

Contract #: Workers Compensation Insurance Fraud FY 08/09 Resolution
CONTRACT ROUTING SHEET

Date Prepared: 11/12/08

Need Date: 11/18/08

PROCESSING DEPARTMENT:

Department: District Attorney
Dept. Contact: Jodi Albin
Phone #: x 6421
Department: _____
Head Signature: _____
Vern Pierson, DA

CONTRACTOR:

Name: Department of Insurance
Address: _____
Phone: _____

2008 NOV 13 04:08:19
COUNTY COUNSEL
COURT CLERK
Mason

CONTRACTING DEPARTMENT: District Attorney

Service Requested: FY 08/09 Resolution
Contract Term: One Year Contract Value: \$237,800.00
Compliance with Human Resources requirements? Yes: x No: _____
Compliance verified by: n/a

COUNTY COUNSEL: (Must approve all contracts and MOU's)

Approved: ✓ Disapproved: _____ Date: 11-14-08 By: [Signature]
Approved: _____ Disapproved: _____ Date: _____ By: _____

RISK MANAGEMENT: (Must approve all contracts, MOU's and boilerplate grant agreements) N/A

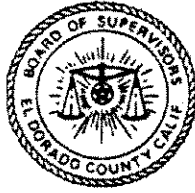
Approved: ✓ Disapproved: _____ Date: 11/14/08 By: [Signature]
Approved: _____ Disapproved: _____ Date: _____ By: _____

RECEIVED
HUMAN RESOURCES
08 NOV 14 AM 1:54

PLEASE CALL JODI AT #6421 FOR PICKUP

OTHER APPROVAL: (Specify department(s) participating or directly affected by this contract).

Departments: _____
Approved: _____ Disapproved: _____ Date: _____ By: _____
Approved: _____ Disapproved: _____ Date: _____ By: _____



RESOLUTION NO.

OF THE BOARD OF SUPERVISORS OF THE COUNTY OF EL DORADO

WHEREAS, the El Dorado County Board of Supervisors desires to undertake a certain program designated Worker's Compensation Insurance Fraud to be funded in part from funds made available through the California Insurance Code Section 1872.83, California Code of Regulations Subchapter 9, Article 3 Section 2698.55 and administered by the California Department of Insurance:

NOW, THEREFORE, BE IT RESOLVED that the district attorney of the El Dorado County District Attorney's Office is authorized to execute, on behalf of the board of supervisors, the Grant Award Agreement including any extensions or amendments thereof which would be prompted by changes in funding levels from the State of California and would not increase net county costs:

BE IT FURTHER RESOLVED that the grant funds received hereunder shall not be used to supplant expenditures controlled by this body.

PASSED AND ADOPTED by the Board of Supervisors of the County of El Dorado at a regular meeting of said Board, held the _____ day of _____, 200__, by the following vote of said Board:

Attest:

Suzanne Allen de Sanchez
Clerk of the Board of Supervisors

Ayes:

Noes:

Absent:

By: _____
Deputy Clerk

Chairman, Board of Supervisors

I CERTIFY THAT:

THE FOREGOING INSTRUMENT IS A CORRECT COPY OF THE ORIGINAL ON FILE IN THIS OFFICE.

DATE: _____

Attest: Suzanne Allen de Sanchez, Clerk of the Board of Supervisors of the County of El Dorado, State of California.

By: _____



STEVE POIZNER
Insurance Commissioner

October 10, 2008

The Honorable Vernon Pierson, District Attorney
El Dorado County District Attorney's Office
515 Main Street
Placerville, CA 95667

Re: Grant Award for Workers' Compensation Insurance Fraud, Fiscal Year 2008-2009

Dear District Attorney Pierson:

I am pleased to inform you that El Dorado County will receive \$237,800. This decision was made in consultation with the Fraud Assessment Commission. In accordance with the California Insurance Code, this grant is to be used for the investigation and prosecution of workers' compensation insurance fraud for fiscal year 2008-2009.

For Fiscal Year 2008-2009, total funding of \$28,995,324 will be distributed to thirty-seven District Attorney Offices in California.

Thank you for your efforts in submitting the Request for Application. I look forward to working with you in the battle against workers' compensation insurance fraud.

If you have any questions regarding your participation in the Workers' Compensation Insurance Fraud Program, please contact Ms. Vicki Griner, Manager, Fraud Division Headquarters, Local Assistance, at (916) 854-5786 or at grinerv@insurance.ca.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Poizner".

Steve Poizner
Insurance Commissioner

cc: Richard Jones

RECEIVED

OCT 14 2008

DISTRICT ATTORNEY

**CALIFORNIA DEPARTMENT OF INSURANCE
FRAUD DIVISION**

**WORKERS' COMPENSATION INSURANCE
FRAUD PROGRAM**

REQUEST-FOR-APPLICATION

FISCAL YEAR 2008-09

**SECTION III
APPLICATION AND INSTRUCTIONS**

REVISED 2/28/08

Pursuant to Insurance Code Section 1872.83, the application for funding is a public document and may be subject to disclosure. However, information submitted to the Department of Insurance concerning criminal investigations, whether active or inactive, are considered confidential.

**WORKERS' COMPENSATION INSURANCE FRAUD
INVESTIGATION/PROSECUTION PROGRAMS
FISCAL YEAR 2008-09 GRANTS**

**Grant Application
Checklist and Sequence**

The Request for Application MUST include the following:

	<u>YES</u>	<u>NO</u>
1. Is the Grant Application Transmittal sheet completed and signed by the District Attorney?	X	<input type="checkbox"/>
2. Is the Program Contact Form completed?	<input type="checkbox"/>	X
3. Is an original or certified copy of the Board Resolution included? If NOT, the cover letter must indicate the submission date.	X	<input type="checkbox"/>
4. The County Plan includes:		
a) County Plan Qualifications	X	<input type="checkbox"/>
b) Staff Qualifications	X	<input type="checkbox"/>
c) Organization chart	X	<input type="checkbox"/>
d) County Plan Problem Statement	X	<input type="checkbox"/>
e) County Plan Program Strategy	X	<input type="checkbox"/>
f) Joint Plan (Attachment A)	X	<input type="checkbox"/>
5. Is the Project Budget included?	X	<input type="checkbox"/>
a) Line-item totals are verified?	X	<input type="checkbox"/>
6. Case Descriptions (Attachment B)	X	<input type="checkbox"/>

GRANT APPLICATION TRANSMITTAL FACE PAGE

Instructions for Fiscal Year 2008-09

GRANT APPLICATION TRANSMITTAL

The Grant Application Transmittal is the cover page for the application. The official signing the face sheet for the applicant must be the District Attorney for the county. The Grant Application Transmittal must also name the contact person who is designated to answer any questions about the proposed program.

1. Program Title: Enter the complete title of the program.

2. Grant Period: Enter the beginning and ending dates of funding as specified in the grant application instructions.

3. Grant Amount: Enter the total amount of state funds requested.

4. Estimated Carry Over Funds: Enter the estimated carry-over funds from the previous fiscal year(s).

5. Program Director: Enter the name, title, mailing address and telephone number of the individual ultimately responsible for the program.

6. Financial Officer: Enter the name, title, mailing address and telephone number of the person who will be responsible for all fiscal matters relating to the program. This person must be someone other than the program director.

7. Official Submitting Application: Enter the name, title, County, address and telephone number of the District Attorney submitting the application. The District Attorney's original signature (not a stamped, photocopied or fax version) must be on at least one copy of the Grant Application Transmittal.

**DEPARTMENT OF INSURANCE
GRANT APPLICATION TRANSMITTAL**

Office of the District Attorney, County of El Dorado, hereby makes application for funds under the *Workers' Compensation Insurance Fraud Program* pursuant to Section 1872.83 of the California Insurance Code.

Contact: Richard A. Jones, Program Manager

Address: 515 Main Street

Placerville, CA 95667

Telephone: (530) 621-6412

Workers' Compensation Insurance Fraud 07/01/08 – 06/30/09

(1) *Program Title*

(2) *Grant Period*

(3) New Funds Being Requested: \$ 295,000

(4) Estimated Carry-Over Funds: \$ 0

Vern R. Pierson

Jodi Albin

(5) *Program Director*

(6) *Financial Officer*

(7) District Attorney's Signature

Name: Vern R. Pierson

Title: District Attorney

County: El Dorado

Address: 515 Main Street

Placerville, CA 95667

Telephone: (530) 621-6472

Date: _____

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CALIFORNIA DEPARTMENT OF INSURANCE
WORKER'S COMPENSATION INSURANCE
FRAUD PROGRAM

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PROGRAM CONTACT FORM
Instructions for Fiscal Year 2008-09

Complete the Program Contact Form on the following page. For the purpose of this RFA, the contact person for CDI is Vicki Griner at (916) 854-5760.

**DEPARTMENT OF INSURANCE
PROGRAM CONTACT FORM**

1. Provide the name, title, address and telephone number for the person having day-to-day operational responsibility for the program, and who can be contacted with questions regarding the program.

Name: Richard A. Jones

Title: Lead Attorney

Address: 515 Main Street

Placerville, CA 95667

E-mail address: rajones@co.el-dorado.ca.us

Telephone Number: (530) 621-6472 Fax Number: (530) 621-1280

2. Provide the name, title, address and telephone number for the District Attorney's Financial Officer.

Name: Jodi Albin

Title: Financial Manager

Address: 515 Main Street

Placerville, CA 95667

E-mail address: _____

Telephone Number: (530) 621-6421 Fax Number: (530) 621-1280

3. Provide the name, title, address and telephone number for the person who may be contacted for questions regarding data collection/reporting for the applicant agency.

Name: Mark Messier

Title: Criminal Investigator

Address: 515 Main Street

Placerville, CA 95667

E-mail address: _____

Telephone Number: (530) 621-6472 Fax Number: (530) 621-1280

BOARD OF SUPERVISORS' RESOLUTION

Instructions for Fiscal Year 2008-09

RESOLUTION

Commitment to funding shall be in the form of a Grant Award Agreement and shall require an enabling resolution from the County Board of Supervisors approving and authorizing execution of the agreement. The County Board of Supervisors' resolution must specify the Board's desire to participate in the program and should delegate authority to the District Attorney (or other county official) to execute the Agreement and any modifications thereof.

A Resolution from the Board of Supervisors authorizing the applicant to enter into a Grant Award Agreement with CDI is required. An original or a certified copy of the current Board Resolution for the new grant period must be submitted to receive funding for the 2008-09 fiscal year. If the Resolution cannot be submitted with the application, a letter must be included which indicates when CDI can expect to receive it (**no later than December 31, 2008**). Grant funds for that particular county will not be released until CDI receives the Resolution and properly executed Grant Award Agreement.

The Board Resolution must designate the official authorized by title to sign the Grant Award Agreement for the applicant. Additionally, the Resolution must include a statement accepting liability for the local program. A sample Resolution follows on page 9.

NOTE: The Resolution must include all of the elements contained in the sample.

