

# James P. Fox, District Attorney/Public Administrator



STEPHEN M. WAGSTAFFE  
CHIEF CRIMINAL DEPUTY

ASSISTANT DISTRICT ATTORNEYS  
MARTIN T. MURRAY  
MORLEY PITT

## COUNTY OF SAN MATEO

400 COUNTY CENTER, 4TH FLOOR • REDWOOD CITY • CALIFORNIA 94063  
DISTRICT ATTORNEY (650) 363-4677 • PUBLIC ADMINISTRATOR (650) 363-4475

June 27, 2002

Mr. Hung Le  
California Department of Insurance Fraud Division  
9342 Tech Center Drive, Suite 500  
Sacramento, CA 95826

Dear Mr. Le:

Enclosed please find the Worker's Compensation Insurance Fraud Program Application for FY 2002-2003. Per the instructions accompanying the RFA, we hereby advise that we are unable, due to time constraints, to obtain and submit the Board of Supervisors Resolution as part of the enclosed application. It is anticipated that we will be able to submit the resolution to you on or about September 30, 2002. Please advise if there is any problem with this proposed submission date.

The grant application is complete in all other respects. Please feel free to contact me at (650) 363-4677 if there are any questions, concerns or comments regarding the application.

Very truly yours,

JAMES P. FOX, DISTRICT ATTORNEY

By Elaine M. Tipton  
Elaine M. Tipton, Deputy In Charge

EMT/ad

**DEPARTMENT OF INSURANCE  
GRANT APPLICATION TRANSMITTAL**

Office of the District Attorney, County of San Mateo, hereby makes application for funds under the *workers' compensation* fraud program pursuant to Section 1872.83 of the Insurance Code

Contact: Elaine M. Tipton, Deputy in Charge, Special Prosecutions

Address: 400 County Center, 4<sup>th</sup> Floor  
Redwood City, CA 94063

Telephone: (650) 363-4677

(1) *Program Title*

Program for Investigation  
And Prosecution of  
Workers' Compensation Fraud

(2) *Grant Period*

July 1, 2002– June 30, 2003

(3) *Grant Amount*

\$ 407,341.00

(4) *Program Director*

Stephen Wagstaffe  
Chief Deputy District Attorney  
400 County Center, 3<sup>rd</sup> Flr  
Redwood City, CA 94063

(5) *Financial Officer*

Mary Coughlan  
Financial Services Manager  
400 County Center, 3<sup>rd</sup> Flr  
Redwood City, CA 94063

(6) *District Attorney's Signature*

Name: James P. Fox  
Title: District Attorney  
County: San Mateo  
Address: 400 County Center, 3<sup>rd</sup> Flr  
Redwood City, CA 94063  
Telephone: (650) 363-4636

Date: \_\_\_\_\_

## PROGRAM CONTACT FORM

1. Provide the name, title, address and telephone number for the person having day-to-day responsibility for the program.

Name: Elaine M. Tipton  
Title: Deputy District Attorney In Charge,  
Special Prosecutions  
Address: District Attorney's Office  
400 County Center, 4<sup>th</sup> Floor  
Redwood City, California 94063  
Telephone Number: (650) 363-4677 Fax Number: (650) 599-1681

2. Provide the name, title, address and telephone number of the Chair of the County Board of Supervisors.

Name: Honorable Jerry Hill  
Title: President, San Mateo County Board of Supervisors  
Address: 400 County Center  
Redwood City, California 94063  
Telephone Number: (650) 363-4572 Fax Number: (650) 599-1027

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

Name: Mary Coughlan  
Title: Financial Services Manager  
Address: District Attorney's Office  
400 County Center, 3<sup>rd</sup> Floor  
Redwood City, California 94063  
Telephone Number: (650) 363-4004 Fax Number: (650) 363-4873

4. Provide the name, title, address and telephone number for the person responsible for the data collection/reporting for the applicant agency.

Name: Elaine M. Tipton  
Title: Deputy District Attorney In Charge,  
Special Prosecutions  
Address: District Attorney's Office  
400 County Center, 4<sup>th</sup> Flr  
Redwood City, California 94063  
Telephone Number: (650) 363-4677 Fax Number: (650) 599-1681

**INSURANCE FRAUD INVESTIGATION/PROSECUTION PROGRAMS  
FISCAL YEAR 2002-2003 GRANTS**

**Grant Applications Forms  
Checklist and Sequence**

The request for Application MUST include the following:

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

**CALIFORNIA DEPARTMENT OF INSURANCE  
CRIMINAL INVESTIGATIONS BRANCH  
FRAUD DIVISION**

**BUDGET CATEGORY AND LINE-ITEM DETAIL**

BUDGET CATEGORY AND LINE-ITEM DETAIL	COST
<b>A. Personal Services - Salaries</b>	
<p>1. <u>DEPUTY DISTRICT ATTORNEY - IV-E</u> (1.3 FTEs)</p> <p style="margin-left: 40px;">\$5,014.40 per biweekly pay period x 26 pay periods x 1.30 = \$169,486.72</p> <p>Two attorneys working 65% each will provide capable and experienced prosecutors to be assigned to this unit to screen workers comp insurance fraud cases for acceptance by the Worker's Compensation Insurance Fraud Program Unit and is assigned these cases for prosecution from initial appearance through sentencing.</p>	\$169,487
<p>2. <u>DISTRICT ATTORNEY INSPECTOR</u> (1.3 FTEs)</p> <p style="margin-left: 40px;">\$3,204.00 per biweekly pay period x 13.50 pay periods x 0.65 = \$28,115.10            \$ 3,332.00 per biweekly pay period x 12.50 pay periods x 0.65 = \$27,072.50            Differentials \$ 2,759.25</p> <p style="margin-left: 40px;">\$2,865.60 per biweekly pay period x 13.50 pay periods x 0.65 = \$25,145.64            \$ 3,151.60 per biweekly pay period x 12.50 pay periods x 0.65 = \$25,606.75            Differentials \$ 2,537.60</p> <p>Two people working 65% each will provide seasoned investigators who will perform original and supplemental investigations and related services in direct support of grant funded attorneys. Duties include: aiding Fraud Bureau and local police agencies in the investigative process; locating, subpoenaing and providing transportation ( if required) to witnesses for preliminary hearings and trial; preparing trial exhibits; establishing and maintaining chain-of-custody for trial evidence; and assisting attorneys in interviewing witnesses and securing statements.</p>	\$111,237
<p>3. <u>PARALEGAL</u> (.65 FTE)</p> <p style="margin-left: 40px;">\$1,907.00 per biweekly pay period x 4.5 pay periods x 0.65 = \$5,577.98            \$ 2,016.00 per biweekly pay period x 21.5 pay periods x 0.65 = \$28,173.60</p> <p>This position will provide paralegal and administrative support to the attorney's and inspectors. Duties include: assisting in case preparation; legal research and coordination of effort with insurance companies; maintaining program statistics; and assisting with program status reporting.</p>	\$33,752
<b>TOTAL SALARIES</b>	<b>\$314,475</b>

**CALIFORNIA DEPARTMENT OF INSURANCE  
CRIMINAL INVESTIGATIONS BRANCH  
FRAUD DIVISION**

**BUDGET CATEGORY AND LINE-ITEM DETAIL**

BUDGET CATEGORY AND LINE-ITEM DETAIL			COST
<b>A. Personal Services - Benefits</b>			
<b>1. <u>DEPUTY DISTRICT ATTORNEY - IV-E</u> (1.3 FTEs)</b>			<b>\$38,009</b>
Health Insurance	10,512	6.20%	
Dental Insurance	2,096	1.24%	
Retirement	32,304	19.06%	
FICA	10,528	6.21%	
Unemployment Insurance	264	0.16%	
Workers Comp Insurance	1,728	1.02%	
Other Employee Benefits	<u>1,044</u>	0.62%	
<b>TOTAL</b>	<b>58,476</b>	<b>X 65% FTE = 38,009.40</b>	
<b>2. <u>DISTRICT ATTORNEY INSPECTOR</u> (1.3 FTEs)</b>			<b>\$36,459</b>
Health Insurance	7,878	7.08%	
Dental Insurance	1,692	1.52%	
Retirement	29,447	26.47%	
FICA	0	0%	
Unemployment Insurance	161	0.14%	
Workers Comp Insurance	16,241	14.60%	
Other Employee Benefits	<u>672</u>	0.60%	
<b>TOTAL</b>	<b>56,091</b>	<b>X 65% FTE = 36,459.15</b>	
<b>3. <u>PARALEGAL</u> (.65 FTE)</b>			<b>\$6,806</b>
Health Insurance	0	0.00%	
Dental Insurance	846	2.51%	
Retirement	5,640	16.71%	
FICA	3,252	9.64%	
Unemployment Insurance	48	0.14%	
Workers Comp Insurance	348	1.03%	
Other Employee Benefits	<u>336</u>	1.00%	
<b>TOTAL</b>	<b>10,470</b>	<b>X 65% FTE = 6,805.50</b>	
<b>TOTAL BENEFITS</b>			<b>\$81,274</b>
<b>TOTAL SALARIES AND BENEFITS</b>			<b>\$395,749</b>

