehicle coming from behind at a high rate of speed. Walter Sanchez's vehicle was totaled, and Mercury Insurance paid him \$29,660.01. In April 2019, apparently prompted by the increased premiums that the insurance company charged, as well as the point on his driving record, Walter Sanchez reached out to the insurer,

and his son did the same, both stating that his son was driving at the time of the loss. As his son had been an excluded driver on the policy, were this the case, the entire payout would be due back to the insurance company. Thereafter Walter Sanchez reverted to his original version of events, however, even when confronted with what his son said. The computer aided dispatch (CAD) log and officer preliminary hearing testimony supported that which the son said: the first California Highway Patrol officer to respond ran only one California Driver's License at the scene of the solo car collision, that of the son who was driving. The CDI Detective on this case, now a SFDA Program Inspector, also authored a search warrant for the cell phone records of Mr. Sanchez, and his cell phone records indicated he was not at the scene of the collision when it happened.

Mercury received money from the sale of the salvage vehicle, thus \$21,667.51 is their total loss amount. After the preliminary hearing and on June 3, 2022, the eve of jury trial, Mr. Sanchez agreed, and the court ordered him to pay that amount in full. He is to make regular payments under Pretrial Diversion/court supervision.

Current Prosecutions from SFDA Program Investigations

The SFDA Program investigated, filed, and is currently prosecuting the following cases, pending in Court:

On February 24, 2021, we filed an arrest warrant in *People v. Soe Khine*, alleging violations of Penal Code sections 550(a)(1) and 550(b)(1). The complaint stemmed from the fact that on April 8, 2019, Soe Khine filed a claim with his personal automobile insurance company, CSAA. When CSAA asked him twice the standard question of whether he was driving for a ride-sharing company at the time of the accident, he said no. He also told CSAA he had never driven for a ride-sharing company. (Had he been driving for a ride-sharing company, he would not have been eligible for coverage under his personal policy.) In fact, Soe Khine was driving for Uber and reversing his vehicle to pick up a rider, when he struck a parked car. CSAA compensated Mr. Khine \$3,472.72, before it uncovered the fraud. Soe Khine then refused to return the money to CSAA. The defendant was arraigned in court on April 5, 2021, and we are engaging with the defense attorney to reach a resolution.

In *People v. Ligia Latino*, the SFDA Program filed felony Penal Code §§ 550(a) and 550(b) charges alleging fraud. The defendant was uninsured and in an accident. He subsequently purchased a CSAA auto insurance policy, and one day later filed a claim for the damage. The interview of the tow truck driver and company for defendant's vehicle, as well as the metadata of the photographs provided by defendant, revealed the damage occurred prior to defendant obtaining insurance coverage. Because of the fraud, CSAA/ AAA paid out \$578.50 in rental vehicle costs and expended \$2,887 in investigative costs. Had the fraud gone undetected, the insurer would have been responsible for an additional \$1,100, approximately. On October 17, 2019, the court issued a bench warrant for defendant's failure to appear in court, and it remains outstanding. We periodically conduct due diligence to determine if we can locate the defendant.

E. Significant Claimant Fraud Investigations

The SFDA Program recognizes that automobile insurance fraud needs to be investigated at all levels; this includes smaller, individual fraudulent claims that collectively increase the cost of insurance for all. The following are examples of those types of significant, but somewhat less complex automobile insurance fraud matters that are currently under investigation:

- In one case, the claimant insured reported that he was driving, but not at fault, when he got into an accident that totaled the vehicle. The insurance company compensated the claimant insured nearly \$30,000. Over a year after the loss, apparently prompted by the increased premiums that the insurance company was charging the claimant insured, as well as the point on the claimant insured's driving record, the claimant insured's relative reached out to the insurance company, stating that the relative was the one driving at the time of the loss. As the relative was an excluded driver on the policy at the time of the loss, were the relative in fact the driver, the nearly \$30,000 payout would be due back to the insurance company. This case, *People v. Sanchez*, was filed and the defendant was held to answer at the preliminary hearing. And the case was resolved through a pre-trial diversion agreement and a CR110/111 was entered for the restitution owed to the victim. Defendant will make monthly payments towards the restitution.