1. Enter the full names of the County Board of Supervisors making the resolution.
2. Enter the proposed program. This should be the same as the title of the proposed program on the Grant Application Transmittal.
3. Enter the funding source (***Workers' Compensation***-California Insurance Code Section 1872.83, California Code of Regulations, Title 10, Section 2698.55).
4. Enter the full title of the administrator or executive (e.g. District Attorney) who is authorized to submit the application including any extensions or amendments. This person will sign the Grant Award Agreement.
5. Enter the full title of the organization that will submit the application.
6. Enter the same as item (1).
7. Enter the date of the meeting in which the resolution was adopted.
8. Enter the votes of the members in the appropriate category.
9. Enter the signature of the person signing on behalf of the Board.
10. Enter the date of certification.
11. Enter the typed name and title of the person making the certification.
12. Enter the signature of the person attesting that this is a true copy of the resolution. This must be a person other than the person who signed on behalf of the Board or Council (see item 9).
13. Enter the date attested.
14. Enter the typed name and title of the person attesting.

***SAMPLE
BOARD OF SUPERVISORS' RESOLUTION***

FORM 04

The resolution will be sent to the Department of Insurance after it is received. The Board will not accept the resolution without County Counsel approval/review of the Grant Application.

COUNTY PLAN

Overall Instructions for Fiscal Year 2008-09

COUNTY PLAN

The County Plan is the main body of information about the local program. It describes the need for funding to address investigation and prosecution of insurance fraud demands through appropriate and achievable objectives and activities. **Each district attorney's program award shall be based on the evaluation of the County Plan.** The County Plan shall be evaluated by a Review Panel which is comprised of two members of the Fraud Assessment Commission, the Chief of the Fraud Division or his or her designee, the Director of the Department of Industrial Relations or his or her designee, and an expert in consumer crime investigation and prosecution who is designated by the Insurance Commissioner.

The County Plan:

- **Shall include** elements describing the county's qualifications and the manner in which the District Attorney will use grant funds to investigate and prosecute workers' compensation insurance fraud.
- **Will address** the applicability of the Insurance Commissioner's strategic initiatives and the Fraud Assessment Commission's objectives.
- **Forms** containing narrative requirements are included in the application forms package.

The County Plan consists of the following sections:

- **QUALIFICATIONS (Forms 05, 06(a), 06(b) and 07)**
- **PROBLEM STATEMENT (Form 08)**
- **PROGRAM STRATEGY (Form 09 and Form 10)**

In order to complete the County Plan, reference the definitions on page 11.

Definitions

For purposes of program reporting and grant applications, terms and concepts are defined as follows:

- Documented Case Referral means:
Cases received through specified dates that substantially comply with the documented case referral protocol.
FD-1's/SFC's in and of themselves do not constitute a documented case referral.
- Documented Case Referrals are classified as:
Pending - cases awaiting review
Accepted - cases that are opened and assigned for investigation
Rejected - no further action will occur
- Investigations
Investigation opened means cases in which an investigator or DDA has been assigned to a case. It does not include screening activities such as the initial review of SFC's or phone call referrals, initial California Insurance Code 1877.3 referrals, probation violations, or due diligence searches.
- Cases
Multiple defendant cases should be counted as single cases, not a separate case for each defendant unless the number or names of the individual defendants are specified.
- Arrest
For purposes of the grant application and reporting, arrests include surrenders and citations.
- Cases in court
Filed cases, up to and including sentencing hearing, excluding warrants, and appeals
- Fines
Are defined as fines imposed by the court. Penalty assessments may be included. Do not include booking fees, probation supervision fees or restitution.
- Provider fraud
A provider is defined as an individual or entity claiming to supply medical, legal, or other services in connection with a workers' compensation claim. Include in this category items such as capping, billing services, transportation, translation services.
- Insider fraud
Defined as fraud committed by employees or agents of an insurance company, self-insured employer, third party administrator as defined in California Insurance Code Section 1877.
- Chargeable fraud
Is the total amount of fraud that would result from all the counts that would be or are actually charged.

THE DOCUMENTED REFERRAL

Summary	<p>This chapter covers the reporting of <i>substantiated</i> fraud cases. Once all four elements of fraud are identified, a documented referral is warranted. The entire documented referral protocol is included below.</p>
When is a Documented Referral Necessary?	<p>As covered in the previous chapter, any time there is suspected fraud within the workers' compensation insurance arena, it is required by law that a Suspected Fraudulent Claims report (SFC/FD-1) be submitted to the authorities.</p> <p>After further investigation, more evidence to substantiate the suspicion may be found. In those cases, consider submitting a "documented referral" to law enforcement. A documented referral assists law enforcement and increases the chances of prosecution.</p>
What is a Documented Referral?	<p>A documented fraud referral entails much more information than allowed for on the SFC/FD-1. While each case of suspected fraud is unique, most experts in law enforcement have agreed that the items of information discussed below in the documented referral protocol cover the necessary items. However, be aware that individual district attorney offices may have other items that they will request based on the facts of the case.</p>
Documented Referral Outline	<p>Below is a suggested outline of the items and information that comprise a documented referral. Note that all the items may not be applicable to each claim. However, the more developed the case, the greater the possibility that there will be enough information for law enforcement to open a criminal investigation.</p> <p>The California District Attorneys Association and the California Department of Insurance have approved the following protocol.</p>
Section I. General Identification Information	<p>Include the following general items in the report:</p> <ul style="list-style-type: none">• Case Synopsis: A short, one-paragraph summary of the case. Include general identification information including all information available on the suspect and a short summary of the case.• Suspect's Information: Suspect's name, alias, address, telephone number, employer, employer's address, employer telephone number, suspect's employment position, DOB, POB, sex, race, height, weight, hair color, eye color, social security number, DMV number and prior claim history.• Insurance Information: Insurance company name, address, adjuster's name and telephone number, SIU investigator's name and telephone number, insurance company file number.• If reporting a policy or premium fraud case, you may want to provide

the name of the auditor, underwriter, etc., in lieu of, or addition to, the adjuster name/address/phone number.

- **Other Agencies:** Any other agencies working on the case, along with the contact name and telephone number.
- **Referral Form:** Include a copy of the previously submitted Suspected Fraudulent Claim (SFC/FD-1) form.

Section II. Narrative Statement

After the general identification section, complete a narrative statement of the facts of the case. Here are some tips for writing a complete narrative statement.

- The statement should be written in chronological order. Start with the beginning of the case, include the investigation conducted, and conclude with the current status of the fraudulent claim.
- When necessary, each statement should reference exhibits that support the statement.
- Make specific reference to relevant documents in the insurance company or claims files, reports or interview or witnesses, medical files, depositions, videotapes, etc. For every document described in the narrative statement there should be an explanation of the document's origin, i.e., where it came from, where it was found. Specify which witnesses can testify to its authenticity.
- The narrative should include all the facts, both good and bad.
- If aware of any potential defenses the suspect might assert, those should be included in your narrative.
- Omit opinions; use only facts.
- If a timeline would be helpful to explain the chronological order of events, it should be included in the exhibit section and referenced in the narrative statement.

Section II. Narrative Statement, (continued)

For every misrepresentation alleged, the following information should be provided:

- The exact statement (misrepresentation) made
- The date the misrepresentation was made
- Where it was made and to whom
- Identification of the exhibit where the misrepresentation is contained (i.e., WC claim, letter from Dr. "A", report of interview of "B", computer printout, application for insurance, etc.)
- Evidence which proves the representation is untrue (e.g., deposition pg. 1, line 15; sub rosa videotape at 2349-3542; Dr. "C" letter dated 4/3/92; report of interview with "D")
- An explanation of why the misrepresentation is important to the case
- Identification of witnesses who will testify to this conclusion

Section III. Date of

In the documented referral, it is imperative that the earliest date the possible criminal activity was discovered is provided. Include specific statements

Discovery of Suspected Fraud about when and how the fraud was discovered, who discovered it, and why it was not discovered earlier.

Section IV. Exhibit List Every exhibit referenced in the narrative statement should have a number and be listed in the order the exhibits are referenced in the narrative statement. This list should be placed just following the narrative statement of the case. Audiotapes, videotapes, transcripts and any available photographs of the suspect should be included. If a statement is attributed to a witness in the narrative statement, there should be a report of interview for that witness in the exhibits. The report of interview should state who is being interviewed, the date, time and location of the interview. All persons present during the interview should be noted. If it is taped, this should be noted in the report or interview. For documents listed in the Exhibit List, there should be an indication of where each document came from.

Example: Exhibit 1- Application for insurance policy on 1994 Toyota Tercel, contained in underwriting file for "X" Insurance Company for policy number 123456; Exhibit 2- Fax letter sent by Joe Suspect to "X" Insurance Company on March 5, 1993 and placed in "X" Insurance Company's claim file No. 654321 by adjuster Mary Jones.

Section V. Crimes Requested to be Charged For each crime sought to be charged there should be a short statement explaining the basis for this request.

Example: Insurance Code 1871.4(a)(1)– Claimant stated there was no prior injuries to his back during an appointment with Dr. Jones. (See Exhibit 8 - Dr. Jones' report dated January 15, 1996). In fact, claimant had seen Dr. Smith previously and told him that he had injured his back in an auto collision (See Exhibit 11 - Dr. Smith intake report dated March 20, 1995).

Section VI. Loss and Restitution There should be a summary of the monetary loss to all victims (insurance company, employer, etc.) and the basis for the computation of the loss. The total loss should also be contained in the narrative, but the computation should appear in more detail in this section. In addition to the total losses, also include the costs incurred by your company to investigate the claim.

If you have information regarding assets of the suspect, place that information here. This is particularly important if the loss exceeds \$100,000.00.

Section VII. Witness List There should be a section that lists the names of all witnesses, their addresses, phone numbers, and any identification information available to the investigator (i.e. date of birth, Social Security number, driver's license information) in case the witness moves. This section should also reveal the importance of the witness by explaining, in one or two sentences, what he/she will be able to testify to.

Example: Claimant Fraud An example of a typical claimant workers' compensation documented case referral should include, but is not limited to, the following information.

- Suspected Fraudulent Claim Report (SFC/FD-1)
- Employee Claim Form (DWC-1)
- Employers First Report of Injury (DSL5020)
- Doctors First Report of Injury (DSL 5021)
- Medical reports that focus on the claimant's current disabling condition and or past medical history
- Documentation in support of the claim, submitted by the claimant (letter, affidavits, medical bills, etc.)
- Copies of deposition transcription
- Copies of reports of interviews and or recorded statements
- Photographs and/or videotapes along with investigative reports
- All claims database information
- Substantiation of employment while disabled
- Substantiation of prior claims from other insurers
- DO NOT send attorney-client privileged communications.

**Example:
Premium Fraud**

An example of a typical premium fraud documented referral should include, but is not limited to, the following information:

- Suspected Fraudulent claim Report (SFC/FD-1)
- Application
- Payroll Reports
- Audits
- Certificate of Insurance
- Claims Information
- Secretary of State Information
- Department of Corporations
- Contractors State License Boards
- Quarterly Employee Tax Statements
- Employee Wage Reports
- Prevailing Wage Statements
- Policy Information
- DO NOT send attorney-client privileged communications.

**Other Types of
Suspected Fraud**

For other types of suspected fraud (e.g. medical, legal, pharmacy, employer, agent/broker, embezzlement) use the guidelines contained in this protocol.

**Sending the
Documented
Referral**

These documented referrals should be simultaneously submitted to California Department of Insurance, Criminal Investigations Branch, Fraud Division and the local district attorney's office.