**CALIFORNIA DEPARTMENT OF INSURANCE  
CRIMINAL INVESTIGATIONS BRANCH  
FRAUD DIVISION**

**BUDGET CATEGORY AND LINE-ITEM DETAIL**

BUDGET CATEGORY AND LINE-ITEM DETAIL	COST
<b>B. Operating Expenses</b>	
1. <b>TRAVEL*</b>	5,130
Travel costs are covered at 65% of program unit costs	
<u>Attorneys =</u> \$ 4,225.00 Northern California Fraud Invest. Assn. CDAA Insurance Fraud Seminars CDAA Summer Conference CDAA Winter Conference CDAA Insurance Fraud Committee Meetings * In State Mileage = \$ 905	
<u>Inspectors and Paralegal =</u> \$ 2,600.00 Economic Crime Training Northern California Fraud Invest. Assn. CDAA Insurance Fraud Seminars	
2. <b>JURY &amp; WITNESS FEES</b> - for grant program only	2,925
This will provide for court transcription services, expert witness consultation/testimony, travel/lodging/per diem and other court case related expenditures.	
3. <b>MEMBERSHIPS</b> - Membership costs are covered at 65% of program unit costs.	937
Attorneys = \$ 837 CDAA \$ 130.00   NCFIA \$ 76.25 State Bar \$ 507.00   County Bar \$ 123.50  Inspectors and Paralegal = \$ 100.00 CDAIA \$ 35.00   NCFIA \$ 65.00	
4. <b>MISCELLANEOUS EXPENSE</b>	2,700
Audit \$ 1,700   Supplies \$ 500   General Supplies \$ 500	
* County travel policy allows for \$.365 per mile when traveling in personal vehicle on County business.	
<b>TOTAL OPERATING EXPENSES</b>	<b>11,592</b>

CALIFORNIA DEPARTMENT OF INSURANCE  
CRIMINAL INVESTIGATIONS BRANCH  
FRAUD DIVISION

BUDGET CATEGORY AND LINE-ITEM DETAIL

BUDGET CATEGORY AND LINE-ITEM DETAIL	COST
C. Equipment	
N/A	0
ESTIMATED CARRYOVER REVENUE FROM FY2001-02 = none	
Approval has already been granted for the utilization of carryover funds and interest from the Worker's Compensation Insurance Fraud Program so no additional excess revenue is anticipated at this time.	
CATEGORY TOTAL	0
PROJECT TOTAL	\$407,341



## WORKERS' COMPENSATION INSURANCE FRAUD QUALIFICATIONS

### **1. Describe the district attorney's experience in investigating and prosecuting worker's compensation insurance. Include any relationships developed or planned with other public or private entities, which may be useful to program operations.**

In February 1995, the San Mateo County District Attorney received its first California Department of Insurance (CDI) grant for the investigation and prosecution of Worker's Compensation Insurance Fraud. Upon receipt of the grant award, a specialized team (herein after referred to as "Unit") comprised of one Deputy District Attorney (DDA) and one District Attorney Investigator, each of whom had 50 percent of their caseload dedicated to Worker's Compensation (W.C.) Insurance Fraud, began its work under the supervision of the DDA In Charge of Special Prosecutions. In May 1996, the Unit added a paralegal, and in September 1996, a second DDA was added to the Unit. In April 1998, an extra-help/part-time District Attorney investigator was added to the Unit using authorized excess revenue from W.C. funds. In October 1999, the Unit added a second permanent, full-time District Attorney investigator. Since the inception of the Unit 88 months ago, as of June 15, 2002, both the DDAs and the Investigators have received 299 W.C. cases for investigation, review, and/or filing of criminal charges.

The initiation of these cases has involved submissions to the Unit from CDI, local police agencies and private insurance companies. The original notification of the existence of the Unit, made to local law enforcement agencies and private insurance companies has resulted in numerous non-CDI submissions over the past seven years. The Unit continues to increase its referral sources through outreach and notification to additional private insurance companies.

The Unit has been active in establishing working relationships with CDI Fraud Division, California District Attorney's Association (CDAA) Insurance Fraud Committee, Northern California Fraud Investigators Association (NCFIA) and numerous private insurance companies and third party administrators. The Unit has developed close ties with other Bay Area D.A. Insurance Fraud divisions, exchanging information and developments designed to enhance the investigation and prosecution of W.C. fraud.

Since the inception of the Unit, members have attended numerous trainings sponsored by CDAA, NCFIA, CDI, various SIUs and other D.A. Insurance Fraud Units. The Unit plans to continue to participate in such trainings to enhance its efforts. In 1999, 2000 and 2001, the senior DDA in the Unit served as the Chairperson of the CDAA Insurance Fraud Training Sub-Committee, planning, coordinating and supervising CDAA training seminars for DDAs and investigators statewide.

Prior to the CDI grant award enabling the establishment of the Unit, the San Mateo County District Attorney had a long history of insurance fraud prosecutions. These have included prosecutions of insured individuals who have filed fraudulent claims, as well as the prosecutions of attorneys, physicians, chiropractors and other legal and health care professionals who have facilitated the filing of false insurance claims.

## WORKERS' COMPENSATION INSURANCE FRAUD QUALIFICATIONS (cont'd)

*If the District Attorney has received a grant from CDI prior to this application, list only those achievements made possible by the use of grant funds. Also complete the Summary of closed and pending prosecutions for FY 2001-2002. A page listing program achievements realized with the use of other funds may be included in the Appendix.*

2. In FY 1998-99, 30 investigations were initiated and involved an average of 1 identified suspect per investigation. In FY 1999-2000, 33 investigations were initiated and involved an average of 1 identified suspect(s) per investigation. In FY 2000-01, 35 investigations were initiated and involved an average of 1 identified suspect(s) per investigation. From July 1, 2001 to June 15, 2002, 27 investigations were initiated and involved an average of 1 identified suspect(s) per investigation.
3. In FY 1998-99, 8 warrants/indictment were issued, involving an average of 2 suspects and/or defendants. In FY 1999-2000, 7 warrants/indictments were issued, involving an average of 4 suspects and/or defendants. In FY 2000-01, 4 warrants/indictments were issued, involving an average of 1 suspect(s) and/or defendants. From July 1, 2001 to June 15, 2002, 5 warrants/indictments were issued, involving an average of 1 suspect(s) and/or defendants.
4. In FY 1998-99, 6 arrests and 8 surrenders were made. In FY 1999-2000, 5 arrests and 3 surrenders were made. In FY 2000-01, 0 arrests and 7 surrenders were made. From July 1, 2001 to June 15, 2002, 0 arrests and 5 surrenders were made.
5. In FY 1998-99, 6 convictions were obtained involving 6 defendants. Of these convictions, 2 were obtained by trial verdict, 4 were obtained by plea or settlement. In FY 1999-2000, 10 convictions were obtained involving 10 defendants. Of these convictions, 0 were obtained by trial verdict, 10 were obtained by plea or settlement. In FY 2000-01, 8 convictions were obtained involving 8 defendants. Of these convictions, 0 were obtained by trial verdict, 8 were obtained by plea or settlement. From July 1, 2001 to June 15, 2002, 5 convictions were obtained involving 5 defendants. Of these convictions, 0 were obtained by trial verdict, 5 were obtained by plea or settlement.
6. In FY 1998-99, 3 defendants were ordered to pay \$780 in fines and penalty assessments. During this FY 98-99, \$220 was collected from 2 defendants. In FY 1999-2000, 6 defendants were ordered to pay \$1320.00 in fines and penalty assessments. During this FY 99-00, \$1,110.00 was collected from 2 defendants. In FY 2000-01, 8 defendants were ordered to pay \$6,340.00 in fines and penalty assessments. During this FY 00-01, \$1,210.00 was collected from 2 defendants. From July 1, 2001 to June 15, 2002, 4 defendants were ordered to pay \$1,600.00 in fines and penalty assessments. During this FY 01-02, \$1,690.00 was collected from 4 defendants. (Note: The amounts collected include additional fines and penalty assessments collected for orders made during preceding fiscal years).
7. In FY 1998-99, 5 defendants were ordered to pay restitution in the amount of \$200,863.64 to victims. During this FY 98-99, \$146,818.30 was collected from 3 defendants, benefiting 3 victims. In FY 1999-2000, 7 defendants were ordered to pay restitution in the

**WORKERS' COMPENSATION INSURANCE FRAUD QUALIFICATIONS (cont'd)**

amount of \$175,441.66 to victims. During this FY 99-00, \$151,328.97 was collected from 15 defendants, benefiting 12 victims. In FY 2000-01, 5 defendants were ordered to pay restitution in the amount of \$161,263.65 to victims. During this FY 00-01, \$309,432.47 was collected from 11 defendants, benefiting 12 victims. From July 1, 2001 to June 15, 2002, 5 defendants were ordered to pay restitution in the amount of \$958,011.27 to victims. During this FY 01-02, \$107,515.00 was collected from 16 defendants, benefiting 23 victims. (Note: The amounts collected include additional restitution collected for orders made during preceding fiscal years).

8. List the name of the program's prosecutor(s) and investigator(s). Under the name of each staff:

- a. List the percentage of their time devoted to the program
- b. How long have the prosecutor(s)/investigator(s) been with the program.
- c. Under the name of each prosecutor and each investigator, list all the cases (by suspect name or by case number, when the case was assigned briefly describe the cases) the prosecutor(s) and investigator(s) have prosecuted during fiscal year 2001-2002. Please also include those cases that were prosecuted without positive result.

