File No. 210174 **Committee Item No.** 3
Board Item No. 7

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee **Date** March 17, 2021

Board of Supervisors Meeting **Date** March 23, 2021

Cmte Board

Cmte	Board	
☐	☐	**Motion**
☒	☒	**Resolution**
☐	☐	**Ordinance**
☐	☐	**Legislative Digest**
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☐	☐	**Subcontract Budget**
☐	☐	**Contract/Agreement**
☐	☐	**Form 126 – Ethics Commission**
☒	☒	**Award Letter**
☒	☒	**Grant Application**
☐	☐	**Public Correspondence**

OTHER **(Use back side if additional space is needed)**

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Completed by: Linda Wong **Date** March 13, 2021
Completed by: Linda Wong **Date** March 19, 2021

FILE NO. 210174 RESOLUTION NO.

[Accept and Expend Grant - Retroactive - California Department of Insurance - Workers' Compensation Insurance Fraud Program - $928,617]

Resolution retroactively authorizing the Office of the District Attorney to accept and expend a grant in the amount of $928,617 from the California Department of Insurance for the Workers' Compensation Insurance Fraud Program for the grant period July 1, 2020, through June 30, 2021.

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

WHEREAS, The Board of Supervisors provided in Section 11.1 of the administrative provisions of the FY2020-2021 Annual Appropriation Ordinance that approval of recurring grant funds contained in departmental budget submissions and approved in the FY2020-2021 budget are deemed to meet the requirements of the Administrative Code regarding grant approvals; and

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

WHEREAS, The Office of the District Attorney applied for funding from the California Department of Insurance for the "Workers' Compensation Insurance Fraud Program" and was awarded $928,617; and

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

California Insurance Code, section 1872.83, California Code of Regulations, Title 10, Section 2698.55 et seq.; and

WHEREAS, The adopted budget for FY2020-2021 is $850,327; and

WHEREAS, The amount of $78,290 is required to be appropriated to equal the total amount of $928,617 awarded to the Office of the District Attorney for the 2020-2021 fiscal year; and

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

WHEREAS, The grant includes indirect costs of $58,980; and now, therefore, be it

RESOLVED, That should the Office of the District Attorney receive more or less money than the awarded amount of $928,617, that the Board of Supervisors hereby approves the acceptance and expenditure by the Office of the District Attorney of the additional or reduced money; and, be it

FURTHER RESOLVED, That the Board of Supervisors hereby authorizes the Office of the District Attorney to accept and expend, on behalf of the City and County of San Francisco, a grant from the California Department of Insurance for the Workers' Compensation Insurance Fraud Program to be funded in part from funds made available through Workers' Compensation-California Insurance Code, section 1872.83, California Code of Regulations, Title 10, Section 2698.55 et seq. in the amount of $928,617 to enhance investigation and prosecution of workers' compensation insurance fraud cases; and, be it

FURTHER RESOLVED, That the District Attorney of the City and County of San Francisco is authorized, on its behalf, to submit the attached proposal to the California Department of Insurance and is authorized to execute on behalf of the Board of

Supervisors the attached Grant Award Agreement including any extensions or amendments thereof; and, be it

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

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

Recommended:

/s/

Chesa Boudin

District Attorney

Approved: /s/

London N. Breed

Mayor

Approved: /s/

Ben Rosenfield

Controller

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

Grant Resolution Information Form
(Effective July 2011)

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

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

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

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

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

4. Grant Approval Status (check one):

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

5. Amount of Grant Funding Approved or Applied for: **$928,617**

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

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

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

9. Grant Project Schedule, as allowed in approval documents, or as proposed:
   Start-Date: **July 1, 2020** End-Date: **June 30, 2021**

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

11. a. Does the budget include indirect costs?
    [**X**] Yes [ ] No
    b. 1. If yes, how much? **$58,980**
    b. 2. How was the amount calculated? **10% of total salaries**
    c. 1. If no, why are indirect costs not included? **n/a**
    [ ] Not allowed by granting agency [ ] To maximize use of grant funds on direct services
    [ ] Other (please explain):
    c. 2. If no indirect costs are included, what would have been the indirect costs?

12. Any other significant grant requirements or comments:
We respectfully request for an expedited Resolution. 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):

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

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

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

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

Comments:

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

Jessica Geiger
(Name)

Facilities Manager (Title)

Date Reviewed: 02/08/2021

Jessica Geiger Digitally signed by Jessica Geiger Date: 2021.02.08 16:09:06 -08'00'
(Signature Required)

Department Head or Designee Approval of Grant Information Form:

Eugene Clendinen
(Name)

Chief, Administration and Finance
(Title)

Date Reviewed: 02/08/2021

Eugene Clendinen Digitally signed by Eugene Clendinen Date: 2021.02.08 18:01:04 -08'00'
(Signature Required)

FY2020-2021 Workers' Compensation Insurance Fraud Budget

07/01/2020-06/30/2021

Positions	Biweekly Salary	pay periods	FTE	Amount	Total Budget
8177 Trial Attorney (C. del Rosario), Step 16	**$ 9,220**	**26.1**	**0.25**	**$ 60,160**	**$ 60,160**
Social Security	$ 8,537			$ 2,134	
Social Sec. - Medicare	1.45%			$ 872	
Health Ins	$ 9,976			$ 2,494	
Retirement	22.90%			$ 13,777	
Unemployment Ins	0.26%			$ 156	
Long Term Disability	0.16%			$ 96	
Dental Rate	$ 630			$ 157	
Total Benefits	32.72%				$ 19,686
8177 Trial Attorney (L. Meyers), Step 16	**$ 8,582**	**26.1**	**0.50**	**$ 111,995**	**$ 111,995**
Social Security	$ 8,537			$ 4,269	
Social Sec. - Medicare	1.45%			$ 1,624	
Health Ins	$ 25,185			$ 12,592	
Retirement	22.90%			$ 25,647	
Unemployment Ins	0.25%			$ 280	
Long Term Disability	0.17%			$ 190	
Dental Rate	$ 1,889			$ 945	
Total Benefits	40.67%				$ 45,547
8177 Trial Attorney (A. Fasteau), Step 16	**$ 8,414**	**26.1**	**0.50**	**$ 109,799**	**$ 109,799**
Social Security	$ 8,537			$ 4,269	
Social Sec. - Medicare	1.45%			$ 1,592	
Health Ins	$ 8,443			$ 4,222	
Retirement	22.90%			$ 25,144	
Unemployment Ins	0.27%			$ 296	
Long Term Disability	0.18%			$ 198	
Dental Rate	$ 629			$ 314	
Total Benefits	32.82%				$ 36,035
8550 DAI (J. Kennedy), Step 6 (includes FLSA pay)	**$ 5,424**	**26.1**	**0.85**	**$ 120,333**	**$ 120,333**
Social Sec. - Medicare	1.45%			$ 1,745	
Retirement	22.90%			$ 27,556	
Unemployment Ins	0.26%			$ 313	
Dental Rate	$ 630			$ 535	
Total Benefits	25.05%				$ 30,149
8550 DAI (M. Morse), Step 6 (includes FLSA pay)	**$ 5,322**	**26.1**	**0.85**	**$ 118,063**	**$ 118,063**
Social Sec. - Medicare	1.45%			$ 1,712	
Health Ins	$ 18,216			$ 15,484	
Retirement	22.90%			$ 27,036	
Unemployment Ins	0.26%			$ 304	
Dental Rate	$ 1,889			$ 1,606	
Total Benefits	39.08%				$ 46,142

FY2020-2021 Workers' Compensation Insurance Fraud Budget

07/01/2020-06/30/2021

8550 DAI (TBD), Step 6 (includes FLSA pay)	**$ 5,322**	**26.1**	**0.50**	**$ 69,449**	**$ 69,449**
Social Sec. - Medicare	1.45%			$ 1,007	
Health Ins	$ 18,216			$ 9,108	
Retirement	22.90%			$ 15,904	
Unemployment Ins	0.26%			$ 179	
Dental Rate	$ 1,889			$ 945	
Total Benefits	39.08%				$ 27,143
Subtotal Salary					$ 589,799
Subtotal Benefits					$ 204,702
TOTAL SALARY & BENEFITS			**3.45**		**$ 794,501**

				Amount	Total Budget
Facility Cost (annual rate of $25,764 per FTE), 3.45 FTE x $25,764 = $88,886, only charging grant $44,441	$25,764			$ 44,441	$ 44,441
Audit Expense				$ 25,645	$ 25,645
CDAA & Anti-Fraud Alliance Membership				$ 1,200	$ 1,200
In-State Travel and Training Expenses				$ 2,000	$ 2,000
Materials & Supplies					$ -
Outreach Campaign				$ 1,500	$ 1,500
Transcription				$ 350	$ 350
Indirect Cost (10% of personnel salaries excluding benefits and overtime)	10%			$ 58,980	$ 58,980
TOTAL OPERATING					**$ 134,116**

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

GRAND TOTAL			**$ 928,617**

RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

January 12, 2021

Mr. Eugene G. Clendinen
Chief Administrative and Financial Officer
San Francisco County District Attorney's Office
350 Rhode Island Street, Suite 400N
San Francisco, CA 94103

RE: Executed Original of the Grant Award Agreement for the Fiscal Year 2020-21 Workers' Compensation Insurance Fraud Activity Interdiction Program

Dear Mr. Eugene G. Clendinen:

San Francisco County was awarded $928,617 for the Fiscal Year 2020-21 Workers' Compensation Insurance Fraud Activity Interdiction Program.

Please find the following three documents enclosed:

- Executed Original of the Fiscal Year 2020-21 Grant Award Agreement
- Summary of Important Deadlines
- After Award Administrative Requirements

Sincerely,

Jan Perschler

Janis Perschler
Manager, Local Assistance Unit

Enclosures

cc: Ms. Supriya S. Perry, Managing Attorney/Program Director

CALIFORNIA DEPARTMENT OF INSURANCE
PROTECT • PREVENT • PRESERVE
Enforcement Branch Headquarters
2400 Del Paso Road, Suite 250
Sacramento, California 95834
Tel: (916) 854-5760 • Fax: (916) 854-5848

INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA

GRANT AWARD AGREEMENT

Fiscal Year 2020-21

Workers' Compensation 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 program 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, 2020** through **June 30, 2021.**

Purpose of Grant: This grant award is made pursuant to the provisions of California Insurance Code Section 1872.83 and shall be used solely for the purposes of enhanced investigation and prosecution of workers' compensation insurance fraud cases.

Amount of Grant: The grant award agreed to herein is in the amount of **$928,617.** This amount has been determined by the Insurance Commissioner with the advice and consent of the Fraud Assessment Commission based on the estimated funds collected pursuant to Section 62.6 of the Labor Code. However, the actual total award amount for the county is contingent on the collection of assessments and the authorization for expenditure pursuant to Government Code Section 13000 et seq. The grant award shall be distributed pursuant to Section 1872.83 of the Insurance Code and the California Code of Regulations Subchapter 9, Article 3, Sections 2698.53, 2698.54, and 2698.57.

Official Authorized to Sign for Applicant/Grant Recipient Chesa Boudin Digitally signed by Chesa Boudin Date: 2020.10.02 17:52:33 -07'00' Name: Chesa Boudin Title: District Attorney Address: 350 Rhode Island Street North Building, Suite 400N San Francisco, CA 94103 Date: _____	**RICARDO LARA** Insurance Commissioner George Mueller Name: **George Mueller** Title: Deputy Commissioner Date: 11/12/2020

I hereby certify upon my own personal knowledge that budgeted funds are available for the period and purposes of this expenditure.

Crista Hill
Crista Hill, Budget Officer, CDI

12/1/20
Date

WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
AFTER AWARD
SUMMARY OF IMPORTANT DEADLINES
FISCAL YEAR 2020-2021

This table summarizes the Reports/Documents required to comply with Insurance Code Section 1872.83 and California Code of Regulations, Title 10, Section 2698.50, et seq.

Due Date	Report/Document	Comments	Completed
Within 30 days of change	**Program Contact Form** FORM 03	Submit update(s) when contacts change	☐
As needed	**Budget Modification Request(s)** FORMs 10, 11, and 12	Submit change(s) to original or last approved budget	☐
With RFA or by Dec. 31, 2020	**Board of Supervisors Resolution**	Original **or** certified copy is required	☐
Monday, Feb. 1, 2021	**Mid-Year Program Report** Six Month DAR (FORM 07) FY 2020-21	Submitted online	☐
Friday, Aug. 27, 2021	**Annual Program Report** Year End DAR (FORM 07) FY 2020-21	Submitted online	☐
Monday, Aug. 30, 2021	**Estimate of Unexpended Funds and Carry Over Utilization Request** FY 2020-21 into FY 2021-22 *A written justification must be submitted if you wish to utilize the estimated carry over.*	The justification should include: • Justification for the use of funds • Budget showing how the funds will be used **If the carry over exceeds 25%,** the justification must include an explanation of the extenuating circumstances resulting in the carry over.	☐
Monday, Nov. 1, 2021	**Annual Expenditure Report** FY 2020-21	Submitted by the County ***separate*** from the Financial Audit Report	☐
Monday, Nov. 1, 2021	**Financial Audit Report** FY 2020-21	Financial Audit Guidelines are provided at the end of Section III	☐

CALIFORNIA DEPARTMENT OF INSURANCE
FRAUD DIVISION

WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM

REQUEST FOR APPLICATION
FISCAL YEAR 2020-2021

SECTION III
ADMINISTRATIVE REQUIREMENTS AFTER AWARD

ATTENTION

Instructions for confidential information

Pursuant to California Insurance Code Section 1872.83(d), the application for funding and related documents are public records and subject to public disclosure under Public Records Act ("PRA") requests and subpoenas.

Information concerning active or inactive criminal investigations, shall be treated as confidential and must be put only in Attachment B. Do not submit confidential investigation information in any other part of this application.

For assistance during this process contact
Workers' Compensation Program Analyst
(916) 854-5828
LAU@insurance.ca.gov

WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
AFTER AWARD
SUMMARY OF IMPORTANT DEADLINES
FISCAL YEAR 2020-2021

This table summarizes the Reports/Documents required to comply with Insurance Code Section 1872.83 and California Code of Regulations, Title 10, Section 2698.50, et seq.

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WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
ADMINISTRATIVE REQUIREMENTS AFTER AWARD
FISCAL YEAR 2020-2021

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, 2020 and end on June 30, 2021.

A. ACCOUNTING SYSTEM

The County will maintain an accounting system for grant expenditures that conforms to generally accepted accounting principles and practices and allows CDI to determine whether the county district attorney's office spent its grant funds for the purposes of the applicable insurance fraud program.

Accounting systems include such practices as:

- Ensure adequate separation of duties
- Use fiscal policies and procedures that ensure grant expenditures comply with statute, regulation and guidelines set herein
- Maintain evidence of receipts of grant revenue received from CDI
- Maintain source documentation to support claimed expenditures (invoices, receipts, travel expense claims, detailed time keeping records that demonstrate time spent on eligible program activities, etc.)
- Include account reconciliations
- Maintain all other records necessary to verify account transactions
- Maintain documentation to confirm interest income earned from program funds was used to further local program purposes.

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.

NOTE: **Support of Salaries and Wages, Attachment A,** which sets forth the documentation standards for grant funded employees, is provided at the end of this Section.

B. FUNDING CYCLE AND GRANT LIQUIDATION PERIOD

The program period will begin on July 1, 2020 and end on June 30, 2021. 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. Items needing CDI approval include:

- Budget modifications across budget categories (i.e., personnel services, operations, and equipment)
- Indirect Costs/Administrative Overhead/Methodology Change (refer to Section II, page 38)
- Equipment Purchases

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, 2020**.

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 2020-2021 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 of this RFA.

F. GRANT AWARD AGREEMENT

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

- Two (2) GAAs, with original signatures should be returned to CDI.
- After the Insurance Commissioner or his designee signs the GAA, 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 Workers' Compensation 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. DISTRICT ATTORNEY MID-YEAR PROGRAM REPORT

The Mid-Year Program Report is due **by February 1, 2021.**

Insurance Code Section 1872.83(i) requires CDI to submit a biannual information request to those district attorneys who have applied for and received funding through the annual assessment process. District attorneys shall provide the information required to produce the Mid-Year Program Report, which is the first collection of the biannual statistical information.

The Program Report should include:

- The number of investigations initiated related to workers' compensation insurance fraud, with the number of defendants indicated;
- The number of arrests or civil suits filed related to workers' compensation insurance fraud, with the number of defendants indicated;
- The number of prosecutions or civil suits filed related to workers' compensation insurance fraud;
- The number of convictions or civil awards related to workers' compensation 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 workers' compensation 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 workers' compensation fraud in coordination with the following:
  a) Fraud Division
  b) Insurance companies
  c) Employers, as defined in Section 3300 of the Labor Code, who are self-insured for workers' compensation and doing business in the State.
  d) Other public agencies such as Department of Industrial Relations, Employment Development Department, etc.

H. ESTIMATE OF UNEXPENDED FUNDS AND CARRY OVER UTILIZATION REQUEST

The Estimate of Unexpended Funds and Carry Over Utilization Request form is due **by August 30, 2021.**

Section 2698.53(c) of the California Code of Regulations, Title 10, 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 2698.53(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 (1) specify and justify in writing to CDI how the funds will be used at the end of the program period and (2) submit 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.

I. DISTRICT ATTORNEY ANNUAL REPORT

Each district attorney receiving annual funds pursuant to Section 1872.83 of the California Insurance Code shall submit an annual report to the Insurance Commissioner on the local program and its accomplishments. The Annual Report includes 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 27, 2021.**

The Annual Program Report is the second collection of the annual statistical information required in Section 1872.83 of the California Insurance Code. California Code of Regulations, Title 10, Section 2698.59(d)(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 workers' compensation insurance fraud, with the number of defendants indicated;
- The number of arrests or civil suits filed related to workers' compensation insurance fraud, with the number of defendants indicated;
- The number of prosecutions or civil suits filed related to workers' compensation insurance fraud;
- The number of convictions or civil awards related to workers' compensation 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 workers' compensation 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 workers' compensation fraud in coordination with the following:
  a. Fraud Division
  b. Insurance companies
  c. Employers, as defined in Section 3300 of the Labor Code, who are self-insured for workers' compensation and doing business in the State.
  d. Other public agencies such as the Department of Industrial Relations, Employment Development Department, etc.

ANNUAL EXPENDITURE REPORT

The Annual Expenditure Report is due **by November 1, 2021.**

California Code of Regulations, Title 10, Section 2698.59(d)(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 expenses: breakdown between total salaries and total benefits (FORM 14);
- Operating expenses: with totals per line item (FORM 15);
- Equipment: with totals per line item (FORM 16).

The report should reflect all actual allowable expenditures, including unbudgeted expenditures as well as expenditures in excess of the budgeted amount. The report should also include an explanation of any significant variances from the district attorney's most recently approved budget plan.

NOTE: **Annual Expenditure Report FORMs 14, 15, and 16, Attachment B,** are provided at the end of this Section.

J. FINANCIAL AUDIT REPORT

The Financial Audit Report is due **by November 1, 2021.**

California Code of Regulations, Title 10, Section 2698.59 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

- Certify whether expenditures were made for the purposes of the program. (CIC Section 1872.83 and CCR, Title 10 Section 2698.50 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**, **Attachment C**, which sets forth the standards for audit preparation, is provided at the end of this Section.

K. AUDITS BY CDI

Sections 2698.59(f), 2698.67(g)(h), 2698.77(e)(f), and 2698.98.1(g)(h) of the California Code of Regulations authorizes CDI to perform audits or reviews of the Insurance Fraud Grant Programs that it administers. To maximize the effectiveness and efficiency of these audits or reviews, and to minimize the disruption to the county's operation, CDI will usually conduct the audits or reviews of the Workers' Compensation Insurance Fraud, Automobile Insurance Fraud, Organized Automobile Fraud Activity Interdiction, Disability and Healthcare Insurance Fraud, Life and Annuity Consumer Protection Program, and/or High Impact Insurance Fraud Programs at the same time.