The claimant reported an accident to the insurer that involved a pedestrian being hit. The claimant was the at-fault party. The insured denied driving for a ride-sharing platform at the time of filing the claim. A representative with the claimant's personal insurance interviewed the

victim pedestrian, who recalled seeing a ride-share sticker on the vehicle that struck him. The claimant ultimately admitted to driving for the ride-share company at the time of the loss. The claim was denied but resulted in an attempted theft of approximately \$3600 in benefit payout. We are currently investigating this matter.

Collaborative Successes Through Our Partnerships

During the FY 2021-2022 period, the SFDA Program continued to partner with CDI to prosecute fraud cases. The SFDA Program worked on multiple investigations with CDI, met and conferred regularly with CDI detectives, and engaged in extensive communication to explore avenues for collaboration. Despite the many challenges of the past two fiscal years, including those posed by the Covid-19 pandemic, and scarcity of resources, the SFDA has been committed to working with CDI to combat fraud.

SFDA Program Inspector John O'Reilly and CDI Special Investigator Denise Roberts worked together on an insurance fraud case which culminated in charges being brought in People v. Kenneth Jones. CDI Special Investigator Denise Roberts investigation uncovered detailed facts showing that this defendant had misappropriated \$250,000 in death benefit proceeds from the legal beneficiaries of a life insurance policy, following the death of their loved one. Our SFDA Inspector aided in serving three bank search warrants that resulted in search warrant returns of approximately 43MB of data. The team also worked together to investigate and charge this same defendant with automobile premium theft. Mr. Jones is an example of an industry insider that uses a position of trust and power to defraud innocent victims.

During FY 2020-2021, SFDA and CDI met to discuss a large number of FD-1s submitted within the past two years, related to ride-share drivers attempting to, sometimes successfully, defraud their personal insurance companies by making claims for collisions that occur while they are active on ride-sharing platforms. The various policies at issue unequivocally state that the insured is not covered if they are driving for a ride-sharing platform at the time of the collision; separate coverage is in place for accidents that occur when an individual is driving for a ridesharing platform. In 2019, a SFDA Program attorney collaborated with CDI detectives to develop an investigative plan for these cases, which are increasing with alarming frequency. In September 2019, CDI referred 30 FD-1s to the SFDA's Office for review in this joint operation. The Program attorney reviewed and analyzed these FD-1s and continues to work with CDI and the respective SIUs to move these case investigations forward. Every driver on the road is entitled to assurance that, if involved in an accident that is no fault of their own, the at-fault party is properly insured and able to provide indemnification. Ride-sharing companies should also be providing adequate coverage to their drivers and informing drivers to submit claims through the ridesharing company's insurance, in the case of an accident that takes place while they are driving for the ride-sharing company. Public safety is compromised, and costs to law abiding citizens increase when fraudulent claims are submitted and paid. As a result of this collaboration, our office filed the Khine and Potts cases referenced above.

During the past two years, the SFDA Program has worked with CDI, the National Insurance Crime Bureau (NICB) and the SIUs of multiple carriers in connection with a large auto insurance fraud investigation involving a San Francisco body shop and one of its employees, who is a licensed insurance agent. The auto body shop runs a towing company, a towing storage company, a vehicle rental company, and an automobile insurance company. Several individuals within or affiliated with the shop are suspected of staging many of the collisions or claiming there were collisions when there were none. Some of them are suspected of staging collisions involving vehicles owned by the body shop. There are fraud complaints from nine different carriers based on claims for what is believed to be preexisting vehicle damage created by the shop. The auto body shop also seeks coverage for fraudulent tow fees or inordinately high storage fees for vehicles. It is also suspected of engaging in fraud by using substandard parts to repair at a cost lower than what was estimated and billed to the insurers. This is a large-scale investigation affecting multiple carriers and appearing to involve fraud at many levels. This past fiscal year, the SFDA Program has made progress in this investigation by identifying and reviewing more than forty FD-1s associated with the auto body shop spanning a 13-year period, obtaining claim file information for more than ten of the claims that were preliminarily identified as the most promising leads, and starting to write an arrest warrant covering the apparent crimes.

