CALIFORNIA DEPARTMENT OF INSURANCE
FRAUD DIVISION

MONTEREY COUNTY
DISTRICT ATTORNEY'S OFFICE

WORKERS' COMPENSATION
INSURANCE FRAUD PROGRAM

REQUEST-FOR-APPLICATION

FISCAL YEAR 2015-2016

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

Grant Application Checklist and Sequence

The Application MUST include the following:

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

DEPARTMENT OF INSURANCE
GRANT APPLICATION TRANSMITTAL

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

Contact: Edward Hazel, Managing Deputy District Attorney

Address: 230 Church Street, Building #3

Salinas, CA 93901

Telephone: (831) 755-5076

Workers' Compensation Insurance Fraud Program — (1) *Program Title*

July 1, 2015-June 30, 2016 — (2) *Grant Period*

(3) New Funds Being Requested: $ 795,268

(4) Estimated Carryover Funds: $ 0.00

Dean D. Flippo — (5) *Program Director*

Bruce Suckow — (6) *Financial Officer*

Dean D. Flippo

(7) *District Attorney's Signature*

Name: Dean D. Flippo

Title: District Attorney

County: Monterey

Address: 230 Church Street, Building #2

Salinas, CA

Telephone: (831) 755-5470

Date: April 22, 2015

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Fiscal Year 2013-2014

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: Edward Hazel

   Title: Managing Deputy District Attorney

   Address: 230 Church Street, Building #3

   Salinas, CA 93901

   E-mail address: hazele@co.monterey.ca.us

   Telephone Number: (831) 755-5076 Fax Number: (831) 755-5068

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

   Name: Bruce Suckow

   Title: Finance Manager II

   Address: 230 Church Street, Building #2

   Salinas, CA 93901

   E-mail address: suckowb@co.monterey.ca.us

   Telephone Number: (831) 755-5259 Fax Number: (831) 796-3389

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: Edward Hazel

   Title: Managing Deputy District Attorney

   Address: 230 Church Street, Building #3

   Salinas, CA 93940

   E-mail address: hazele@co.monterey.ca.us

   Telephone Number: (831) 755-5076 Fax Number: (831) 755-5068

BOARD OF SUPERVISORS RESOLUTION

The Board of Supervisor Resolution required for this grant application follows this page.

File ID 15-0244 No. 39 Revised

Monterey County

168 West Alisal Street,
1st Floor
Salinas, CA 93901
831.755.5066

Board Order

Upon motion of Supervisor Parker, seconded by Supervisor Armenta and carried by those members present, the Board of Supervisors hereby:

Approved and authorized the District Attorney to sign, submit and execute grant applications for existing programs, including any extensions or amendments thereof under similar terms, for continued funding for Fiscal Year 2015-16 from Federal and State agencies for the District Attorney's Office Victim Assistance Unit and other Prosecution Programs.

Victim Compensation and Government Claims Board (VCGCB)
Victim Witness Assistance Program (Office of Emergency Services – OES)
Automobile Insurance Fraud Prosecution Program (Department of Insurance – DOI)
Workers Compensation Fraud Prosecution Program (DOI)
Underserved Victim Advocacy and Outreach (OES)
Traffic Safety Resource Prosecutor Program (California Office of Traffic Safety)
Disability & Health Care Fraud (DOI)
Southwest Prosecution Initiative (Department of Homeland Security)

PASSED AND ADOPTED on this 7th day of April 2015, by the following vote, to wit:

AYES: Supervisors Armenta, Phillips, Salinas, Parker and Potter
NOES: None
ABSENT: None

I, Gail T. Borkowski, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof of Minute Book 77 for the meeting on April 7, 2015.

Dated: April 8, 2015
File ID: 15-0244
Revised: April 21, 2015

Gail T. Borkowski, Clerk of the Board of Supervisors
County of Monterey, State of California

By Denise Hancock Deputy

STATE OF CALIFORNIA
COUNTY OF MONTEREY

I, Gail T. Borkowski, Clerk of the Board of Supervisors, do hereby certify the foregoing to be a full, true and correct copy of the original BOARD ORDER **on file in my office.**

Witness my hand and seal of the Board of Supervisors.
This 21ST **day of** APRIL 2015

GAIL T. BORKOWSKI
Clerk of the Board of Supervisors

seal

By: Denise Hancock **Deputy**

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.

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

During the last two fiscal years our program has been successful in a number of areas. We maintained a balanced caseload, maintained and fostered collaborative interagency relationships that led to a number of successful operations, investigations, and convictions and maintained a successful outreach program. A more complete discussion about each of these areas, as well as a brief summary of a recent jury trial, is provided below.

SUCCESSFUL JURY TRIAL

One particular area of success during the fiscal year 2013-2014 was the jury trial of People v. Chip Bolton which was presented in March 2014. The case took two and a half weeks of testimony with an additional two days of jury deliberations. It was a complex applicant fraud case in that the defendant not only committed insurance fraud, including perjury, but was also engaged in welfare fraud along with his spouse.

In this case, the defendant alleged injury as the result of a slip and fall while loading a truck. Defendant told the claims adjustor that he could not do anything. Surveillance video on the same day as he spoke with the adjustor showed him engaged in numerous physical activities as he worked out at the local YMCA. He was seen running, bending backwards, playing basketball, and using an elliptical machine. Of particular importance was that Bolton denied going to the YMCA since his alleged injury except to take his kids swimming. The video surveillance established this claim and others made by Bolton to be patently false.

During the investigation, it was discovered that Bolton and his wife were engaged in welfare fraud by not reporting income including his temporary total disability payments. Bolton was charged with insurance fraud, attempted and completed perjury, and welfare fraud. His wife pled guilty to charges of welfare fraud prior to the Bolton's preliminary hearing on his charges.

The case materials included 1514 pages of discovery relating to the Workers' Compensation charges and 547 pages relating to the Welfare Fraud charges. Some of the evidence was cross-admissible between the two forms of fraud. Our attorney prepared and argued eight motions in limine. There were nineteen witnesses called to testify through whom eighty-six (86) exhibits were introduced and admitted into evidence.

There were twenty-one hearings of various sorts leading up to trial including the preliminary hearing which was heard in January 2013 and took over four hours to complete. Finally, our attorney prepared six special jury instructions for consideration.

Bolton was convicted in March 2014 of all charges that included seven felony counts involving workers' compensation and welfare fraud. The defendant was convicted of two counts of false/fraudulent statements in order to obtain workers' compensation benefits, one count of insurance fraud, one count of attempted perjury, one count of perjury, one count of welfare fraud and one count of grand theft. At the sentencing hearing in May 2014, the court rejected any notion of leniency and sentenced him to the maximum prison term allowed under the law. Bolton is serving eight years and eight months. The court also ordered restitution for the workers' compensation fraud in the amount of $60,488.34 and $18,912 for the welfare fraud.

This case highlights what we have long argued. That is, fraud takes many forms and very often when a person is involved in one kind of fraud he/she is also involved in other fraudulent activities. Therefore, it is imperative that our investigators and prosecutor not look at a case myopically. To the contrary, we must always look at the larger picture.

The case also highlights the voluminous nature of these cases and the relative complexities involved in presenting it to a jury.

BALANCED CASELOAD

Over the last two fiscal years, we have consistently worked to maintain a balanced caseload and have been successful in doing so. It is a major part of our philosophy that our program devotes our resources to the investigation and prosecution of all categories of fraud. Our caseload over the previous two years has included investigations and/or prosecutions of applicant fraud, provider fraud, uninsured employer fraud, employer defrauding an employee, and premium fraud.

During the last two fiscal years we secured convictions (felony and misdemeanors), against individuals engaged in a wide range of fraud including uninsured employer fraud, premium fraud, and applicant fraud.

The area of premium and provider fraud is where much of our resources have been devoted over the past two years. Investigations in this area are labor intensive and very detailed. We have coordinated with many local and state level agencies during the course of these investigations. We have also joined with CDI in conducting undercover operations aimed at investigating allegations of provider fraud.

Finally, we have coordinated efforts with allied agencies, including the local Health Department and the California State licensing Board (CSLB), addressing uninsured employer cases.

The following is a summary of a few of the cases our Program has developed and/or worked on during FY 2013-2014 and FY 2014-2015. We have summarized those that include cooperation and coordination with various agencies including the Fraud Division,

Employment Development Department (EDD), the State Compensation Insurance Fund (SCIF), and the Contractor's State License Board (CSLB). Some of the details on the open investigations are intentionally limited to protect the integrity of the investigation.

PROVIDER FRAUD

Operation Care Taker - Undercover Operation

The Monterey County District Attorney's Office (MCDA), CDI-Morgan Hill and NICB members have joined in this undercover operation. We received information that a certain provider was engaged in a pattern of overbilling, billing for treatment not provided and submitting false claims materials. After securing cooperation from an insurer to create an investigative claim file, an undercover operative with surreptitious recording equipment was introduced as a person seeking treatment. The operative has completed the medical treatment portion of the investigation. We have received most of the medical bills and have met with a subject matter expert regarding the treatment provided and the billings submitted identifying those that were billed for services not rendered. The lead investigator gathered additional information and served a search warrant on the provider's premises and records. Interviews of the principal parties have been completed. The case is currently under review by our prosecutor.

The investigative file is substantial. It consists of several hundred pages of investigative narrative reports not including exhibits, dozens of recorded audio interviews, and hundreds of hours of video from extensive undercover visits. Following service of a search warrant we obtained a significant number of medical and billing records that was downloaded to an external hard drive. The investigation evolved from looking only at the provider to recently adding a second target suspected of billing fraud in relation to translation services provided to the provider by one of the providers own employees.

Operation Pain Management - Undercover Operation

Two medical doctors operating separate practices have been known to law enforcement for years and are suspected of overprescribing narcotics and putting a large quantity of controlled substances on the street for profit. It has also been suspected the doctors are engaged in billing fraud by over billing and/or billing for services not rendered.

We initiated an undercover operation to determine whether the suspicions could be substantiated. It was initially unclear whether the suspected billing fraud was against workers' compensation insurance policies or against more traditional healthcare policies. Accordingly, members of both our Workers' Compensation Fraud Unit and our Disability and Healthcare Fraud Unit were tasked with establishing an undercover operation to investigate the matter.

Initially, we set up surreptitious surveillance equipment to observe "patients" coming and going from the businesses. The observations were logged which then lead to efforts to identify the individuals observed. The vehicles used by the "patients" were tracked which allowed for further investigation into their background.

The investigation moved into introducing confidential sources and undercover investigators into the practices to obtain prescription medications to which they were not entitled or in quantities which exceeded any medically appropriate dosages. Billings to various carriers were then monitored. The investigations are currently on-going.

The carriers involved include several major organizations. We also have information from the undercover operation as well as document review by at least one carrier that billing fraud exists. We have seen billings at the high end of the price points for "visits" by patients under circumstances that can be established as false.

The cumulative estimated chargeable fraud in these cases is $1,349,227.

PREMIUM FRAUD CASES

Juan Prieto Gutierrez dba Costa Pacific Roofing

This is a recently filed case that was discovered during a workers' compensation insurance compliance check of roofing companies. The compliance check of roofing companies was completed by Joint Enforcement Strike Force Inspection [JESF]. JESF is a coalition of California State government agencies who work together and in partnership with local and federal agencies to combat the underground economy. On this particular inspection the participating agencies included CDI, MCDA, CSLB and EDD. This business was detected and found to be replacing a residential roof at a location in Monterey by an investigator who was working undercover.

The defendant is alleged to have been registered with EDD for three quarters in 2007 but then stopped reporting data to EDD. EDD eventually closed the account but the business continued to operate. SCIF issued insurance policies to the business under the belief it had no employees and no payroll. In fact, it is alleged the business had at least five employees. Allegations of premium fraud and tax evasion are pending. The estimated chargeable fraud including losses of SCIF and EDD is over $500,000. The estimated chargeable fraud as to SCIF alone is approximately $393,224.

Langley, Danny

The Langley case is an example of how long term relationships with allied agencies can lead to significant prosecutions under circumstances that seem at first blush to be unconnected. In this case a relatively minor set of facts soon developed into a substantial premium fraud case. In this case our office worked closely with SCIF, EDD and CSLB.

Langley was initially investigated by the CSLB in 2011 for not having a contractor's license. That case resulted in a conviction and Langley was placed on probation. In 2012 the CSLB again initiated an investigation on Langley for continuing to contract without a license. This investigation revealed that he had gone beyond merely contracting without a license to harassment of customers in the form of demanding more money and yelling they need to pay in advance of the work. An employee of Langley told one victim that Langley had not paid him the full amount promised and asked the victim to pay the

employee the difference. With information regarding Langley having at least one employee the case turned into a LC 3700.5 case along with the contracting without a license case. Since he had a prior conviction for contracting without a license, the new charges were felonies which then brought his prior "strike" conviction into play. Defendant was charged with and subsequently pled to two counts of fraudulent use of a contractor's license (BP 7027.3); failure to carry workers' compensation insurance (LC 3700.5); two counts of contracting without a license (BP 7028); and false advertising (BP 7027.1) and admitted the prior strike allegation.

In 2013 apparently undeterred from his previous experiences with the court system, Langley was again discovered to be advertising and performing contracting work without a license. During this investigation, CSLB Investigator located seven homeowners who had construction work performed by the defendant that exceeded $500. The work included a wide range of work including, but not limited to, plumbing, electrical, gas lines, water heater and roofing. The defendant regularly told homeowners he was licensed and fully insured. As it turned out he performed work without getting the required permits and inspections. City inspectors had to be called out to inspect any work that could pose a danger to the homeowner or neighborhood.

Later in 2013 Langley and an employee were found working at a job site demolishing and intending to build a staircase without a permit. The defendant was cited and a stop order was issued since he had an employee but again without workers' compensation insurance. Langley told the investigator he would have workers' compensation insurance within twenty-four hours. Within a few days, Langley provided a copy of a Certificate of Insurance for workers' compensation insurance.

The District Attorney's Office Workers' Compensation Unit investigator requested and received State Compensation Insurance Fund ("SCIF") documents from when Langley obtained workers' compensation insurance. In the application, the defendant made material false/fraudulent representations in order to secure a lower premium. He indicated he had one part-time employee and his operations were handyman, basic repairs for appliances. SCIF indicated that if the true scope of the work the defendant had been performing had been on the application his premium could have been as much as three times higher. To make the matter even more complicated the Employment Development Department [EDD] informed the DA investigator that the defendant had never registered as an employer, never reported any wages nor paid any payroll taxes.

During a probation search, evidence of unlicensed activity and employees' time logs were seized. Additionally, a homeowner's blank check and credit card information was also located in the defendant's possession. The defendant was arrested on an arrest warrant on August 27, 2013 as he entered the courthouse. In his possession, information was found containing phone numbers, addresses and cryptic notes of possible construction work.

Defendant was charged with premium fraud; insurance fraud; offering false documents for recording; three counts of fraudulent use of a contractor's license; credit card theft; forgery; failure to register as an employer; failure to carry workers' compensation insurance; three counts of contracting without a license; and false advertising. The prior

strike was alleged on the felonies. The defendant pled to all charges, admitted the prior strike allegation and admitted an enhancement alleging he committed a felony while on bail for an earlier felony.

On December 19, 2013, the defendant was sentenced after the judge granted a defense motion to strike the "strike" allegation which was done over the strong objection of the District Attorney's Office. The court imposed a prison sentence of eight years but suspended execution of that sentence for five years during which the defendant would be on probation. Should he violate his probationary terms he will be required to serve the eight year prison term. He was ordered to serve 365 days in county jail. Among the several terms of probation, the defendant was ordered to pay a fine of $10,000.00 pursuant to Labor Code section 3700.5 to the California Workers' Compensation Fraud Account and pay a fine of $2,000.00 pursuant to Business & Professions Code section 7027.3. Jurisdiction was reserved to order additional restitution.