The principle objective of the CDI audit or review is to evaluate whether the county district attorney's office spent its grant funds for the purposes of the applicable insurance fraud program and that the county complied with applicable laws, regulations, and program administrative requirements. Additionally, CDI may perform such additional audits or reviews of any local program as CDI may deem necessary and shall have access to all reports, working papers, correspondence, or other documents, including audit reports and audit working papers related to the audit report or local program.

The CDI Fraud Grant Audit Program (FGAP) is the unit that will perform the audits. FGAP is part of the CDI Enforcement Branch Headquarters, Support and Compliance Section. The Support and Compliance Chief reports directly to the Enforcement Branch Deputy Commissioner.

FGAP audit procedures typically will include, but are not limited to, the following:

- Determine that 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 independent financial audit to the expenditure report and approved budget;
- Determine that personnel time charged to the program is limited to personnel funded by the grant, that the time is spent on program investigative and prosecutorial activities, and is properly supported by detailed time keeping records;
- Determine that operating and equipment expenditures (non-salary and benefit expenditures) charged to the program were used for program activities;
- Determine that equipment expenditures charged to the program are only for items specifically approved by CDI in the county's program budget;
- Determine that any equipment purchased by the grant is in the custody and use of the personnel funded by the grant;
- Verify that the number of investigations, arrests, prosecutions, convictions, and outreach events reported in the program report is accurately stated and supported by source documents.
- Determine if prior audit findings were resolved.

L. RESTITUTION

Section 1872.83(b)(4) of the California Insurance Code specifies that the amount collected, together with the fines collected for violations of the unlawful acts specified in Sections 1871.4, 11760, and 11880, Section 3700.5 of the Labor Code, and Section 549 of the Penal Code, shall be deposited in the Workers' Compensation Fraud Account in the Insurance Fund. The statute further specifies in Subsection (j) that "any funds resulting from assessments, fees, penalties, fines, restitution, or recovery of costs of investigation and prosecution deposited in the Insurance Fund shall not be deemed "unexpended" funds for any purpose.

Restitution should be submitted to CDI for deposit into the Workers' Compensation Fraud Account.

NOTE: **Instructions for Submitting Restitution Payments to CDI, Attachment D,** is provided at the end of this Section.

ATTACHMENT A: SUPPORT OF SALARIES AND WAGES

WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
SUPPORT OF SALARIES AND WAGES
FISCAL YEAR 2020-2021

(1) Documented Payrolls- Charges to CDI grant awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with the generally accepted practice of the county and approved by a responsible official(s) of the county.

(2) Employees 100% Funded by a Single CDI Grant- For employees that are listed in the Grant Agreement and Request for Application as 100% funded by a single CDI grant award, charges for their salaries and wages shall be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee and supervisory official having first-hand knowledge of the work performed by the employee **(See Exhibit A)**. The documentation requirements for employees that are partially funded by a single CDI Grant **(Section 3)** can also be used for employees that are 100% funded by a single CDI Grant.

Should a 100% funded employee not work 100% of their time in that program in a given month, that employee shall account for their time in the same manner as an employee that is partially funded by a single CDI Grant Award **(Section 3- Employees Partially Funded by a Single CDI Grant)**. The periodic certification shall also be adjusted to reflect any month(s) where the employee did not work 100% of their time on a single grant award.

(3) Employees Partially Funded by a Single CDI Grant- Where employees work on multiple CDI grant awards or are partially funded by a CDI grant award, a distribution of their salaries or wages will be supported by Personnel Activity Reports (PAR)/Timesheets which meet the standards below:

(a) They must reflect an after-the-fact distribution of the actual daily activity of each employee.

(b) They must account for the total activity, for which the employee is compensated each day.

(c) They must be prepared at least monthly and must coincide with one or more pay periods.

(d) They must be signed by the employee and the employee's supervisor.

(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to CDI grant awards but may be used for interim accounting purposes.

(f) The monthly salary/benefit allocation to the grant program(s) will be determined at the end of each month based on a percentage allocation of the employee's total time worked. This would include any hours worked beyond an employee's regular work hours. For example, an employee's regular work hours for the month is 160 hours but they work 200 hours. The employee is exempt from overtime. The employee works 115 hours on the auto grant program and 85 hours on the workers' compensation grant program. The allocation of the employee's salary/benefit cost for the month would be 58% to auto (115/200 = 58%) and 42% to workers' compensation (85/200 = 42%).

PAR/Timesheet Example

This example illustrates the minimum acceptable information to be included on DA PAR/timesheets. The data elements follow:

1. Date
2. Hours
3. Grant Program (Workers' Compensation, Auto, Organized Auto, Disability & Healthcare, Life & Annuity, High Impact). The High Impact Program case name/reference number will need to be included as this program funds specific cases.

Date	Hours	Grant Program / Other
10/1/19	7	W Comp
10/1/19	1	Non-grant
10/2/19	4	W Comp
10/2/19	4	Auto

SEE EXHIBIT B FOR ADDITIONAL ACCEPTABLE PAR/TIMESHEET FORMATS.

Other Acceptable PAR/Timesheet Formats

DAs may elect to document additional information in their timekeeping systems should they have internal program management needs for this information. A few examples of acceptable formats are shown below:

Option A

Date	Hours	Grant Program	Description of Work Performed
10/1/19	7	W Comp	Review status of pending cases, Case 2019-WC-034, W Comp outreach fraud presentation at AA Corp.
10/1/19	1	Other	Non-grant
10/2/19	4	W Comp	Prepare Program Report
10/2/19	4	Auto	Prepare Program Report

Option B

Date	Hours	Grant Program	Description of Work Performed
10/1/19	2	W Comp	Review status of pending cases
10/1/19	3	W Comp	Case 2019-WC-034
10/1/19	2	W Comp	W Comp fraud presentation at AA Corp.
10/1/19	1	Other	Non-grant
10/2/19	4	W Comp	Prepare Program Report
10/2/19	4	Auto	Prepare Program Report

Option C

Date	Hours	Grant Program	Activity Type	Description
10/1/19	2	W Comp	Program Mgmt.	Review status of pending cases
10/1/19	3	W Comp	Case	Case 2019-WC-034
10/1/19	2	W Comp	Outreach	W Comp fraud presentation at AA Corp.
10/1/19	1	Other	Non-grant	Non-grant
10/2/19	4	W Comp	Program Admin	Prepare Annual Program Report
10/2/19	4	Auto	Program Admin	Prepare Annual Program Report

Exhibit A - Certification- Employee 100% Funded from One Grant

Semi-Annual Certification for Salaries & Benefits Charged to a Single Grant

County:

Grant Title:

Time Period:

Employee:

Supervisor:

Per the criteria contained in the California Department of Insurance (CDI) Fraud Grant Request for Application, if an employee is expected to work solely on one CDI Grant Award, such work must be supported with a periodic certification that substantiates the employee worked solely on that CDI grant award for the period covered by the certification.

I certify that the employee listed above spent 100% of their time on activities related to the CDI Grant Award listed above, and those activities were in compliance with this grant award during the period listed above. The information on this form is true and correct to the best of my knowledge.

_____ _____

Employee Signature **Date**

_____ _____

Employee's Supervisor Signature* **Date**

***Must be signed by a supervisory official having firsthand knowledge of the work performed by the employee.**

Exhibit B- Monthly Personal Activity Reports (PAR)/Timesheet- Employees that are not 100% Funded from One Grant

Personnel Activity Report (PAR)

Office of: _____ For the Month of: _____
Employee: _____ Year: _____
PIN #: _____
Supervisor: _____

PROGRAM or ACTIVITY	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Leave Time															
TOTAL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

hours reported

Employee signature Date

Immediate Supervisor signature Date

Sample Personnel Activity Report

Print Form

Personnel Activity Report

Employee Name: John Smith
Employee ID: f199999
Grant Manager: Robert Bell
Pay Period End Date: 03/14/10

Fairbanks North Star Borough School District
Accounting Services Department
520 5th Avenue
Fairbanks, AK 99701

	Week One:							Week Two:							
Cost Center	**Mon.**	**Tues.**	**Wed.**	**Thurs.**	**Fri.**	**Sat.**	**Sun.**	**Mon.**	**Tues.**	**Wed.**	**Thurs.**	**Fri.**	**Sat.**	**Sun.**	**Total Hrs**
Holidays and Annual, Personal, or Sick Leave * ------>				8.00				2.00							10.00
General Fund Cost Center: 97021	3.00	4.00	3.00		3.50			3.00	3.00	4.00	3.50	3.00			30.00
CC 8303-Title IA, Basic Program	5.00	5.00	5.00		5.00			3.00	5.00	5.00	5.00	5.00	2.00		45.00
Totals	8.00	9.00	8.00	8.00	8.50			8.00	8.00	9.00	8.50	8.00	2.00		85.00

* Charge professional and administrative leave to individual cost center based on purpose of leave.

I certify that this is an after-the-fact determination of my actual activity for the above pay period.

Employee Signature: _____ **Authorized By: (Supervisor or Grant Manager)** _____

Date: _____ **Date:** _____

WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
ANNUAL EXPENDITURE REPORT FORMS
FISCAL YEAR 2020-2021

FORM 14

WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
EXPENDITURE REPORT: PERSONNEL SERVICES
FISCAL YEAR 2020-2021

COUNTY NAME: _____

A. PERSONNEL SERVICES	BUDGETED	ACTUAL	VARIANCE
A. PERSONNEL SERVICES TOTAL			

EXPLANATION OF VARIANCES:

FORM 15

WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
EXPENDITURE REPORT: OPERATING EXPENSES
FISCAL YEAR 2020-2021

COUNTY NAME: _____

B. OPERATING EXPENSES	BUDGETED	ACTUAL	VARIANCE
B. OPERATING EXPENSES TOTAL			

EXPLANATION OF VARIANCES:

FORM 16

WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
EXPENDITURE REPORT: EQUIPMENT
FISCAL YEAR 2020-2021

COUNTY NAME: _____

C. EQUIPMENT	BUDGETED	ACTUAL	VARIANCE
C. EQUIPMENT TOTAL			
EXPLANATION OF VARIANCES:			
D. PROGRAM TOTAL			

ATTACHMENT C: FINANCIAL AUDIT GUIDELINES

WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
FINANCIAL AUDIT GUIDELINES
FISCAL YEAR 2020-2021

The financial audit of the district attorney's office participation in CDI's Workers' Compensation 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 audit report must certify whether local expenditures were made for the purposes of the program as specified in the Insurance Code. Additionally, the report must include a schedule of operating expenses and equipment.

The following are specific, minimum areas of examination that are applicable for conducting an audit of the Workers' Compensation 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 workers' compensation 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 line items within each category.

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 D: SUBMITTING RESTITUTION

INSTRUCTIONS AND ADDRESS FOR COUNTY TO SUBMIT RESTITUTION, FINES, AND PENALTIES COLLECTED PURSUANT TO CIC § 1872.83(B)(4) FISCAL YEAR 2020-2021

County Should Mail Restitution, Fine, and Penalty Payments to:

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

Payable to: **California Department of Insurance**

Acceptable forms of payment:

- Money Order
- Cashier Check
- County Check

Cover letter or stub should include:

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

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

NOTE: The county is responsible for tracking collections.

CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE DISTRICT ATTORNEY

CHESA BOUDIN
DISTRICT ATTORNEY

May 15, 2020

Janis Perschler
Manager, Local Assistance Unit
California Department of Insurance, Enforcement Branch
2400 Del Paso Road, Suite 250
Sacramento, CA 95834

Dear Ms. Perschler,

Enclosed please find the original fiscal year 2020-2021 Workers' Compensation Insurance Fraud Program Grant Application for the City and County of San Francisco. A CD containing a digital copy of the application is also included in this package.

For fiscal year 2020-2021, the District Attorney's proposed budget will include an expenditure of up to $1,258,886 for the investigation and prosecution of workers' compensation insurance fraud. A San Francisco Board of Supervisors Resolution authorizing the acceptance and expenditure of grant funding is forthcoming and will be submitted no later than December 31, 2020. A draft of the proposed language is included in Form 4 of the application.

Our year-end report for fiscal year 2019-2020 is in the process of being completed. Our office will forward the report to you once it is finalized. Due to a high level of program activity this fiscal year, we do not anticipate having carry-over funds.

Thank you for your attention to this request. Should you have any questions or need additional information, please feel free to contact Supriya Perry of my office at (415) 551-9586.

Very truly yours,

Chesa Boudin
District Attorney

FORM 02

GRANT APPLICATION TRANSMITTAL
WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
Grant Period: July 1, 2020 to June 30, 2021

Is this a multi-county grant application request? No
If Yes, list all counties: n/a

Office of the District Attorney, City and County of San Francisco,
hereby makes application for funds under the Workers' Compensation Insurance Fraud Program pursuant to Section 1872.83 of the California Insurance Code.

Contact: Supriya S. Perry

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

San Francisco, CA 94103

Telephone: (415) 551-9586

(1) New Funds Being Requested: $ 1,258,886

(2) Estimated Carryover Funds: $ 0

Supriya S. Perry
(3) *Program Director*

Eugene G. Clendinen
(4) *Financial Officer*

(5) *District Attorney's Signature*

Date: May 15, 2020

Name: Chesa Boudin

Title: District Attorney

County: San Francisco

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

San Francisco, CA 94103

Telephone: (628) 652 - 4000

WORKERS' COMPENSATION INSURANCE FRAUD GRANT APPLICATION

SAN FRANCISCO - FISCAL YEAR 2020-2021

TABLE OF CONTENTS

FORM 01

GRANT APPLICATION CHECKLIST AND SEQUENCE
SAN FRANCISCO, FISCAL YEAR 2020-2021

THE APPLICATION MUST INCLUDE THE FOLLOWING:

		YES	NO
1.	GRANT APPLICATION TRANSMITTAL (FORM 02)	☒	☐
2.	PROGRAM CONTACT FORM (FORM 03)	☒	☐
3.	Original or certified copy of the BOARD RESOLUTION (FORM 04) included? If NOT, the cover letter must indicate the submission date.	☒	☐
4.	TABLE OF CONTENTS	☒	☐
5.	The County Plan includes:		
	a) COUNTY PLAN QUALIFICATIONS (FORM 05)	☒	☐
	b) STAFF QUALIFICATIONS (FORM 06(a))	☒	☐
	c) ORGANIZATIONAL CHART (FORM 06(b))	☒	☐
	d) PROGRAM REPORT (DAR OR FORM 07)	☒	☐
	e) COUNTY PLAN PROBLEM STATEMENT (FORM 08)	☒	☐
	f) COUNTY PLAN PROGRAM STRATEGY (FORM 09(a))	☒	☐
	g) TRAINING AND OUTREACH (FORM 09(b))	☒	☐
6.	Projected BUDGET (FORMS 10-12)	☒	☐
	a) LINE-ITEM TOTALS VERIFIED	☒	☐
	b) PROGRAM BUDGET TOTAL (FORM 12)	☒	☐
7.	EQUIPMENT LOG (FORM 13)	☒	☐
8.	JOINT PLAN (Attachment A)	☒	☐
9.	CONFIDENTIAL CASE DESCRIPTIONS (Attachment B)	☒	☐
10.	ELECTRONIC VERSION (CD/DVD)	☒	☐

FORM 03

WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
SAN FRANCISCO PROGRAM CONTACT FORM
FISCAL YEAR 2020-2021

1. Provide contact information for the person with day-to-day operational responsibility for the program, who can be contacted for questions regarding the program.

   a. Name: Supriya S. Perry

   b. Title: Managing Attorney/Program Director

   c. Address: 350 Rhode Island Street, Suite 400N

      San Francisco, CA 94103

   d. E-mail address: supriya.perry@sfgov.org

   e. Telephone Number: (415) 551-9586 Fax Number: (415) 551-9594

2. Provide contact information for the District Attorney's Financial Officer.

   a. Name: Eugene G. Clendinen

   b. Title: Chief Administrative and Financial Officer

   c. Address: 350 Rhode Island Street, Suite 400N

      San Francisco, CA 94103

   d. E-mail address: eugene.clendinen@sfgov.org

   e. Telephone Number: (628) 652-4030 Fax Number: (628) 652-4001

3. Provide contact information for questions regarding data collection/reporting.

   a. Name: Supriya S. Perry

   b. Title: Managing Attorney/Program Director

   c. Address: 350 Rhode Island Street, Suite 400N

      San Francisco, CA 94103

   d. E-mail address: supriya.perry@sfgov.org

   e. Telephone Number: (415) 551-9586 Fax Number: (415) 551-9504

FORM 04

BOARD OF SUPERVISORS RESOLUTION
CITY AND COUNTY OF SAN FRANCISCO
FISCAL YEAR 2020-2021

The following is preliminary and draft language of the Resolution that the SFDA will submit for the San Francisco Board of Supervisors to consider and approve regarding the acceptance and expenditure of grant funding for FY 2020-2021.

[Accept and Expend Grant - California Department of Insurance, Workers' Compensation Insurance Fraud Program – $_____]

Resolution authorizing the Office of the District Attorney to accept and expend a grant in the amount of $_____from the California Department of Insurance for the Workers' Compensation Insurance Fraud Program for the grant period July 1, 20__ through June 30, 20__.

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

WHEREAS, The Board of Supervisors provided in Section 11.1 of the administrative provisions of the FY20__-20__Annual Appropriation Ordinance that approval of recurring grant funds contained in departmental budget submissions and approved in the FY20__-20__ budget are deemed to meet the requirements of the San Francisco Administrative Code regarding grant approvals; and

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

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

WHEREAS, The purpose of the grant is to provide enhanced investigation and prosecution of workers' compensation insurance fraud cases, including the application process and subsequent reporting requirements as set forth in the California Insurance Code section 1872.83, California Code of Regulations, Title 10, Section 2698.55 et seq.; and

WHEREAS, The adopted budget for FY20__-20__ is $_____; and

WHEREAS, The amount of $_____ is required to be appropriated to equal the total amount of $_____ awarded to the Office of the District Attorney for the 20__-__ fiscal year; and

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

WHEREAS, The grant includes indirect costs of $_____; and now, therefore, be it

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

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

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

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

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

FORM 05

CITY AND COUNTY OF SAN FRANCISCO: PLAN QUALIFICATIONS FISCAL YEAR 2020-2021

Description of the San Francisco District Attorney's experience in investigating and prosecuting workers' compensation insurance fraud during the last two (2) fiscal years.

1) AREAS OF SUCCESS

A) Overview of SFDA Program Successes in the Investigations, Arrests and Prosecution of Workers' Compensation Insurance Fraud Offenders

The San Francisco District Attorney's Office Workers' Compensation Insurance Fraud Program (SFDA) recognizes that workers' compensation insurance fraud is one of the fastest growing types of insurance fraud and costs insurers and employers billions of dollars each year.[1] According to the Federal Bureau of Investigation (FBI), "The insurance industry consists of more than 7,000 companies that collect over $1 trillion in premiums each year. The massive size of the insurance industry is a significant contributor to the cost of insurance fraud by providing more opportunities and bigger incentives for committing illegal activities."[2] The SFDA takes a multi-faceted approach to combating workers' compensation fraud. We recognize that workers' compensation insurance fraud victimizes individual claimants, law-abiding employers, and taxpayers. The SFDA has developed strategies and tactics to combat insurance fraud that are specific to San Francisco. The SFDA measures success, not only by convictions secured, restitution recovered, and criminal fines and penalties assessed, but also by expediency in reviewing fraud referrals, the ability to forge strategic partnerships to effect thorough investigations and maintaining consistency in charging decisions.