Include complete addresses of all agencies/entities referral information is sent to.

Do not send original documents or a copy of the entire investigative file until requested to do so.

Questions?

For questions regarding this process, please contact the local California Department of Insurance, Fraud Division Regional Office or the local district attorney.

*** CASE CATEGORIES

Standard Case:

1. One defendant
 2. Loss under \$10,000
 3. One employer victim
- Loss = Amount of chargeable fraud

Medium Case:

1. Loss from \$10,000 up to \$49,999.

Complex Case:

1. Loss from \$50,000 up to \$250,000.

Very Complex Case:

1. Loss greater than \$250,000.

The above stated loss amounts are only guidelines for each category. Notwithstanding the guidelines, a case shall be elevated from one category to any other higher category if the necessary number of aggravating factors as stated below exist:

A Standard case + at least 2 Aggravating factors = A Medium case

A Medium case + at least 2 Aggravating factors = A Complex case

A Complex case + at least 2 Aggravating factors = A Very Complex case

e.g. A Standard case with at least 6 Aggravating factors becomes a Very Complex case.

AGGRAVATING FACTORS:

1. Multiple Defendants or Suspects
2. Multiple claims by a single defendant or suspect
3. More than 2,000 pages of reviewable material.
4. More than 20 witnesses (excluding non-suspect medical providers).
5. More than 6 non-suspect medical providers or other experts.
6. A case involving a suspect legal provider(s) or a suspect medical provider(s).
7. More than 2 insurance carriers/self-insured involved.
8. Search warrant(s) involving 2 or more search locations
9. Special Master warrant involved.
10. Search warrant which requires assistance of an expert in its execution: e.g. computer expert, auditor, etc... This does not refer to the typical expertise of the searching police officer(s).
11. More than 2 public agencies (excluding D.A.) involved.
12. Undercover operation by law enforcement
13. Grand Jury Proceedings.
14. One or more Motions (other than a P.C. 995 motion) requiring a filed response.
15. More than 2 contested Court hearings not including arraignment and preliminary hearings.

QUALIFICATIONS COUNTY PLAN
Instructions for Fiscal Year 2008-09

In accordance with California Code of Regulations, Title 10, Section 2698.55, the County must submit a County plan. Please complete forms 5-10.

In answering the questions on Forms 05, 06, and 07, also be sure to include the following information:

QUALIFICATIONS

The Qualifications Section consists of these forms:

- *Form 05*
- *Form 06(a)*
- *Form 06(b)*
- *Form 07*

Complete and submit the Qualifications forms, providing updated information according to the instructions in the form section. **Please complete Attachment B, which is a confidential document.**

If the county has received a grant award from CDI in prior years, the outcomes reported in this section shall represent activities funded by the grant award. Outcomes achieved through county or other funding sources shall be designated separately.

**WORKERS' COMPENSATION INSURANCE FRAUD
QUALIFICATIONS**

Answer the following questions to describe your experience in investigating and prosecuting workers' compensation insurance fraud cases during the last two (2) fiscal years as specified in the California Code of Regulations, Title 10, Section 2698.55.

INTRODUCTION

The El Dorado County District Attorney's Office is entering into its sixteenth year with our Workers' Compensation Insurance Fraud Unit. The 2007-2008 year was, without question, our most fruitful and productive year this office has experienced. With the leadership of our newly elected District Attorney, Vern Pierson, the office has made substantial strides in our efforts to investigate and prosecute fraud generally and Workers' Compensation fraud in particular. Since Mr. Pierson's election in January of 2007, we have engaged in a major effort to develop our unit and instituted a very proactive enforcement and outreach program. With our renewed dedication to the goals and objectives set by the Commissioner and the Fraud Division, and with direction of our lead attorney, our relationship with the Fraud Division has matured rapidly.

El Dorado County's new proactive and aggressive fraud program is being directed by a seasoned and experienced fraud prosecutor. The deputy district attorney working this unit is Richard A. Jones, who is responsible for the review and prosecution of all cases. District attorney investigator Mark Messier, a seasoned investigator, has been assigned 100% to the Workers' Compensation Program.

1. What areas of your workers' compensation insurance fraud operation were successful and why?

We are looking at 2007-2008 as our "First Year" with our new fraud program in El Dorado County. We have had our resources tested by events that were not envisioned at the outset but that led to rapid maturing of our staff and involved development of relationships with other agencies.

THE ANGORA FIRE: A TRUE TEST

This unfortunate disaster led to a significant joint effort with El Dorado County District Attorney, CDI and the CSLB in the creation of a fraud interdiction team to assist the many victims of the fire, and to subsequently prosecute many unlicensed contractors for their attempts to further victimize those whose homes were lost or damaged.

Initially, the effort of the three agencies was informational. That is to say, we were on the ground in the fire area prior to the homeowners being allowed into the area. This was done to allow the Fraud Team to view the area prior to the homeowners' return and allow

us to formulate a plan as to how to allocate our team resources. The next day the homeowners were allowed into the ravaged fire area. We were armed with information designed by the CDI, the CSLB and District Attorney which provided the victims with information about how to protect themselves from unscrupulous vendors. This informational phase was conducted by direct contact with the victims of the fire. It was determined at the outset that the emotional state of the victims was such that direct contact was inappropriate. We then changed our mode of contact by moving our point of contact to the roadblocks set up by the local law enforcement. It was at this juncture that contact was made with the victims and our informational packets were distributed to the victims as they entered the fire area.

Subsequent to the informational phase, we moved into the enforcement sphere and direct contact was made with vendors in the area where a determination was made of the appropriateness of the vendors presence in the fire area. Did the vendor have a valid reason to be in the area and was the vendor properly licensed by the state, where necessary, and possess necessary county business licenses?

On July 4, 2007, the first of several sting operations was organized, the first being with CDI, CSLB and the District Attorney leading to several felony arrests and prosecutions. Thereafter, and on July 26, 2007, a second sting was conducted by CDI, CSLB and District Attorney, again leading to several arrests on felony charges and subsequent prosecutions. Other stings were conducted by the District Attorney and state environmental agency, also leading to arrests and prosecutions.

The overwhelming effect of the effort, as expressed by the victims, to the work undertaken by CDI, CSLB and District Attorney demonstrated just how effective we were in protecting the citizens/victims of this calamity.

The joint effort led to the establishment of deep-seated respect and working relationship among these three agencies. As pertains to the CDI especially, the time expended working together has led to the type of relationship of trust and knowledge that we are partners in the commonality of what it is we are charged to do, i.e., fight fraud and protect the citizens of our state.

Thought this was not a project anticipated by anyone at the time of our initial RFA, it was handled as needed and did not detract from our original stated purpose as delineated in our original RFA.

EL DORADO COUNTY 3700.5 PROGRAM

Mark Messier, our dedicated fraud investigator, was able to commence a very viable and aggressive effort in 2007 of outreach and enforcement ensuring the protection of workers in our county. On a regular basis, Mr. Messier goes into the field and contacts persons who appear to be involved in contractor style projects.

A significant tool utilized by Mr. Messier is a weekly listing from the Building Department delineating all building permits issued in the county. The information reveals the owner, contractor, scope and value of the project. The listing is of particular

importance as it will tell us if the person requesting the permit is an “owner/builder”. We have determined that many unlicensed people who are attempting to avoid detection will have the homeowner pull the permit.

Our program enables Mr. Messier to access CSLB records concerning licensing and workers’ compensation information at the scene, using equipment provided through the grant. This equipment is being upgraded in May, 2008 to include a laptop computer with air card so as to allow access to a myriad of records including CSLB, CLETS (to search for arrest warrants), and CAL.ID (to check identities). Mr. Messier, with the appropriate information, will initiate contact and determine the relationship among those being contacted, and if workers compensation is necessary. Mr. Messier will provide current information regarding the need for workers’ compensation insurance and make an initial evaluation as to whether there may be a current violation of law.

As a result of his efforts, Mr. Messier has made over 100 contacts and from those contacts we have filed 58 criminal complaints, 14 of which were felonies.

As to those contacted who were in compliance, Mr. Messier receives “Thank You” comments for looking after the compliant contractors.

To date we have obtained orders for the payment of fines in the amount of \$35,735 and have collected \$5,395.

OUTREACH

In conjunction with our 3700.5 program, we have had contact with many in the community. We have presented to meetings with contractors, and to others through the El Dorado County Builders Association. This included meetings/presentations to the Angora fire victims in conjunction with County Supervisor, Norma Santiago, discussing issues dealing with licensing and workers’ compensation insurance. The attendance at these meetings was substantial in that some 470 persons have been in attendance. One meeting of note was the Northern California Chiefs Association consisting of the chief investigators from Northern California district attorneys offices. At this meeting Mr. Messier and Mr. Jones gave a presentation outlining the issues of fraud in a disaster area and the effectiveness of our Fraud Interdiction Team

In addition, Mr. Pierson in July of 2007, updated his DVD entitled “Truth or Consequences Workers’ Compensation Fraud” which is a 23 minute production dealing with the penalties associated with such fraud. This DVD is being distributed to various groups to enhance awareness of the effects and penalties associated with Workers’ Compensation Fraud.

As a result of the work done in the Angora Fire, our team was assisted in an investigation by several public adjusters from The Greenspan Co. They assisted, on a voluntary basis, in our inquiry into the Paramount Disaster Recovery Inc. scam being perpetrated upon numerous Angora fire victims. This scam lead to a civil cease and desist order by the Insurance Commissioner and criminal charges by the District Attorneys office for practicing as a public adjuster without being properly licensed. Mr. Jones was just

recently invited to give a presentation to the National Association of Public Insurance Adjusters concerning the work by the Fraud Interdiction Team in the Angora Fire area.

As is often the case in fraud situations, derivative cases often emerge. The Angora Fire situation was no exception. As a result of the fire, a local citizen, to aid the fire victims, sponsored a charitable dinner to raise money to be provided to the victims directly to assist them with their needs. It turned out, however, that an individual who was on the City of South Lake Tahoe City Council attempted, with the sponsor of the dinner, to divert a substantial portion of these funds to another organization. This issue was brought to our attention via a citizen complaint. This citizen had contributed to the "Fund" and did not want any of the money to be diverted to the other organization which was the El Dorado Food Bank. Our investigation determined the complaint to be true and that the proceeds raised by the dinner were only to be used for the benefit of the fire victims and none of the proceeds could be used for the Food Bank. In the end, all of the proceeds went to the Angora Fire Fund, a legal charitable fund. The sum attempted to be diverted was approximately \$25,000.

From this incident, Mr. Messier and Mr. Jones met with several representatives of other charitable organizations and the president of the South Lake Tahoe Chamber of Commerce relative to the handling and distribution of donated funds concerning monies accumulated as a result of the Angora Fire.

2. Specify what unfunded contributions, i.e., financial, equipment, personnel, technology and support your county provided to the workers' compensation insurance fraud program.

In addition to the items listed below, this year led to our needing assistance from investigative and administrative personnel that was not contemplated initially. The Angora Fire required us to use personnel and staff not normally necessitated in our day to day operations. In this situation our District Attorney, Vern Pierson, made several visits to the area to meet with victims and to attend various meetings, not the least of which were meetings sponsored by Paramount Disaster Recovery Inc. which was an organization suspected of engaging in questionable behaviors. Also, additional investigators were used to assist in our "sting" operations in the Angora Fire area on July 4, 2007 and July 26, 2007.

