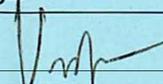


Contract #: Workers' Compensation Insurance Fraud Grant FY 15/16
CONTRACT ROUTING SHEET

Date Prepared: 8/19/15

Need Date: ASAP

PROCESSING DEPARTMENT:

Department: District Attorney
Dept. Contact: Nancy Anderson
Phone #: 621-6484
Department
Head Signature: 

CONTRACTOR:

Name: Department of Insurance
Address: _____
Phone: _____

CONTRACTING DEPARTMENT: District Attorney

Service Requested: FY 2015-2016 Resolution
Contract Term: 1 year Contract Value: \$274,428
Compliance with Human Resources requirements? Yes: _____ No: _____
Compliance verified by: _____

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

Approved: X Disapproved: _____ Date: 9/16/15 By: PS
Approved: _____ Disapproved: _____ Date: _____ By: _____

Please expedite. Thank you!

EL DORADO COUNTY COUNSEL
2015 SEP 15 AM 8:51

PLEASE FORWARD TO RISK MANAGEMENT. THANKS!

RISK MANAGEMENT: (All contracts and MOU's except boilerplate grant funding agreements)

Approved: _____ Disapproved: _____ Date: 9/17/15 By: By
Approved: _____ Disapproved: _____ Date: _____ By: _____

nothing for risk

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

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

15 SEP 16 PM 3:41
EL DORADO COUNTY DEPT.



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 Workers' 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 _____, 20__, by the following vote of said Board:

Attest:
James S. Mitrisin
Clerk of the Board of Supervisors

Ayes:
Noes:
Absent:

By: _____
Deputy Clerk

_____ Chair, Board of Supervisors

**WORKERS' COMPENSATION INSURANCE FRAUD
INVESTIGATION/PROSECUTION PROGRAMS
FISCAL YEAR 2015-2016 GRANTS**

**Grant Application
Checklist and Sequence**

The Application MUST include the following:

	<u>YES</u>	<u>NO</u>
1. Is the Grant Application Transmittal sheet (Form 02) completed and signed by the district attorney?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. Table of Contents	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. Is the Program Contact Form (Form 03) completed?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. Is an original or certified copy of the Board Resolution (Form 04) included? If NOT, the cover letter must indicate the submission date.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5. The County Plan includes:		
a) County Plan Qualifications (Form 05)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b) Staff Qualifications (Form 06(a))	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c) Organizational Chart (Form 06(b))	<input checked="" type="checkbox"/>	<input type="checkbox"/>
d) Program Report (DAR or Form 07)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e) County Plan Problem Statement (Form 08)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
f) County Plan Program Strategy (Form 09)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6. Is the projected Budget (Forms 10-12) included?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
a) Are line-item totals verified?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
7. Is the Equipment Log (Form 13) completed and signed?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8. Joint Plan (Attachment A)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9. Case Descriptions (Attachment B)	<input checked="" type="checkbox"/>	<input type="checkbox"/>

GRANT APPLICATION TRANSMITTAL

Instructions for Fiscal Year 2015-2016

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 Carryover Funds: Enter the estimated carryover funds from the previous fiscal year(s).
5. Program Director: Enter the name and title of the individual ultimately responsible for the program.
6. Financial Officer: Enter the name and title 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 faxed version) must be on the Grant Application Transmittal.

TABLE OF CONTENTS

Instructions for Fiscal Year 2015-2016

In order to facilitate the review and evaluation of the County Plan, the county is required to prepare and provide a Table of Contents. The Table of Contents should be placed immediately behind the Grant Application Transmittal face page. The format of the Table of Contents is left to the county's discretion.

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PROGRAM CONTACT FORM
Instructions for Fiscal Year 2015-2016

Complete the Program Contact Form on the following page. For the purpose of this RFA, contact the Local Assistance Programs Unit at (916) 854-5760.

**DEPARTMENT OF INSURANCE
PROGRAM CONTACT FORM**

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

Name: JAMES A. CLINCHARD

Title: ASSISTANT DISTRICT ATTORNEY

Address: 515 MAIN STREET

PLACERVILLE, CA 95667

E-mail address: james.clinchard@edcgov.us

Telephone Number: (530) 621-6405 Fax Number: (530) 621-1280

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

Name: JAMES A. CLINCHARD

Title: ASSISTANT DISTRICT ATTORNEY

Address: 515 MAIN STREET

PLACERVILLE

E-mail address: james.clinchard@edcgov.us

Telephone Number: (530) 621-6405 Fax Number: (530) 621-1280

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

Name: MICHELLE YOPP

Title: LEGAL SECRETARY

Address: 515 MAIN STREET

PLACERVILLE, CA 95667

E-mail address: michelle.yopp@edcgov.us

Telephone Number: (530) 621-6701 Fax Number: (530) 621-1280

BOARD OF SUPERVISORS RESOLUTION

Instructions for Fiscal Year 2015-2016

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 the 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 2015-2016 fiscal year. If the Resolution cannot be submitted with the application, a letter must be included which indicates when the CDI can expect to receive it (**no later than December 31, 2015**). *Grant funds for that particular county will not be released until the 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 et. seq.*).
4. Enter the full title of the administrator or executive (e.g., district attorney) that 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.

BOARD OF SUPERVISORS RESOLUTION

The Resolution will be sent to the Department of Insurance after it is received. The Board of Supervisors will not accept the Resolution without County Counsel approval/review of the grant Application. The Resolution will be forwarded by December 31, 2015.

COUNTY PLAN
Overall Instructions for Fiscal Year 2015-2016

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 composed 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.
- **Shall contain the forms** 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)

In order to complete the County Plan, reference the definitions on pages 11 and 12.

Definitions

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

Arrest = For purposes of the grant application and reporting, arrests include surrenders and citations.

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.

Cases in court = Filed cases, up to and including sentencing hearing, excluding warrants and appeals.

Chargeable fraud = The total amount of fraud that would result from all the counts actually charged or that would be charged.

Claimant Fraud = Any person who knowingly makes a false statement or representation, deliberately fails to disclose material facts, or knowingly withholds information in order to obtain benefits.

Documented Case Referral = Cases received through specified dates that substantially comply with the documented case referral protocol. FD-1s/SFCs 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

Fines = Fines imposed by the court. Penalty assessments may be included. Do not include booking fees, probation or supervision fees, or restitution.

Insider fraud = Fraud committed by employees or agents of an insurance company, self-insured employer, or third-party administrator as defined in California Insurance Code Section 1877.

Investigations = Investigation opened means cases in which an investigator or DDA has been assigned. It does not include screening activities such as the initial review of SFCs or phone call referrals, initial California Insurance Code 1877.3 referrals, probation violations, or due diligence searches.

Premium Fraud = Acts of fraud, including but not limited to under-reporting payroll, misclassification of employees' duties, experience modification evasion committed by or at the direction of an employer, for the purpose and with the effect of reducing premium liability.

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 and translation services.

Suspected Fraudulent Claim (SFC) = A method established for insurers to report suspected insurance fraud

Uninsured Employer = Employers that willfully fail to obtain workers' compensation insurance.

THE DOCUMENTED REFERRAL

Summary	<p>This section covers the reporting of <i>substantiated</i> fraud cases. Once all four (4) 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, anytime 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 make up a documented referral. Note that not all the items may 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's 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 in 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 (i.e., reports, interviews, 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.

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 (e.g., 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; and
- Identification of witnesses who will testify to this conclusion.

**Section III.
Date of
Discovery of
Suspected Fraud**

In the documented referral, it is imperative that the earliest date the possible criminal activity was discovered be provided. Include specific statements 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 - Faxed 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 were 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 (i.e., 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 (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 (DSL5021)
- 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 (e.g., letters, 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: An example of a typical premium fraud documented referral should include, but is not limited to, the following information:
Premium Fraud

- 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 Board
- 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 the California Department of Insurance, Enforcement 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:

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

Medium Case:

- Loss from \$10,000 up to \$49,999

Complex Case:

- Loss from \$50,000 up to \$250,000

Very Complex Case:

- 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

For example, a Standard case with at least six 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-insurers involved
8. Search warrant(s) involving 2 or more search locations
9. Special Master Warrant involved
10. A search warrant that 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 2015-2016

In accordance with California Code of Regulations, Title 10, Section 2698.55, the county must submit a county plan. Please complete forms 05-09.

In answering the questions on Forms 05, 06(a), 06(b), and 07 be sure to include the following information:

Complete and submit the Qualifications forms, providing updated information according to the instructions in the form section.