Perez, Anthony Vincent

This was a premium fraud, uninsured employer and tax evasion case that was part of our Uninsured Employer Operation. The defendant owns and operates a Private Patrol Operation [PPO] in which he has employees who are guards at various businesses and special events.

In December, 2012, the Monterey County District Attorney's Office, Workers' Compensation Fraud Unit investigated allegations that the defendant was paying his employees in cash and was operating without workers' compensation insurance. The investigation revealed the defendant had been in business since 2006, had not registered with nor reported employee wages to the Employment Development Department (EDD) and was misclassifying his guards/employees as independent contractors rather than as employees as required by the Bureau of Security and Investigative Services (BSIS) and provisions regulating Private Patrol Operators (PPO). During the investigation, the defendant obtained workers' compensation insurance through the State Compensation Insurance Fund (SCIF) making material misrepresentations in order to obtain a lower premium. The case was investigated jointly by representatives of the Monterey County District Attorney's Office, the California Department of Insurance and the Bureau of Security and Investigative Services.

He was sentenced in April 2014 for making a material misrepresentation in order to obtain a lower workers' compensation insurance premium, one count of willfully failing to file payroll tax returns with intent to evade tax payments, and one count of violating the private patrol operator provisions.

The defendant was placed on five years felony probation, ordered to serve 120 days in county jail, complete 200 hours of community service, pay over $18,000 in fines, be subject to a search by probation or any peace officer and be subject to other terms and conditions of probation to make sure the defendant is properly handling his business and complying with all employment and labor laws.

Evangelista, Efren

In February 2013, Investigators from the District Attorney's Workers' Compensation Unit, California Department of Insurance (CDI), Employment Development Department (EDD) and Bureau of Security and Investigative Services (BSIS) conducted a joint compliance and enforcement operation identifying employers not complying with the California Labor Code as it relates to workers' compensation insurance requirements for their employees. During the operation three Private Patrol Operation (PPO) businesses were contacted and investigated and all were found to be in violation of various codes.

The defendant owns Nacional Security Agency (NSA), a private patrol operator that provides private security for businesses. Our investigation into NSA revealed the defendant had been in business since 2006 but was not reporting all of his employees to the State Compensation Insurance Fund (SCIF) with whom he had his workers' compensation insurance; and he had been illegally classifying his employees as independent contractors. This misclassification also resulted in the defendant not reporting his payroll to EDD.

In December 2014, Evangelista pled to a felony count of making a material misrepresentation in order to obtain a lower workers' compensation insurance premium, one misdemeanor count of willfully failing to file payroll tax returns with intent to evade tax, and one misdemeanor count of violating the private patrol operator provisions.

A restitution hearing is scheduled for May 29, 2015 in front of the Honorable Pamela L. Butler. After the restitution hearing a sentencing date will be set.

Juan Rosas DBA Juan the Builder

This is a joint case with MCDA, CSLB, CDI-Morgan Hill and EDD. The suspect was sitting on a local architectural review board during the time period in which his contractor's license was suspended. Information obtained from reporting sources indicated Rosas may have been operating an unlicensed construction contracting business and that he may not have had required workers' compensation insurance. Investigators found valuable information on the suspect's website and twitter messages. Search warrants were served at several locations including payroll firms, an accounting firm, home and home-office, multiple computers, multiple banking institutions (for bank records) website and Twitter accounts.

With CSLB and EDD investigators assisting in the service of the search warrant over 13,000 pages of documentary evidence was secured. The evidence indicated that the suspect stopped reporting employees to EDD while still having a workers' compensation policy, and then dramatically reduced the reporting of his payroll to SCIF who attempted for some time to complete a payroll audit. The suspect was not cooperative and SCIF cancelled the policy. The charges involved premium fraud, tax evasion, use of a false or fraudulent contractor's license, not having workers' compensation insurance and other CSLB misdemeanor charges.

On April 14, 2015 Rosas pled to one count of making a material misrepresentation in order to obtain a lower workers' compensation insurance premium, one count of fraudulent use of a contractor's license and one count of willfully failing to file payroll tax returns with intent to evade tax payments. Sentencing is scheduled for June 29, 2015 before the Honorable Julie R. Culver. The maximum exposure for the charges pled is six years, four months incarceration; however, it is anticipated the defendant will be placed on felony probation. The restitution is estimated at almost $211,000. This includes premium payments owed to SCIF and taxes (including penalties and assessments) which were not paid to the EDD.

AGENT FRAUD

Morris, Ernie

This was an unusual case in that it involved fraud by a purported insurance agent. The defendant convinced a friend to go into the insurance business by saying he knew everything to run a profitable agency but did not have the money to start the business. The friend opened the business in his name and secured a California Department of Insurance license to sell insurance. After a number of years, people began calling with questions about their policies. The friend discovered the defendant had been selling insurance policies but did not have a license to do so. During the time the business was operational, the defendant had access to the friend's personal information. The friend suspected the defendant stole his identity.

The investigation uncovered the defendant filed a fictitious business statement using the friend's information then opened a business checking account in the business name. It was discovered that the defendant had been selling workers' compensation, auto and general liability insurance policies and diverting the money to his own personal use.

Three victims were located in Monterey County which accounted for a restitution amount of over $33,000. FirstComp credited one of the victim's workers' compensation policies for the amount he had paid for the policy so he would be insured. The defendant started discussions to get into business with yet another person who had obtained a California Department of Insurance license but was contacted by investigators before the business was fully operating.

Morris pled guilty to two felony counts of theft of funds by a broker/agent and one misdemeanor count of identity theft. On April 15, 2015, the defendant was sentenced to five years of felony probation and ordered to serve 180 days in county jail. The defendant was immediately remanded into custody. Along with other terms and conditions of probation the court orders included a search clause, not to gamble or be in any establishment where gambling or bingo is the main item of business and not to gamble on the internet or social media. Additionally, he was not to work in any position holding fiduciary responsibility without obtaining bond status, proper licensing and notifying his employer of his conviction. Restitution to four victims was ordered for a total amount of $39,043.61.

The defendant was also charged in Santa Clara County with similar charges as to six victims with restitution of about $32,000.

APPLICANT FRAUD

Silva, Jorge Silva

The Defendant was employed since 1992 for a local ranch. He could not renew his driver's license as he was using his deceased father's social security number. His employer gave him several months to get a license which was a requirement of his job but was terminated when he failed to do so. He then filed a workers' compensation claim following a chiropractor visit. He also applied for EDD SDI indicating his disability was not the result of a workers' compensation claim or industrial injury. He further claimed he had no other income. Defendant made material misrepresentations in two different depositions including he could not lift certain weights; has not moved furniture, could not work, could not bend/squat; and had no income other than EDD SDI. He signed false I-9 and W-4 forms. He was also found working for a different employer. He made a variety of admissions including the use of four different social security numbers to secure employment with two employers, to secure EDD benefits as well as workers' compensation benefits.

He pled guilty in June 2014 to two felony counts of making false and fraudulent statements with regard to entitlement to benefits with the intent to discourage an injured worker from claiming benefits or pursuing a claim, one felony count of presenting a false and fraudulent written and oral material statement in support of a claim for disability insurance benefits, and one felony count of submitting a false document with intent to conceal citizenship.

He was sentenced in August 2014 and placed on probation for 7 years, 8 months. He was ordered to serve 180 days in jail and to pay restitution to the insurance carrier in the amount of $46,792 and $26,208 to EDD.

Pantoja, Ema

This applicant fraud case involves four counts of insurance fraud and one count of attempted perjury. Defendant's statements to the medical providers and in her deposition asserted she could do nothing including an inability to drive. She claimed she had not driven since 2007. Undercover surveillance video evidence that was taken by the insurer shows otherwise. She pled guilty in April 2013 of making a false workers' compensation claim. She was sentenced in June 2013 to 90 days in jail.

UNINSURED EMPLOYER CASES-GENERAL COMMENTS

We receive LC 3700.5 referrals from a number of sources including CSLB, DSLE, the local Health Department, and local city inspector's offices. This is as a result of the efforts taken by our investigators and attorney to reach out to other agencies over the past several years. We have taken an active role to inform as many agencies as possible of our unit and the fact we investigate uninsured employer cases. These agencies are now

on the alert for this violation and often do much of the required investigation before calling us. It is then left to our investigators to do a brief follow-up to tie up any loose ends before submitting the case to our attorney for review. We have been successful in using our limited resources wisely in this area of investigation/prosecution. With the help of allied agencies we can address this part of the overall fraud problem with a minimum of effort. The cases filed often include failure to carry coverage and charges relative to the jurisdiction of the allied agencies thus making this a win-win proposition.

One of the more significant accomplishments of our unit regarding uninsured employers is that we have successfully convinced our judges to impose very precise and enforceable conditions of probation. In addition to the typical orders of restitution and jail terms, our judges now impose conditions to address specific concerns we have regarding employers who fail to carry workers' compensation insurance. Some of those conditions include the following:

> Permit the search of your person, car, personal effects, or place of residence, and/or place of business, office night or day, without necessity of a search warrant at the direction of any Probation Officer or Peace Officer.
>
> Maintain full and proper Workers' Compensation Insurance coverage for all employees of any business you own and/or operate in California as required by law (Labor Code section 3700). Failure to maintain Workers' Compensation Insurance for all employees will be deemed a violation of probation by the Court.
>
> Provide a "Certificate of Insurance" naming the California Department of Insurance as an additional insured on all Workers' Compensation Insurance Policies by providing the following information to the insurance company or SCIF:
>
> > California Department of Insurance, Fraud Division
> > 18425 Technology Drive
> > Morgan Hill, CA 95037
> > Attention: Stuart Rind, Detective
>
> Pay all employees only by check; provide each employee on every payday with a pay stub showing gross wages and net pay and itemizing all appropriate payroll deductions. Withhold all payroll taxes and pay over all withheld taxes as required by state and federal law.
>
> In the event of the sale of your business, change of ownership, or termination of your business, provide written notice immediately to the Monterey District Attorney's Office to the attention of the Fraud Division. With the exception of the termination of your business, the full name(s) and identities of any new principals, owners and co-owners must be reported to the Insurance Fraud Unit.
>
> Any computer or electronic data storage device in your custody, possession or control shall be subject to a forensic computer search. Shall not use any form of encryption or password protection on any computer or other electronic data storage device in your possession, custody, or control. Shall provide encryption keys or

passwords to the Court or Probation Officer for any computers or electronic data storage devices (to include cell phones), which you have shared, partial, or limited access.

These conditions of probation permit our investigators and probation officers to monitor probationers to insure they remain in compliance with the law without having to initiate a new case and without having to obtain search warrants. Violation of any of the terms allows for filing of a probation violation petition which if found true exposes the defendant to additional punishment. The terms also place the onus of remaining in compliance on the defendant with the knowledge that we may appear at any time without advance notice. More importantly, the terms protect employees from continued exploitation and victimization by their employers. A copy of a form we developed to insure the court imposes the appropriate terms is included within Attachment C.

LABOR CODE 3700.5 CASES THAT LED TO FELONY CHARGES

Gunn, Robert C.

In this case the defendant is a licensed architect and one time licensed contractor. Defendant has employees working on remodeling of his three different homes. One of the workers had worked for the defendant since 2007. In 2008, the employee injured his back and the defendant sent him for chiropractic treatments. In 2013, the employee again injured his back. The defendant terminated employment with the employee and the employee's son who also worked for him. The defendant attempted to get into compliance by registering with the Employment Development Department and getting workers' compensation insurance. This case was investigated by CDI, Morgan Hill.

In May 2014 he pled guilty to a felony count of failure to register as an employer and a misdemeanor count of failure to secure workers' compensation insurance. In July 2014 he was placed on felony probation for 5 years and ordered to serve 300 hours of community service.

Hernandez, Alberto

The defendant in this case owns a Private Patrol Operation and is licensed by the Bureau of Security and Investigative Services. He was contacted during an Uninsured Employers' Operation. During the investigation, it was discovered he had been compliant with workers' compensation insurance requirements until 2011 when he was cancelled for non-payment and noncompliance with audits. The defendant was registered with Employment Development Department reporting substantial wages in 2007 and 2008 then decreasing and eventually paying no wages in 2011. Defendant continued to collect SDI and SIT payment from employees but did not report or turn the money over to EDD. The defendant had long time employees who were contacted indicating they were paid by business checks with deductions and received W-2 forms at year end. The defendant had some high profile clients including the Salinas Air Show, the Salinas Rodeo and Green Giant.

In June 2014, he pled guilty to felony grand theft, felony failure to collect payroll taxes, failure to carry workers' compensation insurance, and violating the Private Security Services Act. The defendant was placed on five years felony probation in December 2014 and ordered to serve 40 days in county jail, pay over $30,000 in fines, be subject to a search by probation or any peace officer and be subject to other terms and conditions of probation to make sure the defendant is properly handling his business and complying with all employment and labor laws. The defendant was also ordered to pay victim restitution in the amount of $49,835.41 to EDD and $43,317.69 to the Franchise Tax Board.

SAMPLING OF LABOR CODE SECTION 3700.5 CASES

The following is a brief synopsis of some of the cases in our office:

Ismael Jimenez Nieto Jr.

This case came to us by way of a tip from a member of the community. We were informed the Nieto was operating a business without workers' compensation insurance. Subsequent investigation found Nieto was operating a car repair business where he employed three people and did not have the required insurance. It was also determined that he never registered with EDD. Nieto tried to claim the workers were independent contractors. Interviews of the workers clearly established they had been working for Nieto steadily for an extended period of time. Nieto pled guilty to Labor Code 3700.5. He was sentenced to 30 days in jail, was placed on probation for three years. The terms of probation listed above were also imposed except for the term relating to use of a computer because he did not have any such devices on the premises.

Marcus Suarez

We received an anonymous tip that Suarez was operating a fabrication shop and was paying employees in cash, was not reporting to EDD and did not have workers' compensation insurance. Our investigation revealed he had been in business for 18 years and his insurance policy had expired in January 2014. Charges were filed March 12, 2015 however Suarez failed to appear at his arraignment and an arrest warrant was issued.

David Bruce Jarick

Jarick is a residential construction contractor who did some remodel work for a client. The client complained to CSLB about Jarick seeking IRS form 1099 for himself and his employees. The client's accountant had informed her that the contractor was the only one to receive a 1099 form. CSLB referred this matter to us. Our investigation revealed Jarick had submitted an exception to having to carry insurance because he claimed not to have any employees. The client was shocked by this because she had regularly interacted with Jarick's employees and they were listed as such on invoices given to her by Jarick. We were able to establish from records and photographs taken by the client that Jarick in fact employed at least two people and had been doing so since at least 2010. The investigation also determined Jarick did not have required workers' compensation insurance. Charges were filed. Jarick is due for arraignment on April 24, 2015.

Odir Adilson Bonilla

This is an uninsured employer case that was part of our Uninsured Employer Operation. This case was developed from our cooperative investigation program with the Monterey County Health Department. In this case, the defendant submitted a permit request for a license to sell food in which he made certain "affirmations" relating to the number of employees working on-site. Defendant initially denied being the business owner but later confirmed he had been the sole owner since 2003. He attempted to say any workers were family members and were not employees. He admitted to knowing if he had employees he needed to have workers' compensation insurance coverage. He stated he did not carry coverage because he could not afford it "maybe". He was previously registered with EDD from 2004 to 2008. He failed to appear at his arraignment on April 11, 2014 and an arrest warrant was prepared. He was arrested within two weeks and immediately pled guilty to LC 3700.5 and placed on probation for 3 years.

