

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,

*Janis 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: <b>George Gascón</b> Title: District Attorney Address: 850 Bryant Street, Suite 322 San Francisco, CA 94112 Date: <u>12-13-18</u>	<b>DAVE JONES</b> Insurance Commissioner  Name: <b>George Mueller</b> 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, CD

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.

<p>Official Authorized to Sign for Applicant/Grant Recipient</p> <p style="text-align: center;"></p> <p>Name: <b>George Gascón</b> Title: District Attorney</p> <p>Address: 850 Bryant Street, Suite 322 San Francisco, CA 94112</p> <p>Date: <u>9-18-18</u></p>	<p><b>DAVE JONES</b> Insurance Commissioner</p> <p style="text-align: center;"></p> <p>Name: <b>George Mueller</b> Title: Deputy Commissioner</p> <p>Date: <u>10-18-18</u></p>
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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**

<i>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.</i>			<b>Completed</b>
<b>Due Date</b>	<b>Report/Document</b>	<b>Comments</b>	
<b>Within 30 days of change</b>	<b>Program Contact Form</b> FORM 03	Submit update(s) when contacts change	<input type="checkbox"/>
<b>As needed</b>	<b>Budget Modification Request(s)</b> FORMs 10, 11, and 12	Submit change(s) to original or last approved budget	<input type="checkbox"/>
<b>With RFA or by Dec. 31, 2018</b>	<b>Board of Supervisors Resolution</b>	Original <b>or</b> certified copy is required	<input type="checkbox"/>
<b>Aug. 29, 2019</b>	<b>Estimate of Unexpended Funds and Carry Over Utilization Request</b> 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"> <li>• Justification for the use of funds</li> <li>• Budget showing how the funds will be used</li> </ul> <b>If the carry over exceeds 25%,</b> the justification must include an explanation of the extenuating circumstances resulting in the carry over.	<input type="checkbox"/>
<b>Aug. 30, 2019</b>	<b>Annual Program Report</b> Year End DAR (FORM 07) FY 2018-19	Submitted online	<input type="checkbox"/>
<b>Nov. 1, 2019</b>	<b>Annual Expenditure Report</b> FY 2018-19	Submitted by County <b><u>separate</u></b> from the Financial Audit Report	<input type="checkbox"/>
<b>Nov. 1, 2019</b>	<b>Financial Audit Report</b> 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, 14<sup>th</sup> 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](mailto: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) 854-5760  
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 2<sup>nd</sup> 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:	\$204,340
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](mailto:Marita.Kwiatkowski@insurance.ca.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Charlick", is written over a horizontal line.

**ERIC CHARLICK**  
Assistant Chief, Fraud Division

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