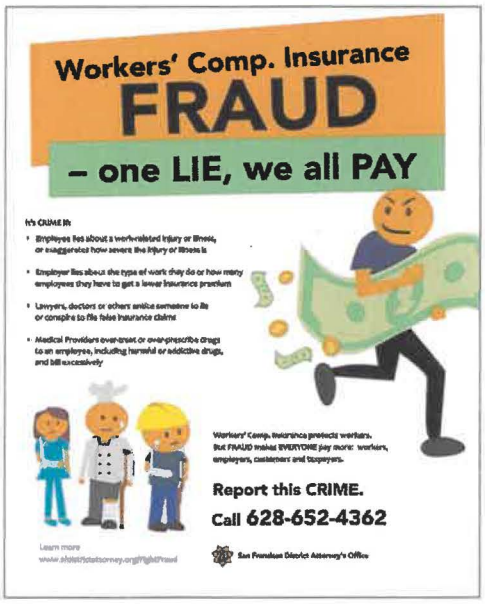
The SFDA understands the value of keeping a balanced caseload that attacks fraud at every level and against various actors including unlawful activity by employers, claimants, medical providers, insurance insiders, and third-party fraudsters. The most complex investigations and prosecutions encompassing hundreds of thousands of dollars in chargeable fraud are resource intensive. Our success with large, complex fraud investigations is the result of the special expertise of our investigators and prosecutors, in conjunction with our ability to collaborate with other agencies to augment investigative resources and skill.

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

[1] See http://www.insurance.ca.gov/01-consumers/105-type/95-guides/15-gen/insur-fraud-is-felony.cfm
[2] See https://www.fbi.gov/stats-services/publications/insurance-fraud

requirements, and thereby avoiding prosecution. The recent SFDA outreach campaign was also geared toward raising public awareness and promoting compliance to deter violations.

Outreach was identified as a top priority for the SFDA's Fiscal Year (FY) 2019-20 workers' compensation insurance fraud program. We strived to successfully design and launch a public service campaign that would raise awareness of the impact of workers' compensation insurance fraud to individuals and organizations, educate the public on what constitutes criminal workers' compensation fraud, and encourage anonymous reporting to our fraud hotline. SFDA launched the "One Lie, we all Pay" Workers' Compensation Insurance Fraud public awareness campaign in August of 2019 to inform the public that this type of fraud is a reportable crime and that the cumulative effect of misrepresentations significantly impacts a system designed to protect employees.



The purpose of the campaign, in its first stage, was to increase awareness of workers' compensation insurance fraud being a reportable crime. The campaign was a direct result of SFDA's participation in the California Department of Insurance (CDI) workers' compensation fraud program and was also successful due to joint efforts with local community partners including the San Francisco Municipal Transit Authority (SFMTA), the SFDA Public Policy and Communications team and a private agency, OneWorld Communications. Details regarding this outreach program as well as future outreach efforts are discussed further in Form 9(b), below.

Other SFDA workers' compensation fraud program successes are set forth here and include investigations and prosecutions of premium fraud, medical provider fraud, claimant fraud, the compliance program, and our efforts in the relatively new areas of voucher fraud and Personnel Employer Organizations fraud.

B) Premium Fraud Investigations

Premium fraud impacts employers across all industries by allowing those employers who commit fraud to operate with less overhead and to secure more job projects than their competitors, who legitimately pay their premiums. As a result, the SFDA has prioritized premium fraud investigations in its program.

In one current case, the SFDA and CDI are working together to prosecute a four-defendant premium fraud case involving excessive takings, with white-collar crime allegations and enhancements totaling $7,100,000, by a large janitorial company with numerous contracts throughout California. In *People v. Gina Gregori, et al. (GMG),* the janitorial company – GMG – has been grossly underreporting payroll to the State Compensation Insurance Fund (SCIF) since 2009. The owner submitted falsified Employment Development Department (EDD) documents to SCIF, claiming far lower numbers of employees and wages paid than were stated in the records that she filed with EDD. On several occasions she changed the company name and changed the listed owner from herself to a family member, presumably to make it appear as though it were a newly established company and thus obtain lower premiums. The SFDA prosecutor successfully litigated motions that secured court orders freezing the janitorial company's assets and placing them in a receivership, so the employees can continue to work and be paid while the defendant does not profit from the company's operations. To date, three search warrants have been executed and six locations have been searched, including the businesses, homes, and bank records of the defendants and their associates. The discovery consists of more than two terabytes of data. This case is currently pending in San Francisco Superior Court.

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

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

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

In March of 2018, a SFDA prosecutor presented to the San Francisco Chapter of the Association of Certified Fraud Examiners' (ACFE) at their Spring Fraud Conference. Approximately 120 individuals were in attendance. After his presentation, members of the ACFE reached out to our office to volunteer to work on our cases. Bringing short-term volunteers into our program provides these document-intensive cases with needed expertise and analysis at no cost. For example, from April 2018 to February 2019, an ACFE volunteer professional made a significant contribution reviewing and analyzing financial documents pertaining to a very complex premium fraud case.

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

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

i) Care Home Facilities

The care home, home health care and hospice industries are an unfortunate breeding ground for worker exploitation and fraud that is challenging to address due to the residential nature of the businesses, the disabled and/or elderly consumers and wide-spread utilization of vulnerable, non-English speaking workers. The following table from the UC Berkeley Center for Labor Research and Education[3] highlights some of the statistics particular to homecare workers:

Table 2: Job and income characteristics of homecare workers compared to all workers, California 2015

	Homecare Workers	All Workers
Median hourly wage	$10.05	$18.88
Median annual earnings from all jobs, before taxes	$14,000	$35,000
Percent of workers that are low wage (earning less than $14.02 an hour)*	73.6	35.6
Percent living in low-income households (below 200 percent of the federal poverty line)	46.5	21.8
Workers' sources of health insurance coverage last year		
Percent with an employer-sponsored health insurance plan	40.7	69.4
Percent with a public health insurance plan	40.7	14.2
Percent uninsured	12.1	10.5

Source: Authors' analysis of 2015 IPUMS American Community Survey data.

** Low-wage threshold is calculated as two-thirds of the median full-time wage (based on 2015 Current Population Survey Outgoing Rotation Group data).*

The lack of compliance with workers' compensation insurance regulations is particularly troubling in industries such as these, where workers are paid low wages for physically and emotionally taxing work. To address issues in the industry related to workers' compensation premium fraud, in 2018 the Golden Gate High Impact Workers' Compensation Fraud Consortium brought care home investigations to the next level by developing premium and uninsured employer cases "from the ground up." An investigator and prosecutor team from another county provided training to Consortium members on how to successfully investigate care home cases. Rather that passively waiting for SIUs to forward leads, seven District Attorneys' Offices in the San Francisco Bay Area together with the Golden Gate Regional Office of CDI collaborated to investigate and charge several premium fraud cases involving care home facilities.

CDI identified potential care homes that were committing premium fraud and then ordered their carrier files and EDD records to ascertain whether there were discrepancies in the amounts of payroll reported. This revealed, for example, that one care home in San Francisco

[3] Sarah Thomason and Annette Bernhardt, November 2017, *California's Homecare Crisis: Raising Wages is Key to the Solution*, University of California, Berkeley, Center for Labor Research and Education.

had reported very divergent payroll numbers: they only reported roughly 30% of the payroll to SCIF that they had reported to EDD. CDI drafted search warrants for both the suspect care home and the owners' residence; both searches yielded a significant amount of evidence. The owners and employees of the care homes were interviewed by CDI. The entire operation was conducted by members of CDI, SFDA investigators, and other agencies working collaboratively.

The operation resulted in the successful prosecution of *People v. Antonio Bondoc*; the owner of that care home was charged with five counts of felony premium fraud and one count of felony grand theft. This case was prosecuted and resulted in a felony guilty plea and our office obtaining more than $65,000 in victim restitution for SCIF and fines to CDI.

We have built on this dynamic and, with CDI, and are currently investigating two care homes in San Francisco. (See Attachment B, 2019-098-001 and 2019-098-002). In one instance, the employer had worker's compensation insurance and allowed it to lapse. When he later obtained coverage from another carrier, he denied ever having had insurance before. Additionally, based on a comparison of wages reported to EDD and Department of Social Services records (DSS) with those reported to the carrier, it appears this employer also committed premium fraud by underreporting wages. In another pending care home case, CDI again compared the EDD records with the wages reported to the carrier and was able to identify premium fraud. These operations demonstrate how we are all more effective when we work together to fight fraud.

ii) Roofing Industry

Roofing industry insurance premiums are among the highest in the state due to the inherent risks and high injury/casualty rate in this work. The workers' compensation insurance premium charged to an employer is determined by a number of factors: the type of work done by employees and represented by the Workers' Compensation Insurance Rating Bureau (WCIRB) advisory job classification code; an "experience modification" rate that factors in claims history; the employer's total payroll. The insurance rate for a class code is typically expressed by a percentage of payroll. (For illustrative purposes, the WCIRB pure premium rate for high wage roofers is $8.52/$100 of payroll whereas the pure premium rate for a clerical office worker is $.23/$100.) A May 2019, "Fall Protection in Construction" safety publication by Cal/OSHA begins, "Falls are among the most common reasons for workplace injuries and fatalities in California. Falls generally occur when employees are working at an elevated height and are not adequately protected."[4] Given the high costs of maintaining adequate workers' compensation insurance coverage for job codes such as roofing, and especially in a construction epicenter such as CCSF, the misclassification and non-reporting of employees is not uncommon. Thus, workers' compensation premium fraud is a significant problem in this industry.

The SFDA has partnered with DIR's Roofing Compliance Working Group (RCWG), a multi-agency task force created to combat the underground economy and improve California's business environment. RCWG is an arm of California's Labor Enforcement Task Force (LETF), a coalition of state agencies formed to combat the underground economy. The task force operates

[4] https://www.dir.ca.gov/dosh/dosh_publications/Fall-Protection-in-Construction-fs.pdf

under the direction of DIR and conducts inspections in high-risk industries. LETF member partners include Cal/OSHA, Division of Labor Standards Enforcement (DLSE), the Contractors State License Board (CSLB), EDD, CDI, the Bureau of Automotive Repair, Alcoholic Beverage Control and the California Department of Tax and Fee Administration. The objectives of RCWG include responding rapidly to complaints of workplace health and safety hazards in the roofing industry, as well as investigations of complaints related to payroll, misclassification of workers' activities, and adequacy of appropriate workers' compensation insurance.

Once a tip is received, a member of the RCWG – usually from Cal/OSHA – is dispatched to the job site to investigate the complaint. DIR notifies RCWG participating agencies by email when the RCWG receives a complaint of a roofer suspected of operating an unsafe worksite and/or violating workers' compensation laws. DIR's email notification generally includes preliminary information from the LETF lead and photographs that indicate the employer may not be complying with safety and/or labor laws. Given the inherently dangerous nature of roofing work, Cal/OSHA and/or CSLB typically first respond to the complaints to address the safety issues. As may be requested and warranted, SFDA Investigators respond to the complaint by physically visiting the jobsite or by conducting research of the employer's building permit status with SFDBI, their registration and payroll information with EDD, and determining their workers' compensation insurance policy status. The SFDA received notices of potential non-compliance in September, October, and November of 2019. One example was the October 2019 message our office received regarding an anonymous LETF hotline tip that four workers were observed on a roof on Harrison Street, approximately 40 feet above ground, with no apparent fall protection. Cal/OSHA immediately responded and determined there was in fact scaffolding in place and that the employer in question was insured. Therefore, no further investigation related to workers' compensation fraud was conducted. Similarly, neither of the other two notifications resulted in a workers' compensation insurance fraud investigation, however SFDA remains committed to working with RCWG to ensure employer compliance in this high-risk industry.

If the SFDA determines that a roofing contractor working in San Francisco is violating workers' compensation laws – including failing to report employee payroll to the workers' compensation provider, misclassifying employees to save money on workers' compensation premiums, or failing to have a workers' compensation policy – then SFDA will conduct a formal investigation. The SFDA has also successfully employed other investigative strategies to combat premium fraud committed by roofing contractors. The first step is to identify problematic roofing companies. SFDA investigators contact carriers and request information about roofing contractors that are reporting almost zero or no payroll for roofer employees, and who are operating in San Francisco. By cross-referencing these businesses with payroll records from EDD, permit information from the San Francisco Department of Building Inspection (SFDBI), and information from the carriers of prior workers' compensation claims by employees, the SFDA investigators have been able to flag businesses suspected of engaging in premium fraud. Furthermore, employers who have no workers' compensation insurance but falsely state they are insured could be guilty of filing false documents with SFDBI.

The SFDA's membership in the RCWG has allowed our investigators to: (1) act expeditiously on tips to enforce employers' compliance with workers' compensation insurance mandates; and (2) develop criminal investigations of insurance fraud within the underground

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

C) Medical Provider Investigations and Prosecutions

Consistent with the stated goals and objectives of the Insurance Commissioner, the SFDA has developed strategies to detect, investigate, and prosecute medical provider fraud. Medical provider fraud is gradually migrating its way to the Bay Area from Southern California. The SFDA has identified industries in San Francisco in which medical provider fraud is a growing concern. These industries include care homes, drug treatment facilities, imaging services, and drug testing companies.

The extent of and seriousness of these medical provider fraud cases in the workers' compensation system has become much more apparent in recent years. As a result of San Francisco's collaboration with the CDI's workers' compensation fraud prevention initiatives and relationships with various local and state law enforcement partners we learned of a Southern California doctor prescribing a topical compound cream to patients in Northern California. The doctor prescribing this compound cream and the producers of the compound cream were arrested for provider fraud and are facing criminal charges in Southern California in a multi-million dollar kickback scheme. This appears to be a clear example of a Southern California criminal enterprise expanding into Northern California. The prosecution in Southern California is based on kickbacks that the doctor received for prescribing the compound creams. Our office is working to determine whether that same kickback scheme applies to the suspect provider's Northern California patients. (See Attachment B, 2015-345-001.)

The SFDA received information arising out of an Alameda County medical provider fraud case that has led to our opening two new investigations into medical providers who appear to be billing for suspect procedures and prescriptions. (Attachment B, 2019-025-001 and 2018-214-003.) These investigations are proving to be challenging to investigate due to the high volume of data mining that is necessary to develop them. The SFDA is seeking resources for an additional investigator, ideally one that has experience in forensic accounting, to tackle this problem. Alternatively, we will need to outsource a forensic examiner who is well-versed in medical billing. Our commitment to identifying and building provider fraud investigations continues.

A subset of medical provider fraud is billing fraud, which also typically involves criminal behavior on the part of an office administrator. Billing fraud often includes "upcoding," e.g.,

falsely billing for a higher-priced treatment than was provided (which often requires the accompanying "inflation" of the patient's diagnosis code to a more serious condition consistent with the false procedure code). Billing fraud is also committed by "Unbundling," i.e. billing each step of a procedure as if it were a separate procedure.

In March of 2020 the SFDA Program opened an investigation with CDI of a medical provider that is suspected of engaging in double-billing and fraudulent lien billing. Preliminary information indicates that this medical provider engages in business in various Bay Area counties and may have business interests that are connected to and support the fraudulent billing activity. This investigation is at its inception and has the potential to be a very complex medical provider fraud case. Our SFDA Investigator met with CDI and DHR personnel and we are proceeding with obtaining more information to evaluate this matter. (See Attachment B, 2020-072-002.)

D) Joint Employer Compliance Efforts

The SFDA is committed to protecting public safety and worker safety through furthering employer compliance in securing workers' compensation insurance. In February 2014, the SFDA expanded its efforts to investigate and prosecute fraud in the underground economy by launching an Employer Compliance Program. The purpose of the program was to: (1) alert and inform employers of their obligation to secure workers' compensation insurance for their employees; (2) ensure compliance with Insurance Code §3700.5 by prosecuting those not in compliance; and (3) identify any businesses that may be in compliance with Insurance Code §3700.5, but are committing premium fraud.

The Employer Compliance Program was a natural extension of the RCWG. This Program, in its initial stages, relies minimally on investigators and prosecutors and more heavily on the unfunded contributions of SFDA paralegals. Members of the Employer Compliance Program sent letters to random employers and requested proof of their workers' compensation insurance policies pursuant to Labor Code § 3711. For those businesses that failed to respond, an SFPD investigator personally visited the business and contacted the owner/manager to personally serve the compliance request letter to ensure receipt by the appropriate person. If proof of insurance was not provided in 10 days, the investigator commenced an investigation for a violation of §3700.5 of the Labor Code. If proof of insurance was provided within the 10 days, the investigator sent another letter six months later to determine whether the business has continued to maintain its policy or has let it lapse. Additionally, if an employer recently obtained insurance, the investigator may also contact the carrier to determine whether the employer was properly classifying and reporting his/her employees to determine whether a premium fraud investigation would be warranted.

In June of 2019, the CSLB and CDI conducted a coordinated enforcement operation to identify unlicensed people engaging in work that requires a contractor's state license and to confirm that they had properly obtained workers' compensation insurance. During that operation, investigators saw painters working on the exterior of a residence. The workers told the investigators that no taxes were taken out of their checks. A license check revealed that the owner of the business did not have a contractor's license and had not obtained workers'

compensation insurance. The resulting evidence was presented to our office and we expect the business owner to be charged with contracting without a license and failing to secure workers' compensation insurance as required by law. (See Attachment B, 19BW011995.) The SFDA continues its commitment to working with partner agencies to identify and prosecute those who seek to illegally profit from the underground economy.

On October 30, 2019, defendant Hasani Jackson pled guilty to misdemeanor violations of Labor Code § 3700.5 (failure to secure workers' compensation insurance) and Business and Professions § 7027.3 (fraudulent use of contractor's license number.) He also paid restitution and was placed on probation. The defendant entered into a verbal construction contract with the victim, presented a business card with a contractor's license number that was not his own, took an excessive deposit and performed the work without carrying worker's compensation insurance for his employees. This prosecution was successful both because it was a collaborative effort with the SFDA's Special Prosecution Unit and CSLB and because it moved through the criminal justice system in an expeditious and fair manner; we filed the complaint in *People v. Hasani Abeeku Jackson* on January 28, 2019 based on the defendant's alleged, illegal conduct of January 14, 2018, and the case resolved within nine months, in October 2019.

On August 17, 2018, SFDA investigators participated in a joint operation with DIR to check business and insurance compliance of three massage parlors in San Francisco. Two citations of $10,000 and $6,000, respectively, were issued to two massage parlors by the DIR for workers' compensation violations. Both massage parlors were served with notices to "discontinue their labor operations" until they became compliant regarding their workers' compensation insurance obligations. A third business was ordered to appear in front of DIR officers to explain various inconsistencies found at the site.

E) Claimant Fraud

The highest percentage of FD-1s the SFDA receives relate to suspected claimant fraud. The SFDA is most successful in promptly prosecuting these cases when we receive complete and thorough investigations that are presented to us as documented case referrals. The SFDA considers a well-documented case referral to be one that comes to our office with a detailed fraud report, deposition transcripts, an investigation file including surveillance video, medical reports, QME evaluations, and other evidence and corroboration to prove fraud beyond a reasonable doubt. The SFDA is committed to working with SIUs and with CDI to improve procedures so that these cases can be expediently filed. In striving to combat workers' compensation fraud at every level, SFDA filed two claimant fraud cases in recent months.

In *People v. Betancur,* a claimant fraud case filed in August of 2019, Betancur reported barely being able to walk, drive, lift most objects, or be in a car for more than a few minutes. However, the claimed injuries and limitations were clearly controverted by *sub rosa* video. The video evidence showed Betancur performing physical tasks such as driving a boat, connecting the boat to a hitch, and lifting objects into the boat and a truck bed. SFDA received the insurance file from the CCSF and was in prompt contact with the third-party investigation agency. Our inspector reviewed the file, the associated documents, and the surveillance report

and video to prepare an arrest warrant affidavit. Defendant was arraigned and this case is currently pending preliminary hearing.

On December 4, 2019, the SFDA filed, *People v. Kinahan et al.,* a claimant fraud case against husband and wife defendants. This case involves allegations of "double-dipping," or continuing to work while receiving disability benefits and not informing the insurer of the secondary work. The case is also worth highlighting as a referral and joint effort with the Santa Clara County District Attorney's fraud team.