Shari Gida

This is a CSLB case in which the defendant has a valid CSLB license but does not have workers' compensation insurance. Two employees were contacted who indicated they are paid in cash with no deductions. The Defendant tried to say she does not have employees in that the persons employed were independent contractors. The Defendant admitted they are carried as independent contractors to avoid paying for workers' compensation insurance. When asked what happens if one gets injured, defendant says they are not her employees so it is not her problem. She obtained workers' compensation insurance subsequent to the compliance check and prior to her arraignment date. She was placed on probation for three years in December 2013, ordered to pay several fines and penalties and to do one day in jail.

Nieto, Everardo

We received this case from DLSE following a wage complaint made by an injured worker. The injured worker was burned cleaning an oven. With the information from DLSE our investigator teamed with CSLB to conduct an undercover sting operation on defendant. The operation was successful in that the defendant acknowledged at one point to having employees, and admitted knowing he needs workers' compensation insurance if he has employees. He later claimed to not have employees. His statements included information which corroborated the injured worker's claims.

Valdez, Jose Angel Ramos

This case came to us from CSLB agents who responded to an anonymous call regarding alleged unlicensed activity. Investigator arrived to see two employees on landscaping at a residence association for six or seven condos. Subsequent investigation revealed the defendant contracted the $47,000 project and took a $21,000 down payment. He further falsely told the homeowner that he was a licensed contractor. The defendant was placed on probation in 2011 for same/similar charges

Resendiz, Jacinto Nieto

This case was brought to our attention by CSLB who was doing a rollup operation in Carmel. The investigator noticed people building a fence and decides to look into the situation. He quickly learns the workers are employed by Resendiz. Resendiz arrives shortly thereafter and denies employing anyone claiming the workers are subcontractors. Unfortunately for Resendiz, one of the workers had previously given investigators a business card with defendant's picture on it that described various contracting jobs he would do. Eventually, defendant admits to be operating in violation of the law.

Lazrovich, Guz Michael

This case was referred to us by a local city inspector who notified CSLB that the suspect was a licensed contractor working without workers' compensation insurance. The investigation revealed the homeowner stated the defendant told him he was licensed and insured. Four employees were contacted and all say they have worked for defendant for different time periods ranging from one day to three weeks.

INTERAGENCY SUPPORT AND COLLABORATION

It is extremely important to note the degree of success our unit has seen would not have been possible without the assistance, support and cooperation of a number of regulatory agencies, law enforcement agencies, and private entities. A very important partner to this program is the California Department of Insurance-Morgan Hill. We have worked jointly with CDI on a number of cases over the years which have resulted in several convictions. Our relationship with CDI and the quality of information shared between our agencies has grown stronger with each passing year. Indeed, the work done over the years has led to a number of joint undercover operations. The point here is that putting together these kinds of investigations comes from years of working together on successful cases. The respective investigators know one another's strengths and can pair together to make a team much greater than any single part.

One of the reasons for the ability to work together in these investigations is the continued leadership of Captain Kathleen Harris and her staff including but not limited to Detective Sergeant Felicia Delores. Captain Harris and Sergeant Delores are always available to discuss potential cases and are open to suggestions regarding the approach to investigations particularly undercover operations. There has never been any hint of territoriality on the part of CDI which makes for a very collegial and mutual interest approach to investigations.

We have also seen positive results from our joint operation with our local Department of Health which has helped us develop a new way to identify potential uninsured employer cases. As mentioned in previous reports that department agreed to assist us in identifying employers who may not have secured required workers' compensation insurance. Monterey County has a substantial number of food operators (brick and mortar operations as well as food trucks) that sell meals throughout the County. These vendors employ food preparers, wait staff, and other employees. The Health Department agreed to add to their permit applications questions about whether the operator is in compliance with

workers' compensation insurance laws. We recently received hundreds of these applications which we evaluated and as expected we found employers in violation of the law.

Our relationship with CSLB has resulted in a number of new uninsured employer cases that came to us in a manner that require little, if any, investigative effort on our part. We have been working with CSLB in this mutually beneficial manner for quite some time and every year that agency refers more and more uninsured employer cases to us. In the appropriate case, we will expand the investigation to look into any potential EDD violations so that felony charges may be considered as well.

As more specifically delineated in our response to Form 5, question 4 below, we have worked with and have established successful relationships with several agencies throughout the state, in particular EDD. These relationships have enabled us to handle a wide variety of cases and acts as a force multiplier that supports our unit in a very valuable way. Without these contacts we would not be able to investigate the number and types of cases that are on our caseload.

OUTREACH

Watsonville Collaborative

We continued, during the preceding two-year period, with our participation with the Watsonville Workers' Compensation Enforcement Collaborative. The contacts made at these meetings continue to be very helpful in our learning of developments and trends within the local labor market regarding possible fraud and exploitation of employees. Members of the collaborative include: the Workers' Compensation Insurance Rating Bureau, California Applicants' Attorney Association, California Commission on Health and Safety and Workers' Compensation, California Department of Industrial Relations, Uninsured Employers Benefits Trust Fund, California Department of Insurance, Division of Workers' Compensation, California Department of Insurance, Fraud Assessment Commission, California Department of Insurance, Fraud Division, Division of Labor Standards Enforcement, Kaiser Permanente, Salud Para La Gente, U.C. Berkeley Institute for Research on Labor and Employments, Worksafe, Santa Cruz County District Attorney's Office, and the Monterey County District Attorney's Office.

Other activities coming from the Collaborative include: work on a booklet dealing with providing medical services to low-wage workers who sustain injuries at the workplace; improving methods of helping injured workers access benefits; and, improve employer fraud reporting and enforcement.

Big Sur Fire Outreach-2014

Early in 2014 Monterey County was severely impacted from a forest fire along the Big Sur coastline. The fire destroyed thirty-four homes and forced about 100 people to flee the picturesque Big Sur region overlooking the Pacific Ocean. The fire burned more than 1.4 square miles in the Los Padres National Forest. As with many disasters a concern soon surfaced that unscrupulous individuals would seek to take advantage of the disaster

by submitting fake insurance claims. We were also concerned that deceitful contractors would likewise seek to exploit people who needed immediate assistance. On February 28th we attended the Big Sur Multi Agency Advisory Council Meeting. Also in attendance were Investigators and Supervisory Investigators from the California Department of Insurance. The meeting lasted over two hours during which a number of topics were discussed.

The meeting consisted of approximately 150 people. Print and television media were present. Sergeant Felicia Dolores from the California Department of Insurance addressed the assembled guests. She discussed methods for the protection of Big Sur citizenry from insurance fraud and unlicensed contractors. Pamphlets and other resource/informational materials were placed on a brochure table in which it was explained how agencies such as CSLB, CDI, and the Monterey County District Attorney's Office could provide assistance to affected citizens. The materials included direction, resources for protection against unlicensed contractors and workers' compensation fraud, and contact information for CSLB, CDI, and MCDA.

Representatives from Congressman Sam Farr's office, the California State Senate, and Supervisor Dave Potter's office were present at the meeting. Additionally, representatives from the Big Sur Homeowners associations were present.

The meeting went very well and we had ample time to meet with various members of the Big Sur community. They seemed very grateful for our efforts to protect them from fraud and abuse.

The following groups were in attendance:

Big Sur, Resident members
Big Sur Chamber of Commerce
Coast Property Owners Association
Monterey County Planning Department
Monterey County Board of Supervisors
Monterey Peninsula Regional Park District
California Coastal Commission
Caltrans
State Parks and Recreation
Monterey Bay National Marine Sanctuary
United States Forest Service
Cal-Fire
30th District State Assembly
17th District State Senate
United States Congress

CAL-OSHA Outreach

We have also met with Cal-OSHA to discuss a procedure and protocol for submitting cases to our office especially those resulting in death of an employee. Cal-OSHA is required to report all work related deaths for investigation [Cal-OSHA] and to the local

District Attorney's Office. Investigations often take a substantial amount of time to complete and unfortunately the Cal-OSHA investigative staff often do not have a law enforcement background so we are looking at ways in which the District Attorney's Office can be brought in sooner to assess whether any criminal conduct was in play. We have agreed to have all referrals sent directly to our Consumer Fraud Unit for initial review. If in that review, workers' compensation fraud issues are suspected the case will be forwarded to the Workers' Compensation Fraud Unit.

Community and Industry Outreach

Over the past two years we have attended, presented, and/or participated in twenty-one (26) outreach presentations. An approximate total of 713 attendees were present at the various meetings and presentations. The attendees came from a number of disciplines including SIU's, the Watsonville Collaborative, the California State Licensing Board (CSLB), medical fraud task forces. A more detailed listing of our outreach program is provided in our Program Strategy, Form 9, Question 4 below.

REASONS FOR SUCCESS

There is rarely a single reason for the success of a particular program. In the case of Monterey County's Workers' Compensation Fraud Program, we believe the successes we have enjoyed over the past two years are a result of a stable, energetic, long-term team. These individuals have developed important contacts with a myriad of sister agencies including CDI. They have also received on-going training in fraud investigation/prosecution from which they continue to build their expertise in this area.

Another reason for the successes we have seen is our commitment to outreach. Outreach allows our team members to discuss trends and other issues with those in the field. We also learn a lot about potential new cases and can share our experiences on how to develop a prosecutable case.

The successes we have seen are also due in part to our philosophy of investigating and prosecuting fraud wherever it is found without regard for the suspect's station in life or other irrelevant factors. Similarly, we seek to work on a wide range of cases dealing with varied subject matters ranging from the relatively straight-forward uninsured employer cases to the slightly more complex applicant fraud cases to the most complex provider and premium fraud cases. This willingness to attack the problem from all directions keeps our investigators and prosecutor sharp and well versed in this area.

Finally, the success we have had is also due in part to the fact that our investigators and prosecutor approach their task without blinders. They remain open to all possible theories of culpability and are willing to bring in allied agencies to assist in the investigation of other crimes discovered during the course of a workers' compensation fraud investigation. Importantly, our staff keeps an open mind not only on culpability but also on evidence that supports anticipated defenses, or is exculpatory in nature. It is of critical importance that investigative and prosecutorial decisions take into consideration all available evidence whether it points to guilt or is supportive of innocence.

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

This office continues to support the investigation and prosecution of workers' compensation fraud in a number of ways beyond that funded by this grant program. Some of those are discussed below.

Our non-grant investigative staff provides back-up support to the grant investigators. This may be in the form of support and covering forces during search warrant service or by conducting witness interviews and surveillance of potential targets. Each year we draw from the non-grant investigative resources to support workers' compensation insurance compliance check operations.

Our Supervising District Attorney Investigator works closely with this unit. She attends the Watsonville Collaborative meetings along with our investigator and attorney. She also reviews all FD-1's referred to our office. This permits her to make a timely decision regarding whether additional resources should be devoted to a particular case.

Our Managing Deputy District Attorney is involved in the overall operations of the unit. He, with assistance from other sections of the office, prepares the RFA and attends all sessions of the Fraud Assessment Commission. He also monitors the overall program during the year. He meets with the investigative staff, the attorney staff and CDI on an as needed basis to discuss cases. He offers recommendations to the attorney on potential settlement options. He meets with CDI representatives to discuss coordination efforts and joint operations.

Over the past few fiscal years our office has consistently spent more than was awarded to support this grant unit. In FY 2013-2014 this program received $607,200 in funding from CDI. The actual cost of the program for that fiscal year was $663,046.

In FY 2014-2015 our program received an award of $605,320. The projected actual cost is $694,058

The amounts stated above take into consideration salaries, benefits, and operating expenses related to the personnel directly assigned to the grant program. They do not account for the value of the time expended by management and supervisory personnel, and our non-grant investigative staff. Accordingly, the total amount of unfunded contributions is projected to approach and may surpass $100,000 this fiscal year.

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.**

Our policy is to assign investigative and legal staff to the unit for the long term. This is premised on our belief that a dedicated, focused staff is better for the program over the

long run. A long term staff develops an institutional memory and tends to build and learn from their experiences. It also reduces the amount of new training required for the unit. That is, with a long term staff we can focus on updating training rather that starting over from scratch each time a new person is transferred into the unit.

We do not have an automatic length of tour of duty, e.g. three years. Our attorney has been in the unit since August 2007 and is expected to remain in that position for the foreseeable future.

As with all organizations there comes a time when new personnel must be assigned to the unit. In our case, we were recently fortunate to identify and hire two investigators with criminal insurance fraud experience. They are Mark Trueblood and George Costa. We assigned them to our Workers' Compensation and Disability and Healthcare Insurance Fraud programs as soon as it was possible to take advantage of their wealth of knowledge and experience.

DAI Costa served as a detective with the California Department of Insurance-Benicia Field Office for five years. His duties consisted of investigating and enforcing workers' compensation insurance and automobile insurance fraud laws. His investigations of insurance fraud crimes involved extensive interviews, surveillance, search warrant service, review of records, and analysis of evidence. He has received over 200 hours of training and instruction presented by the California Department of Insurance, Fraud Division, Basic Investigator Course (BIC) in which the focus of the training concerned all aspects of automobile insurance fraud, workers' compensation fraud, and property/casualty fraud. He is also well versed on how automobile fraud rings work, undercover and surveillance operations, and effective techniques for the investigation and prosecution of these rings and related felony violations of law.

DAI Mark Trueblood served as a detective with the California Department of Insurance-Benicia Field Office from February 2012 to July 2013. He investigated medical fraud including billing for services not rendered, pharmaceutical diversion, up-coding, practicing medicine without a license, medical billing fraud. He also investigated auto insurance fraud, underground economy and premium fraud. Prior to his stint with CDI DAI Trueblood worked as a Special Agent with the California Department of Justice (Office of the Attorney General) Pleasanton Field Office from June 2008 to February 2012. In that capacity he investigated Medi-Cal and Medicare billing fraud including billing for services not rendered, pharmaceutical diversion (pill mills), up-coding, practicing medicine without a license. He also investigated Durable Medical Equipment Fraud (DME), Adult Daycare Health Center Fraud (ADHC), medical transportation fraud, and the sexual, physical and financial abuse of elders and dependent adults.

We are very optimistic that DAI Costa's and Trueblood's prior experience and training will allow for a smooth transition into our Workers' Compensation Fraud program particularly as we continue with our undercover investigations of medical providers as well as our investigations into premium fraud. They have already shown to be investigators who hit the ground running and we have all the confidence possible that they will become and remain very valuable members of our team.

Our rotational policy generally looks to the overall needs of the office while keeping in mind career diversity and progression within the ranks. While on the one hand it is important to have long-term investigative and attorney staff we must also keep in mind that these personnel need to have a wide range of experiences throughout their respective careers.

All that being said we have had more movement in our investigative staff over the past year than we would have liked. This movement was an anomaly. As is reflected in Form 6(a) below, we had a number of investigators who were assigned to the unit for various periods of time. This was due to a number of factors some of which could not be controlled. In 2014, we assigned DAI Tracy Spencer to the program. She had previously been assigned to the general felony unit. It quickly became clear that the case load from her previous assignment required her continued attention as many investigations required additional follow-up and some cases were going to trial. Accordingly, it was obvious she would not be able to dedicate all her energies to the Workers' Compensation Fraud Unit. We also faced a similar challenge with DAI Christina Gunter who was the investigator assigned to the unit from January 2013 to April 2014. She was also called to cover trials in cases from her previous assignment in the Child Sexual Assault Unit and therefore she was unable to devote full attention to the fraud case load. Therefore, we felt it best to place another investigator in the unit even though doing so would mean we did not have DAI Gunter in the unit for the long term as is much preferred.

With the knowledge that DAI Costa was coming on-board we decided to shift him into the Workers' Compensation Fraud Unit and re-assign DAI's Spencer and Gunter. As for DAI Trueblood, he was assigned to the Workers' Compensation Fraud Unit soon after joining our office. He was moved from that unit and into our Disability and Healthcare Insurance Fraud program in August 2014. This was done because of the three very complex medical provider fraud undercover operations discussed above. We felt his background was more fitting for that grant and those investigations under the circumstances.