2. Applicant Question: Task Forces and Agencies

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

Applicant Response:

Our program works with the following agencies:

- CDI
- NCIB
- DMV
- SFPD
- CHP
- BAR

3. Applicant Question: Unfunded Contributions

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

Applicant Response:

The SFDA Program prosecutors are only partially funded by the California Department of Insurance Fraud Program. As illustrated by our Organizational Chart, automobile insurance fraud is a branch of our Economic Crimes Unit and falls under the supervision of the managing attorney, Tina Nunes Ober. Ms. Nunes Ober, who supervises the auto insurance fraud prosecution team, spends approximately 20% of her time supervising the investigation and prosecution of auto insurance fraud cases: she reviews FD-1's submitted to our office; communicates directly with the SIUs and law enforcement on cases initially presented to SFDA; approves all investigative plans; reviews 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. Assistant District Attorney Nunes Ober's salary is not funded by the SFDA Automobile Insurance Fraud Program.

Lieutenant Molly Braun, the supervisor of the District Attorney Inspectors in the Economic Crimes Unit, is also not funded by the SFDA Automobile Insurance Fraud Program. She spends approximately 10% of her time supervising the automobile insurance fraud inspectors: she assists in the drafting and execution of their search and 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 .

The SFDA program relies on the Office's several well-qualified paralegals who work to ensure the success of the SFDA Program by preparing pleadings, evidentiary documents for discovery and motions for filing, maintaining electronic and hard copy case files, and providing general administrative assistance to the Program inspectors and attorneys. These individuals' contributions are unallocated resources that are not Program funded.

4. Applicant Question: Personnel Continuity

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

Applicant Response:

The San Francisco District Attorney's Office does not have a formal rotations practice although personnel rotations are not uncommon. 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, NICB and carrier SIUs are crucial to our Program's success, which is why the San Francisco District Attorney's Office strives to ensure that experienced law enforcement professionals are assigned to the Program.

Assistant District Attorney Alex Fasteau has served as a primary Program prosecutor since March 2016. Mr. Fasteau has worked for the San Francisco District Attorney's Office for 17 years. He is a highly experienced attorney who has had forty-five jury trials during his 20 years as a prosecutor. He previously worked at the Solano County District Attorney's Office. Mr. Fasteau has spent most of his prosecutorial career in the following specialized units: Economic Crimes, Child Abduction, Child Assault and Sexual Assault, Public Integrity, and Domestic Violence. He 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 molestation, and child endangerment resulting in death. As a member of the Economic Crimes Unit, he has prosecuted cases involving workers' compensation insurance fraud, medical provider fraud, life insurance and annuity fraud, and major fraud/embezzlement. Mr. Fasteau graduated Phi Beta Kappa in Economics from the University of California, Berkeley, where he also attended law school. He speaks Spanish fluently.

Assistant District Attorney Stephanie Zudekoff has been with the Program for 4 years. She received her Bachelor of Arts degree from the University of Georgia, and her Juris Doctor degree from Georgia State University, College of Law. Ms. Zudekoff practiced law in Georgia for several years, including with the Georgia Attorney General's office prior to joining the San Francisco District Attorney's office. She came to the SFDA Economic Crimes Unit from the felony trial unit. In the Economic Crimes Unit, in addition to having successfully litigated and resolved automobile insurance fraud cases, she has also prosecuted workers' compensation insurance fraud and welfare fraud. Additionally, Ms. Zudekoff continues to correspond on an almost daily basis with Program partners to evaluate FD-1's and drive auto fraud investigations forward.

Assistant District Attorney Rebecca Friedemann joined the Economic Crimes Unit in June 2022 after completing a rotation in the SFDA General Felonies Unit. Ms. Friedemann joined the SFDA after working at a private law firm where she handled white collar cases. Ms. Friedemann is a 2018 graduate of University of California at Davis, School of Law and a University of Pennsylvania graduate. She is proficient in Spanish. Ms. Friedemann is being trained and is taking on new cases that are early in the investigative or court process. She will also be taking any new FD-1's for the next few months as she learns and builds her caseload.

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.

5. Applicant Question: Frozen Assets Distribution

Were any frozen assets distributed in the current reporting period?

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

Applicant Response:

No

Sub Section Name: Staffing

1. Applicant Question: Staffing List

Complete the chart and list the individuals billed to the program, including prosecutor(s), investigator(s), and support staff. Include any vacant positions to be filled.

For each, list the percentage of time devoted to the program and the start and end dates the individual is billed to the program.