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

F) Voucher Fraud

A 2017 DIR white paper titled "Report on Anti-Fraud Efforts in the California Workers' Compensation System," noted the existence of emerging schemes in which workers' compensation claimants were being defrauded of Supplemental Job Displacement Benefits (SJDB). "Voucher" fraud, as it is more commonly referred to, can occur when a fraudulent educational or skill retraining entity purports to "help" a claimant obtain a voucher for benefits, but fails to provide any real retraining or service, improperly uses voucher funds, and/or obtains kickbacks for referrals. They can also occur where claimant's name and personal identifying information are used to submit fraudulent claims without the worker's knowledge. One such entity headquartered in San Francisco is currently under investigation by multiple Bay Area district attorneys' offices. (See Attachment B, 19BW003394.)

G) Resolved Cases

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

People v. Hasani Jackson

On October 30, 2019, the defendant in this case pled guilty to misdemeanor violations of Labor Code § 3700.5 (failure to secure workers' compensation insurance) and Business and Professions § 7027.3 (fraudulent use of contractor's license number). He paid restitution in the amount of $1200. As noted above, defendant Jackson entered into a verbal construction contract with the victim and was paid an excessive deposit. Defendant presented a business card showing a contractor's license that was not his own and performed work without workers' compensation insurance for his employees.

People v. Francis Doherty

On April 10, 2019, defendant was sentenced on two violations of Insurance Code § 11760(a) to 60 days of county jail (that could be served through 500 hours of community service), three years of probation, restitution, a search condition, and fines and fees. At the time

of the sentencing defendant paid $20,000 in restitution. The remaining amount of restitution owed will be determined after a restitution hearing.

The suspect was accused of committing perjury, premium fraud, and wage theft by lying to her insurance company and city agencies about the hourly wage she was paying her employees. Our office obtained a search warrant and our investigators found the company's true payroll records as well as a fake set of accounting books. This case involved forty named victims and 57,000 pages of discovery.

The case was categorized as very complex because the investigation involved: (1) a loss of more than $250,000, (2) voluminous pages of reviewable material, (3) multiple search warrants to different locations, and (4) more than twenty witnesses. The investigation included investigators from CDI, the San Francisco District Attorney's Office, and the Office of Labor Standards Enforcement.

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

Another large complex fraud case we resolved involved the owners of cSolutions Insurance Company who stole their customers' insurance premiums. The defendants operated an insurance brokerage, and they stole money from clients who hired them to obtain liability and workers' compensation insurance for their businesses. For over two years, Ramos and Trisko, doing business as cSolutions, received $556,133 in insurance premiums from various consumers and failed to remit them to the carriers. Unbeknownst to the victims, their policies were never placed and there was no coverage in effect. By stealing their clients' money and pretending to purchase insurance policies, these defendants jeopardized their customers' businesses, which were financially vulnerable without insurance coverage. In what we hope will be a growing trend of collaborative multi-county investigations and prosecutions, this case is the result of a joint investigation and prosecution conducted by the SFDA, the Alameda District Attorney's Office, and CDI. This partnership arose from the fact that the suspects operated in San Francisco but stole from victims in both counties. Prosecutors from both Alameda and San Francisco County on the case, and it was jointly prosecuted by both offices in San Francisco County.

On March 20, 2019, both Defendants were sentenced pursuant to a plea agreement where they pled guilty to three felonies: violations of Penal Code § 487(a) - Grand theft; Penal Code § 182(a)(4) - Conspiracy to commit Theft; and Insurance Code § 1733 - Breach of fiduciary as an insurance broker. The Defendants were placed on five years of probation with the following terms: one year in the county jail; payment by each of $20,000 towards restitution and the outstanding balance will be ordered by the court; subject to warrantless search; and the Defendants are not to negotiate or effect contracts of insurance other than for their own personal liability.

People v. Antonio Bondoc

This case involved a San Francisco care home that reported very divergent payroll numbers: they had reported roughly 30% of the payroll reported to EDD, to SCIF. Two search warrants drafted by a CDI detective yielded a significant amount of evidence regarding premium fraud. The owners and employees of the care home were interviewed by CDI. The loss amount

from SCIF is approximately $32,000. This investigative operation was conducted by members of CDI, SFDA, and other agencies working collaboratively. On Nov 6, 2018, defendant pleaded guilty to Insurance Code §11880 as a felony for three years of probation,184 hours of community service, and participation in Veteran's Court. Defendant paid $33,020 in full restitution to SCIF at time of plea. The parties agreed that should Defendant comply with all the terms of his sentence, the prosecution would not object at a future date to Defendant moving for a reduction of the felony to a misdemeanor. Defendant was sentenced in accordance with these terms on December 18, 2018 and paid an additional $32,589 as a fine to CDI.

People v. Don Juan Santos and Mickey Jean Fuller (Make Ready Maintenance Inc.).

On April 17, 2018, SFDA filed misdemeanor violations of Labor Code §3700.5(a) and Business and Professions Code §§7121.6(a), 7121.6(a), and 7028(a) in *People v. Don Juan Santos and Mickey Jean Fuller (Make Ready Maintenance Inc.).* Defendant Santos operated a construction company as an undisclosed principal (someone who is prohibited from owning a licensed construction company) whose license had been revoked since 2003. The complaint alleges Fuller and Santos failed to provide workers' compensation insurance for employees from February 19, 2017 to May 14, 2017. On November 16, 2018, defendant Santos pleaded guilty to violations of Labor Code §3700.5 and B&P Code §7028(c). Charges against Fuller and the business were dismissed. Santos's sentence included three years of probation and 90 days county jail. This case is also an example of SFDA identifying workers' compensation insurance fraud through cross-functional investigations, specifically with our Special Prosecution Unit and CSLB.

People v. Andrew Giovannini

The SFDA resolved a complex medical provider fraud case against defendant Andrew Giovannini. The original complaint in *People v. Gonzalo Fierro and Andrew Giovannini* charged defendant Giovannini (the fraudster medical doctor) and the claimant Fierro, with having conspired to defraud an insurance company and a self-insured entity, the City and County of San Francisco (CCSF), by exaggerating the claimant's physical symptoms and by failing to disclose the claimant's pre-existing and non-industrial injuries. As a result of our criminal filing, the Medical Board of California instituted an investigation and the defendant Giovannini agreed to never again practice medicine in California. On July 20, 2018, defendant Giovannini pled guilty to a charge of conspiracy to commit workers' compensation insurance fraud in violation of California Insurance Code § 1871.4(a)(2). Giovannini has paid restitution to CCSF in the amount of $51,000, as well as additional restitution to a separate insurance carrier. Prosecution against the claimant defendant Fierro is currently ongoing.

H) Notable Current Prosecutions

The following are cases currently being prosecuted by SFDA program attorneys:

People v. Jack Strong and Mikyong Ma

On April 29, 2020, our office filed nine felony counts and one misdemeanor count against Jack Strong and Mikyong Ma, owners of San Francisco's Pink House Salon and Spa (formerly

Pressure Point Massage) in San Francisco Superior Court for workers' compensation and unemployment insurance fraud.

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

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

People v. Paul Kinahan and Karen O. Kinahan

On January 16, 2020, defendants Paul Kinahan and Karen Kinahan were arraigned on a complaint alleging felony violations of Penal Code § 550(b)(3) – Insurance Fraud, Penal Code § 664/118 – Attempted Perjury, and Insurance Code § 1871.4(a)(3) – Workers' Compensation Insurance Fraud. Paul Kinahan was also charged with contracting without a license in violation of Business and Professions § 7028.

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

This case was filed after a referral from the Santa Clara County District Attorney's office. The Santa Clara County District Attorney's office received the FD-1, reviewed the file from the investigative agency, interviewed witnesses, and executed bank search warrants. They then realized jurisdiction lay with SFDA and contacted us to refer the investigation. Upon review, we discovered that both Kinahan and his wife were jointly involved in a scheme to defraud the insurance company of TTD payments.

People v. Marta Betancur

On August 14, 2019, defendant Marta Betancur was arraigned on a felony criminal complaint charging her with attempted perjury and multiple counts of insurance fraud. Betancur reported an on-the-job injury to her employer, the City College of San Francisco, in September 2015 and received medical treatment and disability benefits until retirement in January 2017. Betancur, who visited doctors and specialists almost monthly, claimed incapacity and extreme pain unremedied by medication, treatment, and functional restoration programs. The surveillance video, however, captured Betancur performing many of the tasks she previously reported being incapable of performing. Betancur's fraudulent misrepresentations resulted in a loss to CCSF of over $70,000 of public funds. This case is currently pending preliminary hearing.

People v. Luca Minna (Farina)

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

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

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

The defendant is currently a fugitive and believed to be living outside the United States. Our office is evaluating the possibility of extradition.

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

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

An SFDA investigator prepared and served multiple search warrants for Amherst's banking records in order to identify payroll. The investigation also required locating and interviewing uncooperative employees as well as coordinating and working with investigators from DIR, CSLB and SCIF. The owner-defendant surrendered on January 18, 2019. This case has been arraigned and we anticipate setting a preliminary hearing in the near future.

People v. B & A Bodyworks and Towing

This case involves a company that underreported payroll in 2013-2015, totaling $828,200, resulting in a premium loss to SCIF of more than $90,000. An injured worker was allegedly sent to B&A's "personal chiropractor." The injured worker contacted SCIF after getting treatment from the VA. SFDA investigators prepared multiple search warrants, and an arrest warrant. On April 3, 2019, the defendant was arrested, and evidence was seized from four locations through a multi-agency operation that included the SFDA, CDI, and CHP.

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

This is a four-defendant premium fraud case involving excessive takings, with white-collar crime allegations and enhancements totaling $7,100,000, by a large janitorial company with numerous contracts throughout California. This janitorial company – GMG – has been grossly underreporting payroll to the SCIF since 2009. The owner submitted falsified EDD documents to SCIF, claiming far lower numbers of employees and wages paid than were stated in the records that she filed with EDD. On a number of occasions, she changed the company name and changed the listed owner from herself to a family member in order to make it appear as though it were a newly established company to fraudulently lower her premiums. In addition, the prosecuting attorney successfully litigated motions that secured orders from the court freezing the janitorial company's assets and placing them in a receivership. This allows the employees to continue to work and be paid, while preventing the defendant from profiting from the company's operations. To date, three search warrants have been executed and six locations have been searched including the businesses, homes, and bank records of the defendants and their associates. The discovery consists of more than two terabytes of data. This case is pending in San Francisco Superior Court.

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

This is a complex provider fraud prosecution involving conspiracy to commit fraud, forgery, claims adjuster fraud, identity theft, grand theft, and money laundering.

The co-conspirator's company was not an approved vendor for the employer. After eight months, the company learned that the insider had secretly approved over $528,000 in payments to her co-conspirator. When the victim insurance company asked the insider about her approval of the invoices, she claimed not to remember approving the invoices and then she quickly resigned. The co-conspirator used her fraudulently obtained proceeds to pay for an exorbitant lifestyle, which included Louis Vuitton luggage, high-end jewelry, and a luxurious Mercedes Benz.

This case involved more than 200,000 pages of discovery, 10 search warrants, and over $528,000 in money fraudulent obtained from the insured. To date, over $35,000 of defendant's assets have been frozen and seized pursuant to Penal Code §186.11(e). The defendant is awaiting preliminary hearing.

I. Successful Efforts in Outreach and Training

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

i) Golden Gate High Impact Workers' Compensation Fraud Consortium

The SFDA's participation in the Golden Gate High Impact Workers' Compensation Fraud Consortium presents opportunities for collaboration in various areas of fraud investigations between seven district attorney offices in the San Francisco Bay Area and the Golden Gate Regional Office of CDI. The Consortium meets quarterly to exchange ideas, hear from industry experts and discuss topics relevant to the joint mission of engaging in best practices in the investigation and prosecution of workers' compensation insurance fraud. The quarterly meeting held on November 18, 2019, included a presentation by a forensic accountant and the quarterly meetings also serve as the forum to develop ideas for the annual training.

The Consortium organizes and hosts an annual fraud training intended to be an educational, networking and outreach event for the various stakeholders committed to preventing and fighting workers' compensation fraud. This year, the Consortium presented the annual "Premium and Medical Provider Fraud" Conference in Dublin, California on February 26, 2020. This training included presentations on medical provider fraud, SCIF perspectives on the fraud issues, and a practice driven panel discussion ranging in topics from *sub rosa* to identifying materiality in fraud investigations. SFDA Assistant District Attorney Laura Meyers was one of the three primary organizers of this event and co-presented on "*Understanding California Criminal Discovery and Statutes of Limitations*," with Contra Costa Deputy District Attorney Jeremy Seymour. A total of six members of the SFDA workers' compensation insurance fraud investigation and prosecution team attended the one-day event. The conference drew

approximately 167 participants, including division chiefs, current and former FAC commissioners, district attorney investigators, prosecutors, CDI detectives, DIR, SCIF, NICB and other federal, state, and local agency personnel and SIU members.

ii) SFDA Fraud Trainings

On July 31, 2019, for the second consecutive year, SFDA participated in an insurance fraud training with J.D. Wesson & Associates for over 70 Republic Indemnity Insurance Company employees, including senior managers. Two SFDA prosecutors presented at the training, which covered a variety of topics, including the elements of fraud, materiality, the different types of fraud, including claimant, provider, employer and insider fraud, and practical pointers for SIU case referral. The training was attended by several members of the SFDA insurance fraud prosecution team, each of whom strived to answer questions posed to them by SIU participants about criminal prosecutions of insurance fraud cases, including statute of limitations, discovery obligations, and case resolution and restitution issues.

In April 2019, an SFDA attorney collaborated with two other experienced prosecutors from Marin County and Alameda County to present a session on taking effective depositions in insurance fraud cases. This presentation was given at the annual Anti-Fraud Alliance Conference in Monterey held between April 16th and 19th, 2019. The audience consisted of industry professionals as well as law enforcement. The presenters provided their insights on how to effectively prepare for a deposition, as well as examples of how to control a witness and deal with common tactics, including evasive responses, the "forgetful" deponent, and how to handle medical provider deponents. The training reinforced the importance of obtaining a complete and detailed statement from any deponent, which serves the dual purpose of furthering truth finding in the investigative process and shoring up evidence for possible criminal prosecution.

A seasoned prosecutor from the SFDA team was among a panel of experts at a Fraud Seminar on the topic of Workers' Compensation Fraud that was sponsored by Arthur J. Gallagher Risk Management Services on October 11, 2018. The panel drew approximately 80 attendees including employers, insurance adjusters, and investigators affiliated with Arthur J. Gallagher's services. The SFDA prosecutor discussed a range of topics including identifying a fraudulent Workers' Compensation claim, and a prosecutor's perspective in assessing a fraudulent claim. Although primarily focused on claimant fraud, issues related to employer, provider and insider fraud were also covered in the presentation and lengthy question and answer session.

iii) Outreach Campaign

The SFDA recognized a need to intensify outreach efforts with the goals of raising public awareness and encouraging reporting of workers' compensation fraud. The SFDA Economic Crimes Unit manager/workers' compensation insurance fraud program manager prioritized developing and launching a City-wide public service campaign aimed at increasing awareness of and the reporting of workers' compensation insurance fraud to the SFDA and the SFPD. This public education campaign aims to encourage employers and employees in predominantly minimum-wage and cash-paying businesses (i.e. childcare providers, caregivers,

contractors, construction workers, restaurant servers) to anonymously report suspected workers' compensation insurance fraud. The campaign slogan is "Workers' Comp. Insurance FRAUD—one LIE, we all PAY."

For the first phase of this campaign, SFDA worked with SFMTA to run posters on the interior and exterior advertising spaces of fifteen Muni buses. SFMTA, through its public service partnership program, provided the advertising space to SFDA at no cost; this is an estimated unfunded value of over $20,000. All the printed material for the campaign includes reference to SFDA's new anonymous, multi-lingual fraud reporting hotline number. In the past six months, our office has received 37 messages to the new hotline regarding possible fraud. The messages are screened by an SFDAI Supervisor and then assigned to an investigator for follow up on. These and other details related to SFDA's efforts to prioritize outreach and training are discussed in more detail in Form 9(b) of this application.

2) ALLIED GOVERNMENTAL AGENCIES

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

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

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

The SFDA, along with the Consortium, continues to work hard to establish a network of contacts within various governmental agencies so that we can more easily share and access investigative resources.

As noted above, on February 26, 2020, SFDA Program Attorney, Laura Meyers, jointly presented at the Golden Gate High Impact Fraud Consortium annual training. In attendance were 167 people from various insurance agency SIUs, law enforcement agencies, and industry partners. This free annual training was also held in February 2019, the Consortium hosted a free all-day training in Dublin, California, attended by approximately 170 individuals from different agencies and carriers. The training seminar focused on the investigation and detection of

premium and medical provider fraud, but also provided a unique opportunity for the various agencies to interact and work more closely together. The SFDA is committed to extending our work with the Consortium in the coming years.

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

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

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

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

San Francisco is a thriving city with a booming construction industry. Many construction employers unfortunately ignore their obligations to carry adequate insurance or to abide by city regulations. We have had great success working closely with the CSLB and our Special Prosecutions Unit to develop insurance fraud targets. The CSLB often gets involved through consumer complaints, but once the CSLB interviews and investigates the employer, they share their investigation with us if they uncover payroll or licensing discrepancies.

We have also allied ourselves with top governmental and civilian operations dedicated to combating insurance fraud. The SFDA actively participates in the Anti-Fraud Alliance and the Coalition Against Insurance Fraud. Both organizations are nationally recognized as leading organizations comprised of both governmental agencies and private sector organizations joining forces to combat insurance fraud. Attending and presenting at the Anti-Fraud Alliance's quarterly meetings, and at AFA's annual insurance fraud conference, are examples of how SFDA

works to establish strong communication throughout the insurance industry and to keep abreast of new fraud trends and investigative techniques.

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

3) Unfunded Contributions to the Workers' Compensation Fraud Program

The SFDA commits significant resources that are not grant funded to fight insurance fraud, including, personnel, financial, equipment, and technological resources. Supriya Perry, the manager of the Economic Crimes Unit, and the Program Director of the SFDA's Workers' Compensation Insurance Fraud Program, is unfunded. Ms. Perry supervises the workers' compensation insurance fraud team and represents the SFDA Program at various department, board and commission meetings and fraud conferences throughout California. Ms. Perry regularly meets with team prosecutors, investigators, and support staff to discuss issues, strategize and ensure that investigations are proceeding efficiently and expeditiously. She reviews FD-1s submitted to the office and communicates directly with TPAs, SIUs and law enforcement on cases submitted for prosecution. She meets regularly with CDI managers and investigators to discuss the status of their investigations. Ms. Perry reviews search warrants and arrest warrants prior to their being filed, regularly meets with and discusses substantive legal and procedural issues with program assigned prosecutors and district attorney investigators and oversees all negotiations of workers' compensation criminal prosecutions. Ms. Perry is also personally handling a new, complex insurance fraud medical provider investigation. Ms. Perry's salary and operating expense costs are an unfunded contribution.

SFDAI Lieutenant Robert Guzman is also not funded by the grant. Lt. Guzman supervises two SFDA workers' compensation program investigators. In addition to administrative and caseload collaborates with them regarding case strategy and assists in execution of insurance-related arrest and search warrants. Lt. Guzman has also interviewed witnesses and is fluent in the Spanish language. He also reviews and tracks arrest warrants, search warrants, and investigative plans submitted by the SFDA investigators. Lt. Guzman and the SF DAI on a rotating basis review messages and follow up on leads that come into the fraud reporting hotline. All of Lt. Guzman's time and efforts are unfunded and paid for by our general fund.

The SFDA program is supported at every level; District Attorney Chesa Boudin is committed to fighting fraud and has already allocated resources to that effort. In April 2020, DA Boudin announced a new unit dedicated to investigating and prosecuting crimes committed by employers against workers. Also, in the last month, two new prosecutors have joined the SFDA White Collar Crime Division. One, has more than ten years' experience litigating issues related to workers' rights and labor law, and the other is a legal veteran with financial fraud experience.