We recently assigned DAI Christena O'Shea as the second investigator within the Workers' Compensation Fraud Unit. DAI O'Shea has been a police officer since December 2005. She served with Sacramento Police Department from December 2005 to August 2014 holding various positions including patrol officer, field training officer, and terrorism liaison officer. She came to our office in September 2014 and was initially assigned to our Welfare Fraud Unit. She has jumped into her new assignment with great enthusiasm and we look forward to her developing into an excellent fraud investigator.

We hope that the current staffing of DAI's Costa and O'Shea will be our long-term team as is our preference and policy. DAI Costa's background and training gives him a great opportunity to not only pick-up any level of fraud case but to also serve as a mentor to DAI O'Shea.

Our attorney staff remains intact. DDA Carol Reed has served in the unit since 2007 and is a stabilizing force for the unit. She has developed extensive expertise and an impressive network of contacts throughout the state. We expect she will remain in the unit for the foreseeable future.

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

Over the preceding two years we have worked with the following agencies:

California Department of Insurance [CDI], Morgan Hill and Benicia Offices
Department of Industrial Relations [DIR]
Division of Labor Standards Enforcement [DLSE]
Contractors State Licensing Board [CSLB]
Employment Development Department [EDD], [Premium Fraud & Tax Evasion; Employee Reporting Records; Disability Claims]
Workers' Compensation Insurance Rating Bureau [WCIRB]
California Secretary of State (Corporation / LLC Business Information)
Labor Commissioner
Physical Therapy Board
Chiropractic Board
Medical Board
Mini Medical Fraud Task Force
Attorney General's Office
Workers' Compensation Enforcement Collaborative, Watsonville
City Agencies for Business License checks
Monterey County Recorders Office (Fictitious Business Statements Information)
City of Salinas Code Enforcement Unit
City of Pacific Grove Code Enforcement Unit
California Highway Patrol
National Insurance Crime Bureau [NICB]
Monterey County Health Department
Cities of Monterey and Pacific Grove Building Inspectors Department
State Compensation Insurance Fund, SIU
Bureau of Security and Investigative Services
Department of Motor Vehicles [DMV]
Internal Revenue Service [IRS]
Immigration and Custom Enforcement [ICE]
California Department of Justice [DOJ]
Workers' Compensation Appeals Board [WCAB]
Monterey, Pacific Grove and Carmel City Inspection Departments
National Insurance Crime Bureau [NICB]
State Compensation Insurance Fund [SCIF], SIU
Alameda County District Attorney's Office
Orange County District Attorney's Office
Santa Barbara County District Attorney's Office
San Mateo County District Attorney's Office
Santa Clara County District Attorney's Office
Fresno County District Attorney's Office
Contra Costa County District Attorney's Office
San Francisco County District Attorney's Office
Pacific Gas and Electric [PG&E]
Monterey Police Department

Pacific Grove Police Department
Community Hospital of the Monterey Peninsula [CHOMP
Las Ventanas Surgery Center
Natividad Medical Center
Labor Compliance Carpenters Union
Office of the Inspector General
Drug Enforcement Administration [DEA]

Over the preceding two years we have worked with the following insurance carriers and Third Party Administrators:

Intercare
Probe
Zenith
Global Options
Chartis/AIG
G4S, SIU Private Investigations Company
Sedgwick CMS
Progressive
Athens
WorkWell Medical Group
Delta Dental
First Comp Insurance
Employer's Compensation Insurance Company
Norguard Insurance
Star Insurance Company
Benchmark Insurance
Anthem Blue Cross
Blue Shield
CMS-Medicare
United Health
Central Coast Alliance for Health-Medi-Cal

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

There was no distribution of frozen assets in this reporting period.

QUALIFICATIONS

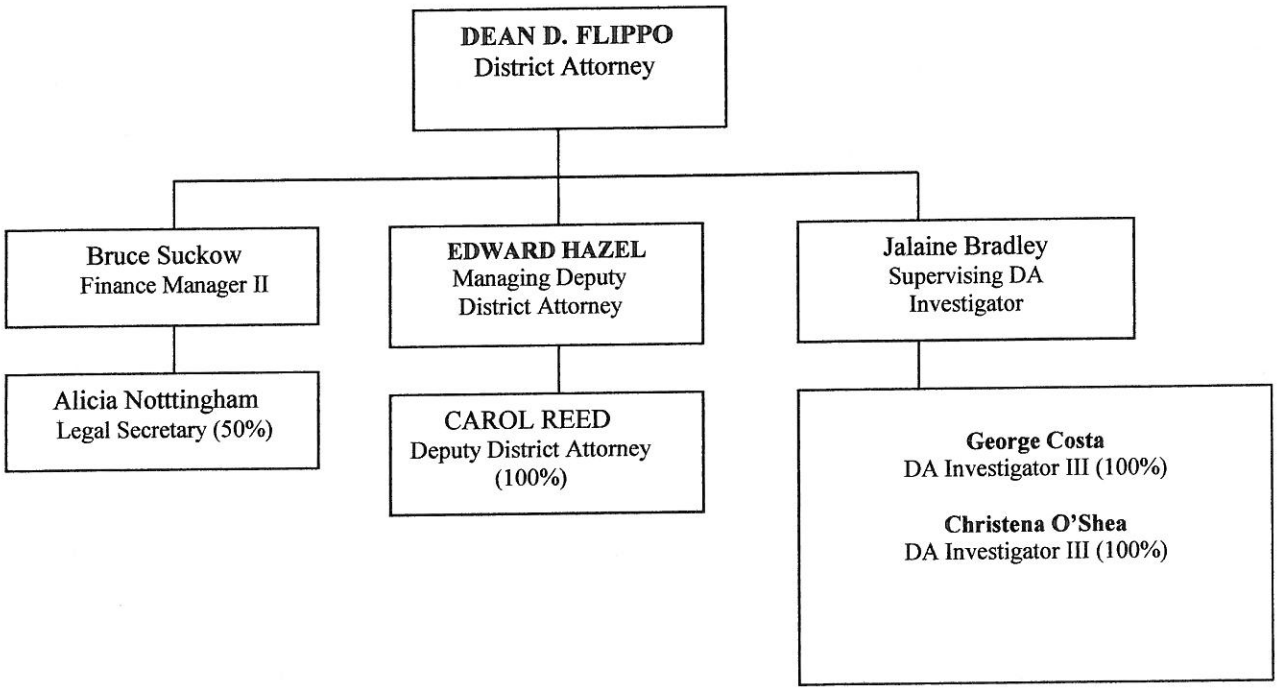
List the name of the program's prosecutor(s) and investigator(s). Include position titles and percentages for any vacant positions to be filled. For each, list:

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
Carol Reed	100%	August 2007 to present

Investigators	% Time	Time With Program Start Date/End Date
Mark Trueblood	100%	July 2013-August 2014
Tracey Spencer	100%	June 2014-Oct 2014
George Costa	100%	Sept. 2014-present
Christena O'Shea	100%	Nov. 2014-present

ORGANIZATIONAL CHART



QUALIFICATIONS PROGRAM REPORT

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

Data for this report follows this page. The data will also be transmitted electronically to the Department of Insurance.

As of: 22-APR-2015 10:16

CALIFORNIA DEPARTMENT OF INSURANCE - FRAUD DIVISION
WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM

Submitted: Not Submitted
Version #: 1

FISCAL YEAR: 2014-15 **From (7/1/14 to 04/15/15)**

PROGRAM REPORT FOR: MONTEREY COUNTY

I. Number of Suspected Fraud Claims Reviewed from 7/1/14 through 04/15/15	54

II. DOCUMENTED CASE REFERRALS SOURCES	PENDING	ACCEPTED	REJECTED	TOTAL
A. CDI - Fraud Division		1		1
B. Private Carrier				
C. Local Law Enforcement				
D. Self Insured / Third Party Administrator	1	1	1	3
E. Department of Industrial Relations				
F. Others				
Total (A-F)		2	1	4

III. INVESTIGATIONS - PRE FILING DECISONS	CASES	SUSPECTS
A. Number of cases and suspects carried forward on 6/30/14 to FY 14/15	19	19
B. Number of NEW cases and suspects initiated from 7/1/14 through 04/15/15	52	53
C. Total Cases/Suspect (A+B)	71	72

Case Investigations by Categories and Complexities	STANDARD	MEDIUM	COMPLEX	VERY COMPLEX	TOTAL CASES	DEFENDANTS
1. Claimant Fraud	18	4	2		24	24
2. Premium Fraud	7		1	1	9	10
3. Multiple Entities Provider Fraud						
4. Single Entity Provider Fraud	4			3	7	7
5. Insider Fraud						
6. Uninsured Employer	29				29	29
7. Other	2				2	2
TOTAL (Same as C)	60	4	3	4	71	72

D. DA Rejected/Closed after investigation	TOTAL

Cases by District Attorney Investigators	Cases by Fraud Division	Cases by Others	Joint Cases	
13			10	

B. Cases Rejected from 7/1/14 through 04/15/15 by Categories and Complexities	STANDARD	MEDIUM	COMPLEX	VERY COMPLEX	TOTAL CASES	TOTAL DEFENDANTS	ESTIMATED CHARGEABLE FRAUD (in dollars)
1. Claimant Fraud	8	1	1		10	10	$110,031
2. Premium Fraud							
3. Multiple Entities Provider Fraud							
4. Single Entity Provider Fraud	2				2	2	
5. Insider Fraud							
6. Uninsured Employer	11				11	11	
7. Other							
TOTAL	21	1	1		23	23	$110,031

IV. ARRESTS THIS REPORTING PERIOD	CASES	DEFENDANTS
A. Total Arrests/Surrenders - Felony	0	0
B. Total Arrests/Surrenders - Misdemeanor	2	2
Total (A+B) - Felonies and Misdemeanors	2	2

V. CASES & DEFENDANTS IN COURT

A. Cases carried forward on 6/30/14 to FY 14/15 by Categories and Complexities	STANDARD	MEDIUM	COMPLEX	VERY COMPLEX	TOTAL CASES	TOTAL DEFENDANTS	ESTIMATED CHARGEABLE FRAUD (in dollars)
1. Claimant Fraud		1			1	1	$46,792
2. Premium Fraud			1	1	2	2	$109,969
3. Multiple Entities Provider Fraud							
4. Single Entity Provider Fraud							
5. Insider Fraud							
6. Uninsured Employer	8				8	8	
7. Other		1			1	1	$39,043

B. New Case filings/indictments initiated 7/1/14 through 04/15/15 by Categories and Complexities	STANDARD	MEDIUM	COMPLEX	VERY COMPLEX	TOTAL CASES	TOTAL DEFENDANTS	ESTIMATED CHARGEABLE FRAUD (in dollars)
1. Claimant Fraud		1			1	1	$30,925
2. Premium Fraud			1	1	2	2	$460,330
3. Multiple Entities Provider Fraud							
4. Single Entity Provider Fraud							
5. Insider Fraud							
6. Uninsured Employer	8				8	8	
7. Other							

V. CASES IN COURT (CONTINUED)

D. Total Cases in Court - Categories and Complexities (A+B)	STANDARD	MEDIUM	COMPLEX	VERY COMPLEX	TOTAL CASES	TOTAL DEFENDANTS	ESTIMATED CHARGEABLE FRAUD (in dollars)
1. Claimant Fraud		2			2	2	$77,717
2. Premium Fraud			2	2	4	4	$570,299
3. Multiple Entities Provider Fraud							
4. Single Entity Provider Fraud							
5. Insider Fraud							
6. Uninsured Employer	16				16	16	
7. Other		1			1	1	$39,043
TOTAL CASES IN COURT	16	3	2	2	23	23	$687,059

E. TOTAL CASES BY FILING CLASSIFICATION	Joint	DA	CDI	OTHER	TOTAL CASES	DEFENDANTS
1. Felony Cases from (C)	3	3	2	2	10	10
2. Misdemeanor Cases from (C)	3	7	1	2	13	13
3. Civil Cases from (C)						

F. COURT PROCEEDINGS	Cases	DEFENDANTS
1. Number of Preliminary Hearings		
2. Number of Grand Jury Indictments		
3. Number of Probation Violations	1	1
4. Trials	Number of Trials	Days in Trials
Court Trials	0	0
Jury Trials	0	0
TOTAL	0	0
	Number of Cases	Amount
5. Assets Frozen	0	

VI. FELONY DISPOSITIONS	CASES	DEFENDANTS
A. Dispositions		
1. Number of Convictions by Trial	0	0
2. Number of Convictions by Plea	5	5
3. Number of Acquittals	0	0
4. Number of Dismissals		
B. Sentences (Including Probation Violations)		
1. State Prison Imposed		
2. County Jail Imposed		5
3. Probation, no Jail Imposed		
C. Reduction to Misdemeanor		
	AMOUNT ORDERED	AMOUNT COLLECTED *
D. Amount of Fines & Penalty Assessments	$110,162	$15,671
E. Amount of Restitution	$205,197	$98,089

*Amount collected from all cases during the fiscal year.

VII. MISDEMEANOR - DISPOSITIONS	CASES	DEFENDANTS
A. Dispositions		
1. Number of Convictions by Trial	0	0
2. Number of Convictions by Plea	5	5
3. Number of Acquittals	0	0
4. Number of Dismissals		
B. Sentences		
1. State Prison Imposed		
2. County Jail Imposed		5
3. Probation, no Jail Imposed		
C. Reduction to Misdemeanor		
	AMOUNT ORDERED	AMOUNT COLLECTED *
D. Amount of Fines & Penalty Assessments	$14,100	$23,880
E. Amount of Restitution		$1,260

VIII. CIVIL CASES	NUMBER	NUMBER OF JUDGMENTS
A. Cases carried forward on **6/30/14** to FY **14/15**		
B. New Cases filed this reporting period from **7/1/14** through **04/15/15**		
C. Total Cases (A+B)		
D. Cases Concluded this reporting period.	1	1
E. Judgments	AMOUNT ORDERED	AMOUNT COLLECTED*
1. Restitution		$200
2. Fines and Penalties		
3. Costs		

IX. SEARCH WARRANTS	NUMBER	SUSPECTS	LOCATIONS
A. Non-Special Master Search Warrants Issued	6	6	12
B. Special Master Search Warrants	0	0	0
C. Total Search Warrants Issued	6	6	12

X. OUTREACH TRAINING	NUMBER		
A. Number of outreach sessions	15		
B. Total Number of attendees	392		

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.

GENERAL CHARACTERISTICS-MONTEREY COUNTY

Monterey County is located in California's central coast, with its northern boundary located approximately 100 miles south of San Francisco. It has two major highways running through it, Highway 101 and Highway 1. Monterey County is approximately 54 miles wide by approximately 100 miles long. The Pacific Ocean borders its western boundary. The county covers a geographical area of 3,324 square miles or 2,127,359 acres. The county also contains over 300,000 acres of the Los Padres National Forest and another 164,503 acres of the Ventana Wilderness area.

According to the U.S. Census Bureau, the 2014 estimated population for Monterey County 431,344. This is a 3.9% increase from 2010. In 2010, approximately 300,000 persons resided in the twelve incorporated cities and the remaining resided in the rural unincorporated areas.

Monterey County is an ethnically diverse area. In 2013, 31.6% of the population is listed as white alone, 56.8% are Hispanic, 0.6% are Pacific Islander/Native Hawaiian, 6.9% were Asian, 3.6 percent are African American and 2.7% are Native American.

The economic range of the population runs from the wealthy residents of Carmel and Pebble Beach to the homeless in the smaller Peninsula and South County cities and Salinas. A number of Silicon Valley commuters live in Monterey County and commute to Santa Clara County to work.

Agriculture is the number one industry in Monterey County. It is a $4 billion dollar industry annually. Most of these activities are centered in and around the Salinas Valley. Although Monterey County is often called the Salad Bowl of the World a number of other crops and commodities are grown or raised here including fruits, nuts, livestock, poultry, and seed crops.