Funding Split

Time In Unit

**PROSECUTORS**

Craig Shaffer	65% Workers' Compensation 35% Auto Fraud	6 years 4 months
Joanne Mahoney	65% Workers' Compensation 35% Auto Fraud	5 years 6 months
Susan Etezadi	65% Workers' Compensation 35% Auto Fraud	1 year

**INVESTIGATORS**

Russ Banks	65% Workers' Compensation 35% Auto Fraud	2 years 3 months
Samson Gee	65% Workers' Compensation 35% Auto Fraud	6 months

**WORKERS' COMPENSATION INSURANCE FRAUD QUALIFICATIONS (cont'd)**

Nora Fasshauer

65% Workers' Compensation  
35% Auto Fraud

6 months

**PARALEGAL**

Alyssa Duri

65% Workers' Compensation  
35% Auto Fraud

2 years 2 months

CASES WORKED ON DURING FY 2001 TO 2002

Prosecutor Suspect Name (Investigator)	Assgnmt Date	Case Description	Loss
<b>SHAFFER:</b>			
Laurence Guy Barbara McCormick Sione Kamuka Jamie Aguila (DOI&EDD)	7/29/97	Premium Fraud: Roofing company pays all overtime and some straight time in cash. Alleged "Subcontractors" given a check which is taken to the bank, cashed and the cashed returned to the employer to be used for cash pay. D. does not report this to insurance carriers or the tax authorities. Case covers a 5-year period.	800,000.00
<b>ETEZADI:</b>			
Robert Cereghino* (TM)	2/16/00	Applicant Fraud. D. in minor auto accident while on the job. D. then claims extreme neck and back pain. Claims heaviest thing he can lift is his razor. Sub rosa shows no need for neck brace/cane and D. moving without restriction.	16,000.00
Juan Gamez* (DOI/EDD)	3/8/99	Premium Fraud. D. runs two Taquerias and catering truck with few reported employees. D. paying cash to employees and suppliers. Employees not reported to EDD or Insurance Carriers.	280,000.00
Maria Contreras* (RB)	1/9/01	Applicant Fraud. Claimant states to have injured her neck, right elbow, and wrists during employment. Sub rosa has claimant leaving doctor office, removing neck brace, and tossing on passenger seat of vehicle.	12,000.00
Catherine Ritchie* (SG)	1/18/01	Applicant Fraud. Claimant fell out of co-worker's grasp when looking through a window. Claimant attempted modified work for a short period of time and then filed another claim.	25,000.00

CASES WORKED ON DURING FY 2001 TO 2002

Linda Williams* (DOI) (SG)	2/23/01	Applicant Fraud. Claimant hurt her back while moving a patient. While on TTD, second employer same job classification.	31,300.00
Paul Pugliesi* (NF)	2/29/00	Applicant Fraud. Claimant allegedly injures back lifting in warehouse weeks before reporting injury. D. also files stress claim based on sexual harassment before quitting job.	25,000.00
Jennifer Alexander	11/2/01	Applicant Fraud. Claimant has carpal tunnel from hairdresser employment. Sub rosa shows her working as a seamstress at a dry cleaning shop.	11,181.33
Robert Davinroy	2/1/02	Applicant Fraud. Claimant injured neck and left arm. Sub rosa is contrary to account told to doctors.	76,000.00
Almaz Kebede	8/23/01	Applicant Fraud. Claimant has continuous claims for various injuries. Claims in 1995, 1996, 1997, 1998, 2001. Some overlap in treatment undisclosed and misrepresentations in deposition.	23,000.00
Ida Medina-Cremers (SG)	8/15/01	Applicant Fraud. Claimant struck by door, circumstances of injury become exaggerated, possible concurrent employment.	38,547.04
David Rossi	2/25/02	Applicant Fraud. Claimant had work-related right knee injury, on and off work, sub rosa shows him operating a landscaping business.	10,000.00
Pedro Bahena	5/30/02	Applicant Fraud. Claimant injured leg and back. QME found 48% rating and after viewing sub rosa lowered it to 16%.	32,733.00
Gerardo Duran	1/16/02	Applicant Fraud. Claimant injured back and while on disability working as mechanic and taxicab driver.	75,000.00

CASES WORKED ON DURING FY 2001 TO 2002

Gordon Kullberg (DOI)	4/29/02	Premium Fraud. Cash paid employee falls off roof and requires extended medical attention. Employer backdates employment to the week prior even though he has been employed for years.	Unknown
Sheila Maher	5/13/02	Applicant Fraud. Claimant injured back and shoulder. Medical reports show she is currently involved in vigorous activity.	50,000.00
Debra McEvoy	5/30/02	Applicant Fraud. Claimant injured back and side and continued to work 2 physical jobs while on disability.	6,257.00
Samuel Mixson	5/30/02	Applicant Fraud. Claimant strained arm and developed RSD per treating physician. AME believes he is faking his symptoms.	130,000.00
Tina Oakley	5/30/02	Applicant Fraud. Claimant filed a stress claim with employer and carrier is advised, by co-workers, of outside employment stress factors.	Unknown
Wanda Smith	5/16/02	Applicant Fraud. Claimant injures back and denies any prior back injures. Search reveals 2 possible previous injuries to back.	1,200.00
Philip Van Patten	3/20/02	Applicant Fraud. Claimant claims shoulder injury, then emotional problems, then carpal tunnel in both wrists while off work most of this time. Carrier receives tip he is working at a construction site.	50,000.00
Dikran Vartkessian (SG)	1/29/02	Applicant Fraud. Claimant submitted fraudulent work disability slips to carrier for 1 ½ years.	5,077.54
Juan Velasquez	4/19/02	Applicant Fraud. Claimant receiving disability payments for 4 yrs and carrier believes he is working elsewhere.	67,771.00
Tommy Williams* (RB)	5/5/99	Dismissed by Court	

CASES WORKED ON DURING FY 2001 TO 2002

Raymond Vega*	5/12/00	Applicant Fraud	Reject
Arezoo Agharokh*	2/7/01	Applicant Fraud	Reject
Bruce Goff*	9/15/00	Applicant Fraud	Reject
Francisco Martinez*	2/8/01	Applicant Fraud	Reject
Michael Oberg*	10/13/00	Applicant Fraud	Reject
Anthony Piazza*	12/29/00	Medical Provider Fraud	Reject
Michelle Rodriguez*	1/18/01	Applicant Fraud	Reject
Sabine Schulz*	12/14/00	Applicant Fraud	Reject
Bradd Olsen (NF)	7/11/01	Applicant Fraud	Reject
William Ray (RB)(NF)	9/18/01	Applicant Fraud	Reject
Deborah Durden*	2/29/00	Insider Fraud	Reject
John Borodin	7/2/01	Applicant Fraud	Reject
Ronli Moses (NF)	7/2/01	Applicant Fraud	Transfer to A.G. Office
Jesus Guerra	5/6/02	Applicant Fraud	Reject

\* Cases transferred from DDA Craig Shaffer to DDA Susan Etezadi upon DDA Shaffer's retirement.

Note: Paralegal worked on every case listed above, setting up file, requesting further documentation, preliminary investigation work, criminal history checks, any various other tasks requested by DDA/Investigator.



CASES WORKED ON DURING FY 2001 TO 2002

Prosecutor Suspect Name (Investigator)	Assgmt Date	Case Description	Loss
<b>MAHONEY:</b>			
Kimutai Rokony** (DOI)	3/9/00	Applicant Fraud. Injury to foot and knee. Claims unable to stand. While TTD videotaped performing auto repairs as a business.	158,509.00
Thomas Turner** (SG) (EDD)	4/17/00	Premium Fraud. Roofing contractor fails to disclose entire payroll.	100,000.00
Gilberto Morales** (RB)	2/17/99	Applicant Fraud. Janitor claims unable to work due to arm/neck pain. While TTD, videotaped working as housepainter. Investigation determines working as housepainter throughout WC claim.	11,000.00
Wendy Hall** (TM)	4/26/99	Applicant Fraud. Un-witnessed knee injury. Knee surgery. Fails to disclose long history of knee problems.	103,022.77
Sergio Barbera**	3/15/01	Applicant Fraud. Claimant injures left hand and arm, then injures back. Sub rosa shows claimant performing tasks w/out restrictions and in deposition claimant states unable to do these tasks.	39,000.00
Marcela Figueroa** (TM)	7/14/00	Applicant Fraud. Claimant fell and injured left foot and arm. While on TTD gains second employer and is working which she denies.	26,990.50
Louis Gonzales & Thais Powers**	2/27/01	Premium Fraud. Employer Powers places Boyfriend Gonzales on payroll to cover his medical from a bar fight under workers' comp.	7,000.00
Benorad Prasad** (DOI)	5/1/01	Applicant Fraud. Claimant files back injury claim after being notified his job was being eliminated. Sub rosa has claimant golfing.	13,500.00