If the county has received a grant award from the 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

El Dorado County is contiguous to Sacramento County on the West, Placer County to the North, Amador and Alpine Counties to South, and the Nevada State line to the East. The majority of El Dorado County is rural and includes two incorporated cities: Placerville and South Lake Tahoe. The population of the county increased by about 2,000 people from last year, mostly in El Dorado Hills and Cameron Park. Still, the majority of the population and businesses of the county reside in the Western Slope communities of Placerville, Shingle Springs, Cameron Park and El Dorado Hills. South Lake Tahoe, located on the Eastern slope of the county, is still slow to recover economically. South Lake Tahoe's unemployment rate is 7.4% which is 1.10% higher than the national average. The occupations of food preparation and building maintenance dominate the labor market in South Lake Tahoe in comparison to the rest of the nation. (14.4% to 5.6% and 11.4% to 3.9% respectively)

District Attorney Vern Pierson continues his strong and proven commitment to protect consumers and combat insurance fraud. The Workers' Compensation Fraud Program remains a cornerstone of our Special Prosecution Unit and consumer protection efforts. Mr. Pierson's future goals and current efforts dovetail directly with the vision of the Insurance Commissioner and the Fraud Action Commission. Since 2007, our office has focused on educating consumers and employees alike on their protections under the law. When fraud laws are abused our office aggressively prosecutes offenders and seeks justice for victims. This office engages in outreach to protect county citizens' rights and provides a user friendly forum to report suspected fraud and illegal activity. Our program both protects unsuspecting workers as well as the employers who do abide by the law. El Dorado County maintains a robust Workers Compensation Fraud Program, as evidenced by our accomplishments in the past year. Our program is headed by an accomplished Assistant District Attorney and staffed with a highly qualified investigator, an experienced attorney and a skilled legal secretary.

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

During the 2014/15 year, the El Dorado County District Attorney's Office continued aggressively enforcing violations of workers' compensation insurance and concentrated our efforts towards new ways to seek out claimant and premium fraud. Since 2012, workers compensation fraud cases have been part of the Special Prosecutions Unit,

headed by Assistant District Attorney James Clinchard. The Special Prosecutions Unit handles various forms of fraud, financial abuse, and public corruption. Our office continues to proactively investigate and prosecute worker's compensation fraud cases. We have developed and maintained successful working relationships with many outside agencies to develop comprehensive investigations.

During the past year, Investigator Lindholm spent a tremendous amount of time investigating a local HVAC company that was suspected of committing premium fraud. Investigator Lindholm discovered major red flag indicators the HVAC company committed premium fraud against two separate workers' compensation insurance carriers. The company was misclassified employees and diluted payroll with a complicated and convoluted payroll scheme. Investigator Lindholm contacted both carriers who complied with the Workers' Compensation Insurance fraud Reporting Act requirements. Unfortunately, despite Lindholm's presentation of evidence in his case, neither carrier would acknowledge that their insured had committed premium fraud. Undaunted, Investigator Lindholm re-contacted both carriers, requested a proper physical audit, and gave each carrier thirty days to respond. After thirty days and no response from either carrier, Investigator Lindholm continued his investigation, presented his case to CDI SIU and requested an audit of both carriers. During this presentation, Investigator Lindholm learned that both carriers had recently been audited by CDI SIU and there were negative findings with both. However, as a result of Investigator Lindholm's investigation, both carriers were flagged and added to CDI's 2015/16 list of companies to audit. Substantial resources were expended on this investigation and although it did not lead to a filed case it is an example of success – to root out and investigate workers' compensation fraud. Our office believes the fight against workers' compensation fraud is not just fraudulent claimants, providers, or the insured, but also sometimes involves insurance carriers. Insurance carriers have a fiduciary responsibility to their shareholders and members, and a legal obligation to investigate acts of insurance fraud committed against them.

In the past year, Investigator Lindholm also partnered with CDI to investigate claimant fraud. One particular claim started in June 2010 when an individual reported injuring his knee at work. In January 2014, our office received a Suspected Fraud Complaint (SFC) that the suspect was possibly employed painting houses and was remodeling his home. The subrosa investigation supplied was minimal, vague, and pertained only to events that occurred three months prior to the SFC being completed and sent to our office. Investigator Lindholm determined where in Sacramento County the suspect purchased supplies. Lindholm then interviewed witnesses at that paint store and learned the suspect had been employed as a housepainter for a long time. Lindholm obtained a search warrant for the suspect's bank account and noted large check deposits by various parties. Investigator Lindholm went to each address listed on the large dollar checks and noticed each home was freshly painted. By interviewing the home owners, Investigator Lindholm was able to corroborate the paint store employees' statements regarding the suspect's longtime employment as a housepainter. When Lindholm confronted the suspect with the overwhelming evidence against him, the suspect confessed. The carrier estimates their loss at \$22,453.13 and is in the process of providing that documentation so the case can be considered for criminal prosecution.

The Worker's Compensation Grant provided by DOI, allows our office to conduct and follow through with investigations which we would never be able to conduct without the grant. In 2010, Investigator Messier (now retired) investigated a case against a suspect for no workers' compensation insurance. When the individual failed to show up for court an arrest warrant was issued. As part of his regular duties under the grant, Investigator Lindholm coordinates and compares lists of suspects with warrants on workers compensation cases with our partner agencies. In February 2015, CSLB notified Investigator Lindholm that they were en route to a residence in Fair Oaks, in Sacramento County, to investigate a suspect on our "wanted" list. Investigator Lindholm met CSLB at the residence and after CSLB concluded their investigation, Investigator Lindholm arrested the suspect and our case proceeded. This is an example of good results from successful communication between agencies.

Half of El Dorado County geography is forest. This past year El Dorado County suffered two devastating forest fires that damaged homes, property and other structures. As soon as the fires were contained, the El Dorado County District Attorney's Office partnered with CSLB to visit with property owners to provide them with cautionary information regarding common post-disaster scams against home owners. We canvassed the area to post signage throughout the area to warn scammers of our prosecutorial presence in the area and zero tolerance approach. Our office also visited property owners that were sheltered in Red Cross relief centers to provide the same educational materials.

Since January 2011, El Dorado County has participated with CSLB in their Partner Agency County Taskforce (PACT). Through this taskforce a CSLB investigator collaborates with our office in investigations and sting operations. Working in collaboration with CSLB through PACT, we conducted five sting operations and countywide sweeps which resulted in numerous Labor Code Section 3700.5 cases.

The El Dorado County District Attorney's Office continues to increase its visibility in the community by occupying a booth at the El Dorado County Fair. This year during the four day event more than 350 people visited with our deputy district attorney and investigator to discuss workers' compensation fraud and to learn about the types of cases we prosecute. Investigator Lindholm also regularly attends Chamber of Commerce events, trade association gatherings, and senior citizen meetings to provide these groups with information about workers' compensation insurance fraud and our program's efforts to combat it.

Further, our office again hosted and organized multiple meetings of the Sierra Economic Crimes Task Force (SECTF) to foster better communication, investigation, and prosecution of various types of economic crimes, including insurance fraud. Additionally, we have fostered an excellent working relationship with the Deputy Attorney General in charge of the AG's Office Underground Economy Unit, the TRACE Task Force, who attends all of our SECTF meetings. Representatives from a broad range of regional, county and state agencies have participated in SECTF meetings, which occurred January 28, 2014, August 20, 2014, and November 13, 2014. The next scheduled meeting is April 23, 2015.

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

The El Dorado County District Attorney's Office has provided unfunded contributions to the workers' compensation fraud program. These contributions include District Attorney Vern Pierson's time to promote the worker's compensation program to secure funding from the Board of Supervisors. We also expended thousands of hours to improve our paperless case management system, PCCS. The latest release of PCCS, 7.0, ensures maximum efficiency in "e-discovery", case tracking, e-filing and communication between attorneys and staff. The associated hardware, software, and underlying technology to update and support our paperless system are also an unfunded contribution by our county. An additional unfunded contribution is the hours spent planning, organizing and hosting our Sierra Economic Crimes Taskforce (SECTF) meetings.

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.

The El Dorado District Attorney's Office workers' compensation fraud program continues under the leadership of District Attorney Vern Pierson. The workers' compensation program operates within the office's Special Prosecution Unit, which is supervised by Assistant District Attorney, James Clinchard. Deputy District Attorney Cristy Lorente has remained the programs prosecuting attorney since January 2013, and since 2011, Investigator Chris Lindholm has remained the fulltime workers' compensation fraud investigator. We have no specific rotational policy, but make every effort to keep the same DDA and DAI assigned to the workers compensation grant, and have further maintained consistency since Assistant DA Clinchard began supervision of the Special Prosecutions Unit in 2012.

The continuation of the Sierra Economic Crimes Taskforce (SECTF) will ensure that our investigator and prosecutor have maximum exposure to other agencies, and foster consistency in our investigations and prosecution efforts by focusing on broad based best practices of various task force agencies. This effort to encourage collaboration is an investment in the future of our program.