Monterey County is also noted for its wine, golf, auto racing, fishing, and tourism industries. Tourism is mostly centered in the Monterey Peninsula and the Big Sur coast. Big Sur is renowned for its scenic beauty and is described as the coastal area south of Monterey and ending at the San Luis Obispo County Line. Highway 1 is the main road used to get to and from Big Sur.

Educational opportunities are numerous in Monterey County. Along with the long established Monterey Peninsula College and Hartnell College, Monterey County is home to California State University-Monterey Bay (CSUMB) which was established in 1994. CSUMB offers undergraduate and graduate degree programs in a number of fields. The Monterey College of Law founded in 1972 is also located in Monterey County. There are also satellite programs from Chapman University and Golden Gate University located in Monterey County. In addition, the military has a significant educational presence in Monterey County with the Defense Language Institute and the Naval Post Graduate School both located in the City of Monterey.

PROBLEMS AND TRENDS

GENERAL COMMENTS

Despite all that Monterey County has going for it there are unfortunately those who want to abuse and take advantage of certain benefit systems which are intended to help those in need. One of those systems is the Workers Compensation system. Our caseload is proof positive that workers' compensation fraud in Monterey County remains a problem.

A quick look at our caseload is testament to the fact that worker's compensation fraud in this County is spread across the criminal fraud spectrum and includes applicant fraud, employer fraud, premium fraud and failure to carry required insurance. The perpetrators are from all walks of life including professionals, white/blue collar individuals, and small business owners. The efforts to commit fraud are varied and range from simple false statements to secure underserved compensation to elaborate operations designed to avoid paying legitimate premiums. It appears the method and techniques used to commit fraud are limited only by the imagination of the perpetrators.

We continue to see cases of employers failing to secure workers' compensation insurance. In the past year as part of our uninsured employer compliance project we have uncovered this problem in a variety of areas including (surprisingly) private security businesses. This is a particularly troubling revelation considering that some of these businesses have employees that could potentially carry firearms, batons, or other weapons. They also work in volatile environments and come across potentially dangerous situations.

We also continue to see situations which initially seem to be relatively innocuous but with further investigation into the underlying facts reveal a much larger problem. For example, we have seen a number of seemingly straight forward failure to carry workers' compensation insurance cases that soon develop into a premium fraud case. It would be a simple thing to focus only on the no insurance issue and avoid dealing with the complex and resource draining premium fraud investigation. Fortunately, we have an investigative and prosecutorial staff dedicated to handling whatever comes to their attention. As mentioned above, our efforts over the years developing alliances and mutual cooperative relationships across the wide spectrum of investigative resources has resulted in an ability to call upon other subject matter experts to assist in complex investigations.

One trend that we noticed following an uninsured employer operation is a number of employees are apparently receiving payment for services in cash and without legally required deductions. Clearly, this is feeding the underground economy. Businesses that operate in the underground economy have an unfair competitive advantage over businesses that operate in compliance with the law.

According to the EDD website regarding the underground economy, "When businesses operate in the underground economy, they gain an unfair competitive advantage over businesses that comply with the law. This causes unfair competition in the marketplace and forces law-abiding businesses and every citizen in California to pay higher taxes. ... A February 2005 report, California's Tax Gap, prepared by California's Legislative Analyst's Office, estimates California's income tax gap to be $6.5 billion. Reports on the underground economy indicate it imposes significant burdens on: (1) the State of California, (2) businesses that comply with the law and (3) workers who lose benefits and other protections provided by state law when the businesses they work for operate in the underground economy. ... Employees of the businesses that do not comply are also affected. Their working conditions may not meet the legal requirements, which can put them in danger. Their wage earnings may also be less than those required by law, and benefits they are entitled to can be denied or delayed because their wages are not properly reported." Clearly the underground economy is a problem in California and it appears Monterey County is not immune. For the reasons stated by EDD it is important that we recognize this problem and do what we can to minimize its effects.

A similarly distressing trend that our current caseload seems to show is the number of people who are repeat offenders or who continue to operate undeterred. The limited sampling in our County demonstrates the repeat offender situation to be present at the small business level and the professional practitioner level. It is amazing that people who have been educated on what may constitute illegal activity or have been investigated and/or prosecuted previously nonetheless return to or continue to embark upon illegal practices.

PROVIDER FRAUD

As mentioned above, during the past two years we received information from different sources suggesting that two medical providers were engaged in fraud by allegedly billing for services not rendered, submitting false billing statements, over prescribing, and/or operating in violation of various business and professions codes. The two providers are not alleged to be working together hence the need for two separate undercover investigations. Our third provider fraud case is also showing signs of billing fraud.

What these investigations tell us is that there are individuals in our county engaged in questionable conduct at a minimum and potentially engaged in felonious conduct on a significant scale. Provider fraud cases require a huge commitment of resources to conduct interviews, review documents, files, computer records, etc. Trying to reconstruct the past in a manner that will demonstrate the existence of fraudulent activity is a daunting task. It requires the correlation of multiple forms of evidence, the use of expert testimony, and the full understanding of the rules and regulations that govern the professional under investigation. Many of the issues related to investigating and

prosecuting premium fraud cases as discussed below are present in provider fraud cases. It is hoped that by conducting the undercover investigations we will be able to detect and identify real-time fraud thereby minimizing the amount of time required to investigate and reconstruct past illegal practices.

PREMIUM FRAUD

Over the past two years we have initiated investigations into the area of premium fraud. We have discovered that not only does the problem exist in Monterey County but that when discovered requires an extremely labor intensive investigation. It is not uncommon for a premium fraud case to require review and analysis of thousands of pages of documentary evidence. Audits are also required in order to establish the level of chargeable fraud.

It is important to note that any investigation is not done in a vacuum. It is an on-going ever developing process that requires numerous witness and suspect interviews, review and analysis of data, surreptitious surveillance, on-going discussions between the investigator and the assigned prosecutor, and continuous decision making on legal theories upon which to proceed.

A premium fraud case is conceptually no different from any other investigation; however, due to the intricacies of this area of the law, a number of additional steps are required to bring a successful prosecution in this area. A premium fraud investigation also requires coordination and consultation with an assortment of subject matter experts. This is necessary to assist the investigators in understanding the complex area of Workers' Compensation Insurance. A typical premium fraud investigation requires consultation with subject matter experts in forensic accounting, underwriting and insurance policy interpretation, tax evasion, legal issues unique to the workers' compensation system, and current procedural terminology (CPT) codes. This aspect of an investigation is critical because it is imperative that we develop a case based on criminal conduct and not simply clerical errors. The success of any prosecution requires not only an analysis of the admissible relevant evidence but also a review and consideration of any evidence that may support a defense to the charges.

The Monterey County District Attorney's Office has been working on a number of premium fraud cases over the past two years. One premium fraud case (Rosas) that we have been working on for quite some time progressed to the litigation stage and was recently concluded with guilty pleas. The Rosas case summarized above demonstrated the need for a broader investigation than was traditionally employed. This is primarily because of the existence of social media and the Internet. It is no longer enough to simply search the suspects home, business and vehicle. We now have to explore Twitter accounts, email, websites, the "Cloud" and other social networking sites such a Facebook because it is becoming more and more common to find evidence of crimes on these sites.

The problem highlighted by this case is the voluminous nature of premium fraud cases and the many tentacles of fraud that can be involved in any one investigation. It also points out the fact that fraud knows no borders. A seemingly relatively simple case

turned into a very complex case merely because evidence of the crimes spanned traditional and new sources for evidence.

The trend toward high-tech evidence is becoming a bigger part of our premium fraud cases. We cannot solely focus on the traditional sources of evidence and ignore social media and other forms of electronic communications in conducting investigations. Often individuals will post information on-line that can open the door to what a person is doing and expose evidence which can support criminal charges. This reality means we must have investigators trained in computer forensics and social media and attorneys who can understand technical evidence as well as how social media plays into the scheme to the point that it can be easily explained to a lay jury.

NEW TRENDS IN WORKERS' COMPENSATION FRAUD

In the preceding two years, we discovered a trend relating primarily to field workers. In the fall of each year, there appears to be a dramatic increase in claims filed by field workers. While many field workers move to Yuma at the end of the season, others choose to stay in the area year round. Discussions with EDD also uncovered there is an increase in the filing of EDD Disability Claims during this same time period. While workers could be eligible for EDD Unemployment Claims without being injured, there is a financial incentive to file a disability claim rather than an unemployment claim. Disability payments are not taxed while unemployment payments are taxed. Thus, a worker who is "injured" can receive more money while being on disability.

As this issue relates to medical providers, it appears there are some who assist the workers by certifying the worker is injured. It appears that in some situations the claims are handled as workers' compensation claims and EDD will place a lien on the workers' compensation claim. It has also been discovered that in some situations, the EDD documentation indicates that the disability is not work related and therefore no lien is placed on a workers' compensation claim.

UNINSURED EMPLOYERS OPERATION

The Monterey County District Attorney's Office has in place an uninsured employer compliance check program as part of the workers' compensation program. We believe it is important to be proactive in making sure employers maintain workers' compensation insurance. In past fiscal years, we have conducted as many as three different operations during a fiscal year jointly with CDI Morgan Hill. However, in the last couple of years our uninsured employer cases have increased with CSLB submittals since they designated an investigator to Monterey County. Due to this increase in CSLB cases, we elected to only do one compliance check operation in this fiscal year since our investigators were very busy on premium fraud and other case investigations. We believe it is important to make sure employers other than those associated with CSLB charges, are held accountable. For this reason we conduct compliance checks on a variety of businesses and industries ranging from nail salons to auto body shops to construction companies and, most recently to private security companies.

In the past four years we have been working with the Monterey County Health Department in making sure that restaurant operators are maintaining their workers' compensation insurance. In 2013, for the first time, the Monterey County Health Department included within their permitting process a question asking operators to indicate whether they are exempt from having workers' compensation insurance because they have no employees and if not exempt to provide their insurance policy information. The Monterey County Health Department has directed permit declarations to our unit's attention. We were able to conduct an uninsured employer investigation which resulted in charges filed against a food vendor not having the required coverage.

In FY 13-14, for our uninsured employer operation, we selected roofing companies as the industry to check for compliance. This resulted in one very significant case as summarized above (Juan Prieto Guiterrez). The estimated chargeable fraud is in excess of $500,000. What is interesting about this case is the apparent relative ease that someone engaged in large scale fraud can go unnoticed for a long period of time. If that becomes well known (and it probably already is) it will foster more and more people to engage in fraudulent behavior secure in the knowledge that it is unlikely they will ever be caught.

COURT SYSTEM

The issues with the court system, as mentioned in previous applications, continue seemingly without short term resolution. The courts tend to place fraud cases on a separate priority track from other forms of crime. Understandably, violent crimes are ones that must be addressed as soon as possible. The net result, however, is that fraud cases take a considerable amount of time to work their way through the system. It is not unusual for a case to be continued several times and each time for a month or longer. The problem with this, particularly with the larger cases, is that our investigators and attorney find themselves having to re-review their files each time the case comes back up for hearing. It is an incredible energy and resource drain.

This reality is most evident with our provider fraud cases. Although we have been fortunate to have a single judge assigned to most of our cases, we have nonetheless seen repeated continuances granted for various reasons ranging from defense counsel needing more time to review the evidence, to court unavailability.

In 2014, we were successful in convincing the court that it was time to bring at least one of our cases to trial. Our prosecutor worked tirelessly along with her investigative and support staff to present evidence over a two and a half week period. The jury thereafter worked for another two days assessing the evidence and applying the law before returning guilty verdicts on all counts. The defendant was sentenced in May 2014 to a maximum prison term.

As mentioned above the court system is beginning to inch forward in its recognition of the importance of our uninsured employer cases. The probationary terms that the court now routinely imposes will have long range benefits in monitoring offenders and keeping them from re-offending.

CONCLUSION

Monterey County continues to see its share of fraud in a variety of areas including everything from claimant fraud to complex premium and provider fraud.

The problem we see in Monterey County is five-fold. First, premium and provider fraud exists in Monterey County and is typically very complex and voluminous. Our limited staffing is such that we cannot launch full-scale investigations into every situation where such fraud is suspected. Given these realities we must critically evaluate each report of suspected fraud and decide which referrals are most likely to result in prosecutable cases. Unfortunately, it is impossible to predict with any degree of precision where an investigation will lead. Accordingly, we must constantly assess and reassess where we are and whether a particular case should be pursued.

Second, using investigators and attorney time to review, analyze, and summarize the thousands of pages of documentary, electronic and, social media evidence typically seized in such cases is very expensive. The required follow-up is also labor intensive and expensive. It also takes the prosecutor and investigators away from other important duties.

Third, our investigations and by extension prosecutions, are beginning to see cases dealing with evidence seized from social media and other Internet sources. We sense, as we have seen in other areas of criminal behavior, that there is a growing tendency to use these media to commit crimes and/or to comment on things related to crimes committed that, if legally seized, can be used to support a prosecution. Consequently, there is a significant need to develop and maintain a high level of proficiency in this area so that important evidence is not overlooked. It should come as no surprise to anyone that criminals are often well ahead of law enforcement on ways in which such media can be used in the course of committing a crime. It therefore behooves law enforcement to become as proactive as possible and to stay as current as possible with developing high-tech and social media programs.

Fourth, the clogged court system makes it very difficult to finalize our prosecutions. It is very frustrating to bring a case that has been under investigation, sometimes for months, and have it stall in the court process sometimes for years. This is not a good situation for victims in terms of securing prompt restitution. It is not a good thing for witnesses because understandably they would like to get on with their lives. It is not a good thing in terms of presenting a quality case because memories tend to fail over time and people move away or otherwise become unavailable.

Fifth, the ability of fraudsters to remain low-key and not draw attention to their fraudulent behavior leads to a long term impact on the system and contributes to the underground economy problem. Legitimate businesses cannot adequately compete with those who do not follow the rules and who do not incur the same business expenses. Employees of the fraudsters are exposed to not having workers' compensation benefits made available to them in the event of injury. They are vulnerable to victimization and exploitation.

COUNTY PLAN
PROGRAM STRATEGY

1. **Explain how your county plans to resolve the problem stated in your problem statement. Include improvements in your program.**

STRATEGIES FOR SUCCESS GOING FORWARD

Investigation of provider and premium fraud is very difficult without an associated undercover investigation. The traditional investigation starts with a complaining party asserting a belief that a particular doctor is engaged in fraudulent activities. Sometimes that person is a former employee while in other situations the complaining party is a patient or a claims representative who has noticed suspicious activity over a long period of time. Developing evidence of a crime in this scenario requires a reconstruction of past activities and search warrant service to secure documentation of the alleged crime. This is often a laborious effort that does not necessarily, in our experience, lead to a prosecutable offense.

A more efficient way to investigate provider fraud is by way of undercover operations. This permits the investigating agency to set the stage for the fraud, to surreptitiously record the provider actively engaged in fraudulent conduct, and to narrow the focus of the investigation by using trained undercover officers to develop key evidence. It also minimizes the amount of document review following search warrant service because most of the evidence required for a successful prosecution will have been collected before a search warrant is sought.

The only question at issue once the undercover investigation has uncovered a potentially culpable provider is how extensive is the fraud. At this point, the investigating agency must make a decision whether to expend additional resources to establish the full extent of the fraud or to prosecute only the fraudulent conduct that was recorded during the investigation.

With sentencing laws being what they are today, as a result of AB 109 and Proposition 47, the likelihood of a significant difference in ultimate punishment is questionable and should be a consideration when deciding whether to halt an investigation. The question becomes, if we have a strong case based on the undercover tape recordings, are the benefits of continuing the investigation sufficiently large to justify additional commitment of resources? For the small and medium sized counties the answer will typically be no. These counties simply do not have the staffing to conduct more than a handful of provider fraud cases each year. Each year they must triage their potential caseload and decide where to place their limited resources. Therefore, the decision to suspend an investigation will be done knowing to some degree that the provider is probably more culpable than is known at that time.