In the South Lake Tahoe office a case is presently being prosecuted that initially should have been pursued as a workers' compensation insurance fraud case. Under the prior management, errors in judgment and in procedure caused the matter to be filed as strictly an embezzlement case. This error was discovered by the recently elected district attorney and reviewed by the present lead attorney of the program. Because of issues relating to the statute of limitations, it was determined that an amendment to the complaint to allege insurance fraud violations would not be permissible. Therefore, the case is being prosecuted as a non-fraud criminal case, but with the same vigor and dedication as if it were a workers' compensation fraud matter.

We found that we used police radios, vests, firearms, safety equipment funded by the County. In addition the following unfunded resources consisted of:

- the District Attorney's time to promote the program to secure funding from the Board of Supervisors,
- meetings with fellow District Attorneys to apprise them of the program,
- use of lap top computers, and
- investigative and attorney staff that assisted the Workers' compensation fraud investigator in the service of search warrants, arrest warrants and investigations.

Occasionally deputy district attorneys, not assigned to the program, would assist the assigned attorney by making court appearances when the assigned attorney needed coverage on his calendar due to his unavailability.

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

For the first time in recent memory, and in keeping with the Fraud Assessment Commission's request, in this last year we have not experienced any turnover in our unit. Under the leadership of Vern Pierson, and his dedication to the program, he has assigned an experienced attorney and investigator to the program with no intent to disrupt what has proven to be a valuable and capable team.

It is the policy of this office to not change personnel assigned to the program merely for the sake of change. Our policy recognizes that experience and continuity are important qualities to a viable and robust program.

In our particular geographic circumstance with one office in Placerville and one in the city of South Lake Tahoe, all filings are handled through the Placerville office regardless of the location of the law violation in the county. We envision this filing process to continue even when an additional investigator for the program is added to the South Lake Tahoe office. This policy helps to ensure the continuity of filing practices, continuity of the investigations and access to our staff by CDI and other governmental agencies located in Sacramento or other areas remote to the South Lake Tahoe office.

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

Presently, program manager Mark Messier and attorney Richard Jones have established working relationships with the State Contractors License Board, Department of Insurance, Franchise Tax, State Labor Commission and the Underground Economic Crimes Task Force. Locally there is a relationship with the El Dorado County Risk Management Department, California Highway Patrol, Placerville City Government and the City of South Lake Tahoe.

Over the period of the last year, the relationships with CSLB, CDI, and the Division of Labor Standards and Enforcement have matured rapidly as a result of our close ties stemming from the Angora Fire. We believe that this event allowed us to get to know each other and develop a strong working relationship and, most importantly, we have developed a strong respect and trust, each of the other. As such, the District Attorneys office has just completed a two day sting with CDI and CSLB, and in May of 2008 we have a sweep planned in South Lake Tahoe with CDI of the hotel/motel businesses as well as restaurants for compliance with the workers' compensation laws.

Also, Mr. Jones and Mr. Messier have developed a close working relationship with the Amador County deputy district attorney, Mr. Zambrano. This effort has been in the area of general advice in the re-establishment of the Workers Compensation Fraud Program and in the creation of a significant joint outreach program, including the updating of the Amador County video on workers compensation. In addition, we are planning a joint two day workers' compensation training conference in the summer of 2008 in South Lake Tahoe. To that end we are working with the South Lake Tahoe Chamber of Commerce to obtain a list of local businesses who would benefit from this training.

5. Was there a distribution of frozen assets in the current reporting period? If yes, please describe. If no, state none.

None.

QUALIFICATIONS

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

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

Prosecutors	% Time	Time With Program Start date/End date
Richard A. Jones	40%	April 07 to Present

Investigators	% Time	Time With Program Start date/End date
Mark Messier	100%	January 07 to present
Brian Kuhlman	50%	4/1/08 to present

ORGANIZATIONAL CHART
Instructions for Fiscal Year 2008-09

The Organizational Chart is to be an attachment provided by the county and is to be labeled as Form 06(b).

ORGANIZATION CHART

Provide an organization chart outlining:

- The lines of authority within the District Attorney's Office from the elected District Attorney to the program, and
- The lines of authority within the program.
- Clearly demonstrate the placement of the program staff and their programmatic responsibility.

If there are any changes of personnel as shown on Form 02 and Form 03, the county must notify the Fraud Division, Local Assistance Unit in writing within 30 days.

ORGANIZATIONAL CHART

DISTRICT ATTORNEY PROGRAM REPORT (DAR)
Instructions for Fiscal Year 2007-08

The DAR provides actual data on activities such as investigations, cases, arrests, convictions and other statistical information. Completion of the program report reflects that the Fraud Division and county district attorneys meet its mutual obligation to protect the public from economic loss and distress by actively investigating and arresting those who commit insurance fraud and to reduce the overall incidence of insurance fraud through anti-fraud outreach to the public, private, and governmental sectors.

This version of the DAR comprises the program activity for the Grant Date period (July 1, 2007 through April 15, 2008).

**COUNTIES CURRENTLY PARTICIPATING IN THE WORKERS'
COMPENSATION INSURANCE FRAUD PROGRAM**

Counties currently participating in the Workers' Compensation Insurance Fraud Program should input their DAR data for the Grant Date period online. To access the report, please go to the California Department of Insurance, Fraud Division home page at <http://www.insurance.ca.gov/0300-fraud/0100-fraud-division-overview> and click the link at **District Attorney Program Report**. Once at the program report page, follow the instructions for completing the report and navigating the site. We recommend saving the internet address as a favorite in your internet browser.

Please note, a previously submitted 2007-08, mid-year DAR can be copied to the current Grant Date reporting period. Simply use the Search function to bring up your submitted 2007-08, mid-year DAR report and click the Copy function. This will automatically create a Grant Date reporting period version and will not require repeated input of some of the data.

Once submitted, a county is not required to mail the Grant Date period DAR to the Fraud Division. The Fraud Division will download and print a copy of the county's submitted DAR report and attached it to the county's RFA when received.

**COUNTIES CURRENTLY NOT PARTICIPATING IN THE WORKERS'
COMPENSATION INSURANCE FRAUD PROGRAM**

We have included an Excel version of the DAR report for your convenience. You will be required to save the Excel version to a hard drive or another disk, input the data, and include a printed copy with your county's RFA.

If you wish to complete this section of the RFA online, please email **DA_Reporting_Info@insurance.ca.gov** and request a user ID and password for your county.

DAR ACTIVITY

This information has been transmitted electronically to the Department of Insurance as provided in the RFA, page 30.

CALIFORNIA DEPARTMENT OF INSURANCE - FRAUD DIVISION
WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM
FISCAL YEAR 2007-2008 (From 7-1-07 to 4-15-08)
PROGRAM REPORT FOR _____ COUNTY

I. Number of Suspected Fraud Claims Reviewed from 7/1/07 through 4/15/08						
II. DOCUMENTED CASE REFERRALS SOURCES	PENDING	ACCEPTED	REJECTED	TOTAL		
A. CDI - Fraud Division						
B. Private Carrier						
C. Local Law Enforcement						
D. Self Insured /Third Party Administrator						
E. Department of Industrial Relations						
F. Others						
Total (A-F)						
III. INVESTIGATIONS - PRE FILING DECISIONS					CASES	SUSPECTS
A. Number of cases and suspects carried forward on 6/30/07 to FY 07/08						
B. Number of NEW cases and suspects initiated from 7/1/07 through 4/15/2008						
C. Total Cases/Suspects (A+B)						
Case Investigations by Categories and Complexities	STANDARD	MEDIUM	COMPLEX	VERY COMPLEX	TOTAL CASES	DEFENDANTS
1. Claimant Fraud						
2. Premium Fraud						
3. Multiple Entities Provider Fraud						
4. Single Entity Provider Fraud						
5. Insider Fraud						
6. Uninsured Employer						
7. Other						
TOTAL (Same as C)						
D. DA Rejection/Closed after investigation					TOTAL	
Cases by District Attorney Investigators	Cases by Fraud Division	Cases by Others	Joint Cases			

FORM 07

Cases Rejected from 7/1/07 through 4/15/2008 by Categories and Complexities		STANDARD	MEDIUM	COMPLEX	VERY COMPLEX	TOTAL CASES	TOTAL DEFENDANTS	ESTIMATED CHARGEABLE FRAUD (in dollars)
E.	1. Claimant Fraud							
	2. Premium Fraud							
	3. Multiple Entities Provider Fraud							
	4. Single Entity Provider Fraud							
	5. Insider Fraud							
	6. Uninsured Employer							
	7. Other							
	TOTAL							
IV ARRESTS THIS REPORTING PERIOD							CASES	DEFENDANTS
A Total Arrests/Surrenders - Felony								
B Total Arrests/Surrenders - Misdemeanor								
Total (A+B) - Felonies and Misdemeanors								
V CASES & DEFENDANTS IN COURT								
A Cases carried forward on 6/30/07 to FY 07/08 by Categories and Complexities		STANDARD	MEDIUM	COMPLEX	VERY COMPLEX	TOTAL CASES	TOTAL DEFENDANTS	ESTIMATED CHARGEABLE FRAUD (in dollars)
	1. Claimant Fraud							
	2. Premium Fraud							
	3. Multiple Entities Provider Fraud							
	4. Single Entity Provider Fraud							
	5. Insider Fraud							
	6. Uninsured Employer							
	7. Other							
B New Case Filings/Indictments Initiated 7/1/07 through 4/15/2008 by Categories and Complexities		STANDARD	MEDIUM	COMPLEX	VERY COMPLEX	TOTAL CASES	TOTAL DEFENDANTS	ESTIMATED CHARGEABLE FRAUD (in dollars)
	1. Claimant Fraud							
	2. Premium Fraud							
	3. Multiple Entities Provider Fraud							
	4. Single Entity Provider Fraud							
	5. Insider Fraud							
	6. Uninsured Employer							
	7. Other							

FORM 07

V. CASES IN COURT (CONTINUED)							
C. Total Cases in Court - Categories and Complexities (A+B)	STANDARD	MEDIUM	COMPLEX	VERY COMPLEX	TOTAL CASES	TOTAL DEFENDANTS	ESTIMATED CHARGEABLE FRAUD (in dollars)
1. Claimant Fraud							
2. Premium Fraud							
3. Multiple Entities Provider Fraud							
4. Single Entity Provider Fraud							
5. Insider Fraud							
6. Uninsured Employer							
7. Other							
TOTAL CASES IN COURT							
D. TOTAL CASES BY FILING CLASSIFICATION		Joint	DA	CDI	OTHER	TOTAL CASES	DEFENDANTS
1. Felony Cases from (C)							
2. Misdemeanor Cases from (C)							
3. Civil Cases from (C)							
F. COURT PROCEEDINGS					Cases	DEFENDANTS	
1. Number of Preliminary Hearings							
2. Number of Grand Jury Indictments							
3. Number of Probation Violations							
4. Trials					Number of Trials	Days in Trials	
Court Trials							
Jury Trials							
TOTAL							
					Number of Cases	Amount	
5. Assets frozen							

FORM 07

VI. FELONY DISPOSITIONS	CASES	DEFENDANTS
A. Dispositions		
1. Number of Convictions by Trial		
2. Number of Convictions by Plea		
3. Number of Acquittals		
4. Number of Dismissals		
B. Sentences (Including Probation Violations)		
1. State Prison Imposed		
2. County Jail Imposed		
3. Probation, no Jail Imposed		
C. Reduction to Misdemeanor		
	AMOUNT ORDERED	AMOUNT COLLECTED *
D. Amount of Fines & Penalty Assessments		
E. Amount of Restitution		

*Amount collected from all cases during the fiscal year.