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

Employment Development Department
Social Security Administration
Department of Human Services
California Department of Business Oversight
Department of Consumer Affairs
Department of Insurance
Cal Fire
Board of Equalization
Franchise Tax Board

Department of Labor Standards Enforcement
State Compensation insurance Fund
El Dorado County Public Guardian
Alta Regional Center
Department of Health and Human Services – MediCal Fraud Unit
El Dorado County Sheriff’s Department
Placerville Police Department
South Lake Tahoe Police Department
California District Attorney’s Association
South Lake Tahoe Business License Department
Placerville Business License Department
El Dorado County Environmental Management
El Dorado County Revenue and Recovery
El Dorado County Child Support Services
El Dorado County Tax Collector
U.S. Department of Housing and Urban Development – Office of Inspector General
California Department of Justice

OUT OF STATE AGENCIES

Nevada Department of Insurance
Nevada Contractors State Licensing Board
National Insurance Crime Bureau

- 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 the prosecutor(s)/investigator(s) have been with the program

Prosecutors	% Time	Time With Program Start Date/End Date
CRISTY LORENTE	30%	January 1, 2013 to Present
JAMES A. CLINCHARD	5%	August, 2012 to Present

Investigators	% Time	Time With Program Start Date/End Date
CHRIS LINDHOLM	100%	June, 2011 to Present

ORGANIZATIONAL CHART
Instructions for Fiscal Year 2015-2016

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

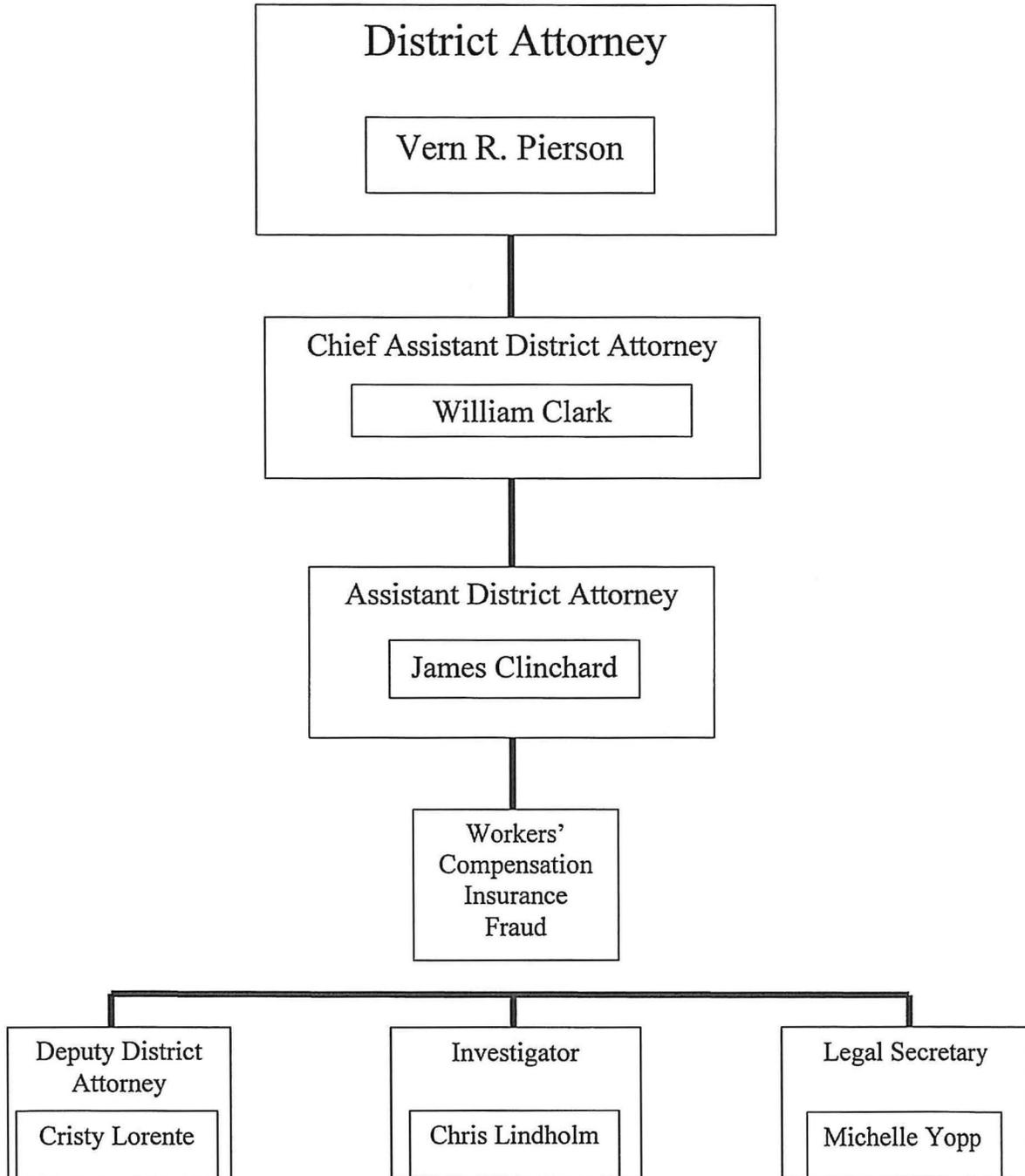
ORGANIZATIONAL CHART

Provide an organizational chart outlining:

- Personnel assigned to the program. Identify their position, title, and placement in the lines of authority to the elected district attorney.
- The placement of the program staff and their 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 thirty (30) days.

ORGANIZATIONAL CHART



DISTRICT ATTORNEY PROGRAM REPORT (DAR)
Instructions for Fiscal Year 2014-2015

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 have met their 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.

**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 RFA reporting period online. To access the DAR, please go to the California Department of Insurance, Fraud Division Programs page at <http://www.insurance.ca.gov/0300-fraud/0100-fraud-division-overview/10-anti-fraud-prog/>, then **District Attorney Reporting (DAR)**. 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 2014-2015 mid-year DAR can be copied to the current RFA reporting period. Simply use the Search function to bring up your submitted 2014-2015 mid-year DAR report and click the Copy function. This will automatically create a RFA reporting period version and will not require repeated input of some of the data.

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

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

To complete this section of the RFA online, please e-mail Damian Scribner at scribnerd@insurance.ca.gov and request a user ID and password for your county.

**QUALIFICATIONS
PROGRAM REPORT**

For this application, statistical information will be captured from July 1, 2014 to April 15, 2015.

This information has been provided electronically to the Department of Insurance pursuant to the District Attorney Program Report (DAR) instructions contained in the Grant Application.

The DAR was submitted on 04/22/2015.

PROBLEM STATEMENT

Instructions for Fiscal Year 2015-2016

In answering the questions on Form 08, 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

Please describe the types and magnitude of workers' compensation insurance fraud (e.g., claimant, single/multiple 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.

El Dorado County continues to present a unique distribution of fraud crime due to the geographic division of the Western Slope and the Tahoe Basin. As always, the 60 mile drive to the Tahoe Basin from the Western Slope takes more than an hour under optimum clear weather conditions. During the winter months, road closures or precarious conditions due to snow and ice make the drive longer and slower.

Historically enforcement been concentrated on the Western Slope and business owners have flagrantly ignored worker's compensation requirements. Our emphasis on sting operations and presence in the Tahoe Basin has had a direct deterrent effect. This is evidenced by the decreasing number of unlicensed businesses that responded to joint CSLB sting operations. The majority of illegal businesses that submitted bids were from the Reno/Carson City area. Most of the unlicensed Tahoe Basin contractors that reported to the sting site did not bid on the job, stating that they did not have worker's compensation insurance for the scope of the job and additional workers. With each passing year we become increasingly savvy in our strategy in the Basin and the deterrent effect of our program is clear.

Statistics from the County Auditor/Controller's Office reflect 46,900 wage and salary jobs in El Dorado County from approximately 4,200 establishments. The average income in El Dorado County increased to \$49,891 and the unemployment rate dropped in 2014/15 to 7.4 percent in the Basin and 6.2 percent on the Western Slope. The top employers in El Dorado County are Blue Shield (1719 employees), El Dorado County (1583 employees), Red Hawk Casino (1350 employees) and Marshall Hospital (1145 employees). Of the total employment in the County 41 percent are in the healthcare industry, followed by government workers at 31 percent, entertainment (20 percent) and goods and services (9 percent). This year's extreme drought conditions resulted in a shortened ski season and sharp decrease in a usually very lucrative seasonal economy. One economic bright spot is the uptick in logging business due high fire activity last year.

The occupations of food preparation and building maintenance significantly dominate the labor force in the Tahoe Basin substantially more than the national average according to the Bureau of Labor Statistics (14.4 percent to 5.6 percent and 11.4 percent to 3.9 percent respectively). There are 422 food preparation employers in El Dorado County and 91 are in Tahoe Basin. These 91 employers employ on average of 2233 people. The Bureau of Labor Statistics also reports these occupations have a higher than average injury rate.