A possible solution to this conundrum is to join forces with multiple sister counties and CDI to share resources. The concept would be in the nature of a mini task force where the stake holders would gather to discuss potential targets and decide on a plan of attack. The task force would be available to strike at targets in any of the counties who are a part of organization. This will permit the smaller counties to complete undercover investigations more quickly and then turn over more investigations for prosecution.

Conversely, the larger counties would benefit from the additional resources coming from the smaller agencies on an as needed basis. Monterey has agreed with this concept as developed by Captain Kathleen Harris of the Morgan Hill CDI office as it relates to our Healthcare Fraud Unit. The overall objective would be to have a greater impact on provider fraud which is well known to be a substantial cost factor in healthcare. Each office would share in the results regardless of the county where the investigation was conducted and could report the degree of impact had on the problem.

Moreover, there could well be situations where the target provider is committing fraud in more than one county. By combining resources, the task force concept would eliminate duplicative investigation efforts. This, of course, would mean more cost-effective investigations and prosecutions.

PROVIDER AND PREMIUM FRAUD CASES

As to the first problem, investigation and prosecution of complex provider and premium fraud cases, we continue with our shifting from a reactive approach to a proactive approach. In previous years, we would respond to a complaint by conducting initial interviews followed by serving search warrants which would then lead to extensive document review and analysis to determine if a past tense fraud was committed.

Going forward we are involved in real time undercover investigations intended to discover whether a provider is actively involved in fraudulent activities. We believe this is a better way to expend limited investigative resources because it will lead to collection of evidence which is documented by audio and videotape recordings under a relatively controlled environment. Such evidence when supported by documentation seized from the provider which is directly related to the undercover "patient" rather than general patients will be extremely persuasive to a fact finder. Such evidence will also be very helpful in learning the true extent of the fraudulent activities because the undercover operation will serve as an example of the provider's modus operandi and will allow investigators to focus their attention to narrow issues rather than taking a "shotgun" approach.

In the premium fraud arena we will need to work smarter rather than harder. Given the time consuming nature of these investigations and our relatively small investigative staff we will have to identify cases that have a high potential for success. This will have to be done early in the process so that we do not waste limited resources on cases with little likelihood of success. Going forward we will continue to review cases from a triage perspective. That is taking the cases that are more clear cut first and if time permits initiate investigations that are more subtle or multifaceted. Fortunately, our recent experience in developing premium fraud cases has shown us how to do so in as efficient

and effective manner as possible. These recent investigations will serve as a model to be used in the future.

We will also continue to seek the assistance of subject matter experts from our sister agencies. This has shown in the past to be an effective way to stretch our limited resources thereby permitting our investigative and prosecutorial resources to focus attention on other matters. In premium and provider fraud cases, and to a lesser extent, applicant fraud cases, we will seek to partner with CDI because of their significant expertise in such areas. In employers who fail to carry workers' compensation insurance cases, we will continue to work with CSLB and the Monterey County Health Department. Each of these agencies has committed to assisting us in identifying such cases and equally importantly, to creating mechanisms to discourage such conduct in the first place.

DOCUMENTARY REVIEW AND INVESTIGATION OF SOCIAL MEDIA

As for the second and third problems-extensive documentary review and need for expertise in investigating social media sources, there is no simple solution given current staffing levels. Our plan in previous years was to conduct investigations as narrowly as possible. This was hoped to reduce the need to expend as much time as had been devoted previously when looking for wrongful activity. We have learned however, that there is always going to be a need to conduct extensive documentary review, at least to some degree and then conduct the required follow-up investigation. That being the case, we propose expanding our overall workers' compensation fraud unit staff by adding an investigative aide who will support the Workers' Compensation Insurance Fraud attorney and investigators. A detailed discussion of this proposal is provided below in response to Program Strategy, Question 7.

COURT ISSUES

The fourth problem-slow court process, is one in which, sadly, there is very little we can do. Nevertheless, we will continue to press our cases, invoking when appropriate, the mandates of certain laws and constitutional provisions such as Marsy's Law and the Victim's Bill of Rights. We will take all measures necessary to make sure our cases are as streamlined as possible to counter the court's concern that case presentation will take too long.

UNDERGROUND ECONOMY

As for the underground economy, suspects who fly under the radar, and repeat offender problems, we have little direct control over these areas. Nevertheless, we will continue to publicize our convictions and share the case studies during our outreach programs in an effort to get the word out to all concerned that our office is looking at this area and that people engaged in the underground economy will face serious consequences when they are discovered.

In appropriate cases we will include in our press releases information on the underground economy and how the proliferation of it hurts businesses and every person in our county

including the employee. We will also highlight the fact that individuals who have been investigated and prosecuted should not assume that law enforcement is no longer interested in them. To the contrary these people need to understand that they remain on law enforcement's collective radar and will be dealt with more severely than the first time offender.

OUTREACH

Overall, we plan to continue our work with the Watsonville Collaborative in our continued effort to assist as best we can with injured workers. We feel that our presence and participation with the Collaborative fosters the trust and confidence of these workers to the point that they will feel comfortable coming forward with referrals of employers who have defrauded them or who have failed to carry the required insurance.

We also plan to continue with our outreach program. We have addressed a number of different audiences from varied employment disciplines. We intend to continue this practice and expand to as many different groups as possible. The target audience of course is anyone with a connection to workers' compensation issues. Therefore, we will seek to address social and business organizations, community groups, and SIU's from our local and regional insurance carriers. We encourage each audience to remain vigilant about looking for signs of workers' compensation fraud and to report any suspected or suspicious fraudulent activity.

PROGRAM IMPROVEMENTS

As for improvements in the program, we have continued in our efforts to build strong coalitions with allied agencies from different disciplines to help our investigators and attorney build quality cases. We continue to meet with members of the CDI and regional SIU meetings on a quarterly basis where we discuss and review cases. In previous years this meeting was attended by CDI and our office. More recently these meetings have expanded to include representatives of Santa Clara and Santa Cruz District Attorney Offices. This is a very positive improvement in that it gives our staff an opportunity to meet and discuss trends, legal issues, and other matters, with their contemporaries from other counties.

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?**

BALANCED CASELOAD

A balanced caseload is an important part of any program. It is rarely useful in combating the fraud problem to become myopic and attack only one area of fraud to the exclusion of the many other forms that we see every day. In Monterey County, we have sought to maintain a caseload that includes fraud cases from as many different areas as possible. Over the years and going forward we have seen and expect to continue to see the

commission of fraudulent acts from all sectors of the community that involve people from all walks of life.

In our program, we use a multi-level and collaborative approach to the review process when evaluating potential cases. Our Supervising District Attorney Investigator who is a well experienced investigator reviews FD-1's looking for potential cases. Our investigators, working in conjunction with allied agencies and industry sources such as SIU's, are constantly reviewing cases that are referred to us. During this process the investigators are looking at the many ways in which fraud can be committed.

Often we receive partial information that requires further follow-up. That follow-up is done in a mutually beneficial manner between our investigators and the referring agencies or carrier. We meet either in person or telephonically, with the referring agency or carrier to identify the current strength of the available evidence. From there we identify what is needed to make a prosecutable case. Tasks are then assigned to the respective parties. The team members will then set about to accomplish the assigned tasks and then reconvene to discuss where the investigation should go from that point. Throughout this process our attorney is consulted and provides necessary legal guidance.

During this process we are very much aware that an investigation can start out looking into one area of fraud and then additional fraudulent activity is discovered. The attorney in coordination with the investigative team is in a perfect position to evaluate whether a particular investigation will develop into a prosecutable case. The attorney is cognizant of the need to maintain a balanced caseload and can make decisions with that in mind. The attorney, in coordination with the Managing Deputy District Attorney and the Supervising District Attorney Investigator, makes decisions regarding how many cases of any certain category can be effectively handled during the course of the year.

It is important that our team members not become entrenched in any one particular area of fraud investigations/prosecutions. While other programs may have the staffing to allow for development of experts in one area of fraud over another, Monterey County's modest staffing means that our investigators and prosecutor must be able to handle any kind of case that comes to their attention. We seek to have them well versed and well-practiced in identifying all forms of fraud. We seek to keep an open mind when conducting investigations so that the evidence dictates the process.

The process as described above has resulted in our handling of cases dealing with provider fraud, premium fraud, claimant fraud and the willfully uninsured employer. It has also revealed perpetrators of tax fraud and other illegal activities. We expect this will continue to be the case going forward.

PERFORMANCE AND CONTINUITY WITHIN THE PROGRAM

Over the years our relatively modest unit has brought significant cases before the court and has secured convictions in a number of different areas of workers' compensation fraud. We are very careful not to waste public funds. We are very much aware that funding comes from the citizens of this state and we are expected to use those funds wisely.

The Monterey County Workers' Compensation Fraud Unit has been and hopes to continue to work with CDI and other allied agencies in dealing with this problem. Currently, we are involved in joint cooperation with CDI and NICB on a long term undercover investigation related to combating workers' compensation provider fraud. We are also involved in two separate undercover operations aimed at medical providers over prescribing and billing fraud. To insure success of a long term investigation and subsequent prosecution such as these requires continuity and stability of funding. It is our intent to conduct this operation as expeditiously and cost effectively as possible. By the same token, if we did not have the funding to support the continued existence of our dedicated unit, it would be very difficult if not impossible to continue with these projects and others in the future.

As for continuity in the unit, while the last year saw some unexpected shifts in investigative staff, we believe we have stabilized the situation and will have a long term investigative staff going forward.

OUTREACH AND PUBLIC AWARENESS

We are very fortunate, again, to have a CDI regional office that is willing to assist in anti-fraud efforts including participation in quarterly meetings with local and regional SIU's. It is equally important to have third-party administrators and self-insured employers attend these meetings. We intend to continue to do all we can to identify such organizations and expand the invitation list to the SIU meeting.

The extent of our outreach program is detailed below in our response to Question 4. Over the past two years we have reached over 713 individuals from a myriad of professions, occupations, and backgrounds. In the past two years we addressed organizations that included self-insured entities such as the City of Monterey and the City of Salinas.

In Monterey County we have developed a brochure of our Workers' Compensation Unit, what it does, and how it goes about the business of investigating and prosecuting fraud. The brochure also spells out the various types of fraud that are investigated and prosecuted by this unit. A copy of the brochure is provided in Attachment C.

JOINT PLANS AND MEMORANDUMS OF UNDERSTANDING

We share in the Fraud Assessment Commission's (FAC) belief that program participants (CDI- Fraud Division and District Attorney Offices) must have a cohesive working relationship with regular communications. To this end we have established over the years very deep and strong working relationships with our colleagues at CDI-Morgan Hill. We have meetings every two months with representatives of CDI-Morgan Hill where we discuss on-going cases and plan future operations and investigations. We also have quarterly meetings with SIU's where CDI-Morgan Hill is present to discuss such things as industry trends, and potential new cases. Our investigators, prosecutor, and managers have made themselves available to all at CDI-Morgan Hill whenever there is a question or issue that needs attention. We are very fortunate that the members of CDI-

Morgan Hill are likewise very receptive to our calls and make themselves available to us at a moment's notice.

From our position, we see a relationship that is not only professional but also carries a great deal of mutual respect. It is clear to us that CDI is more than willing to dedicate resources in support of our cases and operations and we are very appreciative of that effort. The high level of cohesiveness and communications that exists between our agencies is a result of many years of stable staffing in both offices. Indeed when the Chief of the Morgan Hill office retired and Kathleen Harris was appointed her successor, we found the transition to be seamless. We feel this is because Ms. Harris had been working closely with our staff over the years and knew the people, the personalities, and the caseload and was able to come in and hit the ground running. There was no delay or setback in our investigations which sometimes can happen when new management comes on-board.

Our meetings with CDI-Morgan Hill are always professional. There has never been any evidence of our agencies working at cross purposes. To the contrary, we have always been able to come to a consensus on how to approach the caseload in a mutually beneficial manner. We look forward to continue working with Ms. Harris and her staff to build on this relationship and to work towards the FAC's objective of forging anti-fraud partnerships regionally, throughout the state, and with our federal contemporaries. We also look forward to carving out mutual objectives that can be accomplished on a regional basis to the extent that can be legally accomplished. Our experience with Santa Clara and Santa Cruz Counties joining our SIU quarterly meetings has been very positive and fruitful for our staff. Going forward we can only strengthen these relationships.

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

Our objective to identify, investigate, and, prosecute premium fraud cases will be an on-going project. Each year we receive referrals on such cases. We also seem to uncover such fraud during our enforcement sweeps. We have three premium fraud cases that are in the litigation stage which will likely take another year to finalize. The total estimated chargeable fraud in those cases is $1,130,626. One of the cases is classified as complex, while the other two are classified as very complex.

The undercover operations which are currently underway will take us into the next fiscal year. Both operations are well underway and could be completed by the end of this calendar year.

We would like to continue to look into ways to break into the issue of whether farm workers are victimized and/or exploited by unscrupulous contractors and employers. As mentioned in previous applications, this is an area of potential abuse that is very difficult to investigate. The fear of reprisals and uneasiness towards law enforcement on the part of the subject employees makes it difficult to break into this area. Our work with the Watsonville Collaborative has brought this issue to our attention and with help from members of that organization we hope to find a way to address the issue. We are starting to see some movement in this area in that we are receiving more and more referrals from Collaborative sources.

Our undercover efforts and "sweep operations" directed at uninsured employers will continue for the foreseeable future. On the latter area, we would like to increase the number of operations and the number of employers inspected. We would also like to expand the nature and types of businesses inspected. The cooperation received from the Health Department and CSLB as discussed above is positive news as far as expanding our efforts in this area is concerned. Our goal is to have an impact and deterrent effect on businesses and other employers who choose to not carry workers' compensation insurance.