FORM 07

VII. MISDEMEANOR - DISPOSITIONS		CASES	DEFENDANTS
A. Dispositions			
1. Number of Convictions by Trial			
2. Number of Convictions by Plea			
3. Number of Acquittals			
4. Number of Dismissals			
B. Sentences			
1. State Prison Imposed			
2. County Jail Imposed			
3. Probation, no Jail Imposed			
C. Reduction to Misdemeanor			
		AMOUNT ORDERED	AMOUNT COLLECTED*
D. Amount of Fines & Penalty Assessments			
E. Amount of Restitution			
VIII. CIVIL CASES		NUMBER	NUMBER OF JUDGMENTS
A. Cases carried forward on 6/30/07 to FY 07/08			
B. New Cases filed this reporting period from 7/1/07 through 4/15/08.			
C. Total Cases (A+B)			
D. Cases Concluded this reporting period.			
E. Judgments		AMOUNT ORDERED	AMOUNT COLLECTED*
1. Restitution			
2. Fines and Penalties			
3. Costs			
IX. SEARCH WARRANTS	NUMBER	SUSPECTS	LOCATIONS
A. Non-Special Master Search Warrants Issued			
B. Special Master Search Warrants			
C. Total Search Warrants Issued			
X. OUTREACH TRAINING	NUMBER		
A. Number of outreach sessions			
B. Total number of attendees			

**CASE DATABASE
COUNTY:**

CASE#	DEPONDANT'S FULL NAME	CITY/COUNTY OF RESIDENCE/BUSINESS	ARREST				SENTENCE										REFERRAL SOURCE									
			ROLE*	PERIOD	ARREST DATE	CHARGE	PRELIMINARY NO.	DATE OF CONVICTION	COURT	ESTIMATED CHARGEABLE FRAUD (\$)	PRIMARY CONVICTED CHARGE	MEMORANDUM NO.	COUNTY JURY (days)	PRISON (months)	PROBATION (months)	COMMUNITY SERVICE (hours)		OTHERS	ACQUITTAIS DATE	TOTAL	TOTAL DISMISSALS DATE	ASSETS FROZEN (\$)	RESTITUTION ORDERED (\$)	FINE (\$)		
1																										
2																										
3																										
4																										
5																										
6																										
7																										
TOTAL																										

Insert appropriate letter

*Role:		** Referral Sources	
Claimant Fraud	A	CDI - Fraud Division	A
Provider Fraud	B	Private Carrier	B
Multi-Families	C	Local Law Enforcement	C
Single Entity	C	Third Party	D
Insider Fraud	E	Self-Insured	E
Uninsured Employer	F	Other	F
Other	G		

PROBLEM STATEMENT
Instructions for Fiscal Year 2008-09

In answering the questions on Form 08, also be sure to include the following information:

PROBLEM STATEMENT

Describe the nature and extent of the problem in the county. Include in your responses, the following:

- Its sources and causes
- Its economic and social impacts
- Its unique aspects, if any
- What is needed to resolve the problem

Supporting data and evidence or indicators of fraudulent activity related to workers' compensation insurance may include data and information derived from these sources:

- Self-insured employers
- Other local law enforcement entities
- Insurers
- The Fraud Division, and/or the Investigation Division of the California Department of Insurance
- Other interested parties

COUNTY PLAN PROBLEM STATEMENT

- 1. Please describe the types and magnitude of workers' compensation insurance fraud (claimant, medical/legal provider, premium/employer fraud, insider fraud, insurer fraud) relative to the extent of the problem specific to your county. Please use local data or other evidence to support your description.**

PROBLEM STATEMENT

Following is the County Plan Problem Statement describing the size and nature of the community, an estimate of the scope of the workers' compensation insurance fraud problem, the past performance of the county attendant to that problem and the performance objective and future goals of the County.

El Dorado County is contiguous to Sacramento County on the west, Placer County to the north, Amador and Alpine Counties to the south and the Nevada State line to the east. El Dorado County consists of a rural population of approximately 178,700 including an estimated work force of 93,600, the majority of whom reside in the Western Slope communities of Placerville, Shingle Springs, Cameron Park and El Dorado Hills. There has been significant growth in the number of businesses and companies that have opened or relocated to the Western Slope area of the county, particularly in the communities of Cameron Park and El Dorado Hills.

El Dorado industry employment totaled 52,700 in 2006, an increase of 2.7 percent (1400 jobs) from 2005. Jobs in El Dorado County increased 11.2% from 2002 through 2005 and the county unemployment rate has been consistently lower than the rate for California for the years 2002 through 2006.

There are approximately 6,613 businesses in El Dorado County. Of the businesses in the County, 42% are in the service sector, 20% is retail trade, 12% in the construction area, 7% in the area of finance and real estate, 4% in wholesale trade and 4% in agriculture, forestry and fishing. It is estimated that in the year 2006 there were approximately 52,700 persons employed in the county. Large office complexes staffed by health maintenance organizations, and smaller businesses such as grocery stores, coffee shops, equipment and machinery repair, dry cleaning and restaurants contributed to the rapid growth of El Dorado Hills. Larger retailers like Home Depot, Target and Blue Cross have opened in the county. That growth has contributed significantly to the increase in commercial and residential construction which gained over 1000 jobs in 2006. The area offers a variety of tourist attractions and locally-owned retail businesses and a modest

amount of agricultural and timber products. It also serves as a bedroom community for adjacent counties offering greater employment opportunities.

The rural nature of El Dorado County, 1805 square miles, and its lack of significant industry is reflected by the substantial number of skilled and semi-skilled laborers who earn their living in the building trades, job classifications which typically raise the insurance costs to employers. Those trades are replete with small entrepreneurs, some of whom avoid their insurance obligations by failing to obtain workers' compensation insurance, under-reporting their payroll, misclassifying their employees, reporting employees as independent contractors, and concealing their prior claims through business name-changes. Such conduct by employers creates unfair competition in the industry and places the employees at risk.

The recently elected District Attorney, Vern Pierson, has set a goal of making our office very active in the arena of consumer protection, generally, and fighting insurance fraud specifically. This effort being undertaken by the District Attorney dovetails directly with the stated goals of the Commissioner and the Fraud Division. Over the last year, 2007 to present, our office has aggressively sought to educate consumers and employees of the protections to which they are entitled as well as prosecute those who deny them these protections. This office will allow citizens of the County access to the office for protection of their rights, as well as forum to report situations of potentially illegal conduct. As a significant part of this goal, enforcement of the Workers' Compensation Fraud Program has become a cornerstone of the Consumer Protection effort. This program allows for the protection of unwary workers, as well as protecting those employers who do obey the law. In prior years, suspected fraudulent cases involving workers' compensation insurance fraud were investigated or prosecuted on a limited basis. Our "first year" has demonstrated a significant turn around in our efforts in the realm of investigating and prosecution of violators. Though some grant monies were provided to El Dorado County in the past, little was accomplished, either because of the substantial turnover in the office or neglect by the prior management. Now that the new management is in place, and with Mr. Pierson's known accomplishments in the field, El Dorado County has and is, instituting a very aggressive program, as evidenced by our accomplishments over the last year. Our program is staffed with a highly qualified investigator, and a senior and experienced trial attorney.

As an example of the efforts being expended and the urgency of the problem, Investigator Messier initiated a 3700.5 Program as of February of 2007. Mr. Messier has conducted at least 100 pre-filing investigations. Mr. Messier, in cooperation with El Dorado County Building Department, obtains weekly, a listing of all building permits issued. He then reviews the listing to assist in a determination of the contractor listed. As to those contractors, CSLB check is run on any unfamiliar names. Mr. Messier will visit the site and determine if there appears to be employees working at the location. If it appears that there are employees, he will check CSLB records from his vehicle to determine if the contractor has Workers' Compensation Insurance and then interview the workers. Though labor intensive, the results of this effort have proven to be very worthwhile. This is also in keeping with our Outreach program of contacting the homeowner and contractors who comply with the law and having a presence in the community demonstrating our dedication to enforcement of the law.

Our office has continued our relationship with the Amador County District Attorneys office in conjunction with our Workers' Compensation Program and regularly converses with them in seeking and offering advice. The closeness of the relationship allows the attorneys and investigators to exchange information on a regular basis.

The program investigator and attorney have made numerous public speaking appearances and one-on-one contacts with the business community and the public in an effort to make this office readily available to the public and to educate the community concerning this type of fraud. This effort will be continued as we go forward with our program. The office of the District Attorney has generated premium fraud reporting through this effort. While the program has not received substantial reports concerning legal/medical-related fraud, this office continues to seek out this type of activity.

Applicant fraud and the uninsured employer remain the activities most frequently reported to our office. This can likely be attributed to the presence of the semi-skilled labor force on the Western Slope and the transient labor force in the South Lake Tahoe area. In the situations of applicant fraud, we have developed a close relationship with Marriott Corporation and are presently prosecuting one former employee and will soon be filing on another employee.

This county has focused a large amount of effort in the last year in public education, business community contacts and proactive investigative activity. Since taking over the program, Mr. Messier, will work on increasing the proactive approach to investigations involving uninsured employers and will expand the scope of businesses to include hotel/motels, dining establishments and some retail. He will continue in the effort to conduct an outreach program, similar to a community policing approach, in order to involve the employees of the various areas of the county. It is the intent that this will help in identifying those subjects who continue to operate in the underground economy. The office has identified problem areas in the county, such as construction, landscaping and some retail trades which tend to have higher incidences of non-coverage. With the assistance of the Department of Insurance, State Contractors Board and the State Department of Industrial Relations, we will be able to identify and prosecute these offenders. In working with these organizations, it has been our experience this past year that the "sweeps" and "stings" are good tools to be utilized in these types of situations. Plans have been made to continue to utilize these types of investigations during the remainder of this fiscal year. Plans are being formulated for two specific "sweeps/stings" for the month of May, 2008.

The plan has already been put in motion with the addition of the Spanish language fraud tipline and Spanish newspaper publications. Upon the conclusion of a large uninsured employer case on the east slope of the county, it was clear that this program was not reaching our Hispanic population. These efforts have been put in place to better educate those workers as to their rights while working. In addition to these steps, future outreach is planned in the communities and industries closely linked to the Hispanic population and with the assistance of the Division of Labor Standards and Enforcement, we have had some success to date and the effort will continue this year.

Based on the activity reported during the fiscal year of 2007-2008, primarily since February of 2007, it is anticipated opening 50 new cases during fiscal year 2008 – 2009 in the 3700.5 effort. Of the number of cases opened, it is anticipated that 45% to 50% will result in prosecution. Since February of 2007, Mr. Messier has conducted in excess of 100 separate investigations.