According to the National Insurance Crime Bureau (NICB), in 2011-2012 there were 523 workers' compensation claims from employees working for Tahoe Basin employers. Twenty-one percent of the claimants had multiple claims during the same time period. NICB data also shows the highest numbers of questionable claims by far are fake or exaggerated injuries. The El Dorado County Auditor Controller reported that Casual Dining was the third top revenue producing business type during 2014 for the county. However, since 2011 our office has only received one Suspected Fraud Complaint (SFC) complaint of workers' compensation insurance fraud. That complaint came from the Claimant's Attorney, and the complaint was unfounded after the Department of Labor Administration Hearing Officer ruled the injured person was not an employee at the time of his injury.

On the Western Slope of El Dorado County, Auto Repair and Auto Parts Sale are the top two producing business types and the unemployment rate in that sector continues to drop. The underground economy of home service providers also continues to be prevalent on the Western Slope of the El Dorado County.

Overall, the current business environment and very slow economic gains result in continued stiff competition for business opportunities. Small businesses are increasingly tempted to cut costs and flout workers compensation requirements. To improve our efficacy and efficiency this past year we met with comparable neighboring counties, Amador County and Yolo County. Both of those meetings were a productive opportunity to shore up working relationships, share sources of cases referrals and improve our prosecutorial strategy.

The uninsured employer cases remain the most active component of our program and our efforts have been proven to be an effective deterrent. In addition to protecting honest businesses and keeping competition clean in our county, we are building goodwill amongst those business owners. Knowing that El Dorado County operates on a level playing field encourages current businesses to invest in the community and draws entrepreneurs to launch businesses here. We are working to develop our complex litigation caseload and several multiyear investigations are coming to fruition. Our legal assistant, investigator and attorneys have a positive reputation in the community and with outside agencies because we conduct our inquiries and prosecutions in a professional and respectful manner. This is the foundation of our program and we will use the 2015-2016 funds to support these quality and ongoing efforts.

PROGRAM STRATEGY
Instructions for Fiscal Year 2015-2016

In answering the questions on Form 09, 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; and
- 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 in your problem statement. Include improvements in your program.

Our Workers' Compensation Fraud Program operates under the umbrella of the Office's Special Prosecutions Unit. The Special Prosecutions Unit was improved and restructured in the fall of 2012, naming Assistant District Attorney James Clinchard as supervisor. The Special Prosecutions Unit holds regular meetings which include all unit deputy district attorneys, legal secretary for the unit, fraud investigators and supervising investigators. These meetings ensure consistency within the unit, set outreach goals, update investigations, review prosecutions and encourage teamwork and communication within SPU. This year our office continued to hone our "paperless" office with the release of PCCS 7.0. Our paperless system facilitates efficiency in the courtroom and enhanced communications between deputy district attorneys, staff, investigators and supervisors. The improvements include instant access to the "electronic case file" and additional resources from the courtroom, office, or select virtual private networks for home or while traveling.

El Dorado County continues to host quarterly Sierra Economic Crimes Task Force (SECTF) meetings. Participation by representatives from the broad range of regional, county, and state investigative and prosecution agencies remains strong. The aim of the task force is to create a coordinated regional effort to investigate and prosecute financial crimes, as well as looking at regional trends and best practices concerning financial investigations and prosecutions. Consistent with our goal, participating agencies now understand each other's roles in regulating California's underground economy and have contact information for key partner agencies, including the recently formed California Attorney General Underground Economy Unit. Quarterly SECTF meetings are an opportunity to share case updates and brief each other on topical prosecutions. As budgets shrink and workloads shift, information sharing is paramount. SECTF answered the call for a regional information forum and we will build on those relationships to prosecute cross agency and cross jurisdiction cases. Criminals rarely just commit one type of economic crime. Thus, by bringing together investigators and prosecutors of tax fraud, elder fraud, corporate fraud and auto fraud (to name just a few), we can strengthen our workers comp fraud cases not only at the investigations stage, but also attempt to combine multiple types of cases together into a much stronger prosecution case against those who seek to commit fraud.

Our ongoing goal is vigorous prosecution of fraud offenders, with an emphasis on prosecutions in the Tahoe basin. We will continue to expand our outreach efforts to victims, employers and the business community and build even stronger alliances with outside agencies such as EDD, FTB, DOJ, BOE, CSLB and DSLE. We will continue to include those entities in our investigations where appropriate. This

ensures that all possible charges and angles of prosecution are considered. Our efforts at conducting multi-agency and thorough operations will continue, as will our workers compensation sweeps of local businesses. We conducted five sting operations this past year. The District Attorney's Office will continue to team with the CSLB to invite contractors to bid on the construction of homes. Due to weather and terrain challenges, the Tahoe basin has historically been less monitored. As stated, our focus on the Tahoe basin has had a deterrent effect. We will maintain our prosecutorial presence so we can sustain those gains.

As stated earlier, in the Lake Tahoe basin, the occupations of food preparation and building maintenance dominate the labor force and have a higher than average injury rate. We suspect, consistent with national statistics, that a high number of these claims are reporting fake or exaggerated injuries. Since 2011 the El Dorado County's District Attorney's Office has only received one Suspected Fraud Complaint (SFC) pertaining to the food preparation industry and none from the building maintenance industry. Also, the majority of health care provided to residents of the Tahoe Basin is from Doctors in Nevada. During 2015-2016 the El Dorado County District Attorney's Office Workers' Compensation Insurance Fraud Unit will obtain current NICB claims data and other pertinent facts, put together a presentation to educate employers of these industries on claimant fraud that has gone on unnoticed. To address provider fraud we will also initiate an ongoing relationship with the Nevada Department in Insurance, as the majority of healthcare in the Basin is provided by Nevada physicians.

One of the consistent hallmarks of our unit is the quality of our relationships with other agencies. We have expanded our coordinated efforts with a variety of outside agencies. Extensive collaboration with CSLB, EDD, BOE, FTB, DOJ and DSLE has significantly strengthened our criminal investigations and elevated our available charges against employers. Close work with the Department of Insurance has allowed us to increase our investigations of premium fraud violations this year. Our PACT task force sting operations led to numerous new workers' compensation cases.

The following are a sample of several cases still under investigation and with prosecution pending:

During fiscal year 2013-2014, Investigator Lindholm investigated a suspect for claimant fraud. Lindholm determined the suspect stole \$54,000 from his insurance carrier when he failed to report his earnings of \$10,592 a month as an online teacher at two online colleges. Investigator Lindholm's investigation also showed that suspect stole an additional \$43,000 from the Federal Social Security Disability program during this time period. During his investigation Lindholm determined that the suspect also received California State Disability Insurance payments. Investigator Lindholm contacted the Employment Development Department Disability Insurance Investigation unit and provided them with the evidence in our case. The Employment Development Department Disability Insurance Investigation Unit computed that the individual stole \$44,697 in State Disability Insurance benefits. The Employment Development Department Disability Insurance Investigation Unit's case has been

added to the Claimant Fraud case and both are currently being reviewed for prosecution.

In the past year, Investigator Lindholm also partnered with CDI to investigate claimant fraud. One particular claim started in June 2010 when an individual reported injuring his knee at work. In January 2014, our office received a Suspected Fraud Complaint (SFC) that the suspect was possibly employed painting houses and was remodeling his home. The Subrosa supplied was minimal, vague, and pertained to events that occurred 3 months prior to the SFC being completed and sent to our office. Investigator Lindholm determined where in Sacramento the suspect purchased supplies. Lindholm interviewed witnesses at the paint store and learned the suspect had been a housepainter for a long time. Lindholm obtained a search warrant for the suspect's bank account and noticed large check deposits by various parties. Investigator Lindholm went to each address listed on the large dollar checks and noticed the homes were all freshly painted. By interviewing the home owners, Investigator Lindholm was able to corroborate the paint store employees' statements regarding the suspect's longtime employment as a housepainter. When Lindholm confronted the suspect with the overwhelming evidence against him, the suspect confessed. The carrier estimates their loss at \$22,453.13 and is in the process of providing that documentation so the case can be considered for criminal prosecution.

In June 2011, Investigator Lindholm initiated an investigation after information from the El Dorado County Tax Collector showed a local business lacked a business license. Although the business owner's has repeatedly promised to procure a license, they failed to do so and also lacked workers' compensation insurance. Despite that the business owners were taking payroll deductions from their employees and Employment Development Department had no record of this business. The case was filed and an arrest warrant was issued after the owners failed to show up to court. In July 2013, Investigator Lindholm was able to track the owners down at a rental property and subsequently arrested them. On December 2, 2014, the business owners were convicted for tax evasion and for not having workers' compensation insurance.