4. Training and Outreach

Training attended by our prosecution and investigative staff is listed below:

DDA Carol Reed

Jan 14, 2013	Fight Fraud & Abuse/Impact of SB 863 – Employer Fraud Task Force
Mar 27-29, 2013	Fraud Seminar – NCFIA/CDAA, Monterey, CA
Apr 1, 2013	Pre-Preliminary Brady Update/Extrinsic Consequences & Plea Negotiations – MCDA
Apr 23-26, 2013	Sentencing Seminar – CDAA
Sep. 18, 2014	Healthcare 303, CDI, Pleasanton, CA
Nov. 24, 2014	Lexis, Professional Ethics for California & Lexis Advanced – Lexis/MCDA, Salinas, CA
Dec. 2-5, 2014	Insurance Fraud Seminar, CDAA
Dec. 12, 2014	Privacy and Security – MCDA – Computer privacy/security & hacking
Jan. 5, 2015	NICB/ISO Database Training, MICB
Mar. 31, 2015	Evaluation/Prep DUI & Alcohol Abuse, Cal TSRP, MCDA.CDAA
Apr 16-19, 2014	Fraud Seminar – NCFIA/CDAA, Monterey, CA
Apr. 1-3, 2015	Anti-Fraud Conference, NCFIA, Monterey, CA

DAI Mark Trueblood

Aug. 13, 2013	New employee orientation, Salinas, CA
Aug. 15, 2013	Emergency vehicle operations, Marina, CA
Sep. 26, 2013	Case Management System Training, Salinas, CA
Oct 21-Nov 1	POST DAI training, Sacramento, CA
Nov. 5-8, 2013	Fraud Seminar, CDAA, Santa Rosa
Nov. 11-15, 2013	Gang seminar, Salinas, CA
Jan. 13-17, 2014	Officer Involved Shooting, Marina, CA
Mar. 10, 2014	Wiretap school, DOJ, Monterey, CA
Apr. 16-18, 2014	NCFIA training and seminar/NCFIA, Monterey

DAI George Costa

July 9, 2013	Metadata and EXIF Tags, NW3C Webinar
July 15, 2013	Quikclot User Certification, Z-Medica, LLC
Sep 24, 2013	Healthcare Fraud 202 CDI, SCIF Office, Pleasanton, CA
Nov 5-8, 2013	Fraud Symposium: Real Estate & Insurance Fraud, CDAA Santa Rosa, CA
Aug 4-15, 2014	Investigation & Trial Prep., CDAIA and Irvine Valley College Roseville, CA
Sep. 10-12, 2015	Gang Survival Conference, CA DOJ Multi-Agency Joint Operations Response Crimes Task Force (STING), Salinas, CA
Sep. 18, 2014	Healthcare Fraud 303: Practical Exercises in Healthcare Fraud Investigations Department of Insurance, SCIF Office, Pleasanton, CA
Oct. 2, 2014	Active Shooter Response Monterey County Sheriff Office, Moss Landing, CA
Oct. 13, 2014	Law Enforcement DUI Training & Drug Category Signs and Symptoms Monterey County DA, Salinas, CA
Nov. 3, 2014	Electronic Surveillance Training HIDTA, San Francisco, CA
Dec. 1-5, 2014	Fraud Symposium: Real Estate & Insurance Fraud, CDAA Newport Beach, CA
Jan. 20, 2015	Chasing Cell Phones, NCOA, Alameda County Office of Emergency Services, Dublin, CA
Apr. 1-3, 2015	Anti-Fraud Conference, NCFIA, Monterey, CA

DAI Christena O'Shea

Dec. 1-5, 2014	CDAA Fraud Symposium, CDAA, Newport Beach, CA
Jan 19-30, 2015	ICI Core Course, Roseville, CA
Apr 1-3, 2015	NCFIA Fraud Seminar, NCFIA/CDAA, Monterey, CA
Apr 22, 2015	Work Comp Training Course, Santa Clara DA, San Jose, CA

DAI O'Shea is also scheduled to attend the following upcoming training:

May 13, 2015	Undercover Medical Ops, DEA/HIDTA, San Ramon, CA
June 2015	DAI Course, Roseville, CA

The following is a listing of the outreach and training we attended/provided in FY 2014-2015:

NorCal Enforcement Network [NEN] – September 9, 2014, 40 attendees. Discussions included website under development and development of a protocol. Alameda County DA gave a presentation on undercover medical fraud cases and capper cases and working with the Attorney General's Office. There was also a discussion on illegal prescriptions and emerging trends by DEA.

CSLB Board Meeting – September 23, 2014, 35 attendees and live stream line throughout California. Our attorney and investigator attended and briefed attendees on our program of working with CSLB to develop uninsured employer cases, the working relationship between CSLB & MCDA, Big Sur Fire Outreach, premium fraud cases and specific cases presented from joint operations.

Watsonville Collaborative, October 2, 2014, 14 attendees. Discussion was had regarding new Labor Code law which was passed that allows unrepresented injured workers to request a hearing.

ECHO Seminar – October 4, 2014, 40 attendees serving community associations/HOAs. Attendees included accountants, HOA management companies, general and specialized contractors and attorneys, members of HOAs and Educational Community for Homeowners [ECHO]. Our attorney, CDI Captain Harris and CDI Det. Sgt. Lieb, provided a presentation regarding our program.

Watsonville Collaborative, January 7, 2015, 24 attendees. Our attorney in conjunction with the Chief of Cal-Osha gave a presentation regarding new laws enacted, underground economy and shared portal for reporting. Our attorney spoke about Monterey County protocol for case referrals. WCIRB gave a presentation on improvements/suggestions.

Mini Medical Fraud Meeting, January 29, 2015, 37 attendees. Our attorney and investigator joined in the discussion on billing codes.

NorCal Enforcement Network [NEN], February 19, 2015, 40 attendees. Our attorney listened to a presentation by the Drug Enforcement Administration and a briefing from US Postal Inspection Service. The attorney had an opportunity to network with speakers from the Postal Service on a recent case on an uninsured employer who was also a postal employee.

Crisis Intervention Training Academy, February 24, 38 attendees. Our attorney spoke to law enforcement personnel on various legal issues including Workers' Compensation claims focusing on employer and employee responsibilities, stress related job injuries such as officer involved shootings, other job duties and physical injuries. Overall view of types of cases prosecuted.

Intercare TPA Satellite Office, March 5, 2015, 6 attendees. This was a joint presentation our attorney and CDI Det Sgt Lieb. They gave an overall view of cases prosecuted and focusing on FD-1 and documented case referrrals when presented to CDI/MCDA for prosecution.

Mini Medical Fraud Meeting, March 26, 2015, 19 attendees. This meeting included representatives from the Board of Pharmacy Investigators who attended for first time. There was a substantive discussion on sharing information with SIUs, CDI, DA offices for Workers' Compensation, Auto and DHIF fraud cases. They also had individual discussions about potential outreach opportunity to present at board meeting where pharmacists can get their continuing education.

South Bay Industrial Claims Association [SBICA] , April 8, 2015, 26 attendees. The audience included Workers' Compensation defense attorneys, claims adjusters, SIUs, private Investigators. The presentation was done joint between MCDA & CDI.

Watsonville Collaborative, April 10, 2015, 13 attendees. Presentation on AB1170 that involves trying to get 24-hour medical care for low wage/migrant workers.

OUTREACH PLANNED FOR REMAINING FY

CDAA Planning Committee for Fraud Seminar – April 23, 2015

NorCal Enforcement Network [NEN], May 7, 2015, our attorney and investigator will provide a presentation on our unit objectives and responsibilities.

SIU San Jose, May 14, 2015

Future Outreach FY 2015-2016

As for FY 2015-2016, we plan to coordinate for additional joint presentations with CDI to SIU's from carriers and TPA's. We will continue with our work with the Watsonville Collaborative in an effort to expand the trust and confidence of those who represent and/or have contact with migrant farmworkers to encourage them to report employers engaged in exploitation of workers. We will continue our work at the mini-medical fraud meetings. We want to do additional work with CDI and CSLB reaching out to labor unions and contractors not only to seek new referrals but to educate on what our unit does with the hope that it will serve as a deterrent to as many people as possible.

We also plan to reach out to DIR and domestic workers, janitorial, housekeeping, cleaning companies to address employer and employee obligations and responsibilities. We will explore having EDD join us in this effort.

We have been in contact with a reporter from a local TV station that hosts a Health Care weekend show. We think this would be a good way to get our message out about the fraud problems our county to a large audience.

In addition, we plan to coordinate with local Chambers of Commerce and to the local Professional Women's Network. Presentations to these organizations in past years were very well received.

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 Monterey County the Revenue and Recovery Department is responsible for the collection of fines and restitution imposed by the courts in criminal cases. We have direct contact with that department and periodically confer with members of the department to update the status of all cases in which restitution and fines have been

ordered. We maintain a spreadsheet that tracks all fines and restitution ordered by the court.

If a defendant becomes delinquent and the person in question is on formal reporting probation, we have the option of contacting the Probation Department to have them bring the person into their office and inquire why he/she is delinquent. If the explanation is unacceptable, the Probation Department may file a petition to revoke the person's probationary status and then the person must explain the delinquency to the court.

We also have the option of filing our own petition to violate a defendant's probation whenever we learn of a delinquency in payments. While we can do this in any case where the person is on probation, this option is typically used in cases where the person is on informal, non-reporting probation.

The continuing challenge in this area is that in order to revoke a person's probation and return him/her to custody it must be shown that the defendant willfully failed to pay and had the ability to do so. Thus, if the person has no ability to pay there is little that can be done legally to extract the restitution or fine payments. Of course, probation can be extended to a point to allow more time for the defendant to pay. Another action that may be taken is to have a hearing on the defendant's assets where the defendant is required to list his/her assets so a determination can be made on the question of ability to pay. Finally, a person who does not pay restitution is not entitled to expungement of the conviction.

Our attorney takes this matter seriously and monitors the situation on a regular basis. If we learn of a delinquency we take the actions that are necessary to bring the matter to the attention of the Probation Department and the Courts as necessary.

Should we receive funding to support the investigative aide position as discussed below, part of that person's duties will be to locate victims, determine restitution amounts and, monitor collections on a proactive basis. We have tried this concept in our Welfare Fraud Unit and it has been a great success. Additional data on this issue is provided below.

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

Our primary objective is to successfully complete as many of the provider and premium fraud cases as soon as possible. We have secured convictions in some of the open cases and by continuing to secure convictions we hope to not only hold the perpetrators responsible but also deter others from engaging in similar conduct. This latter objective will be achieved by publicizing the results by way of press releases as well as incorporating the case studies in our outreach presentations. We believe that successfully prosecuting provider and premium fraud will have a significant impact in the field of workers' compensation fraud.

Going into the next fiscal year we see that our staff will continue its work on three significant undercover operations dealing with provider fraud.

In addition, we plan to continue working towards the objective of investigating and prosecuting applicant fraud cases and tracking down those who are willfully uninsured. While these cases typically are not as resource draining as provider and premium fraud they are nonetheless important cases. Our objective is to conduct at least two undercover operations in the uninsured arena hopefully with cooperation from CDI and other allied agencies. As for claimant fraud cases, our objective is to review, investigate, and file as many as come to our attention.

Project:

a. 20 new investigations will be initiated during FY 2015-2016.
b. 15 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.**

As mentioned above we are proposing to add an Investigative Aide position to our unit. The Investigative Aide position differs from the District Attorney Investigator position in that it is a non-sworn position. The Investigative Aide would be responsible to provide direct support to the prosecutor, the sworn investigators and the Supervising Investigator in the unit.

The Investigative Aide would create a more efficient and productive unit. The addition of this position would enable this unit to more quickly review and assess documentary, electronic and, social media evidence. Our objective is to provide an increased and less expensive level of service to the general public and to the public and private agencies who are often the victims of insurance fraud related crimes.

By assigning an Investigative Aide to the unit we will provide a better service at a substantially reduced cost, as the salary of a sworn peace officer is significantly higher. Indeed, a sworn investigator costs $179,776 including salary and benefits whereas the investigative aide position costs out at $73,684 including salary and benefits. The aide position is approximately 41% that of the sworn position. It is approximately one-third the cost of an attorney's salary and benefits.

The workload of an Investigative Aide in this unit would involve the following types of duties:

- Provide investigative case support, including but not limited to the following:
    - Field investigations.
    - Identify, obtain, review and analyze social media and Internet related evidence such as Twitter, Facebook, and MySpace.
    - Communication with various agencies in the gathering of information.
    - Suspect contact and interviews only when accompanied by a sworn investigator.

- Completion of case status memos, closure memos, and other investigative reports.
- Service of subpoenas, subpoenas duces tecum and other legal processes to victims, witnesses and businesses on cases handled by the unit.
- Duplication of audio/visual evidence, as well as the enhancement and/or conversion of digital/electronic evidence for the purposes of discovery and for use in court hearings of cases handled by the unit.
- Transportation of victims and witnesses to and from court, including to and from various airports and numerous other locations within and outside of the County of Monterey, often on weekends.
- Assistance to attorney staff assigned to the unit, including preparation of evidence and exhibits for court, as well as the set up and operation of audio/visual equipment during court hearings.

- Provide administrative support to prosecutor, sworn Investigator and Supervising Investigator positions in the unit, including but not limited to the following tasks:

  - Track restitution awards and collection efforts.
  - Complete Demand Letters to various agencies and follow up to ensure all information requested is received.
  - Complete WCIRB and ISO checks on all referrals received.
  - Complete WCAB checks and document requests.
  - Complete EDD, IRS and other agency checks and document requests.
  - Complete law enforcement checks and records requests.
  - Complete Secretary of State records checks and document requests.
  - Conduct business and person searches and research on all referrals at pre-screening process, during the investigative process, and in preparation for various compliance or "sting" operations.
  - Assist in the pre-screening, gathering of information, and responses sent to reporting parties on suspected fraud and Hotline referrals received.
  - Assist in the updates and maintenance of various case logs, databases, etc.
  - Cataloging, copying and organizing evidentiary documents obtained from various sources.
  - Contacting and interviewing non-suspect witnesses, and obtaining evidentiary documents from non-suspect sources.

The investigation of workers' compensation insurance fraud-related cases are time consuming, document intensive and involve numerous and multiple requests for records and documents from many different sources in order to simply determine if a crime appears to have been committed. The unit reviews tens of thousands of documents and searches hundreds if not thousands of websites each year. The creation of an Investigative Aide position would greatly enhance the timely processing and response to suspected fraud referrals, the investigation of referrals, and the prosecution of filed criminal cases.

This position will greatly enhance the capability of the unit and improve productivity and responsiveness.

Without the addition of an Investigative Aide to the unit, all of the above mentioned duties would continue to fall to the sworn investigators or attorney. The cost of completing these enumerated tasks by an attorney and/or sworn investigator is significantly greater than if handled by an investigative aide.

The attorney and investigators already carry an extremely full caseload. Currently, the amount of overtime/compensated time off earned per investigator in this unit averages approximately 12 hours per month. Without the investigative aide position, overtime charges will continue and most likely will increase as work remains to be done.

Workers' compensation insurance fraud-related crimes results in the theft of money by those not entitled to the benefits, or the failure to pay required taxes and fees to the State of California for workers' compensation insurance, disability insurance, payroll taxes and income taxes. Investigations which are not completed timely can result in an increased monetary loss to already strained State and local government budgets. The addition of an Investigative Aide in these units would result in timelier processing of suspected fraud referrals, an overall increased level of productivity for these units and an increased level of responsiveness to the public and to the public and private agencies who are often the victims of insurance fraud-related crimes.

As mentioned above we have implemented the Investigative Aide position in our Welfare Fraud Unit. In doing so, we have seen great success at far less expense. For example, in terms of identifying overpayment figures the aide was able to identify overpayments at about a 21% greater rate than a sworn officer. This was done at a pay rate that is 41% that of a sworn officer. In essence, we obtain substantially more "bang for the buck."

The reason for this is that the sworn officer has so many other duties to attend to that he/she does not have as much time to devote to the relatively administrative task of identifying overpayments. The aide job description, on the other hand, has overpayments as a main objective. Therefore, the aide can devote the requisite time to the task. We believe a similar result will occur by having an aide relieve the sworn officer of some of the more mundane duties required in our various workers' compensation fraud investigations (standard and complex). The various objectives will be achieved at a far less expensive rate and thereby lead to wrapping up cases much more quickly.

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.**

As mentioned above, we have a very active willfully uninsured employer program. We have joined with the CSLB and the local Health Department to help identify individuals and businesses who do not carry the require coverage. It is our hope that these efforts will have a deterrent effect and that full-scale investigations and prosecutions will be fewer as we go forward. We remain prepared, however, to conduct as many investigations and present as many prosecutions as necessary to deal with this problem in Monterey County.

Our interest in this area is more than a means to develop a case for the program. We do not typically look at the uninsured issue and leave it at that. It has been our experience that individuals who commit this crime may be involved in other forms of fraud. Therefore, we take the investigation of these cases as a starting point and take the extra effort to make sure there is not more going on. From the relationships we have developed with allied agencies such as CDI, CSLB and EDD, it has become a relatively straight forward process to check on other issues such as whether the employer has been paying required taxes and is appropriately permitted to do the work in question.

We also strive to initiate at least two compliance check operations each year. These operations look at a variety of businesses and industries to determine whether they have the required insurance coverage. Practically speaking, we assemble investigators from CDI, CSLB, and our organic investigative staff and identify a list of potential targets. The targets are selected either at random or based on tip information. In executing the operation, the investigators simply enter the premises and ask to speak to a responsible individual. During this contact the investigators ask to see evidence of workers' compensation insurance. We typically dedicate two full days to complete the compliance check operation. In some instances additional follow-up is required which is done by our investigative staff. On more than one occasion we are thanked by those who are in compliance for conducting the operation. They see the operation as a positive way to keep the playing field level for all in the respective trade or business while simultaneously holding those who violate the law responsible for their conduct.