CASES WORKED ON DURING FY 2001 TO 2002

Alejandro Ante & Sally McClelland** (EDD)	5/24/01	Premium Fraud. Owners of Club Ante and Vibes Oyster Bar & Café, no worker's comp coverage.	264,000.00
Carlos Abreu**	8/29/01	Applicant Fraud. Claimant has back and knee injury. Sub rosa shows him running, squatting, kneeling, pushing a car, hopping, changing a tire all outside of his work restrictions.	13,000.00
Anita Blick**	8/15/01	Applicant Fraud. Claimant is a dispatcher claiming numerous right knee injuries. Sub rosa shows her doing activities outside her work restrictions.	250,000.00+
Katrina Costa**	10/9/01	Applicant Fraud	Reject
Anisa Zahir** (RB)	9/2/99	Applicant Fraud	Reject
Abraham Randich (RB)	12/9/99	Applicant Fraud	Reject
Ernesto Ledesma** (RB)	9/22/00	Applicant Fraud	Reject
Carmen Morales	1/25/01	Applicant Fraud	Reject
Cameron Nichols** (NF)	1/25/01	Applicant Fraud	Reject
Maria Preciado** (NF)	8/25/00	Applicant Fraud	Reject
Mauricio Salazar (RB)	12/27/00	Applicant Fraud	Reject
Michael Santiago** (RB)	7/7/00	Applicant Fraud	Reject

CASES WORKED ON DURING FY 2001 TO 2002

Michael Reyes	7/2/01	Applicant Fraud	Reject
Michael Waddell** (RB)	8/24/01	Applicant Fraud	Reject

\*\* Cases both filed and under review are being handled by DDA Susan Etezadi while awaiting recruitment and hiring of new DDA to fill position vacated by DDA Joanne Mahoney.

Note: Paralegal worked on every case listed above, setting up file, requesting further documentation, preliminary investigation work, criminal history checks, any various other tasks requested by DDA/Investigator.

**WORKERS' COMPENSATION INSURANCE FRAUD  
SUMMARY OF CLOSED AND CONTINUING PROSECUTIONS  
JULY 1, 2001 – JUNE 15, 2002**

Case Name	Referred By*	Code Sections	Number Arrested	Number Held to Answer	Number Convicted	Fine	Restitution
Gamez, Juan SC048928A	O/CDI	UI 2108, 2110.7, 2117.5, 2118.5 PC 487(a) IC 11760(a), 11880(a)	1	1			
Guy, Laurence SC046951A	O/CDI	UI 2108, 2110.7, 2117.5, 2118.5 PC 487A IC 11880, 11760A	1	1	1	N/A	799,998.00
Kamuka, Sione SF295620C			1	Bench Warrant			
Morales, Gilberto NF302191A	P	IC 1871.4(a)(1) PC 487(a), 118	Arrest Wmt				
Cereghino, R SC048596A	P	IC 1871.4(A)(1) PC 118	1	1	1	220.00	16,000.00
Hall, Wendy SC048947A	P	IC 1871.4(a)(1) PC 118	1	1	1	220.00	103,022.77
Figuroa, Marcela SC049556A	P	IC 1871.4(a)(1) PC 487(a) PC 118	1	1	1	580.00	26,990.50
Williams, Linda SC050822A	CDI	IC 1871.4(a)(1) PC 118 PC 487(a)	1	1			
Williams, Tommy SF312894A	P	IC 1871.4(a)(1) UI 2101(a) PC 487(a)	1	Dismissed by Court			

\* CDI (Fraud Division, DOI) P (Private Carrier, S.I.U.) S (Self-Insured Employers)  
T (Third Party Administrators) L (Local Law Enforcement) O (Other)

**WORKERS' COMPENSATION INSURANCE FRAUD SUMMARY OF CLOSED AND CONTINUING PROSECUTIONS**  
(Cont'd)

Case Name	Referred By*	Code Sections	Number Arrested	Number Held to Answer	Number Convicted	Fine	Restitution
Rokony, Kimutai SC050385A	P	IC 1871.4(a)(1) PC 664/487(a) PC 487(a)	1	1			
Prasad, Benorad NF316698A	T	IC 1871.4(a)(1) PC 487(a)	1	1	1	580.00	12,000.00
Contreras, Maria SF314826A	S	IC 1871.4(a)(1) PC 487(a) UI 2101(a)	1				
Ante, Alejandro NF314672A	O	UI 2108 UI 2117.5 UI 2118.5	1				
McClelland, Sally NF314672B		LC 3700.5	1				

\* CDI (Fraud Division, DOI) P (Private Carrier, S.I.U.) S (Self-Insured Employers)  
T (Third Party Administrators) L (Local Law Enforcement) O (Other)

## PROBLEM STATEMENT

1. (a) Please document and describe the types of worker's compensation insurance fraud (claimant, medical/legal provider, premium/employer fraud, insider fraud, insurer fraud) relative to the extent of the problem specific to your county.

(b) Estimate the magnitude of the workers' compensation insurance fraud problems and identify the type of fraud indicators in your county.

The cost of worker's compensation fraud in California is estimated to be in billions of dollars. We believe that San Mateo County, a metropolitan area with a population of more than 700,000, has a significant workers' compensation insurance fraud problem. In part, the unique geographical location of San Mateo County, contiguous with three of the most heavily populated counties in the state (San Francisco, Alameda and Santa Clara), creates considerable likelihood of spill-over workers' compensation insurance fraud activity within our county.

Since the 1995 inception of the Insurance Fraud Unit in San Mateo County, the gamut of worker's compensation insurance fraud has become more readily apparent. While the number of SFCs reported to DOI has fluctuated over the past seven years, there are other indicators present which support the premise that W.C. fraud is a pervasive criminal activity within this jurisdiction. These indicators include case referrals from Employment Development Department (EDD), State Franchise Tax Board, self-insureds and citizen complaints. Based on SFCs alone, it can be estimated that approximately 471 instances of W.C. fraud have been reported to DOI over the past seven years. However, using other indicators as set forth above, additional cases, not included in the SFCs reported, have been identified.

In the accompanying section of this RFA, entitled "Cases Worked During 2001-2002", the cross-section of cases reflecting the various types of W.C. fraud in San Mateo County are detailed. In this fiscal year, the majority of the W.C. cases have been claimant/applicant fraud, with an accompanying smaller number of the more labor-intensive premium fraud cases and one medical provider fraud case. While this most recent fiscal year does not reflect any filed cases involving insider or insurer fraud cases, both of those types of cases have been investigated and prosecuted in previous fiscal years.

Analysis during monthly meetings with the DOI Benicia regional office bear out our assessment of the magnitude and variety of W.C. fraud being committed in San Mateo County. Among the issues discussed, which are specific to San Mateo County, are the relationships between W.C. fraud and the high median income, high cost of living and high cost of doing business, all of which are benchmarks for San Mateo County. These factors tend to affect the number and type of applicant fraud cases as well as premium fraud cases.

A separate issue of concern is the possibility of underreporting by insurance companies, self-insureds and third party administrators for some of the larger employers in San Mateo County, which tends to both mask and hamper the effectiveness of the Unit's efforts.

## PROBLEM STATEMENT

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

1. Collaborate with DOI to train, educate and encourage insurance companies, self-insureds and third party administrators in the identification and reporting of all types of suspected insurance fraud.
2. Work with DOI on improving the insurance industry's responsiveness to requests in pending W.C. fraud investigations. Pending investigations which should result in active prosecutions require timely response to requests for documentation and information by the insurance companies. Increasing the number of documented referrals will likely result in more timely filing determinations and increased number of active prosecutions. This effort should include active encouragement to maintain or increase, rather than reduce, SIUs within the industry.

**3. What are the long-term goals of the county in the battle against workers' compensation insurance fraud for the next three years?**

1. Effectively convey to the insurance industry and employers that it is both prudent and cost effective to identify, investigate and prosecute workers' compensation insurance fraud, regardless of the time, effort and cost involved.
2. Establish public awareness that workers' compensation insurance fraud is a crime, which will result in prosecution and punishment for the perpetrator, as well as negative fiscal consequences for the law-abiding insured citizen and/or employer. The cumulative impact of this message should act as a deterrent to the commission of W.C. insurance fraud by potential perpetrators.

**COUNTY PLAN**  
**PROGRAM STRATEGY**

**1. Describe the manner in which the district attorney will address the problem defined in the Problem Statement.**

Upon the receipt of Worker's Compensation Insurance grant monies in February of 1995, the Office of the District Attorney created an Insurance Fraud Unit (hereinafter referred to as the "Unit") and added two new positions to its staff, one being a deputy district attorney, and the second a district attorney inspector. Both positions were exclusively assigned to investigate and prosecute insurance fraud. Since then, the attorney and inspector have worked closely together to maximize their efforts in this area. In May of 1996, an additional position was added to the Unit, a paralegal, who provides support in the investigation, case preparation and management of both A.I. and W.C. fraud cases. In September of 1996, a second DDA position was added to the Unit, to assume prosecutorial duties for both A.I. and W.C. cases. In April of 1998, an extra-help part-time investigator was added to the Unit, which was filled by two different investigators from April of 1998 through February 1999. In October 1999, the Unit added a second permanent, full time investigator.

As of June 15, 2002, there were 31 pending W.C. fraud investigations and/or criminal cases, involving 36 suspects/defendants. All of these pending matters will be carried over into the 2002-2003 fiscal year.