This past year we also worked collaboratively with our local police departments and county sheriff's office to prioritize the prosecution of our most serious offenders. Investigator Lindholm joined efforts with the Placerville Police Department, DLSE and EDD to investigate a Placerville massage parlor. This partnership resulted in a Labor Code 3700.5 complaint and a stop work order from DLSE. The following week Lindholm inspected three similar establishments in South Lake Tahoe and found each operating in violation of Labor Code 3700.5. The businesses were issued complaints and stop work orders; Lindholm also discovered that local City and County Ordinances lacked enforceable codes to govern massage parlors, as local authorities presumed that such establishments were regulated by the California Massage Therapy Council. Lindholm researched this gap in enforcement and provided various local agencies with examples of comprehensive ordinances that successfully regulate massage parlors. Our office also has a strong suspicion that there is a human trafficking element to these businesses. Lindholm has shared information with specialized enforcement agencies so that they can launch a trafficking investigation.

In 2015-2016 we have our workers' compensation attorneys available 30 percent of their time (a 10 percent reduction from last year), so we must utilize her with utmost efficiency. Complex and felony level cases will receive our primary attention. We will continue to work with California Department of Insurance and other agencies to develop, investigate, and prosecute claimant fraud cases under Insurance Code Section 550 as well as premium and provider fraud under Insurance Codes 11760/11880. At the same time, we will remain vigilant on our willfully uninsured employer caseload, pursuant to Labor Code Section 3700.5.

We will initiate additional collaborative meetings with other counties workers compensation units, as we did last year with Yolo County and Amador County. As with the SECTF, those relationships and information sharing bolster the efficiency of our program and to source large and complex cases. Our online outreach continues, as we use our "Truth or Consequences" video to enhance our outreach events. To build on this success one of our goals for this year is to maintain the program's visibility in the community and to further streamline the reporting process. To accomplish this we maintain a presence on social media outlets with Facebook and Twitter accounts for the El Dorado County District Attorney's office. These pages create an additional point of contact to report Worker's Compensation fraud. Both pages contain links to the "Truth or Consequences" video.

The links to both pages are listed below:

Facebook: <https://www.facebook.com/EIDoradoDA>

Twitter: <https://twitter.com/EIDoradoDAOFC>

Our Office has recently launched "Fugitive Wednesdays." Each week, our Office posts information of a wanted suspect to our Social Media pages. This program has been in effect for approximately one month and of the four suspects featured, three have been apprehended. We expect that more and more individuals wanted for workers' compensation insurance violations laws will be captured on "Fugitive Wednesdays" in the future.

In addition to these on-line mediums, we recognize that many complainants still need access to a paper reporting method. To ensure that the details of complaints are memorialized, organized and complete, we encourage reporters to use our fraud complaint form. This form is available in the office in paper form, online on our website or by mail upon request. Our interactive reporting methods are part of our paperless initiative and are constantly evolving. This ensures that they are user friendly, especially amongst our elderly population.

Finally, we were once again able to increase the actual amount of fines and restitution collected on cases. This fiscal year we collected over \$13,899.00 in fines and restitution, thus far. This is a substantial increase over the previous grant year and shows our diligent efforts in ensuring monies are being paid by offenders.

We have tailored our prosecution plan to combat fraud in specific areas.

In regard to applicant fraud we will:

1. Meet on an ongoing basis with business owners and office managers to promote awareness and understanding of the fraud program. We will educate owners and managers on how applicant fraud is most commonly detected and reported.
2. Continue to advertise our program in local and regional newspapers, as well as closely monitor our Fraud Hotline, website and Facebook and Twitter pages. We will also continue to distribute and air the "Truth or Consequences video.
3. Maintain our working relationship with county Risk Management and their counterparts in the City of Placerville and South Lake Tahoe. Cooperation with local entities results in thorough investigations.
4. Provide prompt responses to case referrals from CDI, insurance providers, third party administrators, and complaints received through our Fraud Hotline website, Facebook and Twitter pages.
5. Maintain public awareness of the Program through personal appearances at business and industry functions.
6. Build on our excellent relationships with EDD, Department of Labor, Division of Labor Standards and Enforcement, CSLB and other state agencies. The strength of these relationships remains a hallmark of our unit and results in solid prosecutions.

In regard to premium fraud we will:

7. 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.
8. Maintain liaison with EDD and review the results of their compliance audits of local businesses.
9. Meet with and encourage local law enforcement to be alert to premium fraud issues when search warrants are served on local businesses.
10. Involve as a part of our outreach program, contact with seasonal employers such as growers in the agricultural community and ski resorts.
11. Utilize the evolving Sierra Economic Crimes Task Force (SECTF) to coordinate with other agencies to aggressively prosecute of premium fraud.

In regard to other fraud we will:

12. Meet on an ongoing basis with business owners, office managers, and county departments to promote awareness and understanding of the fraud program and the means by which legal/medical, and capping fraud is detected and reported.
13. Continue to advertise our program in local and regional newspapers, as well as closely monitor our Fraud Hotline, website and Facebook and Twitter pages. We will also continue to distribute and air the "Truth or Consequences video.
14. Maintain a liaison with county Risk Management and their counterparts with the City of Placerville and South Lake Tahoe.

15. Provide prompt responses to case referrals from CDI, insurance providers, third party administrators, and complaints received through our Fraud Hotline and internet website.
16. Promote the Program through personal appearances at business and industry functions.
17. Utilize the recently created Sierra Economic Crimes Task Force (SECTF) to coordinate with other agencies to aggressively prosecute all crimes that involve fraud.

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?

El Dorado County and the Special Prosecutions Unit have tailored our goals to the stated goals of the Insurance Commissioner and the Fraud Assessment Commission. During the past several years, one of our major aims has been to achieve a balanced caseload. We will continue to focus on our Insurance Code Section 11760/11880 and Penal Code Section 550 investigations and prosecutions. We will strive to achieve this by working closely with the California Department of Insurance and following up on all credible leads regarding all types of fraud.

We also recognize that continued collaboration with outside agencies is beneficial and creates a synergistic effect. We will build on already strong working relationships with a variety of outside agencies including CDI, EDD, CSLB, DLSE, DOJ, FTB, BOE and insurance carriers' SIU divisions. Frequent and open communication with these agencies creates efficient prosecutions. As resources are limited, we understand that we have a responsibility to work cohesively with other agencies. Face to face meetings result in targeted prosecution and improve investigations, reports and the quality of prosecutions. Our collaboration with CDI and CSLB and County departments on operations and investigations will continue and we will maintain a SPU presence at industry meetings.

Our office created the Sierra Economic Crimes Task Force (SECTF) in 2014 and participation in this information sharing opportunity is growing. We invited an array of agencies to join this task force, which is comprised of representatives from a broad range of state agencies. The invitees include: Amador County District Attorney's Office, California Board of Equalization, California Department of Business Oversight, California Department of Insurance, California Employment Development Department, California Franchise Tax Board, Board of Equalization, California State License Board, California Highway Patrol, Douglas County Sheriff's Office, Douglas County District Attorney's Office, El Dorado County Sheriff's Office, Nevada County District Attorney, Placer County District Attorney, Placer County Sheriff's Department, Placerville Police Department, Sacramento County District Attorney's Office, South Lake Tahoe Police Department, Folsom Police Department, and the California Department of Justice.

The goal of SECTF is to coordinate efforts with these agencies to aggressively investigate and prosecute financial crimes. The first meeting of the task force was held on January 28, 2014. The SECTF meets quarterly, with the most recent meeting just occurred on April 23, 2015 and involved members of EDD, DMV, Yolo County DA's Office, Sacramento County DA's Office, Placer County DA's Office, FTB, and the Deputy Attorney General in charge of the AG's Office TRACE Task Force dealing with the Underground Economy. As the task force evolves, members find new ways to collaborate and forge relationships. The task force facilitates the investigation of economic through enhanced contacts and communication between various agencies. This year we hope to increase participation and share information in regard to trends in workers compensation fraud and provide trainings related to complex cases. In the future we will host trainings related to complex cases and investigations.

Our technological acumen is a strength of our office and program. Our on-line reporting gives victims an instant reporting tool and our paperless system has increased communication and consistency within the unit. Our investigator has been designing and programming a user friendly Access database for data entry and recovery for the DAR (District Attorney Report) and other analytics. Once this database is perfected our office will make it available to other counties. Investigator Lindholm has spent the past year developing the dynamic queries and reports to produce the DAR and analytics.

Finally, we will continue to build and improve our outreach program. We will present to the susceptible segments of our community, including the elderly, and continue to circulate our updated "Truth and Consequences" video. To build on our social media presence on our website, Facebook and Twitter, we will explore ways to make our website more user-friendly. This will enhance citizen reporting and our outreach effort. We will also continue to provide training to fire and other law enforcement personnel and expand outreach in the chiropractic-medical, pharmaceutical and medical communities. To cement our enforcement presence, our unit will participate in community outreach by presenting to business associations and at local bazaars and fairs in the community.