These new prosecutors have significant knowledge and expertise to contribute to our program as additional unfunded resources.

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

Also, the SFDA has utilized the resources of SFDA volunteers and interns to identify and contact businesses for the Employer Compliance Program. That includes: randomly selecting businesses from various databases that indicate whether a business is operational in San Francisco; confirming businesses are currently operating by monitoring social media sites; creating and mailing letters requesting certificates of workers' compensation insurance; and collaborating with the SFDA investigator on any issues involved with this program.

As noted above, the SFDA has provided unfunded contributions by engaging volunteer financial accountants, forensic analysts, and graduate school students to review and analyze financials documents in workers' compensation premium and provider fraud cases.

Every resource in our office is made available to assist in the prosecution of workers' compensation insurance fraud cases. For example, in April 2019, the SFDA filed an arrest warrant and a complaint in *People v. B & A Autobody and Towing.* Based on the investigation and surveillance, the SFDA determined that there were four locations where relevant evidence would likely be seized. For this operations plan, the SFDA drew upon a total of 39 law enforcement personnel, including its own DAI, and CHP and CDI investigators. Specifically, 19 SFDA investigators, most from other divisions of the office, assisted in this operation. In addition, 14 CDI investigators, 6 CHP officers, and members of SFPD, Burlingame Police Department, and the San Mateo Sherriff's Office were crucial in safely executing the warrants and arresting the defendant. Given the volumes of evidence seized, the SFDA has contributed paralegal and unpaid student personnel resources to manage the evidence in this case.

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

4) CONTINUITY OF PERSONAL ASSIGNMENTS

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

For example, one prosecutor is a 35-year veteran, who was originally assigned to prosecute workers' compensation cases in the early 1990s, and who has continued to do so during most of the 25 years since then. While handling numerous premium fraud cases – and also prosecuting cases that involve complicated issues arising from searching and seizing computers from businesses – she has developed an expertise in the acquisition and presentation of digital evidence. As a result, she was one of the founding members of CDAA's high-tech subcommittee. She has trained hundreds of prosecutors and investigators in related subjects, including on how to investigate and prosecute complex cases, and how to prepare search warrants.

Yet another seasoned prosecutor with over 25 years of experience is assigned to the Program. He has prosecuted major cases in both San Francisco County and Solano County. He is an acknowledged subject matter expert on high tech crimes and is a certified POST instructor who teaches law enforcement throughout California on using high technology to enhance their investigations. During his seven years as the Managing Attorney formerly assigned to oversee the Program, he was instrumental in establishing the North Bay (now Golden Gate) High Impact Workers' Compensation Fraud Consortium, which sprang from meetings and trainings he organized with workers' compensation prosecutors within the Bay Area counties.

Another SFDA attorney is an experienced felony trial attorney who has been prosecuting insurance fraud for two years. A veteran trial prosecutor with more than 17 years of experience in both Solano County and San Francisco County, she has handled some of the most serious and violent felony cases in our office, including the prosecution of defendants charged with sex crimes involving minors and human trafficking.

Finally, SFDA has committed additional prosecutorial resources to the program by enlisting junior-level, well-qualified trial attorneys to prosecute insurance fraud. These trial attorneys come to white collar prosecution after having spent recent, significant time trying general felonies in the San Francisco Superior Court system. They benefit from being trained by and collaborating with the more seasoned SFDA prosecutors, and the program benefits in terms of knowledge transfer and continued growth and development.

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

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

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

5) FROZEN ASSETS

In *People v. Gina Gregori, et al. (GMG)*, discussed above, upon SFDA's motion the defendant's assets were seized and placed in receivership. One such asset, a residential property located in Lafayette, California, was sold by the receiver in March 2020. After the closing, first priorities were given for unpaid property taxes and to the senior lien holder. The sale price was $1,149,000.00. The loan payoff to the first lien holder was $888,320.73 and closing costs and other fees were $51,544.13. The back owed property taxes were in the amount of $69,999.94. The remaining amount of $139,135.20, which will, upon future order of the court, be distributed pursuant to priority among the multiple lien holders, including the City and County of San Francisco for the civil lawsuit brought by them and then SCIF. The defendant's other assets remain in receivership.

FORM 06(a)

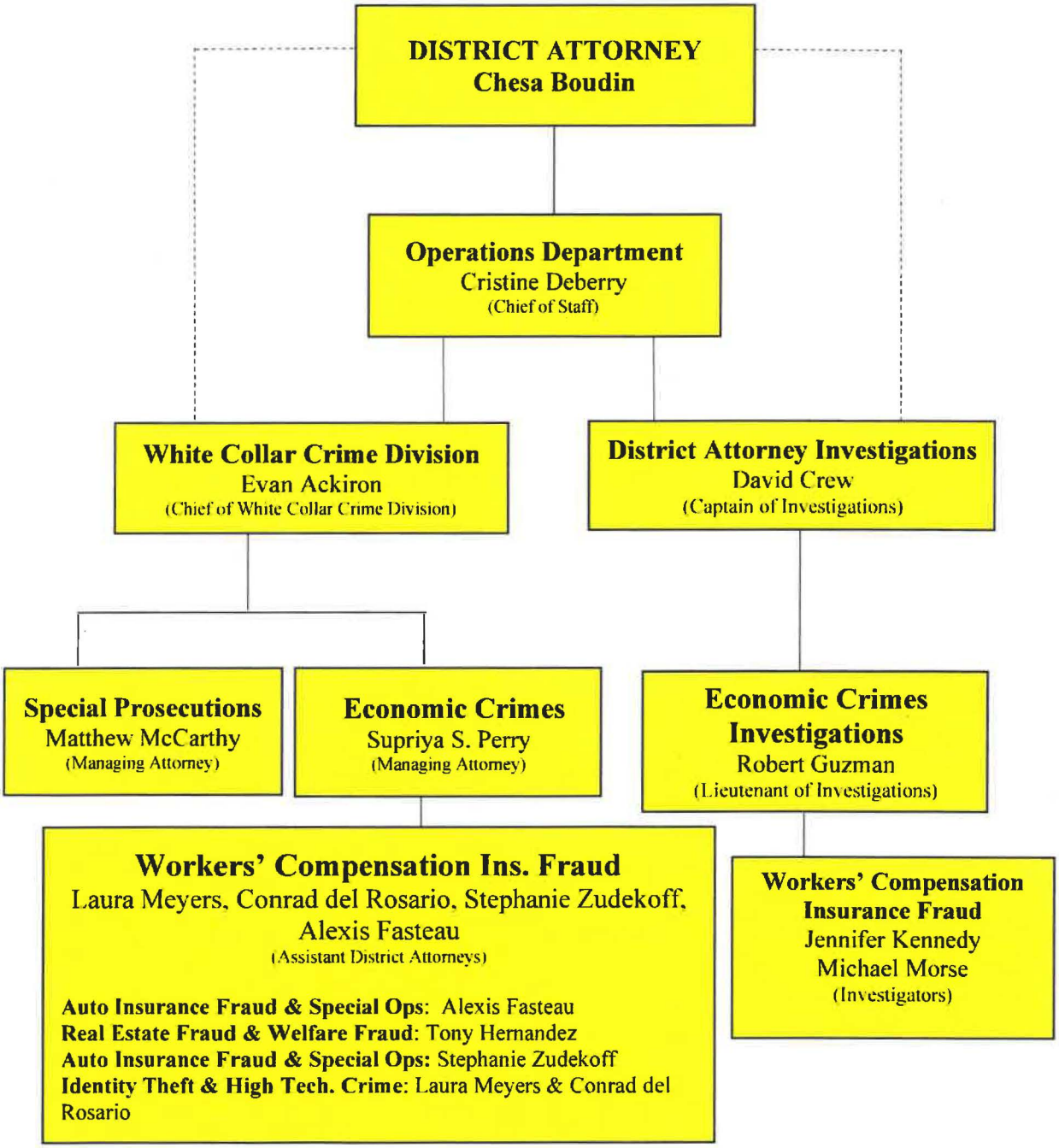
CITY AND COUNTY OF SAN FRANCISCO PLAN: STAFFING FISCAL YEAR 2020-2021

Name	Role	Program Start Date	Program End Date (if applicable)	%Time
Laura Meyers	Prosecutor	1995	Present (with some gaps)	60
Conrad Del Rosario	Prosecutor	March 2011	Present	40
Alexis Fasteau	Prosecutor	March 2016	Present	50
Stephanie Zudekoff	Prosecutor	August 2018	Present	25
Jennifer Kennedy	Investigator	January 2017	Present	95
Michael Morse	Investigator	February 2018	Present	95
TBD/ Requested Funding	*Additional Investigator*	*7/1/2020*	*n/a*	*95*

FORM 06(b)

CITY AND COUNTY OF SAN FRANCISCO PLAN: ORGANIZATIONAL CHART, FISCAL YEAR 2020-2021

Organizational Chart



FORM 07

CITY AND COUNTY OF SAN FRANCISCO DISTRICT ATTORNEY PROGRAM REPORT, FISCAL YEAR 2020-2021

Statistical information for the San Francisco District Attorney's Workers' Compensation Insurance Fraud program for July 1, 2019 through April 15, 2020 will be submitted online per the application instructions.

FORM 08

CITY AND COUNTY OF SAN FRANCISCO PLAN: PROBLEM STATEMENT, FISCAL YEAR 2020-2021

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

1) MEDICAL PROVIDER FRAUD

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

The SFDA recognizes that the major cost driver in insurance fraud is medical provider fraud. The SFDA has developed strategies to detect, investigate, and prosecute medical provider fraud, concentrating on workers' compensation program providers who have been engaging in kickback schemes, upcoding, double billing, billing for services not rendered and charging in excess of official medical fee schedules.

San Francisco is home to UCSF, one of the country's 10 best hospitals, as well as 54 other primary care health centers. Medical care is relatively well distributed throughout the city's neighborhoods, with slightly fewer clinics per resident in the lower income areas. This county also has a very high number of primary care physicians relative to the size of its population. In fact, San Francisco boasts a primary care physician supply of one to every 631 residents, which exceeds the national average of one primary care physician to every 1,320 residents.

With such a large supply of medical providers there will inevitably be medical provider fraud. As the California Department of Insurance states on its website, "Based on estimates by

the National Insurance Crime Bureau (NICB), workers' compensation fraud is a $30 billion problem annually in the United States. In California, it is estimated that workers' compensation fraud costs the state between $1 billion to $3 billion per year."

According to The National Health Care Anti-Fraud Association, "[t]he most common types of fraud committed by dishonest [health care] providers include:

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

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

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

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

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

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

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

- Accepting kickbacks for patient referrals.

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

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

'blow the whistle' on fraud against the government to receive all or part of the financial recovery received by the government. *Qui tam* refers to a civil lawsuit brought by a private individual, the 'whistleblower,' against the company or individual who is believed to have engaged in a criminal act involving fraud, in performance of its contract, or otherwise defrauded the government, on behalf of the government." Once the whistleblower has filed such a lawsuit, the government may step in and take over the lawsuit.

Absent information from insiders who are willing to supply the requisite details that give rise to probable cause supporting a warrant, it can be challenging to marshal the evidence required to file criminal charges against fraudulent providers. As explained below in the strategy section, the SFDA continues to develop strategies to unearth medical provider fraud and billing fraud, and to identify more whistleblowers.

2) THE UNDERGROUND ECONOMY

The underground economy refers to businesses and employers using schemes to avoid paying workers' compensation insurance, payroll taxes, and other labor related expenses mandated by federal, state, and local regulations when paying their employees.

Employers engaging in the underground economy engage in common schemes such as:

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

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

The impact of the underground economy extends far beyond the loss of monetary value to insurance carriers, governmental agencies, and the economy – its impact is most evident on the human lives brought in this county as trafficked victims. Under the federal Trafficking Victim Protection Act, severe forms of human trafficking are sex and labor trafficking. The U.S. Department of Justice estimates that approximately 17,500 men, women and children are trafficked into the United States every year and according to human rights groups, an estimated 60,000 people live in modern-day slavery in the United States.

A) Human/Labor Trafficking

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

Between 2007 and June of 2019, the U.S. National Human Trafficking Hotline run by Polaris Project (a national non-profit entity dedicated to eliminating human trafficking) received reports of 56,504 trafficking cases.[5] The Hotline was contacted 23,784 times between 2018 and 2019 alone. Sex trafficking is over six times more prevalent than the other major kind of human trafficking, labor trafficking. According to the Hotline, illicit massage parlors/spas are the leading venue for sex trafficking.

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

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

In March 2013, former San Francisco Mayor Edwin Lee launched the Mayor's Task Force on Anti-Human Trafficking. The Mayor's Task Force meets to identify gaps in services, improve anti-trafficking policies, and increase the City's responsiveness to this issue. In a 2018 report issued by the Mayor's Task Force on Anti-Human Trafficking in San Francisco (compiling data through 2016), 18 government and community-based agencies identified 529 known victims of human trafficking, with 215 of those having been subjected to labor trafficking. 82% of these victims were recruited in California and 55% of those in San Francisco or Alameda County. In the same year the National Human Trafficking Hotline reported that there was a total of 77 calls from San Francisco referencing trafficking cases. Only nine of those calls were for labor trafficking. Polaris emphasizes that labor trafficking often goes unrecognized

[5] See National Human Trafficking Hotline Statistics; https://humantraffickinghotline.org/states

compared to sex trafficking because of a lack of awareness about the issue and the vulnerable workers it affects.

There are likely many more labor trafficking victims in San Francisco. In fact, the Mayor's Task Force Report indicates that labor trafficking accounted for 42% of identified trafficking cases. Nationally, 46% of the reported cases involved sex trafficking and 64% involved labor trafficking. However, data from the International Labor Organization (ILO) indicates that labor trafficking is three times as prevalent as sex trafficking worldwide.

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

B) Construction/Roofing Industry

San Francisco's economic and employment boom has had a massive impact on the real estate market, especially in the area of new construction. According to the Department of Building Inspection's most recent annual report, during the Fiscal Year 2016-17, it issued 66,900 permits and performed over 156,000 inspections. This resulted in issued construction permits with a construction valuation of $5 billion dollars. As of December 30, 2016, there were approximately 387,597 residential units in San Francisco with about 5,250 units added in 2016 alone. The City adopted a production target in 2015 of 28,870 new units built between 2015 and 2022. Building contractors, and particularly those in the roofing industry where workers' compensation insurance is one of the most expensive industries to insure, fuel the underground economy by obtaining policies and understating or misclassifying their employees, their wages, and/or their entire business operations to secure less expensive insurance policies. According to data from the Workers' Compensation Insurance Rating Bureau (WCIRB), roofing-related falls in California from 2008-2010 resulted in medical costs and total indemnity of over $70 million. Premium fraud becomes richly rewarded as employers can secure more projects by bidding lower with their expenses and overhead than law-abiding contractors.

Working closely with SCIF, in 2015 an SFDA manager requested a listing of roofing companies that were insured by SCIF but were reporting no payroll or staff. Based on our investigative experience and conversations with members of DIR's RCWG, an employer that pulls multiple permits for roofing projects and reports little to no payroll may be misrepresenting the company's activities and payroll to secure lower insurance premiums. SCIF, at the request of the SFDA manager, identified at least 40 employers who were insured for roofing activities but claimed to have no employees. This number suggests how widespread the problem of premium fraud is in the roofing industry in San Francisco County.

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

C) Massage Parlors

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

Surrounding Union Square in San Francisco are a number of massage parlors that operate as fronts for commercial sex. Human trafficking for commercial sex is oftentimes difficult to prosecute. Those sold for sex may not see themselves as victims. They may be afraid or unwilling to come forward. It is easier to prosecute a white collar case against those who derive financial support from the earnings of their employees who engage in sex acts for money. Workers' compensation and unemployment insurance fraud cases, while document intensive, are not dependent on the testimony of employees who may be uncooperative.

SFDA inspectors run regular WCIRB checks on massage parlors suspected of sex trafficking because they are frequently involved in economic crimes such as workers' compensation insurance fraud. Upon discovering that these businesses do not have worker's compensation insurance, unto itself a violation of Labor Code 3700.5, SFDA inspectors launch investigations into the parlors. The inspectors work with the San Francisco Department of Public Health (SFDPH). In applying for permits to operate, many of these massage parlor owners file false affidavits with SFDPH. The SFDA has filed cases against the owners of massage parlors for declaring under oath that they have workers' compensation insurance when in actuality they do not, or for declaring that they are exempt from the Labor Code requirement to have workers' compensation insurance because they do not have employees, when in fact they do have employees. Meanwhile, SFDPH inspections of such parlors uncover the presence of employees, and owners advertise on websites, often illicit ones, for services that employees of their businesses offer, and may even go so far as to name employees. For lies such as those made in applications for permits to operate filed with SFDPH, our Office has prosecuted owners for the felony crime of perjury, a violation of California Penal Code 118(a).

As when investigating other kinds of businesses for workers' compensation fraud, SFDA inspectors work with the Employment Development Division (EDD). In violation of Penal Code 115(a), massage parlor owners often feloniously submit false quarterly returns and reports of

wages to the EDD, a government office. They may underreport payroll or decline to register their business with the EDD altogether and not report any payroll, thereby underpaying or altogether avoiding paying four requisite state payroll contributions and taxes, in violation of multiple provisions of the Unemployment Insurance Code. Yet search warrants of massage parlor owners' bank accounts reveal larger payrolls that include more employees than reported.

The SFDA has investigations pending, discussed in further detail in Attachment B, that concern massage parlors and salons without insurance, employers who have insurance but are misclassifying or underreporting their employees, and employers who are filing false declarations regarding their need for workers' compensation insurance with SFDPH, in order to secure business permits.

In one investigation that led to two arrest warrants, the owners of a massage parlor and salon that has been operating out of San Francisco for the majority of the last seven years, declined to obtain workers' compensation insurance and filed perjured declarations with SFDPH, stating that they did not have employees and were exempt from the requirements of 3700 of the Labor Code. However, SFDPH inspections, web advertisements and bank records revealed that the owners had employees. By not reporting and underreporting payroll in quarterly returns and reports of wages, the owners filed false declarations with a government office, the EDD, and committed multiple Unemployment Insurance Code violations.

D) Care Home Facilities

Demographic analysis data published by the San Francisco's Department of Disability and Aging Services in 2018 projects that by 2030 nearly 30% of San Francisco residents will be age 60 or older. This represents a nearly 10% increase from 2010. The SFDA and CDI continue to partner on several "from the ground up" operations that impact the care home industry, where problems associated with the underground economy are prevalent. As discussed in Form 5, rather than being simply reactive, *i.e.*, following up on referrals from outside sources, these investigations are developed from the "ground up" by obtaining documents from various agencies, as well as reviewing publicly available information, analyzing the data, and determining if sufficient evidence supports an investigation into whether an employer is failing to obtain workers' compensation insurance at all, or is making misrepresentations to pay less premiums than is warranted based on the type of business and the number of workers employed by it.

E) Employers Unwilling to Pay Employees their Required Wages

On July 1, 2019, the San Francisco minimum wage increased from $15/hour to $15.59/hour. On July 1, 2020, it will increase again to $16.07/hour. Further, the San Francisco administrative code requires an increase in this rate on an annual basis keyed to the Consumer Price Index. Employers who are unwilling to pay their employees the required wages will likely engage in schemes to underpay their workers.

Additionally, among the greater benefits mandated by local laws in San Francisco, employers with 20 or more employees (and non-profit employers with 50 or more employees)

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

F) San Francisco's unique demographic and immigrant employee population

According to the 2017 U.S. Census, San Francisco had an estimated population of 884,363. However, U.S. Census statistics have shown that employees who commute into San Francisco also increase the City's daytime population by as much as 20%. Furthermore, the City's population appears to be growing year by year. For example, the U.S. Census Bureau estimated that San Francisco's population grew 9.8% between 2010 and 2017. Moreover, our recent percentage of residents aged 16 years or over in the civilian labor force (69.7%) is considerably higher than the national average (63.1%).