Under the present grant award, 65 percent of the full-time inspectors' and the deputy district attorneys' time is devoted to W.C. fraud cases, and 35 percent of their time is spent on A.I. fraud cases.

The attorneys, paralegal and inspectors will continue to work closely with the CDI Fraud Division on these W.C. fraud cases. In the ongoing effort to improve coordination of referrals and investigation, the Unit submitted to CDI a proposed Joint Plan for Use of Investigative Resources (See attached memo dated December 5, 1995, labeled Exhibit "A"). A 1999 revised joint plan is also attached (See attached memo dated June 22, 1999, labeled Exhibit "B"). These joint plans reflect procedures that were in effect for the first six years of the Unit's existence, providing for the unit to meet with CDI at its regional Martinez office on a monthly basis. In July of 2001, when CDI was preparing for the move of its regional office from Martinez to Benicia, a revised Joint Plan was discussed and drafted, and signed by both parties, reflecting the agreement of the parties to continue to coordinate investigation of insurance fraud in San Mateo County, with meetings to occur on a monthly basis at the CDI regional office in Benicia (See attached memo dated July 18, 2001, labeled Exhibit "C"). During the past eleven months, this Joint Plan has been adhered to as fully as possible.

The Unit has maintained its contacts with various insurance company SIUs and with self-insured companies, to help these outside sources evaluate and investigate suspected fraudulent claims. This ongoing process has been facilitated during FY 2001-2002 by Unit participation in the NICB Quarterly Roundtable Meetings held in the Pleasanton office of Liberty Mutual Insurance Company. At these meetings, numerous SIUs, as well as CDI Fraud Division, exchange information and inquiries regarding W.C. fraud, along with training tips for investigation. Additionally, the Unit has ongoing interaction with various SIUs and self-insureds through participation in the quarterly NCFIA meetings in Concord.



## COUNTY PLAN PROGRAM STRATEGY

As is currently the case, the Unit will continue to receive its cases from various sources: the CDI Fraud Division, self-insured entities, citizen informants, local law enforcement, NICB, public agencies and insurance companies. Additionally, the Unit continues to receive premium fraud cases from the Employment Development Department (EDD). Previous collaborative efforts with EDD have continued in FY 2001-2002. The Unit continues to regularly obtain investigative information from EDD on all W.C. fraud cases, including both applicant and premium fraud. Additionally we are online with NICB, further enhancing our case preparation.

The Unit will continue to keep the CDI Fraud Division informed as to what cases are being investigated by the Unit, so that resources are not wasted by having tandem investigations ongoing. Keeping the CDI Fraud Division apprised of the cases currently under investigation by the Unit on a monthly basis accomplishes this objective. Specifically, each month the Unit exchanges lists with CDI, reflecting new referrals, cases under investigation and current prosecutions. This exchange protects against duplication of effort, as each agency is apprised of the other's activity.

The attorneys will provide direction to the inspectors and paralegal assigned to the Unit to develop and organize information and evidence, which will culminate in the filing of criminal charges. To this end, the attorneys and inspectors will jointly and separately conduct witness interviews, prepare and execute search warrants, collect background information, and review all documents and materials necessary for a successful prosecution. The paralegal will provide support and assistance to both the attorneys and investigators in procuring and organizing information and documents, summarizing materials, and maintaining records and data necessary for the Unit.

While advocating restitution, the Unit will emphasize the criminal nature of the fraudulent conduct that it investigates and prosecutes.

During this past year, the Unit continued to take an aggressive approach regarding seeking of restitution. While previously asking that full restitution be ordered, often the Unit experienced frustration in noting the delay involved in actually collecting restitution. Thus, restitution to be made at the time of sentencing is regularly requested during pre-trial/settlement negotiations. As a result, the amount of restitution ordered and collected has been significant throughout the past four fiscal years. In FY 98-99, 75% of the restitution ordered during the fiscal year was collected, in an amount exceeding \$146,000. In FY 99-00, that percentage increased to 86%, with more than \$151,000 collected. In FY 00-01, 62% of the \$161,263.65 restitution ordered was collected, with an additional \$209,000.00 collected from a defendant pre-sentencing, therefore not part of the "restitution ordered" figure. Thus, the total amount of restitution collected in FY 2000-2001 was \$309,432.47.

In FY 2001-2002, there was a total of \$958,011.27 in restitution ordered. The bulk of this amount (approximately \$800,000) was ordered to be paid by the above-referenced defendant convicted of premium fraud, who had paid \$209,000 in restitution prior to entering his guilty plea in FY 00-01, but was not sentenced until FY 2001-02. No further restitution payments have yet been made by this defendant during FY 2001-02 beyond the \$209,000, because this defendant has spent virtually the entire year in custody serving his jail sentence.

**COUNTY PLAN**  
**PROGRAM STRATEGY**

As to the remaining \$158,000 in restitution ordered to be paid by four other defendants in four separate cases during this past fiscal year, \$16,215 has been collected. Additionally, a fifth defendant who has entered a guilty plea and is awaiting sentence on July 2, 2002, has already paid \$75,000 in restitution, though it has not yet been ordered. This is another example of aggressively seeking actual payment of restitution at the time a plea is entered, rather than attempting to enforce a restitution order that is imposed as part of a sentence.

However, the Unit recognizes that collection of court ordered restitution is an important outcome, and thus has taken special steps to follow up on compliance with court orders of restitution which were made in previous fiscal years. These steps include monitoring the enforcement efforts of the Probation Department and Revenue Services in the collection and distribution of restitution. Additionally, the Unit has been in direct contact with victims to verify payment of post-conviction court-ordered restitution.

The Unit will continue to publicize its existence, and any case which it prosecutes, to increase the public's awareness of the problem of W.C. insurance fraud and to deter future abuse of the system by labeling it as criminal conduct.

**2. Please elaborate on the District Attorney's plans for outreach to the public and private sectors.**

The past fiscal year has been one of considerable staffing change as described below, resulting in a focus of effort on handling those cases already pending. While there was limited ability to engage in affirmative outreach to the public, at least three cases prosecuted by the Unit received attention from the media, and serve to inform the public as to the existence of investigative and prosecutorial efforts to address W.C fraud (see Appendix A, News Media Articles).

An additional avenue which we will continue to explore is the possibility of sponsoring a forum, in which local companies who are either self-insured or who use third-party administrators, are invited to attend and learn more about workers compensation, disabilities, and "red flags" for fraud. At such a forum the Unit could arrange to have a speaker on subjects such as "Functional Capacity Evaluations" and other topics related to the identification and rating of disabilities.

**3. If the county does not have a full workload, please describe what steps will be taken to improve the situation.**

The Unit seeks to aggressively prosecute W.C. insurance fraud, and at times experiences obstacles in obtaining timely investigation and resulting information necessary to file charges and successfully prosecute. Additionally, staffing changes can and do effect workload. In FY 2001-2002, the Unit experienced its most significant staffing changes since its inception seven years ago. The senior DDA, who had been in the Unit from inception in 1995, has retired. The second DDA in the Unit, who had been assigned to the Unit since 1996, left the office. During this same time, two new investigators were assigned to the Unit to replace one who retired at the end of FY 00-01, and one who was rotated out of the Unit in January 2002. Presently, the Unit

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consists of one DDA who is relatively new to the subject matter, and two investigators, one who is also new to the subject matter and one who has considerable experience in insurance fraud investigation. The Unit is in the process of filling the second DDA position in the near future, as the County has just exempted the District Attorney from a county department-wide hiring freeze that has been in effect for the past several months.

During this period of transition and understaffing, it has been difficult to maintain optimal productivity. The present caseload for one DDA (which is the temporary combination of the caseloads of two DDAs) is more than a full workload for the present DDA and investigators assigned to the Unit. Upon achieving full staffing status, it is anticipated that the Unit will be able to increase its efforts to facilitate the timely completion of W.C. investigations. It is hoped that, with aggressive and timely investigations, the number of W.C. insurance fraud cases being handled by the Unit will be at an appropriate level to constitute two full attorney caseloads. This, of course, is an assessment that must be made in the context of the number of pending Auto Insurance fraud cases, since the balance of the two caseloads can and does change within any given fiscal year.

**4. As part of the overall management plan, describe how the district attorney will achieve the objectives of the program. Describe the hiring plan, activity plan, and time line schedule for the program. Discuss the internal quality control procedures that are in place or will be employed to assure objective achievement. Discuss the budget monitoring procedures that are in place or will be employed.**

Under the umbrella of the Special Prosecutions Unit of the District Attorney's Office, the Unit is presently staffed with a highly experienced attorney who has handled numerous felony cases, with considerable trial experience in homicides and other complex felonies. It is anticipated that a second attorney with felony experience will be hired and/or assigned to the Unit within the near future. The two inspectors presently assigned to the Unit are both experienced in handling felony investigations and are P.O.S.T. certified. In addition, one of the two inspectors has considerable previous experience investigating insurance fraud, having worked at CDI Fraud Division for three years. The paralegal is a trained and certified paralegal, with prior experience both with a private insurance company and local law enforcement. The Deputy in Charge of the Special Prosecutions Unit supervises the paralegal and attorneys on a day-to-day basis. The Chief Inspector supervises the inspectors. The Unit DDAs work directly with the inspectors and paralegal assigning and overseeing their investigations and other tasks.