Applicant Response:

Name	Role	Start Date	End Date (leave blank if N/A)	% Time
John O'Reilly	Investigator	01/02/2018		.70
Alex Fasteau	Assistant District Attorney	03/01/2016		.40
Stephanie Zudekoff	Assistant District Attorney	08/01/2018		.10
Rebecca Friedemann	Assistant District Attorney	06/01/2022		.10

2. Applicant Question: FTE and Position Count

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

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

Applicant Response:

Salary by Position	# of Positions	FTE (1.00 = 2080 hours/year)
Supervising Attorneys		
Attorneys	3	.60
Supervising Investigators		
Investigators (Sworn)	1	.70
Investigators (Non-Sworn)		
Investigative Assistants		
Forensic Accountant/Auditor		
Support Staff Supervisor		
Paralegal/Analyst/Legal Assistant/etc.		
Clerical Staff		
Student Assistants		
Over Time: Investigators		
Over Time: Other Staff		
Salary by Position, other		
	Total: 4.00	Total: 1.30

3. Applicant Question: Organizational Chart

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

The organizational chart should outline:

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

Applicant Response:

22-23SFAFORGCHART.docx - WORD DOCUMENT

Sub Section Name: Problem Statement & Program Strategy

1. Applicant Question: Problem Statement

Describe the types and magnitude of automobile insurance fraud (e.g., applicant, medical/legal provider, staged collisions, insider fraud, fraud ring, capping, and economic vehicle theft) relative to the extent of the problem specific to your county.

Use local data or other evidence to support your description.

Applicant Response:

Automobile insurance fraud is generally motivated by the prospect of financial gain. The fraud can exist whether it's an uninsured motorist who is seeking coverage after an accident, or a body shop owner looking to make money by deceiving an insured or a carrier by representing that the car was repaired as estimated when in reality substandard replacement parts were used or the repair itself was substandard. Basic greed appears to motivate 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, we continue 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. We also pursue dishonest repair facilities, medical providers, and anyone else who seeks to capitalize from the claims process by reaping undue profit.

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 automobile insurance premiums as they 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 2021 U.S. Census data, the City and County of San Francisco, despite its relatively small size (49 square miles), had a population of 815,201. However, U.S. Census statistics have shown that people who commute into San Francisco increase the City’s daytime population by 21 percent.

Moreover, in 2021, San Francisco County’s estimated population density was 17,179.2 per square mile of land area. The City and County of San Francisco has 1,088 total miles of roads, 59 miles of which are freeways including ramps to freeways and freeway-to-freeway exchanges. 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 area and an estimated 7,200 intersections. 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.

According to recent statistics from the San Francisco Municipal Transit Authority, the annual total fatal vehicle collisions in San Francisco was 20 in 2017, 23 in 2018, 29 in 2019, 30 in 2020, 27 in 2021 and 8 as of April 30, 2022.

A recent statistical study, Vision Zero SF, identified San Francisco as the city with the most factors that contribute to dangerous driving conditions in California. The study took into account collision rates, fatality rates, injury rates, alcohol-related crash rates, speed-

related crash rates, hit and run rates and population density.

San Francisco 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, it is safe to assume that San Francisco experiences an even greater number of property only accidents than a jurisdiction with lower population density, longer distances between intersections, and freeways that are separated from surface streets. Property only accidents are not documented in police reports which makes it easier for auto body shops to overestimate or exaggerate damages. Additionally many property only collisions occur at slower speeds due to traffic patterns and shorter distances between intersections. Smaller claims receive less scrutiny from auto insurance carriers which in turn provides opportunities for fraudulent claims.

Identified Forms of Automobile Insurance Fraud

Auto Body and Repair Shops Fraud

San Francisco has a large population of residents who are foreign-born and whose primary language is not English. US Census statistics from 2018 show that 34.3% of San Francisco residents were foreign-born and 42.9% spoke a language other than English in their homes.

Insurance fraud in San Francisco is driven by a combination of the above-referenced factors and unique demographics that contribute to creating an environment for local autobody and repair shops to defraud insurance carriers and customers. Fraudsters can exploit the language barriers.

One example is a complex case, **People v. Kenneth Jones (17BA023448)**. This case involves an owner and employees of a large auto body shop (Bee Automotive). The auto body shop runs a towing storage company, a vehicle rental company, and an auto insurance company. Affiliates are suspected of staging collisions or filing claims for pre-existing damage and falsifying circumstances of collisions that never occurred, oftentimes using their own vehicles. The body shop then seeks coverage for fraudulent tow fees and inordinately high vehicle storage fees. In some cases, the shop uses substandard parts to repair at a lower cost than that which they fraudulently billed the insurance companies. There were complaints from 9 carriers related to this one shop. Claims go back over a 13 year period. This auto body shop was also involved in staged accidents.