PROGRAM STRATEGY
Instructions for Fiscal Year 2008-09

In answering the questions on Form 09 and Form 10, also be sure to include the following information:

PROGRAM STRATEGY

This section **shall specify** how the District Attorney will address the problem defined in the Problem Statement through the use of program funds.

The discussion **should include** the steps that will be taken to address the problem as well as the estimated time frame(s) to achieve program objectives and activities. Specifically, this section **should describe**:

- the manner in which the District Attorney will develop his or her caseload,
- the sources for referrals of cases.
- a description of how the District Attorney will coordinate various sectors involved, including employers, insurers, medical and legal providers, the Fraud Division, self-insured employers, public agencies such as Department of Industrial Relations, Employment Development Department, and local law enforcement agencies.

Required: A current District Attorney/Fraud Division Joint Plan for the use of investigative resources is required and included with the application (Attachment A).

COUNTY PLAN PROGRAM STRATEGY

1. Explain how your County plans to resolve the problem stated on page 30 question #1. Include improvements in your program.

Our goal, through funding by CDI and in conjunction with various insurance company SIU divisions, is to maintain an experienced and dedicated staff to address the issues described in the Problem Statement. El Dorado County has over the last year gained significant insight to our problems that we, heretofore, have not had.

For the first time we have been in the field and have seen first hand how the issues on uninsured employers directly effect the workers. Also, with a newly developed relationship with a self insured employer, Marriot Corporation, we have gained a new insight to the impact of applicant fraud upon the employer. As a result of the dedication of our recently elected District Attorney, Vern Pierson, a staff of dedicated people has been assigned to the Workers' Compensation Fraud Unit. This staff, over the last year, has consisted of a lead attorney and one full time experienced investigator. Recently the staff has been augmented with the addition of an administrative assistant who has undertaken the burden of opening and maintaining files, keeping our statistics and running our court calendars and day to day administrative duties. Also, our administrative assistant daily monitors our Fraud Hotline and refers those inquiries to the appropriate investigator.

With this having been said, the means by which we intend to address the problems as we now see them in El Dorado County are as follows:

Applicant Fraud:

- 1) Meet with business owners and office managers to promote awareness and understanding of the Program we now have, and the means by which applicant fraud is detected and reported.
- 2) Continue to advertise our Fraud Program in local and regional newspapers, and closely monitor our Fraud Hot Line and internet web site, in both English and Spanish.
- 3) Maintain a close liaison with county Risk Management and their counterparts in the City of Placerville and South Lake Tahoe.
- 4) Provide prompt responses to case referrals from CDI, insurance providers, third party administrators, and complaints received through our Fraud Hot Line and Web Site.

- 5) Maintain public awareness of the Program through personal appearances at business and industry functions.
- 6) Continue our newly formed relationship with EDD and Department of Labor, Division of Labor Standards and Enforcement.

Premium Fraud:

- 1) Identify new-construction projects through a review of county building permits and inspect job sites for compliance with insurance regulations, as described in The Problem Statement.
- 2) Conduct joint-investigations with the Contractor's State License Board to identify unlicensed contractors, many of whom under-report their employees or fail to secure insurance.
- 3) Maintain liaison with EDD and review the results of their compliance audits of local businesses.
- 4) Meet with and encourage local law enforcement to be alert to premium fraud issues when search warrants are served on local businesses.
- 5) Involve as a part of our outreach program, contact with seasonal employers such growers in the agricultural community and ski resorts.

Other Fraud:

- 1) Meet with business owners, office managers and Risk Management/Human Resource supervisors to promote awareness and understanding of the Program and the means by which legal/medical, and capping fraud is detected and reported.
- 2) Advertise our Program in local and regional newspapers, and closely monitor our Fraud Hot Line and internet web site.
- 3) Maintain a close liaison with county Risk Management and their counterparts with the City of Placerville and South Lake Tahoe.
- 4) Provide prompt responses to case referrals from CDI, insurance providers, third party administrators, and complaints received through our Fraud Hot Line and web site.
- 5) Promote the Program through personal appearances at business and industry functions.

We intend to readily review all cases presented to us for investigation and prosecution, apply to those cases the knowledge and experience gained through prior investigations

and prosecutions, investigate those cases when warranted, and vigorously apply the appropriate criminal and civil remedies.

We will maintain an open-door policy for every source from which a fraud case referral could be made, be it an informant, an insurance company, law enforcement agency or the Department of Insurance. We have responded to referrals from all of those sources and intend to continue that process in FY 2008/2009.

In keeping with our "open door" policy, we will be, and have been, available to CDI, SIU divisions and Private Investigative groups working with insurance companies to offer legal consultation, review potential cases, and search warrant requests.

The Program Manager will immediately review all new cases referred for investigation, prioritize them, provide a timely response and apply the appropriate investigative resource.

The county will continue to apply an early-detection and prevention approach to the workers' compensation insurance fraud problem. Early detection made possible by facilitating the fraud reporting process, and prevention through education and vigorous prosecution. We have learned significant lessons this last year and as we learn more about the problems that confront our county we will apply our knowledge and direct our efforts toward new methods of detection, prevention and prosecution.

2. What are your plans to meet any 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?

In consideration of the announced goals of the Fraud Assessment Commission and the Insurance Commissioner we have increased the time that the lead attorney will devote to the Workers' Compensation Fraud Program. This increase of time will translate from 20% of his time to 40%. This increase is due to the fact that case filings were greater than originally anticipated. In addition, felony filings were greater in number than expected.

Also, as our involvement in the South Lake Tahoe area increased and it was determined that greater emphasis was needed, we have now assigned an investigator to our South Lake Tahoe office. This new investigator will be trained by Mr. Messier and work with Mr. Messier in the field at the outset.

Again, so as to maintain continuity in filing practices as well as availability to our staff, all filings will take place in the Placerville Court.

An anticipated benefit of a new investigator in Tahoe will be that our presence there will become known and add to the deterrent effect that we have experienced in the past when Mr. Messier has been in the area.

As pertains to Objective number one, "balanced caseload", El Dorado County embraces the concept as set forth in the April 1, 2008 letter published by Commissioner Poizner. From the beginning of our new program under the direction of District Attorney, Vern Pierson, public safety, return on investment, and our duty to enforce the law have been considerations in the implementation of our program. As El Dorado County under the prior administration had done little in relation to any of these considerations, we began in an area thought to be rife with abuse in the fiscal year 2007-2008. The formulation of our 3700.5 program has demonstrated clearly the correctness of that evaluation. We have found significant abuse in the area of employer failure to provide employees with required coverage. As a result of the conditions discovered through our program, the program is being broadened this year to be inclusive of a broader spectrum of business enterprises in the county.

Relating to return on investment, the 3700.5 program took into consideration the fact that the law requires a mandatory imposition of a \$10,000 fine upon a first conviction. This was felt to be important as it would allow the prosecutor to value the case in terms of severity, willfulness, and the number of employees involved. For example, in South Lake Tahoe, an uninsured employer was contacted and it was found that during his reconstruction at a hotel, he had at least ten employees and no worker' compensation insurance. Also, he had also failed to pull building permits from the city on this large construction project. It was felt that this went to the issue of intent to defraud. Upon conviction, the \$10,000 was imposed but only \$5,000 was suspended leading to a \$5 000 fine and with penalty and assessments, the total fine of over \$15,000 on a first conviction.

It is clear that as an officer of the court and a prosecutor, Mr. Jones has the duty to enforce the law. That is not our issue, our issue is what is the most effective way to enforce the law and to bring enforcement to the fore with the greatest deterrent effect upon those who would otherwise violate the law.

As an aside, we have made contact with licensed contractors and civilians while in the field who have related that they knew we were there and what we were trying to accomplish. As stated before, various licensed contractors have stated they appreciate our efforts in being unlicensed and uninsured folks into compliance. The word is in the community that our district attorney office is proactively enforcing the law.

We also recognize that the issue of employer fraud is not the only significant issue facing us this year. As our involvement has increased over this last year, applicant fraud has evolved as an issue needing to be addressed. We are continuing to develop contact with employers who are experiencing issues with employees defrauding them. We have made, and continue to develop contacts with SIU's as well as third party administrators and independent investigative groups who are presenting claims for review and prosecution. We have filed three applicant fraud cases this year with a fourth under review. One of the cases came from CDI and two from Marriott. A fourth case came from Risk Management of El Dorado County which was rejected.

Relating to performance and continuity within the program, it should be an accepted principal that the performance of an office needs to be a consideration. In viewing the performance of El Dorado County, we would suggest that this last year be looked upon as

the bell-weather of what this office is capable of accomplishing. We have filed fifty seven criminal complaints, fourteen of which were felonies. Of the cases filed, we have resolved fourteen with fines imposed of \$35, 735.00. It is important to note that of this number a significant portion of these cases were developed jointly with other agencies, such as CDI and the CSLB.

We are going to continue with our Outreach program as we did this year. We will be continuing with our public awareness effort and remain visible within the business community. We will enhance our involvement with the Chamber of Commerce, both in the Lake Tahoe and Placerville areas and establish contact with the other Chambers in our County.

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

A goal of significance is our ongoing effort of public awareness and education of the impact of fraud and, in particular, Workers' Compensation Fraud. We continue in this vein through our Outreach efforts, described above, as well as our ongoing advertising in local papers of our fraud hotline.

As our filings are increasing, these cases many will not conclude within a given year and will carry over for a period of time.

4. Training and Outreach

- **List the training received by each county staff member in the workers' compensation fraud unit during the fiscal years 2006-07 and 2007-08.**
- **Describe what kind of training/outreach you provided in Fiscal Year 2007-08 to local Special Investigative Units, public and private sectors to enhance the investigation and prosecution of workers' compensation insurance fraud; and/or coordination with the Fraud Division, insurers, or other entities.**
- **Describe what kind of training/outreach you plan to provide in Fiscal Year 2008-09 to local Special Investigative Units, public and private sectors to enhance the investigation and prosecution of workers' compensation insurance fraud; and/or coordination with the Fraud Division, insurers, or other entities.**

For the 2007 to 2008 time frame Mr. Messier and Mr. Jones attended the following training sessions:

Mr. Messier:

- CDAА Annual Workers' Compensation Conference
- NCFIA Conference in Monterey, Ca.

- CDAA/SIU Conference, Pleasanton, Ca.
- Amador Training on Workers' Compensation, Mule Creek Prison

Mr. Jones:

- CDAA Annual Workers' Compensation Conference
- Amador Training, Workers' Compensation, Mule Creek Prison

For the year 2007 to 2008, we provided training/outreach to many groups and organizations as well as citizens of our county.

For the 2008 to 2009 timeframe, Mr. Messier and Mr. Jones, as a part of the training/outreach, will continue our relationship with the El Dorado Builders Exchange and update the contractors on the law and our activities. Presently El Dorado District Attorneys office together with Amador County District Attorneys are in the planning stage to present a two day seminar on workers' compensation to businesses with South Lake Tahoe Chamber of Commerce. We are also continuing our public outreach by maintaining our fraud hotline in English and Spanish. We will also continue our distribution of Mr. Piersons DVD of "Truth or Consequences Workers' Compensation Fraud".