The performance of each person assigned to the Unit has been, and will continue to be, evaluated on his/her effectiveness in meeting the goals and objectives set forth in this grant proposal, and on general office standards for attorneys, inspectors, and paralegals assigned to similar specialized units. Additionally, performance measures for the Unit are reported on a quarterly basis to the County Manager.

This performance review process includes a periodic review of crime charging and disposition information compiled by the Unit. The Deputy in Charge of the Special Prosecutions Unit meets on a monthly basis with the deputy district attorneys, paralegal and inspectors assigned to the Unit to review their current caseloads. This includes a review of current

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investigations, the status of current prosecutions, and review of case dispositions, to insure adherence to office and Unit policies. The Deputy-In-Charge also maintains a day-to-day oversight of the Unit's operation. The Chief Deputy District Attorney, as Program Manager, shall have overall management responsibility of the Unit.

There is an ongoing evaluation of the program to determine if the Unit is appropriately staffed, to maximize its potential in investigating and prosecuting workers' compensation insurance fraud. This is done by evaluating the Unit's workload and the amount of time it takes the Unit to put together a successful prosecution, as compared to other special prosecution units within the office. This evaluation process enables the Unit to assess the need for any additional staff, or reallocation of existing staffing. As set forth above, this evaluation process has already resulted in the determination that additional investigative and support resources were needed, as well as an additional prosecuting attorney, all of which were added to the Unit in previous fiscal years.

Certain budget monitoring procedures are in place. The Unit has been assigned its own organization number, subordinate to the District Attorney's Criminal Division organization number. This insures the capture of grant-related expenditures as a function of the countywide financial management system. The District Attorney's Financial Officer monitors all grand-related expenditures each accounting period to assess trends and the appropriateness of charges.

**5. A "Joint Investigative Plan" must be properly developed and agreed upon by both District Attorney and the Fraud Division to create the framework for effective communication and resource management in the investigation and prosecution of insurance fraud. See Attachment C- Guidelines for Preparing a Joint Investigative Plan.**

**(A Joint Investigative Plan must be submitted in this application. County District Attorney and the Fraud Division are required to develop and to follow the plan.)**

See Attachments "A", "B" and "C".

**6. What other anti-fraud programs or units are maintained within the District Attorneys' Office? How will this program be integrated with them?**

The San Mateo County District Attorney's Office has a Consumer and Environmental Unit, which has responsibility for the prosecution of consumer fraud, environmental crime and multiple victim cases of economic crime. The deputy district attorneys and the inspectors assigned to the insurance fraud unit have used, and will continue to use that resource of expertise and knowledge to better investigate and prosecute W.C. insurance fraud. The staffs of these two Units are housed in close proximity to each other in the District Attorney's Office to encourage the free flow of information and ideas to enhance prosecutorial efforts. Additionally, the San Mateo County District Attorney's Office Family Support Division (FSD) conducts investigations and prosecutions to enforce child support obligations. Information obtained by FSD has been used by the Unit to determine employment and income histories of potential witnesses/suspects. FSD databases also provide investigative information regarding assets and taxes, which can

**COUNTY PLAN**  
**PROGRAM STRATEGY**

assist the Unit in W.C. cases, both in prosecution and the collection of restitution.

**7. Describe what kind of training has been received and planned for**

- (A) by the county staff on workers' compensation insurance fraud**
- (B) the local Special Investigative Units to enhance the investigation and prosecution of workers' compensation insurance fraud; and**
- (C) the coordination with the Fraud Division, insurers, or other entities.**

With the change in staffing described in the sections (3) and (8), "training received" is an area in which the Unit has seen a significant increase during the past fiscal year. The new DDA assigned to the Unit in July 2001 has committed a significant amount of time this past fiscal year to receiving training in insurance fraud. She has participated in the following trainings: a one-day MCLE training in workers' compensation law in August 2001, a four-day conference sponsored by NICB on insurance fraud in September 2001, a one-day training in workers' compensation insurance fraud investigations sponsored by CDI in January 2002, a four-day CDAA insurance fraud conference in March 2002 and a four-day NCFIA insurance fraud conference in April 2002. She has joined both the CDAA Insurance Fraud committee and Training sub-committee to enhance her knowledge and information exchange with fellow insurance fraud prosecutors throughout the state. Both of the DA inspectors assigned to the Unit have attended the above-described CDAA and NCFIA conferences in 2002, and one of them attended two days of CDI insurance fraud investigation training in Sacramento in January 2002. In addition, both investigators attended the two-week POST-certified DA inspector course which included training in insurance fraud investigation. The Unit paralegal returned to California State University at Hayward to complete a 16-hour course in advanced workers' compensation law taught by an attorney practicing in the field and attended a one-day MCLE training in workers' compensation law in August 2001.

The DDAs, Inspectors, and Paralegal are all members of the Northern California Fraud Investigators Association. They have attended bi-monthly meetings of NCFIA to discuss current trends in insurance fraud, ongoing investigations, and to share information about current fraud activity occurring in their jurisdictions. DDAs, DA Investigators, SIUs and members of the Fraud Division attend these meetings, where informal training occurs.

Additionally, the Unit implements an informal training technique in its individual casework, using the facts and issues of each case as a training tool in working with local SIUs to enhance their investigations. This includes personal meetings with SIU personnel assigned by the carrier. As set out in our Joint Investigative Plan, upon request to either the Fraud Division or the District Attorney, training presentations will be made to insurers, attorneys, medical providers and any other organization interested in instruction relating to recognizing and combating insurance fraud. Informal training and the answering of questions relating to insurance fraud for the industry and the public will also continue.

It is anticipated that similar amounts and sources of training will be obtained or provided in FY 2002-2003.

**COUNTY PLAN**  
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**8. Describe staff rotational policies that affect the program.**

The normal rotational policy of the San Mateo County District Attorney's Office is to rotate deputies among the felony prosecutorial units (Narcotics, Sexual Assault, Homicide, Career Criminal, General Felony and Insurance Fraud) on a one to two year basis. Before a prosecutor will be selected for the Unit, he or she must have felony prosecution experience. Insurance fraud prosecutors will be assigned, absent extraordinary circumstances, for a minimum of two years so as to minimize disruption to the program. During the last fiscal year 2001-2002, the Unit has experienced its first turnover in attorney staffing since its inception in 1995, as described above in section (3). Thus, a DDA new to the Unit has rotated in to the assignment, and it is anticipated that another DDA will be assigned to fill the second vacant attorney position within a short period of time. The paralegal position established in 1996 underwent a personnel change after two years when a resignation resulted in a new hiring. That paralegal began working in November 1998, and resigned in April 2000. The position was immediately filled by a certified paralegal with experience in a private insurance company, who has now been in the assignment for over two years as of June 2002. Unlike the attorney and investigator positions, rotation of the paralegal is not anticipated, as this is the only paralegal position presently existent in the District Attorney's Office.

There have been two rotations of the first permanent investigator, with two individuals serving in the assignment 21 and 15 months respectively, before being rotated out of the Unit. As previously noted, that position was filled in January 2002 after the retirement of the investigator who had served in the assignment for 39 months. The second investigator position, which was initially filled for 27 months by the first DA Inspector hired into the newly funded position in 1999, has since been filled by a new DA Inspector through a rotation in January 2002. Consequently, the two investigators assigned to the Unit are new in their positions as of January 2002.

**9. Labor Code 3820 clearly sets forth the Legislative intent that funds used to combat worker's compensation insurance fraud are to come from the Fraud Account and that those funds should be partly produced by the imposition of the penalties in this section.**

**Describe the county's efforts and the District Attorney's plan to obtain restitutions and fines imposed by the court to the Fraud Account as the legislative intent specifies.**

The Unit aggressively seeks restitution orders as part of the sentence imposed on any convicted W.C. fraud defendant. Restitution to the victim is viewed as one of our primary goals. Seeking civil penalties pursuant to Government Code section 3820(d) is implemented under the guidelines of subsection (g). To date, neither the nature and seriousness of the fraudulent conduct, the duration or repetition of violations, nor the defendant's financial circumstances, as outlined in Government Code section 3820(g) have militated in favor of seeking civil penalties. This is particularly true in the many cases in which we seek to have the court order restitution. In any case in which the circumstances set forth in Government Code section 3820(g) should

**COUNTY PLAN**  
**PROGRAM STRATEGY**

justify imposition of civil penalties, they would aggressively be sought.

**10. Effective January 1, 2003, District Attorneys are 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. Describe the County's efforts to address the "uninsured" employers' problem.**

It is the intent of the Unit to aggressively enforce the provisions of Labor Code section 3700.5 by utilizing the investigative and prosecutorial resources funded by Insurance Code section 1872.83, amendments effective January 2003. This Unit has already engaged in at least two prosecutions of uninsured employers, both of which were brought to the attention of law enforcement by "tips". One of these prosecutions involved the successful prosecution of a roofing contractor who failed to pay premiums for numerous employees over a protracted period of time in order to increase his profit margin. After a lengthy prosecution, the defendant was ultimately convicted of numerous felony counts and ordered to serve one year in the county jail as well as make restitution in the amount of \$800,000. More recently, the Unit has completed and investigation resulting in the current prosecution of two local nightclub owners who engaged in the willful failure to secure workers' compensation for numerous employees. It is anticipated that the Unit will continue to engage in investigations and prosecutions which involve this type of criminal activity. It is hoped that with the mandates of newly enacted Labor Code statutes, there will be an increase in the number of referrals for both underinsuring and failure to insure, which will result in additional prosecutions by the Unit for this activity.