The losses due to fraud flow in two directions 1. the individual who may not be a primary English speaker is more likely to be defrauded through receiving poor quality of repairs and 2. the insurance carrier is defrauded by over paying for substandard work.

Staged Accidents

The SFDA filed a multi-defendant case, **People v. Grechko et al.** This case involves numerous allegations of staged accidents. It highlights the fact that San Francisco is a world-wide tourist destination where airport transportation is a big business. The defendants owned a SuperShuttle franchise and were staging collisions on Treasure Island during late night and early morning hours. The owners would then inflate the loss of use claims they submitted by lying about the level of their business prior to the collisions. The carrier paid out close to \$200,000 to defendants due to their fraud. This case is currently in court.

Insider Fraud

Insurance fraudsters can take advantage of individuals who do not speak English as their first language and are isolated due to cultural and language barriers. Insurance insiders can use those barriers to defraud innocent victims. A victim may feel more comfortable doing business with someone from the same background or who speaks their first language or with someone whom a family member or friend has referred. In two of our cases, **People v. Rios and Prado** and **People v. Jones**, this is the type of fraud that occurred.

In **People v. Rios and Prado**, Rios was independently contracted as an insurance agent while he was also owner of Pacific Heights Auto Body Shop. Rios told the insureds, who spoke Spanish, they could take their cars to the shop he owned for repairs, however he failed to disclose that he was the owner of the shop. Subsequent inspections of 8 cars found that Prado, a Spanish-speaking employee, had

performed substandard work. Rios, in his work as an insurance agent, pocketed over \$3,000 in cash that he had received for insurance premiums owed to the insurance carrier.

In the case of **People v. Kenneth Jones**, the defendant fraudulently issued a fake auto policy to a victim, while he pretended to be an insurance agent. The victim thought she had purchased insurance. Mr. Jones used a Mandarin speaking individual at the dealership where the victim bought her car to conduct the transaction while the victim was still at the dealership. The victim paid over \$2,300 in what she was told was the premium. Jones issued a fake insurance card. Only when the victim was involved in an accident did she learn that she really had no insurance.

Claimant Fraud

During the last two fiscal years the SFDA has continued to prosecute claimant fraud cases.

People v. Khine is an active case in court that should be resolved soon. Defendant lied about driving while working on a ride share platform. A similar case is **People v. Potts** where defendant was involved in an accident while driving for a ride share platform and lied in a filed claim with his personal carrier. We expect that case to resolve in August.

We are in the process of filing another claimant fraud case where the defendant was involved in an accident where he was at fault. He was uninsured at the time of the accident. He then purchased insurance and filed a claim for the accident, using a date that was post-purchase. When questioned by the carrier he continued to lie about the date of the accident as well as other facts about the accident.

2. Applicant Question: Problem Resolution Plan

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

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

Applicant Response:

Plans to address the issues described in the Problem Statement

The SFDA Program will continue to investigate and prosecute automobile insurance fraud through our renewed outreach efforts and 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. The Program Manager and supervising Investigator recently met with CDI investigators to work on processes for reviewing FD-1's. SFDA has subsequently received a batch of FD-1's and is in the process of reviewing those to determine if they are provable cases. We will be meeting with CDI again at the end of July to further discuss how we can build a stronger relationship that will allow us to build a larger caseload, as we know the fraud exists. We need to work on finding it and prosecuting it as a deterrent to budding fraudsters preying on our community.

These case reviews and frequent communications between the SFDA Program staff and CDI detectives continues to 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.

SFDA is very much in a transition phase. We just brought on a new Program Manager, and a new ADA. We are also going to be bringing in a new District Attorney who will be an interim appointee pending an election in November. While much of this transition can cause stress, our team expects to maintain its current staffing and will maintain its stability as we move into these new challenges facing our office. While we cannot guarantee that the new DA will not make changes to our unit, the Program Manager will most certainly assist any new staff members in learning the processes and in connecting with our law enforcement partners to ensure seamless transitions.

We are also in the process of changing our database from Damion to E-Prosecutor. We will be going live with that new system this summer. This new database will improve our case tracking and statistics. We believe this new system is a tremendous improvement for our office's record keeping, charging and day to day operations.

In addition the assigned Program prosecutor and investigator 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.