5. Describe the county's efforts and the District Attorneys plan to obtain restitution and fine imposed by the court to the Workers' Compensation Fraud as the legislative intent specifies.

At the outset of our program, the lead attorney met with the Assistant Court Executive to ensure the court had the proper account into which these fines and restitution could be deposited. It was determined that the court was only capable of handling the fines and penalties imposed by the court and had no capacity for collecting or dispersing restitution that would be ordered.

It is the process in El Dorado County for the probation department, in conjunction with the district attorney, to assume responsibility for collection and disbursement of such funds. To date, this arrangement is, and remains, in place.

The issue of restitution and collection of fines and penalties does not end, however, at this point. A plan was needed to involve the district attorney in monitoring the payments to be made by the defendants pursuant to the courts orders. To that end, and in cooperation with the Superior Court, the administrative assistant with the fraud unit will have access to the courts records via a computer link between the office of the district attorney and Superior Court.

We have now established a protocol whereby our administrative assistant will follow the payment history of a defendant every forty-five (45) days. At that point if the defendant is delinquent in making payments, a notice of default letter will be sent. Subsequent to this letter, should the defendant remain in a default state, a violation of probation will be

filed against the defendant. It is anticipated that the assigned investigator will personally serve the violation of probation upon the defendant.

6. Identify the performance objectives that the county would consider attainable and would have a significant impact in reducing workers' compensation insurance fraud.

Project: As El Dorado County has, in essence, just begun its endeavors in this arena of Workers' Compensation Fraud, we are seeing first hand the significance of the problem. To that end we will be expanding the scope of our investigations to include a wider spectrum of the business community. We will be working with employers in an effort to reduce or thwart applicant fraud and when necessary prosecute those employees involved in such activity.

- a. 75 new investigations will be initiated during FY 2008-09.
- b. 45 new prosecutions will be initiated during FY 2008-09.

**COUNTY PLAN
PROGRAM STRATEGY (CONT.)**

1. **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.**

As a result of last year's efforts, the number of investigations conducted, both pre-filing and post-filing, cases filed and our outreach, we will add a new investigator in South Lake Tahoe. Initially, this investigator will be assigned half time to the workers' compensation program

Because the caseload was so significant we have added an administrative person to the staff of our fraud unit to assist in maintaining statistics, assisting with needed efforts relating to the court, case file control, calendaring and subpoenas for court matters.

In addition, we have augmented the fraud unit with a forensic auditor who will be available to the lead attorney, as needed, to assist in the prosecution of the cases and in determining questions of restitution.

As our efforts have demonstrated the need to increase the staff, as described, it follows the time of the lead attorney needs to dedicate to the program will need to be increased. Initially, it was anticipated that the time needed for the attorney was 20% of his time to the program. It has become clear that this percentage will need to be increased to at least 40% and possibly more.

2. **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" employer's problem.**

Mark Messier, our dedicated fraud investigator, was able to commence a very viable and aggressive effort in 2007 of outreach and enforcement ensuring the protection of workers in our county. On almost a daily basis, Mr. Messier goes into the field and contacts persons who appear to be involved in contractor style projects.

A significant tool utilized by Mr. Messier is a weekly listing from the Building Department delineating all building permits issued in the county. The information

reveals the owner, contractor, scope and value of the project. The listing is of particular importance as it will tell us if the permit is an "owner/builder". We have determined that many unlicensed people who are attempting to avoid detection will have the homeowner pull the permit.

Our program enables Mr. Messier to access CSLB records concerning licensing and workers' compensation information. Mr. Messier, with the appropriate information, will initiate contact and determine the relationship among those being contacted and if workers compensation is necessary. Mr. Messier will provide current information regarding the need for workers' compensation insurance, and make an initial evaluation as to whether there may be a current violation of law.

As a result of his efforts, Mr. Messier has made in excess of 100 contacts and from those contacts we have filed 57 criminal complaints. Fourteen of which are felonies.

As to those contacted who were in compliance, Mr. Messier receives "Thank You" comments for looking after the compliant contractors.

To date we have obtained orders for the payment of fines in the amount of \$35,735.00 and have collected \$5,395.00.

BUDGET
Instructions for Fiscal Year 2008-09

In preparing to provide the information requested on Forms 11-14, be sure to consider the information provided below as well as follow the detailed instructions provided:

BUDGET

General:

The budget is the basis for management, fiscal review, and audit. Funding Formula planning levels are included with this package.

Counties may supplement grant funds with funds from other sources such as those discussed on page 18, question #2. However, applicants should not include any funds or expenses from these sources in the program budget.

DETAILED BUDGET CATEGORY INSTRUCTIONS

PROGRAM BUDGET

The purpose of the Program Budget is to demonstrate how the Program will implement the proposed plan with the funds available through this program. Program costs must be directly related to the objectives and activities of the Program. The budget must cover the entire grant period. In the budget, include only those items covered by grant funds. All budgets are subject to CDI modifications and approval.

CDI requires the applicant to develop a line item budget that will enable them to meet the intent and requirements of the program, ensure the successful implementation of the Program, and that it is cost-effective. Applicants should prepare a realistic and prudent budget that avoids unnecessary or unusual expenditures that would detract from the achievement of the objectives and activities of the program. The following information is provided to assist in the preparation of the budget. Strict adherence to all required and prohibited items is expected. Failure of the applicant to include required items in the budget does not excuse responsibility to comply with those requirements.

Program funds must be used to support enhanced investigation and prosecution of insurance fraud and shall not be used to supplant funds that, in the absence of program funds, would be made available for any portion of the local insurance fraud program.

Budget modifications are allowable so long as they do not change the grant award amount. Budget modifications across budget categories, i.e., personal services, operations, and equipment require CDI approval. **Each budget modification request shall be in writing before it can be approved.**

1. Non-Allowable Budget Items

- Real property purchases and improvements.
- Aircraft or motor vehicle, except the purchase of a motor vehicle that is specifically requested and justified to the Commissioner.
- Interest payments.
- Food and beverages, except as purchased in connection with program-related travel.
- Weapons or ammunition unless included as part of a benefit package.

BUDGET CATEGORY INSTRUCTIONS (Continued)

2. Allowable Budget Items

Allowable costs are those costs incurred in direct support of local program activities, including program related travel, equipment costs proportional to their program-related use, facilities cost, expert witness fees, and audits.

Specific Budget Categories

There is a separate form for each of the following three budget categories:

- A. Personnel Services - Salaries/Employee Benefits – Form 11
- B. Operating Expenses – Form 12
- C. Equipment – Form 13

Each budget category requires line item detail that addresses the method of calculation and justification for the expense. Enter the amount of each line item in the right-hand column of the Budget Category form. All charges must be clearly documented **and rounded off to the nearest whole dollar**. Enter the total amount of the budget category at the bottom of the form. **If additional pages are needed, total only the last page of each budget category.**

The bottom of the Equipment Category form contains a format for identifying the Program total and fund distribution. **This section must be completed and submitted even if there are no line items identified in the equipment category.**

A. **Personnel Services - Salaries/Employee Benefits:**

1. **Salaries:** Personnel services include all services performed by staff that are directly employed by the applicant and must be identified by position and percentage of salaries. All other persons are to be shown as consultants in the Operating Expenses Category supported by a memorandum of understanding, contract, or operational agreement, which must be kept on file by the grantee and made available for review during a CDI site visit, monitoring visit, or audit. Sick leave, vacation, holidays, overtime, and shift differentials must be budgeted as salaries.
2. **Benefits:** Employee benefits must be identified by type and percentage of salaries. Applicants may use fixed percentages of salaries to calculate benefits. Budgeted benefits cannot exceed those already established by the applicant.

Employer contributions or expenses for social security, employee life and health insurance plans, unemployment insurance, and/or pension plans are allowable budget items. Other benefits, such as uniforms or California Bar

BUDGET CATEGORY INSTRUCTIONS (Continued)

Association dues, are allowable budget items if negotiated as part of an employee benefit package.

A line item is required for each different position/classification, but not for each individual employee. If several people will be employed full-time or part-time in the same position/classification, provide the number of full-time equivalents (e.g., three half-time clerical personnel should be itemized as 1-1/2 clerical positions).

B. Operating Expenses:

Operating expenses are defined as necessary expenditures exclusive of personnel salaries, benefits and equipment. Such expenses may include specific items directly charged to the program, and in some cases, an indirect cost allowance. The expenses must be grant-related (e.g., to further the program objectives as defined in the grant award) and be encumbered during the grant period.

The following items fall within this category: consultant services such as subcontractors who are not employed by the applicant, travel, office supplies, training materials, research forms, equipment maintenance, software equipment rental/lease, telephone, postage, printing, facility rental, vehicle maintenance, answering service fees, audit, administrative costs, and other consumable items. Furniture and office equipment **costing less than \$1,000 per unit (including tax, installation, and freight) and with a useful life of less than one year fall within this category.**

- 1. Travel Budget** for all anticipated travel related to the program is based on the travel policy established by the county. If a county does not have a travel policy, the state mileage rate can be used which is a maximum of **50.5 cents per mile** unless a higher rate is justified. When program employees are authorized by program department heads or designees to operate a privately owned vehicle on program related business and no local travel policy exists, the employee will be allowed to claim 50.5 cents per mile without certification.
- 2. Facility Rental** up to \$18 per square foot annually (\$1.48 per square foot per month) with maintenance is allowable for facility rental. If the rental costs for office space exceed these rates, it must be consistent with the prevailing rate in the local area.
- 3. Rented or Leased Equipment:** If equipment is to be rented or leased, an explanation and cost analysis will be required if the application is selected for funding.
- 4. Confidential Fund Expenditures:** Confidential fund expenditures are costs that will be incurred by grant-funded personnel working in an undercover or

BUDGET CATEGORY INSTRUCTIONS (Continued)

other investigative capacity. It may include the purchase of information, physical evidence, or services.

- 5. Indirect Costs/Administrative Overhead:** Applicants may set aside grant funds for indirect costs/administrative overhead. Indirect costs are those not readily itemized or assignable to a particular Program, but necessary to the operation of the organization and the performance of the Program. The costs of operating and maintaining facilities, accounting services, and administrative salaries are examples of indirect costs. Flat rates not exceeding 10 percent of personnel salaries (excluding benefits and overtime), or 5 percent of total direct program costs (excluding equipment) may be budgeted by applicants for indirect / administrative costs. You must specify the amount and the method of calculation for this amount.

Applicants must have on file an indirect cost allocation plan, which demonstrates how the rate was established. This plan must clearly indicate that line items charged to a direct cost category (i.e., postage) are *not* included in the indirect cost category. All costs included in the plan must be supported by formal accounting records that substantiate the propriety of eventual charges.

- 6. Audits:** The budgets may include a line item for the cost of obtaining an independent financial audit. The financial audit is to be prepared by an independent auditor who is a qualified state or local government auditor or independent public accountant licensed by the State of California or the County Auditor/Controller. The audit shall indicate that local expenditures were made for the purposes of the program as specified in Section 1872.83 of the California Insurance Code as adopted guidelines in the Request for Application and County Plan.

C. Equipment:

Equipment is defined as nonexpendable tangible personal property having a useful life of more than one year and costing \$1,000 or more per unit (including tax, installation, and freight).