**DISTRICT ATTORNEY/PUBLIC ADMINISTRATOR  
County of San Mateo**

Executive Assistant

ASSISTANT DA

FINANCIAL SERVICES  
MGR

Public Administrator Unit  
1 MGMT ANAL 2 DPA 2 EPO

Bureau of Investigation 1  
CHIEF 8 Insp

Fiscal Office Specialist

CHIEF DEPUTY  
Municipal Court

CHIEF DEPUTY  
Special Services

LEGAL OFFICE SVCS  
MGR

Victim Center  
1 Manager 4 Comm  
Wrkrs 1 Clerical

Homicide/Verticals  
6 DDA

Special Prosecutions  
1 DIC 4 DDA  
2 Insp 2 DV  
Advocates

Statutory Rape Pros  
1 DDA

Juvenile Court  
1 DIC 2 DDA

Narcotics  
2 DDA

Consumer Fraud  
1 DIC 2 DDA

Training

Authorized Positions  
2002-03

Management	10
Supervisory	13
All Others	100
<b>TOTAL</b>	<b>123</b>

Superior Court  
13 Clerical 3 Paragl

Municipal Court  
18 Clerical

Juvenile Court  
2 Clerical

Consumer Fraud  
2 Clerical

Bureau of Investigat  
1 Clerical

Information Technol

RWC MUNI  
1 DIC 9 DDA

SSF MUNI  
1 DIC 11 DDA

General Felony Pros  
7 DDA



**ATTACHMENT "A"**

**ORIGINAL JOINT PLAN OF COOPERATION**



# COUNTY OF SAN MATEO

401 MARSHALL STREET • REDWOOD CITY • CALIFORNIA 94063  
DISTRICT ATTORNEY (415) 363-4536 • PUBLIC ADMINISTRATOR (415) 363-4475

Date: December 5, 1995

To: Beverly Hunter, Manager

From: San Mateo County District Attorney Insurance Fraud Unit

Below please find our proposal for Joint Plan for Use of Investigative Resources, as requested in your memo of November 16, 1995. We have reviewed and discussed this proposal with Jerry Stanford of DOI, and have incorporated his suggestions.

## San Mateo District Attorney/DOI Fraud Division Joint Plan for Use of Investigative Resources

OBJECTIVE: Conduct Automobile and Worker's Compensation Fraud Investigations with Optimal Efficiency.

### METHODS:

#### 1. Assignment of Cases

1) All Auto and Worker's Compensation fraud cases referred to the County by DOI shall be investigated by the Fraud Division investigator, unless either (1) the Fraud Division requests assistance from the County, or (2) the County prosecuting attorney reviewing the cases believes that County investigatory resources will be of assistance.

2) For all Auto and Worker's Compensation fraud cases referred to the County by non-DOI sources, the County shall take responsibility as the primary investigative resource, with assistance from the Fraud Division upon request of the County, as deemed appropriate by the Fraud Division.

## II. Communication Re: Cases

1) In an effort to eliminate duplicate investigations, the County and the Grand Division regional offices, (Martinez and San Jose) shall provide to one another, on a monthly basis, a list of all newly-received referrals from insurance company S.I.C.'s. This list shall include the claimant's and the insurer's name, and, if the case has been assigned, the investigator's name.

2) The County, both attorney and investigator, will meet with the regional Grand Division investigations assigned to address cases on a monthly basis to review pending cases, address pending case requirements for specific cases, and review pending future investigations and potential targets for investigation. These monthly meetings will also provide the opportunity to resolve any problems between the County and Grand Division, including delayed or unresolved investigative needs and actions. The County attorney will target the specific cases to be discussed, and arrange to meet with the appropriate investigators.

3) The Grand Division regional offices (Martinez and San Jose) shall meet with the Bay Area counties (it is anticipated that the majority of the Bay Area counties will submit a similar request/proposal) on a quarterly basis. These meetings will include the Grand Division and the various Counties to exchange information regarding multi-jurisdictional cases, and to assess the relative workloads generated by each County for the regional offices.

4) Regularly scheduled meetings shall be held between the County, Grand Division and Insurer S.I.C.'s/Claims representative for the purpose of sharing information and coordinating efforts regarding S.I.C. investigations. It is anticipated that these meetings will be held regionally on a quarterly basis, to include the Bay Area counties serviced by the Martinez and San Jose DOJ regional offices. Discussions with DOJ and a representative of the private insurers indicates that these meetings will commence in early 1996.

Please feel free to contact either Elaine Taylor, 415-399-7026, or Chris Shaffer, 415-399-4764, if you have any questions or comments.

cc: Larry Stanford

**ATTACHMENT "B"**

**CURRENT JOINT PLAN OF COOPERATION**



## COUNTY OF SAN MATEO

400 COUNTY CENTER, 3<sup>RD</sup> FLOOR • REDWOOD CITY • CALIFORNIA 94063  
PUBLIC ADMINISTRATOR (650) 363-4475 • DISTRICT ATTORNEY (650) 363-4636

June 22, 1999

To: Chief Investigator Dale Banda  
State of California  
Department of Insurance

From: Elaine M. Tipton  
Deputy in Charge,  
Special Prosecutions  
San Mateo County  
District Attorney's Office

Re: Joint Investigative Plan

### Statement of Goals

The purpose of this plan is to formalize our continuing joint efforts to cooperate, communicate, and maximize our resources in the investigation and prosecution of insurance fraud.

### Receipt and Assignment of Cases

Under statutory mandate, all Suspected Fraudulent Claims (SFC) in the Worker's Compensation arena are to be sent to both the Fraud Division and the local District Attorney. To insure that each SFC is not investigated by both the Fraud Division and the District Attorney, a monthly meeting will be scheduled. At that meeting a list of cases that have been referred, currently prosecuted, currently investigated or rejected by the District Attorney will be given to the Fraud Division. In turn, the Fraud Division will also provide a written list of: referrals they have received, cases they are investigating in District Attorney's jurisdiction, and cases they have closed.

Also at that monthly meeting, it will be determined who will investigate those cases, both newly submitted and ongoing, based upon who currently has the resources to do so. This will ensure that no duplicative efforts will be made in investigating the referral. Between said monthly meetings, the Deputy District Attorneys assigned to the Insurance Fraud Unit will be contact with the Department of Insurance's Martinez branch office on an as needed basis; in person, by telephone or by FAX, to discuss case submissions when action is required prior to the next scheduled monthly meeting.

This procedure will also be followed with the automobile insurance fraud cases. This insures that even if only the Fraud Division or the District Attorney receives a referral, involving either a worker's compensation or automobile SFC, investigative efforts will not be duplicated. More frequent communication between the Fraud Division and the District Attorney will occur on a particular case once it is determined who will be assigned to investigate and prosecute the case.

#### Investigations

With the District Attorney's limited investigative resources (one full time Inspector, and currently, one part time extra help Inspector) the help of the Fraud Division (FD) to investigate and successfully prosecute insurance fraud cases will be required. As stated above, it will be determined which entity has the current resources to investigate a particular case when that case is received by either the Fraud Division, the District Attorney, or both. To maximize resources, only one investigative entity will do the investigation. This will again insure that no duplicative effort occurs. If assistance is needed in that investigative effort, that will be discussed with the other entity, and every effort will be made to honor that request.

Once the referral is assigned a FD Investigator, a Deputy District Attorney will be assigned to assist in determining the direction of the investigation. The DDA and FD Investigator will meet as soon as possible after the assignment of the case. If the District Attorney's staff is the lead investigative agency, a personal meeting with the DDA assigned to assist the investigation and the DA Inspector will occur as soon as the Inspector has reviewed the referral. At that meeting, an investigative plan will be discussed and agreed upon by the DA Inspector and DDA. Once the initial investigation is complete, the DDA and DA Inspector will again meet to determine if the case can be prosecuted, if further investigation needs to be done, or if the case can not be prosecuted.

If the Fraud Division is the lead investigatory agency, the FD Investigator will also meet with the DDA assigned to assist in the investigation of the referral. A personal meeting between the two will occur as soon as both have read the referred materials. This should occur no later than thirty days after the investigative assignment. At this meeting an investigative plan will be agreed to and a time frame for the completion of the investigation will be discussed. Once that investigation is completed, another personal meeting will occur to discuss filing, further investigation or nonprosecution of the case.

No matter who investigates the referral, contact between the DDA and Investigator Inspector is imperative, and will occur on a regular basis, in person or by telephone, to insure a swift and complete investigation and filing determination.

### Undercover Operations

Based on the size of our Insurance Fraud Unit, it is unlikely that the Insurance Fraud Unit will initiate any undercover operations. The District Attorney may suggest the initiation of such an operation to the Fraud Division, and would provide, when possible, investigatory resources and DDA assistance. However, it is not foreseeable that the District Attorney would be the lead investigatory entity in an undercover operation.