3. Applicant Question: Plans to Meet IC Goals

What are your plans to meet the announced goals of the Insurance Commissioner?

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

Applicant Response:

The SFDA program attorneys and investigator plan to meet monthly to review all cases and FD-1's. We will also have regular meetings to renew our commitment to work collaboratively on auto fraud as well as other insurance fraud cases. As we are onboarding our newest ADA, we have an opportunity to work on balancing the caseloads. We can file more claimant cases and assign them to our new ADA so that she can learn and so that our more experienced ADA's can focus on the more complex cases. We will also have our new ADA work alongside the experienced ADA's on the complex cases as a learning tool. The Program Manager will be doing the first review of all FD-1's with a focus on using our resources wisely but also in holding criminals accountable.

As we will have a new DA, it will be an opportunity to spotlight insurance fraud and how it impacts our businesses and individual residents of our city. While change can bring challenges, challenges must be viewed as opportunity to bring fresh perspective to these ongoing fraud cases and learning more about the ways that fraudsters change their methods as well as their focus.

One of the areas where we can improve is in outreach and education. We added \$4,000 to this year's request for a public outreach campaign. Our team would like to train SIU's in what to look for and to forge a stronger and better relationship with them so that we can develop more cases. The cases are out there and we need to make a concerted effort to find them, investigate them and prosecute them. Additionally we plan to create a public education campaign. We can place posters and ads on public transit. We can reach out to brokers and get posters and brochures in their offices. We can go to auto body shops and ask that they put up posters. We will use social media to get the information out to consumers and to potential fraudsters that this type of crime will not be tolerated in San Francisco. SFDA has a group of dedicated employees who act as liaisons with our community. We can utilize this already established group to assist us in getting this information out to the public. We have a hotline where citizens can report fraud. We will highlight that number on our website. San Francisco is a vibrant city with lots of festivals and public activities. The SFDA will take advantage of those community events to educate the public about insurance fraud and how it impacts all of us.

4. Applicant Question: Multi-Year Goals

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

Applicant Response:

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 a carrier's claim file and supporting evidence after we formally commence the investigation. Once 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 search warrants for materials such as cell phone records or bank records.

After we have completed the investigation, charged the case, and obtained an arrest warrant, it may still take time to locate the 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. Additionally the court continues to have a jury trial backlog which impacts our ability to get our cases to preliminary hearings and jury trials.

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 such as our airport ground transportation company, significant time will be required to review and process several individual policy *and* claim files; numerous audio recordings; individual repair estimates; and loss of use time sheets before we can even begin to interview the many witnesses who will help us establish the existence of a criminal enterprise of such magnitude.

Additionally, due to the backlog of trials in our county, getting cases to preliminary hearing and to trials is taking longer. Now that San Francisco is fully reopened, we hope to be able to bring our cases to conclusion in a more efficient manner. As mentioned earlier, San Francisco had longer and more restrictions during the pandemic than did other counties in California. San Francisco has small courtrooms and social distancing guidelines made it such that trials would use two courtrooms at the beginning so that we did not have to repeat jury voir dire multiple times. This saved time in jury selection but also limited the number of cases that could go to trial at any given time.

5. Applicant Question: Restitution and Fines

Describe the county's efforts and the district attorney's plan to obtain restitution and fines imposed by the court to the Automobile Fraud Account.

Applicant Response:

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 had expended in identifying and investigating the claim. We notify the local representative of the victim carrier (usually the assigned SIU investigator who has had the case from its onset) to attend the sentencing hearing and personally receive a cashier's check to recover restitution and their costs of the investigation.

In cases where full and complete restitution cannot be paid by the 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. Applicant Question: Restitution Numbers

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

If this information is not available, provide an explanation.

Applicant Response:

Fiscal Year	Restitution Ordered	Restitution Collected
2021-22	\$23,715.23	\$0.00
2020-21	\$0.00	\$606.19
2019-20	\$4,346.41	\$4,346.41
2018-19	\$657.00	\$0.00
2017-18	\$86.78	\$0.00
	Total: \$28,805.42	Total: \$4,952.60

7. Applicant Question: Utilization Plan

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

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

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

Applicant Response:

The funds requested primarily cover salaries. SFDA employees will be getting a raise effective July 1, 2022. We are also requesting \$4,000 for an outreach and public education campaign to bring much needed attention to auto insurance fraud as well as to deter future criminal activity.