San Francisco's ever-growing population is racially-diverse. For example, as of 2016, the U.S. Census Bureau charted San Francisco's residential ethnic diversity to include:

- 53.5% White
- 35.4% Asian
- 15.2% Hispanic/Latino
- 5.6% African American

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

The U.S. Census Bureau estimated that from 2012-2016, of San Francisco's total population, 34.9% were foreign-born. Furthermore, 94.4% of people were age five and older with the City's total population as of 2016, and the data for the language spoken at home by these San Franciscans was estimated as follows:

- 44 % speak a language other than English;
- 11.1 % speak Spanish;
- 6.2 % speak Other Indo-European languages;
- 26.0 % speak Asian and Pacific Island languages; and
- 1.0 % speak other languages.

In addition, the U.S. Census Bureau defines a limited English-speaking household as one in which no member age 14 years and over (1) speaks only English or (2) speaks English "very well."

The 2012-2016 5-year ACS estimated the following figures for the number of limited English-speaking households located in San Francisco County, the State of California, Alameda County, and Santa Clara County (margin of error for each estimate is in parenthesis):

State of California:

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

San Francisco:

All households	12.2% (+/-0.4)
Households speaking --	
Spanish	21.0% (+/-1.5)
Other Indo-European languages	17.0%
(+/-1.5) Asian and Pacific Island languages	36.2%
(+/-1.2) Other languages	13.1%
(+/-3.7)	

Alameda County:

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

Santa Clara County:

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

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

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

The significance of this data is that workers' compensation insurance fraud in the underground economy disproportionally impacts limited English-speaking individuals due to their lack of language comprehension and lack of familiarity with California's comprehensive labor laws and extensive employment rights.

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

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

3) THE CITY AS A SELF-INSURED EMPLOYER OF PUBLIC EMPLOYEES

The City and County of San Francisco is a public, self-insured employer with approximately 30,000 public employees, including the Police and Fire Departments. Most of the workers' compensation claims by employees of the City and County of San Francisco are managed in-house by the City and County's Department of Human Resources' Workers' Compensation Division (WCD). About one-third of the City's claims are managed on behalf of the City by a third-party administrator called Intercare. With a staff of more than 5,100, the San Francisco Municipal Transportation Agency (SFMTA), which operates all ground public transportation in the City, is one of the City's largest departments whose workers' compensation coverage is managed by Intercare.

The cost of workers' compensation claims is charged back to the annual budget of the department where the employee worked at the time of the injury. Accordingly, detection of fraudulent claims is essential because of staffing shortages that occur when covered employees are placed on disability leave. Also, departments are forced to reallocate the limited public money that would have otherwise paid for important city projects, services, and programs.

Essentially, workers' compensation fraud committed by San Francisco city employees is theft of public funds. In recent years, public employee claimant fraud investigations have involved employees of vital city service departments such as police, fire, and municipal transportation.

The SFDA, because of its partnership with WCD, has investigated city employees for workers' compensation fraud. Below are a few examples of cases from various departments and agencies within CCSF.

1. San Francisco Police Department (SFPD)

The SFDA opened an investigation into a San Francisco police officer who went out on disability many years ago. It was discovered that he was receiving disability payments from the City while he was working another job. The SFDA is working with the SFPD and WCD to investigate this case. (Attachment B, 2018-113-001)

2. San Francisco Sheriff's Department (SFSD)

The SFDA and CDI investigated a San Francisco deputy sheriff who claimed injuries from an automobile accident that occurred while he was working. The automobile insurance carrier for the other party to the accident filed an FD-1, and investigation into the matter suggested potential workers' compensation fraud. The investigation was closed in September 2018, due to insufficient evidence. (Attachment B, 2018-010-001)

3. City College of San Francisco

City College of San Francisco is a two-year accredited urban community college that serves approximately 70,000 students annually. On August 14, 2019, we filed *People v. Betancur*, a case involving a former City College employee whose fraudulent misrepresentations resulted in a loss of over $70,000, to CCSF as a self-insured entity.

4. San Francisco Municipal Transit Agency (SFMTA)

The SFDA reviewed two suspect SFMTA workers' compensation claims involving fare investigators. Fare investigators are tasked with randomly boarding transportation vehicles and checking all passengers to ensure that they have paid the proper fare. The fare investigators always work with partners, and at times they are accompanied by police officers. In one case, a fare transit investigator claims she was pushed by a passenger as she was checking his fare. The

fare investigator claimed to have been pushed to the ground as the passenger escaped. We closed the case due to insufficient evidence to prosecute. (FY 2017-2018, not included in Attachment B.)

In a second workers' compensation case, a fare investigator tried to arrest a passenger who tried to get past the fare investigator to get a seat on the bus. The fare investigator was caught on tape screaming that he was assaulted when the passenger simply tried to squeeze past the fare investigator. Though the video did not corroborate the fare investigator's claims that he was assaulted, the workers' compensation form was submitted at the request of the claimant's supervisor and not the claimant himself. After discussing the matter with the SIU and SFMTA, the SFDA closed the workers' compensation investigation. (FY 2017-2018, not included in Attachment B.)

5. San Francisco County Juvenile Probation Counselor

In *People v. Gonzalo Fierro,* a juvenile probation counselor is charged with multiple counts of workers' compensation insurance fraud. Fierro was the claimant allegedly conspiring with his medical doctor to submit fraudulent claims to the City and to an auto carrier by exaggerating his physical symptoms and by failing to disclose his pre-existing and non-industrial injuries. The suspected fraudulent payments were in excess of $200,000. As a result of the criminal filing, the suspect doctor had his license to practice medicine revoked and he pleaded guilty to a felony and paid $51,000 in restitution to CCSF. The case against the claimant is currently pending and involves subpoenaed documents from 55 medical providers and 20 insurance carriers.

6. San Francisco General Hospital (SFGH)

The SFDA investigated a former laundry worker in the Environmental Services Department at SFGH for workers' compensation fraud. The employee injured his back several years ago and has since retired. At issue is the nature and extent of any permanent disability sustained due to his work injury. Given certain discrepancies between his deposition testimony and evidence of his actual physical capabilities captured on *sub rosa* video surveillance, it appears that the laundry worker has been misrepresenting his true condition in order to obtain a higher permanent disability (PD) rating percentage. An arrest warrant has been issued and is outstanding at this time. (Attachment B, 2015-212-002.)

FORM 09(a)

CITY AND COUNTY OF SAN FRANCISCO PLAN: PROGRAM STRATEGY FISCAL YEAR 2020-2021

1) EXPLAIN HOW YOUR COUNTY PLANS TO RESOLVE THE PROBLEM STATED IN YOUR PROBLEM STATEMENT. INCLUDE IMPROVEMENTS IN YOUR PROGRAM.

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

A) Strategies to Identify and Investigate Medical Provider Fraud

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

i) Collaborative Agencies' Resources in Identifying Medical Provider Fraud

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

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

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

Finally, through our membership with the Golden Gate Fraud Consortium we resource the case development strategies and leads from our neighboring counties to investigate and file medical provider insurance fraud cases.

ii) Use of the Department of Industrial Relations and Data Analytics to Identify Suspicious and Recurring Billing Codes

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

DIR can use data analytics to initiate investigations into suspected medical provider fraud and can perform specialized data mining on a suspected provider. DIR is also able to execute predictive modeling, which looks at connections and relational mapping. DIR can provide a list of providers of interest and seven factors common to convicted providers to DA offices with whom it has a MOU. The SFDA has already executed an MOU with DIR to share data to uncover medical provider fraud in San Francisco.

In August 2018, the SFDA program manager and two investigators of the SFDA team met with two members of the DIR data analytics team. The meeting provided the SFDA team with further, county-specific insights into the capabilities of data analytics to aid in the successful prosecution of insurance fraud cases. After the meeting, the SFDA obtained County-specific data from DIR. This data was analyzed by the SFDA investigators and follow up material was requested. The SFDA investigators are following leads developed from this data, specifically in medical provider fraud cases. The SFDA will continue to work with DIR to explore best practices for identifying fraud and developing cases using DIR data analytics.

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

The SFDA continues to use our partnerships with other agencies to identify and investigate medical provider fraud. In fact, by tapping into referrals from federal *qui tam* suits, we have been able to further expand our scope beyond traditional investigative sources.

We will continue to follow up on matters identified by this method and to file criminal charges when there is evidence to prove the case. Moreover, we plan to reach out to law offices and individuals specializing in this area of *qui tam* litigation to identify suspect medical providers and fraudulent schemes. Some of the *qui tam* actions currently being reviewed and monitored are described in Attachment B. (See 2018-228-005, 2018-228-008, 2018-228-009.)

B) Premium Fraud

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

Premium fraud investigations, however, are typically complex and require, the following: analyzing large volumes of financial data; identifying cooperative witnesses; interviewing many witnesses; detailed forensic analysis of laptops, hard drives, and other technological devices used by businesses to maintain financial records; and synthesizing and reconciling data across insurers and agencies.

In another scenario the challenges are establishing the amount and extent of the premium fraud that an underground economy business engaged in.

i) Collaboration with SIUs

We will continue to improve upon and expand our lines of communications with SIUs in order to identify premium fraud cases for investigation and prosecution. Where a SIU submits a premium fraud FD-1 that is detailed, thorough, and shows multiple years of suspicious activity and audit based red flags we are able to immediately prioritize that investigation. This was exactly the case with a recent new premium fraud investigation we opened. (See Attachment B, 18BW017408.)

ii) San Francisco District Attorney's Insurance Fraud Hotline

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

In recent years, two cases, *People v. Belfrey* and *People v. Gregoire* were the direct result of a hotline complaint. Our hotline provided direct access for the carrier to report suspicious activities quickly. Within 24 hours of the hotline call, an assistant district attorney was speaking

with an investigator from the victim carrier. Although the carrier suspected insider fraud, our office conducted the investigation that established that Gregoire used her company as an unauthorized provider, or vender, of lien negotiations. Through these unauthorized lien negotiations, she charged large commissions, at times more than that cost of the lien being negotiated. The victim carrier paid more than half a million dollars for these unauthorized services.

Last summer, the SFDA established a new insurance fraud hotline number in anticipation of our office moving to a new location at 350 Rhode Island Street in San Francisco. The change was necessary because we have new telephone lines, infrastructure and equipment at the new location. In anticipation of the that move, the SFDA made sure that the hotline would continue to be available to the public and operational; we also used the new number in the August 2019 workers' compensation insurance fraud prevention and reporting outreach campaign. The new hotline number is 628-652-4362. In the past six months, our office has received 37 calls for potential fraud. These calls are screened by an SFDAI Supervisor and then assigned to an investigator for follow up. We cannot yet attribute a new workers' compensation insurance fraud case to a hotline lead, but we will continue to staff the hotline and raise public awareness of its existence in future outreach efforts.

C) Underground Economy Program

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

i) The Mayor's Task Force on Anti-Human Trafficking

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

(a) Construction contractors

The Mayor's Task Force addresses all forms of human trafficking including businesses profiting from a cheap and replaceable labor force. The collaborative efforts between the SFDA and the Mayor's Task Force have resulted in an expansion of our investigative efforts to businesses suspected of trafficking for labor and workers' compensation insurance fraud.

(b) Massage establishments

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

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

ii) The Roofing Compliance Working Group

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

Working closely with SCIF, an SFDA prosecutor requested a listing of insured roofing companies that were reporting no payroll or staff. Based on our investigative experience and conversations with members of the RCWG, when an employer pulls multiple permits for roofing activity and reports little or no payroll, this may indicate that the employer is misrepresenting its activities to secure lower insurance premiums. SCIF, at the request of the SFDA, identified at least 40 roofing companies that were insured but claimed to have no employees. By requesting the insurance files, building permits from SFDBI, and payroll records from EDD, the SFDA investigator can efficiently investigate possible premium fraud violations with minimal resources expended. Additional investigation may include: (1) observing job sites to assess the employees' activities; and (2) interviewing employees, bookkeepers, site managers, and property owners to confirm employee staffing and wages paid. Also, the Program has employed two new tactics that have required minimal effort and have resulted in success: (1) requesting the carrier to provide records of prior workers' compensation claims for employers claiming no employees; and (2) using pretext recorded phone calls to suspected contractors to extract statements and admissions that could be used for the criminal prosecution. The SFDA has learned that an array of tactics

can be easily applied to identify employers committing premium fraud, even though their own carriers have not suspected fraud.

In the investigation leading to the premium fraud convictions of the owners of Ace Roofing, Yong Chon and Douglas Guinn, the SFDA successfully employed the strategy described above. Although this case began with the suspected bribing of an auditor, it forged the template for investigating employers claiming no payroll or employees. In this case, an employee reported an industrial injury when the employer was claiming no payroll. The SFDA investigator reviewed the permit records at SFDBI for roofing and construction projects in San Francisco, monitored social media postings, conducted on-site interviews, made pretext phone calls to the suspects, and reviewed SCIF's audits and records. As a result, the investigator – along with investigators from other agencies – successfully executed simultaneous arrest and search warrants in San Francisco and in San Mateo County.

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

iii) The SFDA's Employer Compliance Program

The SFDA Employer Compliance Program based on Labor Code §3700 et. seq. is an important part of SFDA efforts to encourage compliance with workers' compensation insurance regulations and laws. The SFDA uses both a targeted and a random method for identifying businesses.

In prior years, the Employer Compliance Program enlisted the assistance of an SFDA volunteer to randomly select San Francisco County employers from local agencies and from online sources to send out proof of insurance requests. Once identified or selected, the Employer Compliance Program volunteer then sends a letter requesting proof that the employer is properly insured. In our experience, most employers provide proof quickly or bring themselves into compliance and provide proof during this period. If an employer does not provide proof during the subsequent 10-day period, the Employer Compliance Program investigator visits the employer's business and personally serves the non-compliant employer with a copy of compliance letter, and has the employer sign an acknowledgment so that notice will not be an issue at trial. The investigator also conducts a recorded interview at this time. In the event that the employer still refuses to become compliant, the investigator will draft and serve an arrest warrant for the employer. This year SFDA focused on joint operations but we intend to initiate another random compliance initiative in the next few months.

D) Public Employees

The vast majority of workers' compensation claims for employees of the City and County of San Francisco (CCSF) are managed in-house by employees of the City's Workers' Compensation Division (WCD).

i) The SFDA's Partnership with DHR and the WCD

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

ii) The SFDA's Partnership with SFMTA, the City Attorney's Office, and Probe Investigative Services

We continue to have an excellent collaborative partnership with the San Francisco Municipal Transit Agency (SFMTA). SFMTA, a department of the City and County of San Francisco, is responsible for the management of all ground transportation in San Francisco. SFMTA keeps people connected through the San Francisco Municipal Railway (MUNI), the nation's seventh largest public transit system. With an annual operating budget of $831 million and a staff of more than 5,100 employees, SFMTA is one the City's largest employers. The agency directly manages five types of public transit in San Francisco (motor coach, trolley coach, light rail, historic streetcar, and cable car).

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

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

Finally, SFDA also works with the City Attorney's Office to identify viable criminal prosecutions among the civil workers' compensation cases that are being litigated by the City Attorney's Office.

2) WHAT ARE YOUR PLANS TO MEET THE ANNOUNCED GOALS OF THE INSURANCE COMMISSIONER AND THE FRAUD ASSESSMENT COMMISSION? IF THESE GOALS ARE NOT REALISTIC FOR YOUR COUNTY, PLEASE STATE WHY THEY ARE NOT, AND WHAT GOALS YOU CAN ACHIEVE. WHAT IS YOUR STRATEGIC PLAN TO ACCOMPLISH THE GOALS?

A) Investigating and Prosecuting Medical Provider Fraud

In line with the Insurance Commissioner's stated objectives our office recognizes the importance of combatting the harm caused by fraudulent medical providers. SFDA has prioritized the investigation and prosecution of medical provider fraud recognizing the danger this type of fraud poses, not only in terms of economic loss, but most significantly to innocent injured worker claimants. Most recently, in March of 2020, SFDA and CDI initiated a new investigation of a medical provider that is suspected of engaging in double-billing and fraudulent lien billing. Preliminary information indicates that this medical provider engages in business in various Bay Area counties and may have business interests beyond his medical practice that are connected to, and support, the fraudulent billing activity. This investigation is in its early stages and has the potential to be a very complex medical provider fraud case. Our SFDA Investigator met with CDI and DHR personnel and we are proceeding with obtaining more information to evaluate this matter. (See Attachment B, 2020-072-002.)

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

i) Joint Plans and Memoranda of Understanding

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

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

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

The SFDA is currently exploring the potential for entering into an agreement with EDD that would streamline our ability to obtain evidence related to premium fraud investigations.

B) Balanced Caseload

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

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

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

C) Performance and Continuity Within the Program

We are aware of the need to ensure that the grant money we receive is used wisely. The SFDA assigns experienced prosecutors and investigators to the grant-funded positions. As a result, we are better able to choose which referrals merit investigation and quickly shut down those that do not.

D) Outreach

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

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

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

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

In August of 2019 the SFDA launched phase one of a multi-media outreach campaign that will continue into FY 2020-21. The next steps include working with our Consumer Mediation group, Crime Strategies Unit, and neighborhood prosecutors to increase outreach efforts.

3) WHAT GOALS DO YOU HAVE THAT REQUIRE MORE THAN A SINGLE YEAR TO ACCOMPLISH?

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

The SFDA continues to work with CDI, Alameda County and some counties in Southern California to combat the issues related to the underground economy operations that span multiple jurisdictions. The SFDA is also looking at developing investigations in the relatively new areas of voucher fraud and Professional Employee Organization related fraud. The more recent emergence of these types of cases in CCSF, and the complexity and breadth of these investigations will require more than a single fiscal year to complete.

4) DESCRIBE THE COUNTY'S EFFORTS AND THE DISTRICT ATTORNEY'S PLAN TO OBTAIN RESTITUTION AND FINES IMPOSED BY THE COURT TO THE WORKERS' COMPENSATION FRAUD ACCOUNT PURSUANT TO CAL. INS. CODE SECTION 1872.83(B)(4).

The SFDA seeks restitution in every prosecution in which a victim suffers a loss. Restitution is a Constitutional right. Moreover, we recognize that justice is not served until a victim is made whole again. As part of any resolution of a prosecution, the SFDA seeks to have the defendant pay as much restitution as possible prior to any settlement. Also, once sentenced, a defendant may be ordered to pay restitution as a condition of probation. Finally, the SFDA has a restitution unit that helps victims gather the documentation necessary to prove their losses. Once restitution is ordered, typically on or before the date of sentencing, this unit also obtains criminal restitution orders that specify the amount of restitution the defendant owes the victim, which may be enforced by the victim as a civil judgment.

The following is the amount of restitution ordered and collected for the past five fiscal years as reported in the year end reports:

Fiscal Year	Restitution Ordered	Restitution Collected
2019-20	$ *TBD*	$ *TBD*
2018-19	$ 471,093	$ 156,320
2017-18	$ 143,000	$ 143,000
2016-17	$ 77,622	$ 0
2015-16	$ 150,000	$ 35,500
TOTAL	$ 841,715	$ 334,820

5) IDENTIFY THE PERFORMANCE OBJECTIVES THAT THE COUNTY WOULD CONSIDER ATTAINABLE AND WOULD HAVE A SIGNIFICANT IMPACT IN REDUCING WORKERS' COMPENSATION INSURANCE FRAUD.

We plan to initiate 10-12 new investigations during FY 2020-21. We expect our outreach and developing partnerships with SIUs and law enforcement agencies will continue to provide us with new sources of leads.

Assuming our investigations yield sufficient evidence, we expect to initiate 4-6 new prosecutions during FY 2020-2021. We plan to accomplish this by: (1) working closely with the Fraud Division on new investigations; (2) identifying and investigating cases from our own programs; and (3) utilizing assistance from forensic experts to move some of our more complex premium and provider fraud cases.