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

One of our continued challenges and goals is a balanced caseload. This goal has two aspects: 1) To even out the distribution of prosecutions between the Tahoe basin and the West Slope; and 2) To increase our Penal Code Section 550 and Insurance Code Section 11760/11880 cases so that they rival our Labor Code Section 3700.5 prosecution numbers. We have made major headway on increasing a prosecutorial presence in the Tahoe basin. To continue our progress on this goal, we will continue to partner with agencies in that region, including in Nevada, to develop a wide range of workers' compensation fraud cases. Our unit is also strengthening partnerships with BOE, FTB, EDD, as well as various regional investigators and prosecutors, as part of their economic crimes taskforce. Additionally, we expect to increase investigations, prosecutions, and best practices through the synergistic effect of our

Sierra Economic Crimes Task Force (SECTF). These relationships will result in more complex and coordinated investigations.

Our gains in collecting restitution remain steady but progress in this area requires ongoing effort and coordination with other local and state agencies. Our legal assistant diligently tracks the Superior Court database for payments and current balances, so reminder letters and possible violations of probation can be filed accordingly, when necessary. Additionally, we are working with both the Court and local agencies such as El Dorado County Revenue and Recovery to clarify and streamline the restitution collection effort. We have redoubled our efforts to capture investigation costs as part of plea agreements. Although we have increased consistency in our Court orders, restitution collection process and agency expectations, this is an on-going effort.

4. Training and Outreach

- **List the training received by each county staff member in the workers' compensation fraud unit during Fiscal Years 2013-2014 and 2014-2015.**

Assistant District Attorney James Clinchard attended the Winter and Summer CDAA Conferences, with various classes and trainings which assist in running a better fraud unit, as well as attending at both conferences the CDAA Insurance Fraud Committee in order to learn statewide trends and legal updates concerning insurance fraud.

Investigator Lindholm attended the NCFIA Conference, DEA Pharmaceutical Controlled Substance Abuse Course, DEA Medical Provider Fraud Undercover Operator Course, and Interview and Interrogation update training.

Additionally, our assistant, attorney and investigator receive constant on-the-job training by meeting with other agencies as well as staff from other counties with similar programs. This past year our investigator and attorney traveled to Amador County and Yolo County to meet with their worker's compensation units. We were able to learn about aspects of those programs that have been successful, such as new sources of case referrals and that we can explore. Our unit also networked with other agencies through the Sierra Economic Crimes Task Force and took note of new strategies we can employ in our prosecutions.

- **Describe what kind of training/outreach you provided in Fiscal Year 2014-2015 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.**

A collection of agencies participate in the Sierra Economic Crimes Task Force (SECTF) that our unit created in 2014. In January, at our initial meeting, we presented our vision of a coordinated cross-agency effort to representatives from a

broad range of regional, county and state agencies. Since then we have hosted quarterly meetings, with the last meeting which just occurred on April 23, 2015.

The Workers' Compensation Fraud program manned a booth at the El Dorado County Fair this past year for the entire four day event. We estimate our Workers' Compensation Fraud Investigator and Attorney spoke with more than 350 people during the event. We discussed the pitfalls of hiring unlicensed people, as well as the economic impact workers' compensation fraud has on the economy. The annual fair is a valuable opportunity for addressing a wide cross section of the population. As such, we have already secured a booth for this year fair.

During this past year, El Dorado County suffered two devastating forest fires that destroyed many homes, structures and property. As soon as the burn areas were secured, our investigator partnered with CSLB to meet with many of the property owners. We armed the homeowners with information about potential scams that commonly target victims of disaster and posted signage throughout the area to deter potential scammers and make our prosecutorial presence known. To reach the property owners that were sheltered, we met with property owners at Red Cross sites.

This past year Investigator Lindholm continued to make presentations at the three El Dorado County Senior Centers, stressing the pitfalls and importance of not hiring unlicensed individuals. The senior citizen population makes up about 13% of the county's population and is a group vulnerable to scams.

Investigator Lindholm has trained some of the deputies, local police officers, California Highway Patrol, County Tax Collector, County Building and County Health Officials as well as the Office of Child Support Revenue and Collections Staff about workers' compensation fraud, specifically Labor Code Section 3711, and explained to them that the inspections he performs under Labor Code Section 3711 can be a useful tool when they are experiencing a problem with a particular business. As a result of this training, he has received several productive referrals.

Investigator Lindholm conducted outreach and training with the following organizations:

- El Dorado County Fair
- El Dorado County Senior Centers (South Lake Tahoe, Placerville, El Dorado Hills)
- Fair Grounds Red Cross Relief Center
- Placerville Police Briefing
- Office of Child Support Revenue
- South Lake Tahoe Police Department
- El Dorado County Sheriff's Department (OES Personnel)
- California Highway Patrol
- California Department of Motor Vehicles
- California Department of Fish and Wildlife
- CalFire Forestry Staff

- **Describe what kind of training/outreach you plan to provide in Fiscal Year 2015-2016 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.**

We have a broad plan for training and outreach for the fiscal year 2015-16 that includes social media, in-person presentations and networking, and exploring more options to connect and communicate with the community.

The Special Prosecutions Unit has a presentation targeted towards the potential victims in our elder community. We will present information and materials on Workers' Compensation Fraud to the El Dorado County Elder Protection Unit and at our local senior centers. The "Truth and Consequences" video, created in conjunction with CDI, was updated and dispersed to every District Attorney's Office in California. We will follow up on this effort to create a comprehensive, consistent statewide outreach program.

Investigator Lindholm has identified a potentially unreported area of claimant and provider fraud occurring in Lake Tahoe Basin. Investigator Lindholm will obtain data from NICB and other sources and put together a presentation for the business owners of food processing and building maintenance industries in the Lake Tahoe Basin to help them understand how workers' compensation fraud affects their business financially and how they can work with their carriers to help the fight against workers' compensation fraud.

The Special Prosecutions Unit will also continue to expand outreach as we identify additional business associations and groups in El Dorado County. As we have done in the past we will present at the El Dorado County Chamber of Commerce monthly luncheons in Placerville, El Dorado Hills and South Lake Tahoe. We will also inform and educate the public on fraud prevention at the El Dorado County Home and Garden Show and the El Dorado County Fair.

Investigator Lindholm has been working on an investigation related to illegal massage establishments in the Tahoe Basin. This is an area ripe for outreach, as there is misperception in the community and among the mostly immigrant workers in these businesses regarding regulations and protections under the law. Investigator Lindholm has been working with DSLE and EDD to determine whether the establishments are operating within DSLE regulations and whether they are in violation of requirements for worker's compensation and payroll reporting. Finally, our office also has a strong suspicion that the owners of these establishments are engaged in human trafficking of the workers. As such, we are coordinating with other city, county and state agencies and conducting further investigation.

In the coming year we expect to build on our close relationship with county departments and to educate them on the capabilities of our fraud program. We will also continue to attend appropriate industry meetings and increase our collaboration with various insurance carriers' SIU divisions.

During 2015/16, our Workers' Compensation Fraud Unit will continue to train the local and state law enforcement officers about workers' compensation laws and the usefulness of Labor Code 3711. So far the premium fraud cases generated with this training have proven to be beneficial.

The Workers' Compensation Insurance Fraud Unit will continue to make presentations towards ferreting out claimant and provider workers' compensation fraud by not only educating the businesses in the county who are potentially at the greatest risk, but also educating the other governmental agencies who come in contact with county businesses about the devastating financial impact claimant and provider fraud have on the economy.

5. Describe the county's efforts and the district attorney's plan to obtain restitution and fines imposed by the court to the Workers' Compensation Fraud Account as the legislative intent specifies.

In fiscal year 2009-2010, our fraud unit worked with the Court to create a restitution tracking system. Our legal assistant uses this system to access court files and to track payments on each of our cases. With this system, in conjunction with close work with the Probation Department and Employment and Training Department, we are able to determine both the date and amount of each payment made by every fraud unit defendant. The fraud team legal assistant regularly reviews the progress of payments on each case and notifies the fraud attorney of missed or late payments. If a defendant has failed to make a payment/s, we remind the defendant in writing of the court ordered requirement or need to pay restitution. This notification also advises defendants of the potential for a violation of probation for current or future violations. Our updated PCCS system also has a new victim-witness module that our victim advocates use to update information and flag restitution issues. These diligent and consistent efforts resulted in a significant increase of the amount of fines, investigative costs and restitution we have collected. We will continue our efforts into the next fiscal year as we strive to achieve even greater compliance in this area. In this past fiscal year, we collected more than **\$13,899.00** in fines and restitution monies.

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

Project:

- a. 40-50 new investigations will be initiated during FY 2015-2016.
- b. 20-25 new prosecutions will be initiated during FY 2015-2016.