WORKERS' COMPENSATION FRAUD PROGRAM BUDGET
MONTEREY COUNTY DISTRICT ATTORNEY
FY 2014-2015

The proposed budget for the Monterey County District Attorney's Office, Workers' Compensation Fraud Program is reported in Excel format on the following page. It is provided as a separate file on the attached CD labeled "Workers Comp Grant Application FY 2015-2016."

BUDGET CATEGORY AND LINE-ITME DETAIL
DISTRICT ATTORNEY OF MONTEREY COUNTY
WORKER'S COMPENSATION INSURANCE FRAUD FY 2015-16
A. PERSONNEL SERVICES - SALARIES/EMPLOYEE BENEFITS
As of 3 Apr 2015

Item	Description	Percentage	Amount	Sub-Totals	Cost
1	Deputy District Attorney IV, Step 7	100%	$ 155,684	$ 155,684	$ 155,684
	Benefits				
	Unemployment Insurance	0.50%	$ 778	$ 778	
	Social Security	4.62%	$ 7,193	$ 7,193	
	Worker's Compensation	9.79%	$ 15,241	$ 15,241	
	Health Insurance	9.20%	$ 14,323	$ 14,323	
	Dental Insurance	0.45%	$ 701	$ 701	
	Vision Insurance	0.10%	$ 156	$ 156	
	Employee Assistance Program	0.03%	$ 47	$ 47	
	Life Insurance	0.09%	$ 140	$ 140	
	Long Term Disability	0.28%	$ 436	$ 436	
	Flex Paid Insurance	1.25%	$ 1,946	$ 1,946	
	Special Benefits	0.30%	$ 467	$ 2,313	
	Medicare	1.46%	$ 2,273	$ 2,273	
	Retirement - PERS	13.50%	$ 21,017	$ 21,017	$ 66,564
2	District Attorney Investigator III. Step 7	100%	$ 121,021	$ 121,021	$ 242,042
	FTE	2.0			
	Benefits				
	Unemployment Insurance	0.50%	$ 605	$ 1,210	
	Social Security	4.62%	$ 5,591	$ 11,182	
	Worker's Compensation	9.79%	$ 11,848	$ 23,696	
	Health Insurance	9.20%	$ 11,134	$ 22,268	
	Dental Insurance	0.45%	$ 545	$ 1,089	
	Vision Insurance	0.10%	$ 121	$ 242	
	Employee Assistance Program	0.03%	$ 36	$ 73	
	Life Insurance	0.09%	$ 109	$ 218	
	Long Term Disability	0.28%	$ 339	$ 678	
	Flex Paid Insurance	1.25%	$ 1,513	$ 3,026	
	Post Pay Benefits	4.28%	$ 5,180	$ 10,359	
	Medicare	1.46%	$ 1,767	$ 3,534	
	Retirement - PERS	16.50%	$ 19,968	$ 39,937	$ 117,511

Item	Description	Percentage	Amount	Sub-Totals	Cost
3	Legal Secretary, Step 7	50%	$ 51,420	$ 25,710	$ 25,710
	Benefits				
	Unemployment Insurance	0.50%	$ 257.10	$ 128.55	
	Social Security	4.62%	$ 2,375.60	$ 1,187.80	
	Worker's Compensation	9.79%	$ 5,034.02	$ 2,517.01	
	Health Insurance	9.20%	$ 4,730.64	$ 2,365.32	
	Dental Insurance	0.45%	$ 231.39	$ 115.70	
	Vision Insurance	0.10%	$ 51.42	$ 25.71	
	Employee Assistance Program	0.03%	$ 15.43	$ 7.71	
	Life Insurance	0.09%	$ 46.28	$ 23.14	
	Long Term Disability	0.28%	$ 143.98	$ 71.99	
	Flex Paid Insurance	1.25%	$ 642.75	$ 321.38	
	Special Benefits	0.30%	$ 154.26	$ 77.13	
	Medicare	1.46%	$ 750.73	$ 375.37	
	Retirement - PERS	13.50%	$ 6,941.70	$ 3,470.85	$ 10,688

4	Investigative Aide	100.00%	$ 50,521.00	$ 50,521.00	$ 50,521.00
	Benefits				
	Unemployment Insurance	0.50%	$ 252.61	$ 252.61	
	Social Security	4.62%	$ 2,334.07	$ 2,334.07	
	Worker's Compensation	9.79%	$ 4,946.01	$ 4,946.01	
	Health Insurance	9.20%	$ 4,647.93	$ 4,647.93	
	Dental Insurance	0.45%	$ 227.34	$ 227.34	
	Vision Insurance	0.10%	$ 50.52	$ 50.52	
	Employee Assistance Program	0.03%	$ 15.16	$ 15.16	
	Life Insurance	0.09%	$ 45.47	$ 45.47	
	Long Term Disability	0.28%	$ 141.46	$ 141.46	
	Flex Paid Insurance	1.25%	$ 631.51	$ 631.51	
	Special Benefits	0.30%	$ 151.56	$ 2,313.00	
	Medicare	1.46%	$ 737.61	$ 737.61	
	Retirement - PERS	13.50%	$ 6,820.34	$ 6,820.34	$ 23,163

Totals	
Salaries	**$ 473,957**
Benefits	**$ 217,926**
Grand Total	**$ 691,883**

BUDGET CATEGORY AND LINE-ITME DETAIL
DISTRICT ATTORNEY OF MONTEREY COUNTY
WORKER'S COMPENSATION INSURANCE FRAUD FY 2015-16
B. OPERATING EXPENSES
As of 3 April 2015

Item	Description	Amount	Cost
6601 - Audit Expenses	1% of Grant Amount	$ 6,700	$ 6,700
6232 - Comm - Telephone	Per employee - telephone charges ($867)	$ 3,901	$ 3,901
6261 - Insurance (Non-recoverable)	Per employee - County Insurance ($332)	$ 1,494	$ 1,494
6262 - Insurance (Recoverable)	Per Employee - County Insurance ($1,146)	$ 5,157	$ 5,157
6405 - Courier Services	Per Employee - Interoffice courier ($60.86)	$ 274	$ 274
6406 - Mail Handling	Per Employee - Mail processing ($61.36)	$ 276	$ 276
6415 - Records Destruction	Per Employee - Destruction of Records ($106.55)	$ 480	$ 480
6603 - Data Processing	Per Employee - Internet/Computer ($3,947.93)	$ 17,766	$ 17,766
6603 - Data Processing	Per employee - ERP financial system ($376.58)	$ 1,695	$ 1,695
6864 - Fleet Service Charge	Per Investigator - Vehicle Servicing ($2,902.78)	$ 5,806	$ 5,806
6867 - Vehicle Use / Replacement	Per Investigator - Vehicle Replacement ($3,120.30)	$ 6,241	$ 6,241
6861 - Training and Travel	CDAA Northern CA Conference	$ 6,200	$ 6,200
	Annual Fraud Association Conference		
6302 - Trial Expenses	Consulting & Expert Witness Fees	$ -	$ -
	at $350 per hour		
	Review of Records & Testimony		
Indirect	Administrative Cost Allocation	$ 47,396	$ 47,396
	10% of Salaries (w/o benefits)		
		Totals	$ 103,385

BUDGET CATEGORY AND LINE-ITME DETAIL
DISTRICT ATTORNEY OF MONTEREY COUNTY
WORKER'S COMPENSATION INSURANCE FRAUD FY 2015-16
C. EQUIPMENT
As of 3 April2015

Item	Description	Amount	Cost
			$ -
			$ -
			$ -
		Category Total	$ -
		Program Total	$ 795,268
		Interest Total	$ -

FORM 13

EQUIPMENT LOG

Equipment Log for FY 2014-2015
County of Monterey

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: Dean D. Flippo Title: Monterey County District Attorney

Signature: Dean D. Flippo Date: 4/22/15

ATTACHMENT A
JOINT PLAN

The Joint Plan between CDI and the Monterey County District Attorney's Office follows this page.

ATTACHMENT A

JOINT PLAN

Workers' Compensation Insurance Fraud Joint Investigation Plan for the Monterey County District Attorney's Office and the California Department of Insurance, Fraud Division, Silicon Valley Regional Office Fiscal Year 2015-16

1. Introduction

The "parties" to this joint plan are the California Department of Insurance (CDI), Fraud Division, Silicon Valley Regional Office and the Monterey County District Attorney's Office Insurance Fraud Unit.

The parties to this joint plan recognize that Fraud Division's mission is to investigate allegations of insurance fraud throughout the State of California, and that it is the primary investigative agency in this field.

The investigative responsibilities of the CDI, Fraud Division, Silicon Valley Regional Office encompass five counties and several CDI programs. Due to the considerable geographical territory, the number of programs, the number of referrals/cases, and the finite number of investigators available, the Regional Office cannot reasonably be expected to devote its efforts exclusively in one county. Therefore, there is an important need for an effective joint plan with the Monterey County District Attorney's Office to reduce insurance fraud in Monterey County.

2. Statement of Goals

(a) To promote a close working relationship between the DA's Insurance Fraud Unit and the Regional Office based on the common goal of fighting insurance fraud, commitment to the highest professional and ethical standards, and mutual respect in the pursuit of justice and the protection of the citizens of Monterey County and the State of California.

(b) To conduct investigations in a timely manner, using professional standards and procedures, and aggressively and ethically prosecute those who commit insurance fraud.

(c) To create the best possible anti-insurance-fraud program through the efficient and effective use of the limited resources provided, and combat the serious problem of insurance fraud.

3. Receipt and Assignment of Cases

(a) Insurers will submit case referrals to the Regional Office or the district attorney's office. The insurers will be encouraged to meet with the Regional Office and/or the district attorney's office to discuss case referrals. Representatives from both agencies will attend the meeting, when practicable, to discuss the merits of the case. This will allow all parties to ask and answer questions in a timely fashion, and to be aware of

the strengths and weaknesses of the case. When a suspected fraudulent claim (SFC) or a case referral package is received from an insurer, it will 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 to avoid duplicative efforts, and to ensure that all referrals are being appropriately addressed. When a case is assigned for investigation, the assigning party will notify the assigned party within five working days.

(c) If the SFC or case referral package is sent only to the CDI, the Regional Office will address the matter, exercising its best discretion on how to proceed, with reasonable notice to the DA's Insurance Fraud Unit of the action taken. If the SFC or case referral package is sent only to the DA's Insurance Fraud Unit, it will notify the Regional Office and determine what action, if any, the Regional Office intends to take as indicated in paragraphs (e), (f), and (g) below. The information shall include the suspect's name, carrier or administrator, claim number, and date received.

(d) As the primary investigative agency in the field of insurance fraud, the CDI Fraud Division will have "first claim" to any SFC or case referral package sent by an insurer for investigation. There can be an exception to this provision if the referring insurer specifically requests that the investigation be done by the DA's office. The Regional Office will be notified immediately to discuss the situation and avoid any duplicative efforts.

(e) If the Regional Office elects to pursue an investigation of a SFC or case referral package sent by an insurer to both parties, the DA's Insurance Fraud Unit will suspend any further action on the case or will assist the Regional Office in a joint investigation.

(f) If either party elects not to pursue an investigation of a SFC or case referral sent by an insurer, because of excessive caseloads, resource limitations, or any other reason, or chooses to defer any matter referred, the other party 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 appropriate insurance fraud unit.

(g) If the DA's Insurance Fraud Unit receives a referral that would be more appropriately handled in another county's jurisdiction, the DA's office will forward the referral to the appropriate county and notify the Regional Office.

4. Investigations

(a) Pursuant to the above provisions, 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 could include executing 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 referrals by insurers, other law enforcement/governmental agencies, informants, and other responsible sources of information. Outreach programs are strongly encouraged to promote this aspect of the plan.

(d) It is the intent of this joint investigation plan to avoid duplicative efforts by maintaining regular communication to discuss caseloads and share information concerning current

investigations. The Regional Office supervisors will meet at a minimum of twice a year with the DA's Insurance Fraud Unit's designee to review the working relationship between both agencies.

(e) A deputy district attorney from the DA's Insurance Fraud Unit, or his/her designee, will be available to meet with the Regional Office investigator at any time during the investigation of a case when so requested by the investigator to discuss any aspect of the case.

(f) It is the intent of the parties that by maintaining regular communication and adhering to agreed-upon plans and procedures, the completed investigation will result in the filing of criminal charges and a successful prosecution. At the same time, however, it is understood that not every case that is investigated will result in prosecution. This can happen when the evidence is insufficient, material witnesses are no longer available, the case lacks jury appeal, or other circumstances rendering the likelihood of conviction unreasonable. The parties will take all possible steps to avoid such situations, as it is undesirable to expend investigative resources on cases that do not result in prosecution.

(g) The Regional Office will be responsible for any investigative costs in its cases prior to filing of a formal complaint or indictment with the clerk of the court. Absent extraordinary agreement, the DA will be responsible for costs associated with prosecution after the complaint or indictment is filed.

5. Undercover Operations

(a) Both parties recognize the importance of undercover investigations in those cases where it is felt this technique is a viable means (often the only means) of developing evidence to prove a suspected insurance fraud. However, the parties also agree that undercover operations need to be highly organized and carefully monitored by supervisory personnel to ensure the efficiency and integrity of the investigation. It is understood that undercover operations can be very labor intensive and time-consuming, and do not 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 either party conducts its own independent undercover investigation in Monterey County, the other party will be advised and will be available to provide any advice or assistance requested.

6. Case Filing Requirements

(a) The investigation of suspected insurance fraud cases should focus on not only the development of probable cause to make an arrest, but also obtaining sufficient evidence to prove the charges beyond a reasonable doubt in criminal court. It is understood that each case is unique and that certain action may be required in one case, but not in another.

(b) When submitting a case for prosecution, the investigator should present as complete a package as possible, including a detailed report which outlines 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 sufficient evidence to show materiality of the alleged false statement or misrepresentation to the claim.

(c) To promote efficiency in this area, Regional Office investigators are required to contact the Monterey County 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 made by the Regional Office will be reviewed within ten working days of receipt, unless otherwise stated. If additional investigation is needed, the reviewing prosecutor will notify the case investigator immediately. The case investigator will complete the additional investigation as soon as reasonably possible and provide the prosecutor with status updates at a minimum of every ten working days until the investigation is completed. The prosecutor will further ensure that filing decisions shall be made in a timely fashion but no longer than thirty days from the date of receipt. If a case is rejected for prosecution, the prosecutor will prepare a letter in writing stating the reason(s) for the rejection and provide the letter to the case investigator within ten working days of the rejection. The case investigator will, in turn, notify the complaining party.

7. Case Dispositions

The DA will provide a certified copy of the minute order to CDI within thirty days of a sentencing.

8. Training

(a) Both parties will be active participants in the annual CDAA/CDI Insurance Fraud Training Seminar. This will provide significant trainings for 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.

(c) The parties will assist each other, when requested, in training sessions for insurance carriers and administrators on issues important to the detection, 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 which affects Monterey County.

9. Problem Resolution

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 dispute. If necessary, the Captain of the Regional Office and the prosecutor in charge of the DA's insurance fraud program may be called upon to resolve any dispute, concentrating on the best interests of the overall insurance fraud program.

Dean D. Flippo Date: 4/10/15

Dean D. Flippo
District Attorney
Monterey County District Attorney's Office

Kathleen Harris Date: 4-6-2015

Kathleen Harris
Captain
Silicon Valley Regional Office
Department of Insurance Fraud Division

ATTACHMENT B

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