In our application for Fiscal Year 2019-2020 we projected 10-12 new investigation and 5-7 new prosecutions. We slightly reduced our projections for the upcoming FY 2020-21 projections as to new cases filed for two reasons: (1) we anticipate delays in our ability to investigate these cases given the Covid-19 pandemic and future Shelter in Place directives and (2) because filing more complex and higher dollar value fraud cases will predictably consume a higher percentage of our two Investigators time.

6) IF YOU ARE ASKING FOR AN INCREASE OVER THE AMOUNT OF GRANT FUNDS RECEIVED LAST FISCAL YEAR, PLEASE PROVIDE A BRIEF DESCRIPTION OF HOW YOU PLAN TO UTILIZE THE ADDITIONAL FUNDS.

For fiscal year 2018-2019, the SFDA requested $847,734 in funding, and was awarded $801,148 (an initial grant of $779,319, and a supplemental award of $21,829). This amount is exclusive of carry-over. For fiscal year 2019-2020, the SFDA requested $923,990 and received $850,327 in total funding. We anticipate no carry-over into FY 2020-2021, and in fact we may exhaust the grant funding prior to the end of the fiscal year. The personnel and operations funds for the last month or so will then be an unfunded contribution. Based on the foregoing, we are seeking an increase in funding for this year from $923,990 to $1,258,886.

This proposed budget anticipates continuing to have two very senior investigators dedicating 95% of their time to combating workers' compensation fraud. It also envisions adding a new, third investigator at a 95% allocation. It includes continued robust attorney participation in the prosecution of workers' compensation insurance fraud, and a more robust compliance and outreach program. Given the needs of our current cases, we intend to reallocate our limited resources so that our investigative needs are met first. Our pending investigations include provider fraud and premium fraud and our partnerships with members of CDI, the RCWG, the Consortium, DIR, SFDPH, SCIF, and EDD, mandate that resources be prioritized for investigations.

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

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

The SFDA utilizes most of our grant budget toward personnel and operational costs. Maintaining and training an excellent team of prosecutors, investigators and staff members who can effectively and successfully identify, investigate, develop, and prosecute workers' compensation insurance fraud continues to be the highest priority. To further this goal, we are requesting additional funding that would allow the SFDA program to add one investigator to our group at a 95% allocation. Ideally, this new DA Investigator would have some background, training and experience in data analytics and/or forensic accounting so that we can reduce the time it takes to complete large, complex premium fraud and provider fraud investigations.

Finally, the SFDA will continue to apply our multifaceted approach to identifying medical provider fraud cases. The identification, investigation, and prosecution of these complex frauds requires a focused approach that requires well trained investigators and prosecutors and continuity of personnel.

7) LOCAL DISTRICT ATTORNEYS HAVE BEEN AUTHORIZED TO UTILIZE WORKERS' COMPENSATION INSURANCE FRAUD FUNDS FOR THE INVESTIGATION AND PROSECUTION OF AN EMPLOYER'S WILLFUL FAILURE TO SECURE PAYMENT OF WORKERS' COMPENSATION AS OF JANUARY 2003. DESCRIBE THE COUNTY'S EFFORTS TO ADDRESS THE UNINSURED EMPLOYERS PROBLEM.

The SFDA partners with CDI and licensing agencies such as the CSLB to continue to identify uninsured employers. We also contact employers through the Employer Compliance Program and identify potential violators through participation in the RCWG. Our goal is to evaluate all fraud case referrals to ensure compliance with workers' compensation insurance laws. To accomplish this, the SFDA is educating investigators throughout our White Collar Crimes Division to identify and charge Labor Code §3700 violations, as and when appropriate.

This strategy has yielded results. On January 28, 2019 the SFDA filed multiple misdemeanor violations of Labor Code §3700.5(a) and Business and Professions Code §§ 7159(a)(3), 7027.3 and 7028(a) in *People v. Hasani Abeeku Jackson.* This case resolved within nine months with misdemeanor guilty pleas.

On June 20, 2019, CDI and CSLB engaged in a joint compliance operation to investigate businesses that were not insured or inadequately insured. Our office is currently reviewing the evidence and preparing to file a case that emerged from that operation. (See Attachment B, 19BW011995.)

In the Spring of 2019, SFDA and CDI met to discuss investigation strategies related to suspected noncompliance of businesses in the care home industry. Two investigations are in progress with anticipated filing dates toward late 2020; they are referenced in Attachment B. (See 2019-098-001 to 2019-098-002.) A third care home investigation was conducted and closed. (See 2019-098-003.)

In August 2018, DIR and the SFDA jointly engaged in a successful compliance check operation of three San Francisco massage parlors. DIR issued two citations of $10,000 and $6,000, respectively to two of the massage parlors. The third was ordered to appear at DIR to explain various inconsistencies found at the site. Our investigators were able to confirm that one of the massage parlors obtained workers' compensation insurance for a full policy year effective August 23, 2018, and in September 2018 registered with EDD. (See Attachment B, referenced in Part One only, 2018-241-002 to 2018-241-004.)

FORM 09(b)

CITY AND COUNTY OF SAN FRANCISCO PLAN: TRAINING AND OUTREACH
FISCAL YEAR 2020-2021

1) TRAINING AND OUTREACH RECEIVED

Our workers' compensation prosecution team regularly attends fraud trainings in California and recognizes that attending fraud trainings given by law enforcement and industry experts is an excellent way to enhance interagency cooperation and promote outreach.

FY 2019-2020

During fiscal year 2019-2020, the SFDA managing attorney, Supriya Perry, as well as three program attorneys, Laura Meyers, Alexis Fasteau, and Stephanie Zudekoff and one SFDA workers' compensation insurance fraud investigator, Michael Morse, attended the California District Attorney Association Insurance Fraud Symposium in Orange County held from October 7 through 10, 2019. The workers' compensation insurance fraud topics covered at this three and a half day conference included presentations on the fundamentals of applicant fraud, a provider fraud case study, a voucher fraud presentation, and a training on the WCIRB system and resources.

Members of our team, including MA Perry, ADA Zudekoff, ADA Meyers, ADA del Rosario, and Investigators Morse and Kennedy, also attended and co-presented with J.D. Wesson at a training for Republic Indemnity employees held in San Francisco, California on July 31, 2019.

On February 26, 2020, ADA Meyers, ADA Zudekoff, and ADA Fasteau, Investigator Morse, and Managing Attorney Perry attended a training by the Golden Gate High Impact Fraud Consortium in Dublin, California. The annual "Premium and Medical Provider Fraud Conference" included presentations on medical provider fraud, SCIF perspectives on fraud issues, and a practice driven panel discussion ranging in topics from *sub rosa* to identifying materiality in fraud investigations.

Two program attorneys and two program investigators were scheduled to attend the 31st Annual Anti-Fraud Alliance Conference in Monterey, California. This conference has proved to be an invaluable opportunity to learn, network, and share best practices related to fraud investigation and prosecution. The Anti-Fraud Alliance presents the conference jointly with CDI, CDAA, and NICB. In 2020, due to California Governor Newsom's COVID-19 declaration of emergency, the conference was cancelled. The SFDA remains committed to participating in the Anti-Fraud Alliance during this unprecedented time. Attorneys and Investigators from SFDA will participate in the next Anti-Fraud Alliance quarterly training, which is currently

scheduled to be held virtually on June 23, 2020. Our program remains committed to engaging with and contributing to the Anti-Fraud Alliance.

FY 2018-2019

During fiscal year 2018-2019, the new SFDA manager, two program attorneys, and one program investigator attended the four-day California District Attorney Association Insurance Fraud Symposium held from October 15 to 18, 2018, in Orange County, California.

On September 25, 2018, the manager, two program attorneys, and both program investigators attended the Anti-Fraud Alliance third quarter training meeting. This meeting focused on organized criminal activity in the context of automobile insurance fraud, while detailing best practices for the investigation and prosecution of all forms of insurance fraud.

On October 11, 2018, one program attorney presented at the Gallagher Bay Area Claims Advocacy Group training on Workers' Compensation insurance fraud, with three other program attorneys and investigators in attendance.

On December 4, 2018, five SFDA program members attended the Anti-Fraud Alliance fourth quarter training which focused on issues of legal ethics, and featured a panel of practicing attorneys, a judge, and a mediator.

In February 2019, two program attorneys and one investigator attended the Golden High Impact Fraud Consortium's third annual training on medical provider and premium fraud in Dublin, California.

In April 2019, the program manager, and two program attorneys attended the 30th Annual Anti-Fraud Alliance Conference in Monterey, California. One program attorney presented at the training. The three-day training provides prosecutors' offices an annual opportunity to network with multiple representatives and investigators from carriers impacted by fraud.

2) TRAINING AND OUTREACH PROVIDED

Improving our efforts in training and outreach were at the forefront of the SFDA Program's goals for FY 2019-2020. Recognizing and acknowledging a need for improved efforts in increasing awareness in the community of the harms associated with workers' compensation insurance fraud and encouraging anonymous reporting of workers' compensation insurance fraud was mission critical to protecting our state and local work force.

i) The City-Wide Outreach Campaign: "Workers' Comp. Insurance FRAUD—one LIE, we all PAY."

In the Fall of 2019, the San Francisco District Attorney's Office launched the Workers' Compensation Fraud Reporting public education campaign to raise public awareness and encourage reporting of workers' compensation insurance fraud. This public education campaign

aims to encourage employers and employees in predominantly minimum-wage and cash-paying businesses (e.g., childcare providers, caregivers, contractors, construction workers, restaurant servers) to anonymously report suspected workers' compensation insurance fraud. For this campaign, SFDA partnered with SFMTA to advertise on and in various Muni buses. The Muni ads ran from August through November 2019 on the exterior and interior of fifteen buses that serviced several different routes. The aim was to reach as many members of the general public as possible. The campaign slogan ("Workers' Comp. Insurance FRAUD—one LIE, we all PAY"), the brochures and posters and the office's anonymous hotline are available in English, Spanish, and Chinese.

The printed material is informative and conveys to the public the nature of potential workers' compensation insurance crimes in plain language. The brochures and posters include examples of workers' compensation insurance fraud such as:

- Falsely claiming or exaggerating the severity of a work-related injury or illness
- Misrepresenting the nature of a business to receive a lower insurance premium
- Conspiring to file a fraudulent insurance claim
- Overtreating or overprescribing harmful and addictive drugs to treat an injury

Workers' compensation insurance fraud is a criminal offense. The San Francisco District Attorney's Office wants to remind employers and employees in predominantly minimum-wage and cash-paying businesses in San Francisco to be alert to fraudulent activity; anyone who is a victim of or has information about a fraudulent workers' compensation insurance claim is encouraged to contact SFDA by calling the multi-lingual fraud hotline number. In the next phase of the campaign, members of our unit will present at local community gatherings, where we will distribute pamphlets with additional details describing workers' compensation fraud. Due to Covid-19, SFDA will need to consider innovative ways to present this material which may include: hosting Zoom conferences; employing a direct mail campaign to stakeholders and businesses; and reaching out to consumer rights advocacy groups so they can post or distribute our material as part of their social media or direct mail platforms.

ii) Trainings and Conferences

Every year SFDA Program members engage in outreach efforts by hosting, attending, and presenting at various meetings, trainings and conferences on topics directly related to the investigation and prosecution of workers' compensation insurance fraud.

The Golden Gate High Impact Workers' Compensation Fraud Consortium (previously North Bay High Impact Workers' Compensation Fraud Consortium) was created in 2017. A Memorandum of Understanding exists between CDI's Benicia Regional Office and the District Attorney's Offices of San Francisco, Alameda, Contra Costa, Solano, Napa, Marin, and Sonoma Counties. Through collaborative efforts, the exchange of information, and the sharing of resources, the Consortium's goal is to be more effective within the region in combatting complex workers' compensation fraud. Part of the Consortium's mandate is to reach out to SIUs and other agencies to provide training and identify current trends and schemes in the area of complex workers' compensation fraud cases. Consortium members meet quarterly and speakers present at these quarterly meetings.

The Consortium also hold an annual conference. SFDA program attorney Laura Meyers co-presented on "*Understanding California Criminal Discovery and Statutes of Limitations*," with Contra Costa Deputy District Attorney Jeremy Seymour at the annual "Premium and Medical Provider Fraud" Conference presented by the Consortium in Dublin, California on February 26, 2020. She was also one of the three primary organizers of the conference. This training included presentations on medical provider fraud, SCIF perspectives on the fraud issues, and a practice driven panel discussion on topics from useful *sub rosa* to identifying materiality in fraud investigations. A total of six members of the SFDA workers' compensation insurance fraud investigation and prosecution team attended the one-day event, which had about 167 attendees.

On July 31, 2019, two SFDA prosecutors co-presented with J.D. Wesson at an anti-fraud training for over seventy Republic Indemnity Insurance Company employees in a variety of positions, including claims. A range of topics were covered, including the elements of fraud, materiality, the different types of fraud, including claimant, provider, employer and insider fraud, and practical pointers for SIU case referral. The training was attended by several members of the SFDA insurance fraud prosecution team, each of whom strived to answer questions posed to

them by SIU participants about criminal prosecutions of insurance fraud cases, including statute of limitations, discovery obligations, and case resolution and restitution issues.

In April 2019, an SFDA attorney collaborated with two other experienced prosecutors from Marin County and Alameda County to present a session on taking effective depositions in suspected fraud cases. This presentation drew numerous participants at the annual Anti-Fraud Alliance Conference in Monterey held between April 16 and 19, 2019. Topics covered included the legal elements of various charges involved in workers' compensation fraud prosecutions, including perjury and the importance of proving materiality. The presenters provided their insights on how to effectively prepare for a deposition, as well as examples of how to control a witness and deal with common tactics, including evasive responses, and the "forgetful" deponent. The training sought to reinforce the importance of obtaining a complete, and detailed statement from any deponent, both for truth finding in the investigative stages, and to successfully resolve cases.

One seasoned prosecutor from the SFDA was among a panel of experts at a Fraud Seminar on the topic of Workers' Compensation Fraud that was sponsored by Arthur J. Gallagher Risk Management Services on October 11, 2018. The panel drew approximately 80 attendees including employers, insurance adjusters, and investigators affiliated with Arthur J. Gallagher's services. The SFDA program prosecutor discussed a range of topics including identifying a fraudulent Workers' Compensation claim, and a prosecutor's perspective in assessing a fraudulent claim. Although primarily focused on claimant fraud, issues related to employer, provider and insider fraud were also discussed in the presentation and lengthy question and answer session.

In addition to the above-mentioned trainings, our office continues its outreach efforts through our Employer's Compliance Program (Labor Code §§3700 and 3700.5) and our multilingual fraud hotline. Through our Employer Compliance Program we have educated local employers and brought them into compliance by having them show proof of proper workers' compensation insurance coverage.

Our outreach efforts continue via our fraud hotline. The hotline provides an anonymous way for callers to report workers' compensation fraud. The hotline is monitored daily by SFDA investigators, who are expected to respond to a report of fraud within 24 hours.

3) Training and Outreach Planned for FY 2020-2021

In the upcoming 2020-2021 fiscal year, our workers' compensation prosecution team fully intends to continue to improve upon our outreach and training efforts. Phase two of our outreach campaign will include collaborating with the SFDA neighborhood prosecutions team and Crime Strategies Unit as well as our Consumer Mediation Team in order to meet with a broad spectrum of community members in small groups to educate them about workers' compensation insurance fraud. The printed material from our campaign, includes brochures in Spanish, English, and Chinese, and posters that we will use to encourage fraud reporting.

We will hope to attend the California District Attorneys Association and the Anti-Fraud Alliance conferences. We are also hopeful that the annual Republic Indemnity training can take place. Much remains to be seen as organizations across the city, state, and country revamp meeting, trainings, and conferences in light of the Covid-19 pandemic. We will participate in virtual meetings and trainings where available in order to continue to teach, learn, network and collaborate.

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

TRAINING AND OUTREACH RECEIVED (Part 1)

FISCAL YEARS 2018-2019 AND 2019-2020

- List the insurance fraud training received by each county staff member in the workers' compensation fraud unit during Fiscal Years 2018-2019 and 2019-2020.

Name	Training Date	Provider	Location	Topic	Hrs Credit
Conrad del Rosario	10/11/18	Gallagher Insurance, SFDA, CDI	Oakland, CA	Get to Know the Four Faces of Fraud	3
Alexis Fasteau	6/25/19	AFA	Lafayette Veterans' Memorial	Interviewing, Use of Metadata, Cell Phone GPS Data Social Media in Investigations	3
Alexis Fasteau	9/25/19	Golden Gate Insurance Fraud Consortium	Oakland Alameda County DA's Office	Planning of Fourth Annual Dublin training, Outreach, Assignment Consortium Jobs	2
Alexis Fasteau	10/7/19-10/10/19	CDAA	Hyatt, Newport Beach	Applicant Fraud, Premium Fraud, Materiality, Provider Fraud, WCIRB Perspectives, Disability Healthcare Fraud, Digital Evidence,	10

				Receiverships, Restitution	
Alexis Fasteau	1/15/20	Golden Gate Insurance Fraud Consortium	Contra Costa DA's Office	Planning of Fourth Annual Dublin training, CDI case update, Provider Fraud Investigations, Vocational Rehab Fraud	2
Alexis Fasteau	2/26/20	Golden Gate Insurance Fraud Consortium	Shannon Community Center, Dublin, CA	Medical Provider Fraud, SCIF Perspectives, Statute of Limitations, Successful Investigations	4.5
Jennifer Kennedy	6/12/19	GG Ins. Fraud Consortium	Alameda DA	GG Consortium Annual Premium Fraud Planning Session; Review of counties' noteworthy investigations	2
Jennifer Kennedy	7/31/19	SFDA	J.D. Wesson/SF DA San Francisco, CA	Anti-Fraud/Elements of Fraud/Types of Fraud/Case Study	3
Jennifer Kennedy	9/25/19	GG Ins. Fraud Consortium	Alameda DA	WC Insurance Fraud	2
Jennifer Kennedy	1/15/20	GG Ins. Fraud Consortium	Contra Costa DA	WC Insurance Fraud	2
Jennifer Kennedy	2/26/20	GG Ins. Fraud Consortium	Dublin, CA	Premium & Medical Provider Fraud	5
Laura Meyers	8/29/18	Golden Gate Ins. Fraud Consortium; Pollie Pent (CDI)	Alameda DA's Office	Professional Employer Organizations and Employer of Record Agreements	2
Laura Meyers	10/15/18-10/18/18	CDAA	Garden Grove	Insurance fraud, Worker's Comp Fraud, etc.	18
Laura Meyers	10/24/18	Golden Gate Ins. Fraud Consortium	Contra Costa DA's Office	Review of counties' noteworthy investigations	2

Laura Meyers	12/4/18	AFA	Lafayette Veteran's Memorial Building	Civility and Ethics	2
Laura Meyers	12/12/18	Golden Gate Ins. Fraud Consortium	Contra Costa DA's Office	GG Consortium Annual Premium Fraud Planning Session; Review of counties' noteworthy investigations	2
Laura Meyers	4/17/19-4/19/19	AFA	Monterey, CA	30th Annual Anti-Fraud Conference	15.75
Laura Meyers	6/12/19	Golden Gate Ins. Fraud Consortium	Alameda DA's Office	GG Consortium Annual Premium Fraud Planning Session; Review of counties' noteworthy investigations	2
Laura Meyers	6/25/19	AFA Quarterly Meeting	Lafayette Veteran's Memorial Building	Useful Tips & Tools from a SIU Field Investigator's Perspective	2
Laura Meyers	9/3/19	AFA Quarterly Meeting	Lafayette Veteran's Memorial Building	Injection, EMG & Radiographic Fraud Detection & Tools to Fight Against these False Claims	2
Laura Meyers	10/7/19-10/10/19	CDAA Fraud Symposium	Newport Beach	Insurance fraud; Workers' Compensation	19
Laura Meyers	11/18/19	Golden Gate Ins. Fraud Consortium	Contra Costa DA's Office	Forensic Accounting in Insurance Fraud Cases	2
Laura Meyers	12/3/19	AFA	Lafayette Veteran's Memorial Building	Medical Fraud Case Presentation	2
Laura Meyers	2/26/20	Golden Gate Ins. Fraud Consortium	Shannon Community Center, Dublin, CA	Medical Provider Fraud, SCIF Perspectives, Statute of Limitations, Successful Investigations	5