- 7. 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.**

We are requesting \$279,614.82 funding amount awarded in FY 2015-2016. El Dorado County's grant award has seen a steady decrease in the past 3 years. The \$31,525 increase requested over last year's amount will be used to cover the costs incurred with cost of living increases (via County pay raises) that have occurred over the past 3 years.

**COUNTY PLAN
PROGRAM STRATEGY (Continued)**

- 8. 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.**

El Dorado County recognizes the serious problem of willfully uninsured employers in this county. As such, prosecuting these cases aggressively is the most active part of our program. Slight improvements in the economy have likely not funneled through to our suspects or encouraged them to comply with workers compensation requirements. As such, noncompliant uninsured employers are an ongoing and growing problem. Based on the number of cases we investigated and prosecuted in the last several years, we predict the upward trend in these cases will continue. As such, we will continue to vigorously identify, investigate and prosecute these violators to protect the community and the State of California.

One of the strongest elements of our program is that our full-time Investigator, Chris Lindholm, is active and visible in the community. Investigator Lindholm continues to be a presence in the business community and on job sites throughout the county. His frequent contact with employers has created a deterrent effect, as he is constantly verifying licensing and insurance status. Investigator Lindholm also routinely gathers information from the onsite employees to follow-up on information provided by their employers. Our "on the ground - in the field approach" ensures that violators are discovered on the job and held responsible. Finally, several of our 3700.5 LC investigations led to the apprehension of violators who had unrelated warrants from other jurisdictions. A number of these defendants had felony warrants and were booked and handed over to other counties.

BUDGET
Instructions for Fiscal Year 2015-2016

In preparing to provide the information requested on Forms 10-13, 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 in Form 05, question #2. However, applicants should not include any funds or expenses from these sources in the program budget.

BUDGET CATEGORY INSTRUCTIONS

PROGRAM BUDGET

The purpose of the Program Budget is to demonstrate implementation of the proposed plan with the funds available through the 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 the CDI's modification and approval.

The CDI requires the applicant to develop a cost-effective line-item budget that will enable them to meet the intent and requirements of the program, and ensure the successful implementation of the program. 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 by 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 as 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 made 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 motor vehicles specifically requested/justified to, and approved in advance by, the Commissioner
- Interest payments
- Food and beverages, except as purchased in connection with program-related travel. Food and beverage costs shall not exceed the applicants' per diem schedule.
- Weapons or ammunition unless included as part of a benefit package

2. Allowable Budget Items

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

BUDGET CATEGORY INSTRUCTIONS (Continued)

Specific Budget Categories

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

- A. Personnel Services - Salaries/Employee Benefits – Form 10**
- B. Operating Expenses – Form 11**
- C. Equipment – Form 12**

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 other revenue items. **This section must be completed and submitted even if there were 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 Association dues, are allowable budget items if negotiated as part of an employee benefit package.

BUDGET CATEGORY INSTRUCTIONS (Continued)

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 ½ 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) or 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 **57.5 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 57.5 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. 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** are costs that will be incurred by grant-funded personnel working undercover or in another investigative capacity. It may include the purchase of information, physical evidence, or services.

BUDGET CATEGORY INSTRUCTIONS (Continued)

- 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 (10%) of personnel salaries (excluding benefits and overtime), or 5 percent (5%) 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 these costs.

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 (e.g., 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 budget may include a line-item for the cost of obtaining an independent financial audit. The financial audit is to be prepared by either an independent auditor who is a qualified state or local government auditor, an independent public accountant licensed by the State of California, or the County Auditor/Controller. The 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 Application and County Plan.

C. Equipment:

Equipment is defined as non-expendable 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)

Vehicles: The purchase of vehicles must be justified to and approved by the Commissioner. A separate justification must be submitted. If approved, 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 requested for the program.

OTHER PROGRAM FUNDS

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

ADDITIONAL GUIDANCE

Counties are also referred to the California State Controller's office (SCO) and its Accounting Standards and Procedures for Counties manual (Government Code Section 30200 and California Code of Regulations, Title 2, Division 2, Chapter 2) that, along with minimal required accounting practices, includes basic guidance regarding grant program budgets. Counties may download a copy of this manual at the SCO website <http://www.sco.ca.gov>

BUDGET CATEGORY AND LINE-ITEM DETAIL		COST
A. Personnel Services - Salaries/Employee Benefits		
SALARIES		
(Including Tahoe differential, bi-lingual, standby, longevity and deferred comp)		
DA Investigator	1.00 FTE	\$110,088
Assistant District Attorney	.05 FTE	\$7,050
Deputy District Attorney	.30 FTE	\$32,710
Investigative Assistant	.05 FTE	\$2,750
Legal Secretary	.10 FTE	\$4860
Benefits		
Medicare:		
DA Investigator	1.00 FTE	\$1,596
Assistant District Attorney	.05 FTE	\$102
Deputy District Attorney	.30 FTE	\$475
Investigative Assistant	.05 FTE	\$40
Legal Secretary	.10 FTE	\$76
Health/Flex:		
DA Investigator	1.00 FTE	\$26,172
Assistant District Attorney	.05 FTE	\$1385
Deputy District Attorney	.30 FTE	\$6,419
Investigative Assistant	.05 FTE	\$565
Legal Secretary	.10 FTE	-
Retirement/PERS:		
DA Investigator	1.00 FTE	\$36,780
Assistant District Attorney	.05 FTE	\$1,279
Deputy District Attorney	.30 FTE	\$5,933
Investigative Assistant	.05 FTE	\$609
Legal Secretary	.10 FTE	\$1156
Disability Insurance:		
DA Investigator	1.00 FTE	\$264
Assistant District Attorney	.05 FTE	\$17
Deputy District Attorney	.30 FTE	\$83
Investigative Assistant	.05 FTE	\$7
Legal Secretary	.10 FTE	\$13
TOTAL		\$240,429

BUDGET CATEGORY AND LINE-ITEM DETAIL	
B. Operating Expenses	COST
Memberships:	
California District Attorney's Investigators Association	\$30
Northern California Fraud Investigators Association	\$40
Law Books:	
California Insurance Code	\$23
Fuel/Vehicle Costs:	
DA Investigator Lindholm – Co Vehicle (21666 miles x .486 fleet rate)	\$10,540
Audit Fee:	
Outside Audit Firm	\$9,000
Staff Development:	
NCFIA – (1.0) Investigator	\$375
Insurance Fraud Seminar – Deputy DA	\$300
Insurance Fraud Seminar - DA Investigator	\$300
Travel:	
Meals	\$350
Lodging	\$2,000
Software:	
Tracking & Vehicle Search Software	\$274.82
Telephone:	
Verizon Mobile Broadband (\$37.50/Mo)	\$450
Indirect/Administrative Cost Allocation: Base 10% calculation	\$15,503
TOTAL	\$39,185.82

BUDGET CATEGORY AND LINE-ITEM DETAIL	
C. Equipment	COST
None	
CATEGORY TOTAL	
PROGRAM TOTAL	\$279,614.82
INTEREST TOTAL	

EQUIPMENT LOG

Equipment Log for FY 2014-2015
County of El Dorado

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

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 R. PIERSON

Title: DISTRICT ATTORNEY

Signature: 

Date: 4/29/15

ATTACHMENT A

JOINT INVESTIGATIVE PLAN

Memorandum of Understanding between the California Department of Insurance – Fraud Division and the El Dorado County District Attorney

Fiscal Year: 2015/2016

INTRODUCTION

- a) The “parties” included in this joint plan are the California Department of Insurance- Fraud Division (hereinafter referred to as “CDI”), and the El Dorado County District Attorney’s Office – Special Prosecution Unit (hereinafter referred to as “DA”).

- b) The parties to this Joint Investigative Place recognize that the California Department of Insurance, Fraud Division was established to investigate allegation of insurance fraud throughout the State of California, and is the primary investigative agency in this field, However, while the headquarters for “CDI” of Central Northern California is based in Sacramento, its investigative responsibilities encompass twenty-five (25) central and northern counties. Due to this considerable geographical territory, the number of referrals/cases, and the finite number of investigators available, the fraud division cannot reasonably be expected to devote its efforts in any one county. Thus, there exists a critical need for an effective joint plan to address the problem of insurance fraud in jurisdictional territory.

1. STATEMENT OF GOALS

- a) To promote a close working relationship between “CDI” and “DA” based on dedication to the common goal of fighting insurance fraud, commitment to the highest professional and ethical standards, and

mutual respect as law enforcement officers devoted to the pursuit of justice and the protection of the citizens of El Dorado County and the State of California.

- b) To investigate in a timely manner, using professional standards and procedures, and prosecute, when appropriate, as many identifiable cases of suspected insurance fraud as can be done.
- c) To achieve the best possible anti-insurance fraud program through the efficient and effective use of the limited resources provided, and to promote awareness in this community that the serious problem of insurance fraud is being addressed in a meaningful way by law enforcement.
- d) “CDI” and “DA” will work together to identify common area of fraud that tend to drive up the cost of workers’ compensation insurance. This would also include identifying those employers who commit premium fraud. Once the entities involved in these areas of fraud have been identified, the parties agree to work together to arrive at a plan as to how best to reduce or minimize these fraudulent activities.