Sub Section Name: Training and Outreach

1. Applicant Question: Training Received

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

Applicant Response:

Name	Training Date	Provider	Location	Topic	Hours Credit
Stephanie Zudekoff	07/14/2021	Golden Gate Insurance Fraud Consortium	Virtual	Insurance Fraud	1

Attachment:

22-23AFSFTtraining&outreach.xlsx - EXCEL DOCUMENT

2. Applicant Question: Training and Outreach Provided

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

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

Applicant Response:

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

Attachment:

22-23AFSFtraining&outreach.xlsx - EXCEL DOCUMENT

3. Applicant Question: Future Training and Outreach

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

Applicant Response:

Recognizing that outreach efforts need to be improved, we have requested an additional \$4,000 to create a public ad and education campaign. The goal is to put ads on public transit and posters at various locations throughout the city. We would use social media and our website to highlight fraud cases and advertise the SFDA hotline. We would place pamphlets and posters at autobody shops and insurance brokers' offices. We will use San Francisco public events where the DA's office has an information booth or table to distribute information and educate our community on auto insurance fraud.

Auto insurance fraud is a consumer protection issue and it is very important for the public to understand how fraudsters and scammers operate so they can avoid being victimized. We have a large and diverse population whose first language is not English. We will therefore create a campaign with materials in Mandarin, English and Spanish.

It will also be one of our goals to provide training to SIU's. We will continue to collaborate and work closely with partnering agencies to develop cases and to learn from each other.

Sub Section Name: Joint Plan

1. Applicant Question: Joint Plan

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

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

Applicant Response:

Confirm signed and dated by all parties.

Attachment:

22-23WCSF Joint Plan.pdf - PDF FILE

Section Name: Investigation Case Reporting

Sub Section Name: Investigation Case Information Relating to Questions

1. Applicant Question: County Plan Investigation Information

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

Applicant Response:

Not Applicable

Applicant Comment:

Not Applicable

2. Applicant Question: Program Strategy Investigation Information

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

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

Applicant Response:

Not Applicable

Applicant Comment:

Not Applicable

Sub Section Name: Reporting on All Investigations

1. Applicant Question: Investigation Case Activity

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

This document requires information regarding each investigation case that was reported in FORM 7, DAR, Section III C (Investigations). Two of the three reporting components are case counts only. The total of the case counts in Part 1 and Part 2, along with the number of case entries in Part 3, should equal your total investigation case count reported in the DAR Section III. Do NOT substitute descriptions in Part 3 in lieu of case counts for Part 1 and Part 2. Further details are provided in the instructions attached to this question. The blank form is located in the Announcement Attachments, 1bii.

Applicant Response:

22-23AUTOSF.Case Activity.docx - WORD DOCUMENT

Sub Section Name: New Investigation Information for Cases in Court

1. Applicant Question: Cases in Court Investigation Case Activity

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

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

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

Applicant Response:

Not Applicable

Applicant Comment:

Not Applicable



RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

August 30, 2022

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

**RE: Grant Award for Automobile Insurance Fraud Program
Fiscal Year 2022-2023**

Dear District Attorney Boudin:

I am very pleased to report that, for Fiscal Year (FY) 2022-2023, \$15,259,000 is available in Automobile Insurance Fraud Program (Program) grant funds to distribute to thirty-four District Attorney Offices, of which **San Francisco County** has been awarded **\$314,180** for this important Program. This grant award is to be used for the investigation and prosecution of automobile insurance fraud.

The appropriation for this Program is based on projected revenues, including the amount of restitution collected. Grant disbursements are contingent on actual revenues; therefore, if the amount of revenue collected is less than the projected amount, grant disbursements to counties will be adjusted accordingly.

It is my continuing intent that these funds be used effectively to pursue and investigate fraud across California. It is important to focus these finite resources on combating fraud committed by individuals, businesses, providers, and others who prey upon the system. Additionally, a coordinated and aggressive outreach program to all communities by your office, including to diverse and underserved communities, with measurable outcomes remains a priority of mine.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Ricardo Lara", is written over a horizontal line.

RICARDO LARA
Insurance Commissioner

cc: Tina Nunes Ober, Managing Attorney/Program Director

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Lorna Garrido, Grants and Contracts Manager
DATE: October 4, 2022
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: (628) 652-4035

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

Certified copy required Yes

No

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