A line item is required for each different type of equipment, but not for each specific piece of equipment (e.g., three laser jet printers must be one line item, not three).

Rented or leased equipment must be budgeted as an Operating Expense. "Lease to Purchase" agreements are generally not allowable. If a "Lease to Purchase" is requested, prior approval is required.

An equipment log must be completed listing all equipment purchases made with the prior fiscal year CDI grant.

BUDGET CATEGORY INSTRUCTIONS (Continued)

Automobiles: The purchase of automobiles is not allowable, except when specifically requested and justified to the Commissioner. If justified, county procurement policies must be followed.

PROGRAM TOTAL

Place the total amount for the entire budget in the space provided at the bottom right corner of the Budget Category and Line Item Detail form. This amount must match the amount allocated for the program.

OTHER PROGRAM FUNDS

- A. **Interest Income:** Include the amount of interest accrued to the base program funds. Interest income shall be used to further local program purposes.

BUDGET CATEGORY AND LINE ITEM DETAIL		COST
A. Personnel Services - Salaries/Employee Benefits		
Salaries (including Tahoe differential, bi-lingual, standby, longevity, overtime and deferred comp)		
DA Investigator	1.50 FTE	128,786.27
Deputy District Attorney	.40 FTE	45,114.22
Legal Secretary	.30 FTE	13,794.14
Forensic Auditor	.15 FTE	9,411.66
Benefits		
Medicare:		1,249.09
DA Investigator	1.50 FTE	619.00
Deputy District Attorney	.40 FTE	200.01
Legal Secretary	.30 FTE	136.47
Forensic Auditor	.15 FTE	
Health/Flex:		14,114.02
DA Investigator	1.50 FTE	4,698.00
Deputy District Attorney	.40 FTE	3,678.47
Legal Secretary	.30 FTE	1,839.24
Forensic Auditor	.15 FTE	
Retirement/PERS:		39,961.53
DA Investigator	1.50 FTE	8,564.00
Deputy District Attorney	.40 FTE	2,765.72
Legal Secretary	.30 FTE	1,514.28
Forensic Auditor	.15 FTE	
Disability Insurance:		415.48
DA Investigator	1.50 FTE	154.00
Deputy District Attorney	.40 FTE	49.65
Legal Secretary	.30 FTE	33.88
Forensic Auditor	.15 FTE	
Unemployment Insurance:		865.60
DA Investigator	1.50 FTE	320.00
Deputy District Attorney	.40 FTE	103.44
Legal Secretary	.30 FTE	70.59
Forensic Auditor	.15 FTE	
TOTAL		278,458.76

BUDGET CATEGORY AND LINE ITEM DETAIL	
B. Operating Expenses	COST
Telephone: Employee Stipend \$80/mo 1 FTE Inv (P'ville), \$40/ mo .50 FTE Inv (SLT)	1,440.00
Equipment: Printer to connect to Superior Court records for Legal Secretary	250.00
Software License: Printer to connect to Superior Court records for Legal Secretary	250.00
Rent & Lease Vehicle: Co Vehicle 15-169 Messier est mileage 11,754 x .434 (Fleet Rate)	5,101.24
Audit Fee: El Dorado County Auditor/Controller (required)	4,400.00
Indirect/Administrative Cost Allocation: insufficient budget to invoice indirect	0.00
TOTAL	11,441.24

BUDGET CATEGORY AND LINE ITEM DETAIL	
C. Equipment	COST
Camera with SLR (Messier)	2,500.00
Computer for Investigator SLT .50 FTE	2,600.00
CATEGORY TOTAL	5,100.00
PROGRAM TOTAL	295,000.00
INTEREST TOTAL	0.00

EQUIPMENT LOGS

FORM 14

Equipment Log for FY 2007-08

County of _____

Equipment Ordered	Equipment Cost	Date Ordered	Date Received	Serial Number	Equipment Tag Number
Laptop	\$2,521.08	2-1-08	2-12-08	77DMLF1	Not yet assigned

Rows can be inserted as needed.

No equipment purchased

I certify this report is accurate and in accordance with the approved Grant Award Agreement

Name: _____ Vern Pierson _____

Title: _____ District Attorney _____

Signature: _____

Date: _____

ATTACHMENT A

JOINT PLAN

GUIDELINES FOR PREPARING A JOINT PLAN

Purpose of the Joint Plan

A Joint Plan helps achieve some very important goals for both county district attorneys and the Fraud Division. The joint plan, when properly developed and agreed upon, creates the framework for effective communication and resource management in the investigation and prosecution of insurance fraud.

ELEMENTS OF THE PLAN

Based upon review of past and current joint plans by county prosecutors and the Fraud Division, the following elements should be covered within the plan but should not be considered all inclusive:

1. **Statement of Goals**
Include what is expected to be achieved by the joint plan. The joint plan will reflect the Insurance Commissioner's strategic initiatives and the Fraud Assessment Commission's objectives.
2. **Receipt and Assignment of Cases**
Discuss the procedures to deal with fraud complaints and referrals that are received by only the Fraud Division or district attorney. What if both offices receive the same complaint? What arrangements will be made to avoid duplication of effort? How often will the two agencies meet/confer to share information on case referrals?
3. **Investigations**
When the District Attorney first receives a case, discuss the criteria when/if the Fraud Division's resources will be requested. Identify the plans and methods to develop cases between the two agencies and with allied agencies. Identify how the parties will avoid any duplication of investigative efforts. Define the manner in which the case investigative plan is in concurrence to investigate and prosecute if the fact expectation is met.

Discuss the time frames for initial and follow-up meetings between the assigned Fraud Division investigator(s) and the assigned prosecutor(s) for a case. Discuss how soon after a joint investigation is opened will the named prosecutor(s) and investigator(s) be expected to meet.

4. **Undercover Operations**
Discuss the expectations and roles of both offices with respect to undercover operations conducted by the Fraud Division or jointly with district attorney investigators.
5. **Case Filing Requirements**
Discuss the filing requirements for cases presented to the county prosecutor. Set forth the guidelines that are generally expected for case filings.
6. **Training**
Discuss plans for any joint training between the District Attorney's Office and the Fraud Division. Indicate any plans to conduct joint training and outreach to insurance companies (and Special Investigative Units), other law enforcement agencies, self-insurers and others.
7. **Problem Resolution**
Discuss the procedures and methods to resolve issues that may surface during the investigative/prosecution stages. At what level are they to be resolved? Include a discussion of the process to be used in resolving any conflict in the direction or scope of the investigation.
8. **Joint Acceptance of Plan, Required Signatures and Date**
Both the county prosecutor in charge of the insurance fraud program and the Chief Investigator of the Fraud Division office responsible to that county and program must agree upon the plan. **Both parties must sign and date the Joint Plan.** Copies of all Joint Plans will be maintained at the Fraud Division Headquarters in Sacramento for review by both the Insurance Commissioner and the Fraud Assessment Commission.

ATTACHMENT B

THIS ATTACHMENT IS SUBMITTED AS A SEPARATE ADDENDUM TO THE APPLICATION AND IS CONSIDERED CONFIDENTIAL.

1. Please include in this attachment information considered confidential, specifically criminal investigations, whether active or inactive.
2. Briefly describe all cases that have been or are being investigated and/or pending prosecution during Fiscal Year 2007-08.
3. Include those being worked jointly with CDI. (These descriptions shall also include investigated cases with no result.) List case prosecutor(s) and investigator(s).
4. Under Description, provide a brief overview of specific case activity (i.e. number of suspects, fraud type, criminal activity discovered).
5. Outcomes achieved through county or other funding sources shall be designated separately.

Name	Investigation Case #	Prosecutor(s) Investigator(s)	Date Assigned	Description
Duran, Victor	2008-046	I - Messier	2/13/08	3700.5 LC/Complied
Chesser, Arthur	2008-045	I - Messier P - Jones	2/12/08	3700.5 P08CRM0379
Ortizcruz, Jaime	2008-040	I - Messier	2/20/08	5.36.040 No Bus. License
Ladds Repair Service	2008-024	I - Messier	1/25/08	
Windleman, Erik	2008-022	I - Messier	1/24/08	3700.5 LC
Billings, Mark	2007-449	I - Messier	12/05/07	3700.5

			P – Jones			P08CRM0045
Lebaron, Stephen	2007-445		I – Messier		11/30/07	3700.5 Statute Limit
Valente, Teresa	2007-443		I - Messier		11/28/07	3700.5 LC/Complied
Thiel, John	2007-409		I – Messier P – Jones		11/7/07	3700.5 P07CRM1831 Dismissed
Santana, Rogelio	2007-404		I – Messier P – Jones		11/02/07	3700.5 LC P07CRM1736 Pled
Godinez, Jesus	2007-402		I – Messier P – Jones		10/30/07	3700.5 LC P07CRM1729 Pled
Vice, Curtis	2007-379		I – Messier P – Jones		10/11/07	3700.5 LC P07CRM1740
Timmerman, Jeffrey	2007-377		I – Messier P – Jones		10/11/07	3700.5 LC P07CRM1830
Valdomero, Basilio	2007-371		I – Messier		10/05/07	3700.5 LC Gave Notice
Moultrie, David	2007-367		I – Messier P – Jones		10/02/07	3700.5 LC Diversion
Gerondakis, Michael	2007-364		I – Messier		9/27/07	3700.5 LC/Complied
Briseno, Jaime	2007-360		I – Messier		9/26/07	3700.5 LC Warning
King, James	2007-358		I – Messier		9/26/07	2078 Notice/Closed
Haley, Marvin	2007-357		I – Messier		9/26/07	3700.5 LC

Lazrovich, Robert	2007-356	I – Messier	9/25/07	Complied
Ives, Wesley	2007-340	I – Messier/DOI P – Jones	9/14/07	3700.5 LC Complied
Metz, Richard	2007-335	I – Messier P – Jones	9/12/07	187.4(a)(1) P08CRF0058
Guardado, Alberto	2007-334	I – Messier P – Jones	9/12/07	3700.5 LC Diversion
McCallen, Hiedi	2007-308	I – Messier P – Jones	8/24/07	3700.5 OC P07CRM1521/Pled
Butcher, Scott	2007-274	I – Messier	8/2/07	415 PC P07CRF0358/Pled
Watkins, Mitchell	2007-253	I – Messier P – Jones	7/20/07	3700.5 LC P07CRM1316/Pled
Valdez, Ernest	2007-239	I – Messier P – Jones	7/10/07	3700.5 LC P07CRM1187/Pled
Kiger, Michael	2007-307	I – Messier	8/23/07	3700.5 LC Complied
Grant County Excavation Inc.	2007-273	I – Messier	8/1/07	3700.5 LC Complied
Moa, Tevita	2007-288	I – Messier	8/14/07	3700.5 LC
Tahoe Bldg Contractors	2008-113	I – Messier	4/8/08	3700.5 LC
Olson, Clinton	2008-104	I – Messier P – Jones	04/04/08	3700.5 LC P08CRM0634
Broyles, Kelly	2008-080	I – Messier P – Jones	03/19/08	7028 BP P08CRM0651
Nevarez, Norma	2008-069	I – Messier	2/29/08	3700.5 LC