2. RECEIPT AND ASSIGNMENT OF CASES

Present law requires that an insurer who knows or reasonably believes that an act of insurance fraud has been committed, report this information to the Department of Insurance – Fraud Division and the local District Attorney (Insurance Code Section 1877.3).

- a) When a suspected fraudulent claim (SFC) or a case referral package is received from a insurer, it shall be entered into a database, available for future reference. Both parties will maintain a case tracking system to monitor all SFC’s and case referral packages received.

- b) Both parties will communicate on a regular, scheduled basis to discuss SFC's and case referral packages received, with the objective being to avoid duplication of investigate efforts, and to insure that all referrals are being appropriately addressed. When a case is assigned for investigation, the assigning party will notify the other within five (5) working days. A monthly report regarding intake of SFC's and assigned cases will be generated by both parties and mailed to one another by the fifth working day of each month.
- c) If the SFC or case referral package is sent only to "CDI", "CDI" will address the matter exercising its best discretion on how to proceed, with appropriate notice to the "DA" of the action taken. If the SFC or case referral package is sent only to the "DA", it will notify "CDI" of the action it desires to take, as indicated in paragraphs (d), (e) and (f) below. The information shall include the suspect's name, carrier or administrator and the claim number.
- d) As the primary investigative agency in the field of insurance fraud, "CDI" will have "first claim" to an SFC or case referral package sent by an insurer for investigation. There can be exception to this provision if the referring insurer specifically requests that the investigation be done by the "DA". "CDI" will be notified immediately to discuss the situation and avoid any duplication of investigative efforts.
- e) If "CDI" elects to pursue an investigation of an SFC or case referral package sent by an insurer the "DA" will suspend any further action on the case, pending the outcome of the "CDI" investigation, and will notify the insurer of the fact in writing.
- f) If "CDI" elects not to pursue an investigation of an SFC or case referral package sent by an insurer, because of excessive caseloads, resource limitation, or any other reasons, or chooses to defer any matter referred, the "DA" will review the referral for investigation.

The referring insurer will be notified of this fact in writing and a copy of the writing will be submitted to the “DA”.

- g) If the “DA” receives a referral that would be more appropriately handled in another county’s jurisdiction, the original receiving district attorney’s office will forward the referral to the appropriate county and notify “CDI”.

3. INVESTIGATIONS

- a) Pursuant to the above provision, and to maximize the use of resources, it is understood and agreed that either party will provide assistance to the other, upon request, in any investigation where such assistance is needed. This assistance could include, but is not limited to, serving search warrants, interviewing witnesses and making arrests.
- b) Joint investigations may be undertaken in cases where the parties determine it is beneficial to combine resources to achieve the most efficient and effective results. This will be determined on a case-by-case basis.
- c) It is expected that cases will be developed from referral by insurers, other law enforcement/governmental agencies (CHP; EDD; etc.), informants, and other responsible sources of information. Outreach programs are encouraged to promote this aspect of the plan.
- d) It is the intent of the Joint Investigative Plan to avoid duplication of investigative efforts by maintaining regular communication to discuss caseloads and share information concerning current investigation. The “CDI” regional supervisors will meet a minimum of twice a year with the “DA” designee to review the working relationship between both agencies.

- e) The deputy district attorney of the “DA”, or his/her designee, will be available to meet with the fraud division investigator at any time during the investigation of a case when requested by the investigator to discuss any aspect of the case.
- f) It is the intent of the parties by maintaining regular communication and adhering to agreed upon plans and procedures, the completed investigation will result in filing of criminal charges and successful prosecution. At the same time, however, it is understood that not every case that is investigated will result in prosecution. This can occur when evidence does not develop as expected, material witnesses are no longer available, the case lack jury appeal, the reasonable likelihood of conviction is minimal, or other unforeseen circumstances develop. The parties will take all possible steps to avoid such situation, as it is not desirable to expand investigative resources that are not prosecuted in court.
- g) Any investigative costs associated with a “CDI” investigation prior to the complaint being filed shall be incurred by “CDI”. Any costs associated with the investigation after a complaint has been filed, shall be incurred by the “DA”. Responsibility for costs incurred during a “joint” undercover operation will be determined by the Memorandum of Understanding – see section 5(c).

4. UNDERCOVER OPERATIONS

- a) Both “CDI” and “DA” recognize the importance of undercover investigations in certain cases where it is felt this technique is a viable means of developing evidence to prove a suspected insurance fraud. The parties agree that undercover operations need to be highly organized and will be carefully monitored by supervisor level personnel to insure the efficiency and integrity of the investigation. It is understood that undercover operations can be very labor

intensive and time consuming, and don't always produce the desired result.

- b) Either party may decide to conduct an undercover operation in a particular case using its own personnel and resources. In a situation where "CDI" conducts its own independent undercover investigation in El Dorado County, the "DA" will be available to provide advice or other assistance as required.
- c) In a case where there will be "joint" undercover investigation, there will be a Memorandum of Understanding (M.O.U.) prepared prior to the start of the investigation, which outlines and specifies the goals and the objectives of the investigation, as well as the duties and responsibilities, including personnel and financial responsibilities, of each of the parties in the investigation.

5. CASE FILING REQUIREMENTS

- a) The initiation of the suspected insurance fraud cases will focus not only on the development of probable cause to make and arrest, but also on the obtaining of sufficient evidence to support the charge beyond a reasonable doubt in a criminal court. It is understood that each case is unique, and certain actions may need to be taken in one case that would not be taken in another.
- b) When submitting a case for prosecution, the investigator will present as complete a package as possible, including a detailed report, outlining the offenses alleged to have been committed, the details of the investigation, and the evidence available to prove the charges, including identification of available witnesses and supporting documentation. In cases involving alleged false statements or misrepresentations, there must also be identified evidence to show materiality of the alleged false statement or misrepresentation to the claim.

- c) To promote efficiency in the area, “CDI” investigators are encouraged to contact the “DA” early in the investigation of a case to share ideas and develop strategies that will lead to a prosecutable case.
- d) The “DA” will ensure that all formal case presentations are by “CDI” will be reviewed within ten (10) working days of the presentation or delivery. If additional investigation is needed, as determined by the reviewing district attorney, he/she will notify the case investigator immediately. The case investigator will complete the additional investigation as soon as reasonably possible and provide the “DA” with status updates at a minimum of every ten (10) working days until the investigation is completed. The “DA” will further ensure that decisions on complaint filings shall be done in a timely fashion but not longer than thirty (30) days from the date of receipt. If a formal case is rejected for prosecution, the district attorney will prepare a statement in writing stating the reasons for the rejection and provide the statement to the “CDI” case investigator within ten (10) working days following the rejection.

6. TRAINING

- a) Parties have been, and will continue to be, active participants in the annual CDAA/CDI Insurance Fraud Training Seminar. This will provide a significant portion of the ongoing training of both parties in the area of insurance fraud.
- b) The parties will participate in joint informal training sessions, as necessary, on issues important to the investigation and prosecution of insurance fraud cases. The parties will assist each other, when requested, in training sessions, for insurance carriers and administrators, or issues important to the detecting, investigation, and prosecution of insurance fraud cases. Both parties will notify

each other when there is a request for training by an insurance carrier and administrator.

7. PROBLEM RESOLUTION

- a) It is the intent of this joint plan that any problems or differences that may arise between the parties be resolved quickly through early, direct, and open communication by those personnel directly involved in the problem. If necessary, the chief investigator of the "CDI" and the prosecutor in charge of the "DA", or the chief investigator in the district attorney's office may be called upon to resolve any problem, concentrating on the best interests of the overall insurance program.

8. CALIFORNIA INSURANCE CODE 1871.9 REPORTING

- a) Pursuant to 1871.9 of the California Insurance Code, "CDI" is required to post specific workers' compensation conviction information on its Internet Website for each person convicted of a violation involving worker's compensation, services or benefits. The "DA" agrees to provide the Sacramento Regional Fraud Division Office with certified minute orders on all workers' compensation conviction obtained by the "DA". The Regional Fraud Division Office will ensure the certified minute orders are forwarded to the Fraud Division Headquarters office.

DATED:

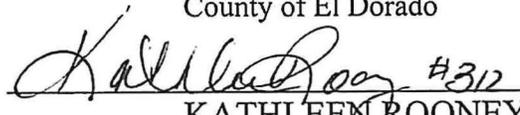
4/29/15



VERN R PIERSON
District Attorney
County of El Dorado

DATED:-

4/29/15



KATHLEEN ROONEY
Captain, Fraud Division
Department of Insurance