Michael Morse	8/29/18	Golden Gate Ins. Fraud Consortium	7677 Oakport Oakland	Quarterly Meeting/PEO fraud	2
Michael Morse	2/24/19	AFA 3rd Quarter Training Meeting and Elections	Lafayette Veterans Building	**Injection, EMG, and Radiographic Fraud Detection and Tools to Fight Against These False Claims**	3
Michael Morse	2/28/19	Golden Gate Ins. Fraud Consortium	Dublin CA/Shannon Community Center	Workers' Compensation Ins. Fraud	5
Michael Morse	10/7/19-10/10/19	CDAA	Orange County, CA/ Hyatt Regency	Workers' Compensation Ins. Fraud - Various	19
Michael Morse	11/20/19	Solano and Contra Costa County District Attorney's Offices	Contra Costa County District Attorney's Office	Advanced Fraud Inv. Training; Suspects, Charges, and Loss Enhancements for a Strong Case: Prosecutors' Perspective, Audits for Criminal Investigation, What's Different from the Civil World and a Number to Rely On: A Forensic Accountant's Perspective, California Grand Jury Rules, Digital Currency Investigations	6
Michael Morse	2/26/20	Golden Gate Insurance Fraud Consortium	Dublin, CA/Shannon Community Center	Medical Provider Fraud, SCIF Perspectives, Statute of Limitations, Successful Investigations	5
Supriya Perry	8/29/18	Alameda DA's Office	Oakland, CA	North Bay High Impact Workers' Compensation Fraud Consortium Meeting	2

Supriya Perry	9/25/18	AFA	Lafayette, CA	Organized Crime Groups & Insurance Fraud	2
Supriya Perry	10/24/18	Contra Costa DAs Office	Martinez, CA	North Bay High Impact Worker's Consortium Fraud Meeting	2
Supriya Perry	12/4/18	AFA	Lafayette, CA	Civility Matters: Winning Inside & Outside the Courtroom	2
Supriya Perry	12/12/18	North Bay High Impact Workers' Comp. Fraud Consortium	Oakland, CA	North Bay High Impact Workers' Comp. Fraud Consortium Meeting	2
Supriya Perry	2/28/19	GG Fraud Ins. Consortium	Dublin, CA	GG Fraud Consortium – Premium & Medical Provider Fraud Training	5
Supriya Perry	4/17/19-4/19/19	AFA	Monterey, CA	30th Annual Anti-Fraud Conference	15.75
Supriya Perry	7/31/19	J.D. Wesson/SFDA	San Francisco, CA	Anti-Fraud/Elements of Fraud/Types of Fraud/Case Study	3
Supriya Perry	10/7/19-10/10/19	CDAA	Newport Beach, CA	CDAA Fraud Symposium	19
Supriya Perry	2/26/20	GG Ins. Fraud Consortium	Dublin, CA	Medical Provider Fraud, SCIF Perspectives, Statute of Limitations, Successful Investigations	5
Stephanie Zudekoff	8/29/18	Alameda DA's Office	Oakland, CA	North Bay High Impact Workers' Comp. Fraud Consortium Meeting	2
Stephanie Zudekoff	9/25/18	AFA	Lafayette, CA	Organized Crime Groups & Insurance Fraud	2
Stephanie Zudekoff	10/24/18	Contra Costa DAs Office	Martinez, CA	North Bay High Impact Workers'	2

				Comp. Fraud Consortium Meeting	
Stephanie Zudekoff	12/4/18	AFA	Lafayette, CA	Civility Matters: Winning Inside & Outside the Courtroom	2
Stephanie Zudekoff	12/12/18	Alameda DA's Office	Oakland, CA	North Bay High Impact Workers' Comp. Fraud Consortium Meeting	2
Stephanie Zudekoff	2/28/2019	Alameda County DA's Office	Dublin, CA	Golden Gate Workers' Compensation Fraud Consortium – Premium & Medical Provider Fraud Training	5
Stephanie Zudekoff	4/17/19-4/19/19	AFA	Monterey, CA	30th Annual Anti-Fraud Conference	15.75
Stephanie Zudekoff	5/30/19	Alameda County DA's Office, NICB, CDI	Dublin, CA	Auto Insurance Fraud Training Seminar	5
Stephanie Zudekoff	6/12/19	Golden Gate Ins. Fraud Consortium	Oakland, CA	Annual Meeting Planning – Investigation Highlights	2
Stephanie Zudekoff	7/31/19	J.D. Wesson/Republic Indemnity/SFDA	San Francisco, CA	Anti-Fraud Training	3
Stephanie Zudekoff	9/25/19	Golden Gate Ins. Fraud Consortium	Alameda DA-Oakland, CA	Golden Gate Ins. Fraud Consortium Meeting	2
Stephanie Zudekoff	10/7-10/19	CDAA	Newport Beach, CA	CDAA Fraud Symposium	19
Stephanie Zudekoff	11/18/19	Golden Gate Insurance Fraud Consortium	Martinez, CA	Golden Gate Ins. Fraud Consortium Meeting	2
Zudekoff, Stephanie	2/26/20	Golden Gate Insurance Fraud Consortium	Dublin, CA	Golden Gate Consortium Annual Conference	5

TRAINING AND OUTREACH PROVIDED (Part 2)

Fiscal Year 2019-2020 ONLY

Date Conducted	Location	Conducted By	Purpose & Content	Target Audience	Method	# of Attendees/Contacts[6]
7/31/2019	San Francisco, CA/First Republic	JD Wesson/L. Meyers and C. del Rosario	Training / Educating LEA Partners	Insurance Industry	Presentation	78
7/31/2019	Republic Indemnity Office- San Francisco	Republic Indemnity SIU, Dale Banda, L. Meyers & C. DelRosario	Sharing of Best Practices	Insurance Industry	Presentation	78
9/25/2019	Alameda County District Attorney's Office	Laura Meyers	Training / Educating LEA Partners	Law Enforcement	Presentation	18
2/26/2020	Dublin, CA, Shannon Community Center	Laura Meyers	Training / Educating LEA Partners	Combined Audience of diverse individuals groups	Presentation	142

[6] For hotline numbers or website links, list the number of calls or specific count of page hits.

FORM 10

WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
BUDGET: PERSONNEL SERVICES
SAN FRANCISCO, FISCAL YEAR 2020-2021

A. PERSONNEL SERVICES: Salaries and Employee Benefits

Positions	Biweekly Salary	pay periods	FTE	Amount	Total Budget
8177 Trial Attorney, Step 16	**$9,081**	**26.1**	**0.40**	**$94,806**	**$94,806**
Social Security	$8,537			$3,415	
Social Sec. - Medicare	1.45%			$1,375	
Health Ins	$9,976			$3,990	
Retirement	22.90%			$21,711	
Unemployment Ins	0.26%			$246	
Long Term Disability	0.16%			$152	
Dental Rate	$630			$252	
Total Benefits	32.85%				$31,141
8177 Trial Attorney, Step 16	**$8,289**	**26.1**	**0.60**	**$129,799**	**$129,799**
Social Security	$8,537			$5,122	
Social Sec. - Medicare	1.45%			$1,882	
Health Ins	$25,185			$15,111	
Retirement	22.90%			$29,724	
Unemployment Ins	0.25%			$324	
Long Term Disability	0.17%			$221	
Dental Rate	$1,889			$1,134	
Total Benefits	41.23%				$53,518
8177 Trial Attorney, Step 6	**$5,822**	**26.1**	**0.25**	**$37,991**	**$37,991**
Social Security	$8,537			$2,134	
Social Sec. - Medicare	1.45%			$551	
Health Ins	$14,434			$3,609	
Retirement	22.90%			$8,700	
Unemployment Ins	0.26%			$100	
Long Term Disability	0.27%			$103	
Dental Rate	$1,328			$332	
Total Benefits	40.87%				$15,529

Positions	Biweekly Salary	pay periods	FTE	Amount	Total Budget
8177 Trial Attorney, Step 16	**$8,287**	**26.1**	**0.50**	**$108,145**	**$108,145**
Social Security	$8,537			$4,269	
Social Sec. - Medicare	1.45%			$1,568	
Health Ins	$8,443			$4,222	
Retirement	22.90%			$24,765	
Unemployment Ins	0.27%			$292	
Long Term Disability	0.18%			$195	
Dental Rate	$629			$314	
Total Benefits	32.94%				$35,625
8550 DAI, Step 6 (includes FLSA pay)	**$5,476**	**26.1**	**0.95**	**$135,776**	**$135,776**
Social Sec. - Medicare	1.45%			$1,969	
Retirement	22.90%			$31,093	
Unemployment Ins	0.26%			$353	
Dental Rate	$630			$598	
Total Benefits	25.05%				$34,013
8550 DAI, Step 6 (includes FLSA pay)	**$5,373**	**26.1**	**0.95**	**$133,215**	**$133,215**
Social Sec. - Medicare	1.45%			$1,932	
Health Ins	$18,216			$17,305	
Retirement	22.90%			$30,506	
Unemployment Ins	0.26%			$343	
Dental Rate	$1,889			$1,795	
Total Benefits	38.95%				$51,881
8550 DAI, Step 6 (includes FLSA pay)	**$5,373**	**26.1**	**0.95**	**$133,215**	**$133,215**
Social Sec. - Medicare	1.45%			$1,932	
Health Ins	$18,216			$17,305	
Retirement	22.90%			$30,506	
Unemployment Ins	0.26%			$343	
Dental Rate	$1,889			$1,795	
Total Benefits	38.95%				$51,881
Subtotal Salary					$772,947
Subtotal Benefits					$273,588
A. TOTAL SALARIES AND EMPLOYEE BENEFITS			**4.60**		$1,046,535

FORM 11

WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
BUDGET: OPERATING EXPENSES
SAN FRANCISCO, FISCAL YEAR 2020-2021

B. OPERATING EXPENSES		
		Budget
Lease of Office Space ($19,392per year/FTE)	$19,392	$89,203
Audit Expense		$25,653
CDAA & Anti-Fraud Alliance Membership		$ 1,200
In-State Travel and Training Expenses		$12,000
Materials & Supplies		$ -
Outreach Campaign		$ 5,000
Transcription		$ 2,000
Indirect Cost (10% of personnel salaries excluding benefits and overtime)	10%	$77,295
B. TOTAL OPERATING		**$212,351**

FORM 12

WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
BUDGET: EQUIPMENT
SAN FRANCISCO, FISCAL YEAR 2020-2021

C. EQUIPMENT	
None Requested	$ -
C. TOTAL EQUIPMENT	**$ -**

D. SFDA PROGRAM – GRAND TOTAL	**$1,258,886**

FORM 13

WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
BUDGET: EQUIPMENT LOG
FISCAL YEAR 2020-2021

COUNTY NAME: SAN FRANCISCO

Equipment Ordered	Equipment Cost	Date Ordered	Date Received	Serial Number	Equipment Tag Number
-	-	-	-	-	-

☒ **No equipment purchased.**

I certify this report is accurate and in accordance with the Grant guidelines.

Name: Supriya Perry Title: Managing Attorney

Signature: Supriya S. Perry Digitally signed by Supriya S. Perry Date: 2020.05.15 13:58:03 -07'00' Date: 5/15/2020

ATTACHMENT A

SAN FRANCISCO DISTRICT ATTORNEY'S OFFICE AND DEPARTMENT OF INSURANCE-FRAUD DIVISION, JOINT INVESTIGATIVE PLAN FISCAL YEAR 2020-2021

A. Statement of Goals

The purpose of this Joint Plan is to ensure that the Department of Insurance's Fraud Division and the San Francisco District Attorney's Office will continue to operate in a cooperative effort to achieve successful insurance fraud prosecutions in the County of San Francisco. Members of both offices will meet with each other on a regular basis to share information and to coordinate activities. By this agreement, it is hoped that both agencies will avoid duplicating efforts and will maximize the use of the limited resources of both offices.

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

This Joint Plan shall be effective from July 1, 2020 until June 30, 2021, and shall supersede the Joint Plan currently in effect.

B. Joint Objectives

1. Utilize Fraud Division and County resources in a coordinated manner to reduce the impact of workers' compensation fraud and other related criminal activity.

2. Develop investigative and prosecution strategies that will significantly deter incidents of workers' compensation fraud.

3. Investigate and prosecute individuals, professionals, businesses, and enterprises that commit or attempt to commit workers' compensation fraud and other related criminal activity.

4. Work together to educate employers and employees and the general public about the costs of fraud in terms of compromised public safety, loss of profits, loss of jobs, and high costs of payouts.

5. Form alliances with entities and agencies in both the public and private sector whose common goal is the detection, investigation and prosecution of workers' compensation fraud, employer fraud, insider fraud, and med/legal fraud.

C. Receipt and Assignment of Investigations

All procedures now in effect in this area will remain in effect in the next fiscal year. The Insurance Code requires that suspected fraudulent workers' compensation claims be reported to both the Fraud Division and to the local district attorney. As a practical matter, this does not always occur. Simple investigations will therefore be conducted by the agency that first receives the report. If, for some reason, the primary agency is unable to initiate or complete an investigation, the secondary agency may assist or take over the investigation. Complex investigations will be handled jointly by both agencies with the Fraud Division generally as the lead investigator. If needed, a separate investigative plan may be drafted to fit a particular investigation.

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

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

In an additional effort to avoid unnecessary duplication of investigative efforts, when an insurance company, private investigator, employer or third-party administrator asks for a meeting with the Assistant District Attorney or the Fraud Division to present a "documented

referral," both offices will be invited to be present. If one agency is unable to attend such meeting, the other member agency will advise whether the referral merits the opening of an investigation.

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

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

D. Investigations

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

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

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

E. Undercover Operations

Undercover investigations are conducted in the San Francisco area. All undercover operations will be conducted in a professional manner giving priority to officer and public safety. The progress of any ongoing undercover investigation will also be a topic at the regular review meetings and in conversations between the manager of the Economic Crimes Unit and the Captain of the Golden Gate regional office.

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

If, in the opinion of either agency, the integrity of the investigation, the safety of officers, or the safety of the public is at risk, the investigation will be terminated.

It is also agreed between the two agencies that the conduct of any joint undercover investigation will be treated with the highest priority, and that any personnel participating in the investigation will be given complete support during their involvement in the operation.

F. Informants

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

G. Filing Requirements

Both agencies understand that the charging of a suspect(s) with criminal conduct is the sole duty of the district attorney. San Francisco has adopted the filing protocol of the California District Attorneys' Association (CDAA). Copies of that protocol are located in both offices. In most

insurance fraud matters the cases are filed as felonies. The Assistant District Attorney has the discretion to select other options available in the county.

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

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

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

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

4. A complete description of all suspects.

H. Certified Minute Orders of Convictions

Pursuant to 1871.9 of the California Insurance Code, the California Department of Insurance (CDI) is required to post workers' compensation conviction information on its internet website for each person convicted of a violation involving workers' compensation insurance, services or benefits. The San Francisco District Attorney's Office agrees to provide CDI with certified minute orders on all workers' compensation convictions. The Golden Gate regional office will ensure the certified minute orders are forwarded to the Fraud Division Headquarters.

I. Training

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

In addition to outreach, San Francisco Insurance Fraud personnel and members of the Golden Gate regional office periodically meet to discuss any new filing techniques, and to share intelligence on fraud activity in Northern California.

J. Problem Resolution

Prosecutors and investigators from both agencies have enjoyed a close working relationship. As a result, very few disputes arise which cannot be resolved expeditiously at the lowest possible level. It is anticipated, however, that there may be a need for resolution of a disagreement at a higher level. As in the past, the matter will be handled between the Captain of the Golden Gate regional office and the manager of the district attorney's Insurance Fraud Unit. Charging decisions will be the ultimate decision of the district attorney.

Dated: 5/4/2020

Eric Williams
Captain, Golden Gate Regional Office
California Department of Insurance, Fraud Division

Dated: 5/4/2020

Supriya S. Perry
Managing Attorney, Economic Crime Unit
Office of the District Attorney, San Francisco

CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE DISTRICT ATTORNEY

Chesa Boudin
District Attorney

February 2, 2021

Angela Calvillo, Clerk of the Board
Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102

Dear Ms. Calvillo:

Attached please find a copy of the proposed Resolution for the Board of Supervisors approval, which retroactively authorizes the Office of the District Attorney to accept and expend a grant in the amount of $928,617 from the California Department of Insurance for the Workers' Compensation Insurance Fraud Program for the grant period July 1, 2020 through June 30,2021.

The purpose of the grant is to provide enhanced investigation and prosecution of workers' compensation insurance fraud cases, including the application process and subsequent reporting requirements as set forth in the Workers' Compensation-California Insurance Code section 1872.83, California Code of Regulations, Title 10, Section 2698.55 et seq.

The following is a list of accompanying documents

- Grant information form
- Grant budget
- Grant application
- Grant award letter

We respectfully request an expedited Resolution. The City and County of San Francisco's FY 20-21 Budget and Appropriation Ordinance includes this recurring grant, however, it does not meet the California Department of Insurance resolution regulations. Thus, a separate resolution is necessary. Grant funds will not be released until the California Department of Insurance receives an original or certified copy of the Resolution. The Resolution must be received as soon as possible. If you have any questions, please contact Tara Anderson at Tara.Anderson@sfgov.org.

Chesa Boudin

350 RHODE ISLAND, NORTH BUILDING, SUITE 400N · SAN FRANCISCO, CALIFORNIA 94103
RECEPTION: (628) 652-4000 · FACSIMILE: (628) 652-4001

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

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

DATE: **February 5, 2021**

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

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

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

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

_X_ Grant information form, including disability checklist

_X_ Grant budget

_X_ Grant application

_X_ Grant award letter from funding agency

___ Ethics Form 126 (if applicable)

___ Contracts, Leases/Agreements (if applicable)

_X_ Other (Explain): Cover letter for Department submission

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).

From:	Garrido, Lorna (DAT)
To:	BOS Legislation, (BOS)
Cc:	Clendinen, Eugene (DAT); Arcelona, Sheila (DAT); Perry, Supriya (DAT); Anderson, Tara (DAT); Xie, Sally (DAT)
Subject:	DAT submission of A&E resolution for FY2020-2021 Worker"s Compensation Insurance Fraud Program
Date:	Wednesday, February 17, 2021 12:11:35 PM
Attachments:	FW A&E DAT Worker"s Compensation Insurance Fraud- $928,617.pdf Worker"s Comp Grant 2021 A&E Cover Letter.pdf FY2020-2021 Workers" Compensation Insurance Cover memo & checklist.pdf FY2020-2021 Workers" Compensation Insurance Fraud Resolution.pdf FY2020-2021 Workers" Compensation Insurance Fraud Resolution.doc FY2020-2021 WC Grant Resolution Information Form.pdf FY2020-2021 Workers" Compensation Insurance Fraud Budget.pdf FY2020-2021 Workers" Compensation Insurance Fraud Application.pdf FY2020-2021 Workers" Compensation Insurance Fraud Award.pdf

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Good afternoon,

Please find attached the following A&E resolution documents for the FY2020-2021 Worker's Compensation Insurance Fraud Program:

1. Email approval from CON and MYR (pdf format)
2. Cover letter for Department submission (pdf format)
3. Cover memo & checklist (pdf format)
4. Legislation (Word and pdf format)
5. Grant information form (pdf format)
6. Grant budget (pdf format)
7. Grant application (pdf format)
8. Grant award letter (pdf format)

Please confirm the legislation introduction date of March 2nd for this A&E resolution submission.

Please let me know if you have any question.

Thanks,
Lorna

Lorna Garrido
Grants and Contracts Manager
Office of District Attorney Chesa Boudin
350 Rhode Island Street
North Building, Suite 400N
San Francisco, CA 94103
Phone: (628) 652-4035
Fax: (628) 652-4001
Email: lorna.garrido@sfgov.org