If an undercover operation is conducted in the District Attorney's jurisdiction, the District Attorney expects to be informed of said investigation, expects that the undercover operation will be conducted in a safe and professional manner, and may recommend that the operation be terminated if said investigation fails to comply with accepted law enforcement practices and procedures. The District Attorney will also review all requests for surreptitious recordings in any undercover investigation.

### Case Filing Requirements

The District Attorney's filing policy requires that it be reasonably likely that a jury will unanimously find the charges proved beyond a reasonable doubt, given the state of the evidence at the time of filing. In general, the following information must be provided before a filing decision can be made:

1. Complete investigative reports, including all search warrants and an index and summary of all documents, photographs, videos and other evidence submitted, in triplicate;
2. Copies, or access to, all documents that have been recovered in the course of the investigation, whether by search warrant or otherwise, and a contact person to assist in discovery requests regarding said materials;
3. A list of anticipated witnesses, including addresses, telephone numbers and dates of birth (DOB's not required for law enforcement personnel);
4. A complete rap sheet on all suspects and witnesses (except law enforcement personnel);
5. DMV printouts and Soundex's on all suspects;
6. Information regarding any inducements or agreements regarding the giving of information or testimony that may have been made to witnesses;

7. Name and telephone number of the investigating officer who will be responsible for the signing of the declaration in support of arrest warrant and to provide additional investigation, if warranted.

Training

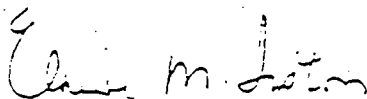
The Fraud Division and the District Attorney will participate in regularly scheduled training produced by the California District Attorneys Association, the Northern California Fraud Investigators Association, POST, and any other training that is warranted.

Upon request to either the Fraud Division or the District Attorney, training presentations will be made to insurers, attorneys, medical providers and any other organization interested in instruction relating to recognizing and combating insurance fraud. Informal training and the answering of questions relating to insurance fraud for the industry and the public will also continue.

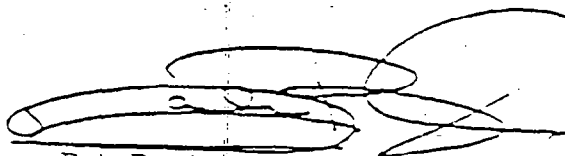
Problem Resolution

Dispute resolution has not been an issue in the past. However, if a dispute does occur, it should be resolved at the earliest possible time, by the prosecutor and the investigator or his/her respective supervisor(s). Final disposition of serious disputes between the Fraud Division and the District Attorney relating to investigations and prosecutions will be made by the District Attorney.

Disputes which deal with prosecutorial decisions will be decided by the District Attorney. Disputes that deal with investigative issues will be decided by the investigative agency in charge of the investigation and the District Attorney.



Elaine M. Tipton  
Deputy in Charge  
Special Prosecutions  
San Mateo County  
District Attorney  
Fraud Division



Dale Banda  
Chief Investigator  
Martinez Office  
State of California  
Department of Insurance



**ATTACHMENT "C"**

**GUIDELINES FOR PREPARING A JOINT  
INVESTIGATIVE PLAN**



STEPHEN M. WAGSTAFFE  
CHIEF CRIMINAL DEPUTY

ASSISTANT DISTRICT ATTORNEYS  
MARTIN T. MURRAY  
WORLEY PITT

## COUNTY OF SAN MATEO

400 COUNTY CENTER, 4TH FLOOR • REDWOOD CITY • CALIFORNIA 94063  
DISTRICT ATTORNEY (650) 363-4677 • PUBLIC ADMINISTRATOR (650) 363-4475

July 18, 2001

To: Chief Investigator Robert Yee  
State of California  
Department of Insurance

From: Elaine M. Tipton  
Deputy in Charge  
Insurance Fraud Unit  
San Mateo County District Attorney's Office

Re: JOINT INVESTIGATIVE PLAN

### Statement of Goals

The purpose of this plan is to formalize our continuing joint efforts to cooperate, communicate, and maximize our resources in the investigation and prosecution of insurance fraud in San Mateo County.

### Receipt and Assignment of Cases

Under statutory mandate, all Suspected Fraudulent Claims (SFCs) in the Worker's Compensation arena are to be sent to both the Fraud Division and the local District Attorney. To insure that each SFC is not investigated by both the Fraud Division and the District Attorney, a

July 18, 2001

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monthly meeting will occur between the agencies at the Fraud Division's regional office, presently in Martinez but soon to be relocated to Benicia. At that meeting, a list of cases that have been referred, currently prosecuted, currently investigated or rejected by the District Attorney will be given to the Fraud Division. In turn, the Fraud Division will also provide a written list of referrals they have received, cases they are investigating in the District Attorney's jurisdiction, and cases they have closed.

At the monthly meeting, it will be determined who will investigate those cases, both newly submitted and ongoing, based upon who currently has the resources to do so. This will ensure that no duplicative efforts will be made in investigating the referral. In addition, the monthly meetings will provide the opportunity for the prosecuting attorney(s) to discuss pending investigations with the individual investigator already assigned to, and working on, the case.

Between said monthly meetings, the Deputy District Attorneys assigned to the Insurance Fraud Unit will in be contact with the Fraud Division's branch office on an as-needed basis: in person, by telephone or by FAX, to discuss case submissions when action is required prior to the next scheduled monthly meeting.

This procedure will also be followed with the automobile insurance fraud cases. This insures that even if only the Fraud Division or the District Attorney receives a referral, involving either a worker's compensation or automobile SFC, investigative efforts will not be duplicated. More frequent communication between the Fraud Division and the District Attorney will occur on a particular case once it is determined who will be assigned to investigate and prosecute the case.

### Investigations

The District Attorney has limited investigative resources (presently one full time Inspector handling both workers' compensation and automobile insurance fraud and an unfilled opening for a second Inspector). Thus, the help of the Fraud Division to investigate and successfully prosecute insurance fraud cases will be required. As stated above, it will be determined which entity has the current resources to investigate a particular case when that case is received by either the Fraud Division, the District Attorney, or both. To maximize resources, only one investigative entity will do the investigation. This will again insure that no duplicative effort occurs. If assistance is needed in that investigative effort, that will be discussed with the other entity, and every effort will be made to honor that request.

Once the referral is assigned to a Fraud Division (FD) Investigator, a Deputy District Attorney (DDA) will be assigned to assist in determining the direction of the investigation. The DDA and the FD Investigator will meet as soon as possible after the assignment of the case. If the

July 18, 2001

Page 3

District Attorney's staff is the lead investigative agency, a personal meeting with the DDA assigned to assist the investigation and the DA Inspector will occur as soon as the Inspector has reviewed the referral. At that meeting, an investigative plan will be discussed and agreed upon by the DA Inspector and DDA. Once the initial investigation is complete, the DDA and DA Inspector will again meet to determine if the case can be prosecuted, if further investigation needs to be done, or if the case can not be prosecuted.

Upon formal presentation of a documented referral by the FD Investigator to the DDA, the DDA will review the materials presented within ten working days of receipt, unless otherwise stated. A personal or telephonic meeting between the two will occur as soon thereafter as is practicable. At this meeting the DDA will indicate whether additional investigation is necessary, and, if so, an investigative plan will be agreed to. A time frame for the completion of the investigation will be discussed and the FD investigator will thereafter provide the DDA with status updates of the additional investigation within 10 working day intervals, unless otherwise agreed to by the parties, until the investigation is completed. Once that investigation is completed, another personal or telephonic meeting will occur to discuss filing, further investigation or nonprosecution of the case. If charges are filed, the DDA will do so in a timely fashion, not to exceed 30 days from the completion of the investigation unless otherwise discussed. If the case is rejected, the DDA will prepare a written memo stating the reasons for the rejection and provide that memo to the FD investigator upon its completion. The FD Investigator will thereafter notify the complaining party of the decision.

In an additional effort to avoid unnecessary duplication of investigative efforts, when an insurer, employer, third party administrator or private investigator seeks to present a documented referral, both the DA and Fraud Division will be notified and expected to be present whenever feasible. If attendance by both agencies is not feasible, the agency attending the presentation will advise the other as to the merits of the referral and discuss initiation of an investigation.

Regardless of who investigates the referral, contact between the DDA and Investigator/Inspector is imperative, and will occur on a regular basis, in person or by telephone, to insure a swift and complete investigation and filing determination.

#### Undercover Operations

Based on the size of our Insurance Fraud Unit, it is unlikely that the Insurance Fraud Unit will initiate any undercover operations. The District Attorney may suggest the initiation of such an operation to the Fraud Division, and would provide, when possible, investigative resources and DDA assistance. However, it is not foreseeable that the District Attorney would be the lead investigative entity in an undercover operation.

If an undercover operation is conducted in the District Attorney's jurisdiction, the District Attorney expects to be informed of said investigation, expects that the undercover operation will be conducted in a safe and professional manner, and may recommend that the operation be terminated if said investigation fails to comply with accepted law enforcement practices and procedures. The District Attorney will also review all requests for surreptitious recordings in any undercover investigation.

### Case Filing Requirements

The District Attorney's filing policy requires that it be reasonably likely that a jury will unanimously find the charges proven beyond a reasonable doubt, given the state of the evidence at the time of filing. In general, the following information must be provided before a filing decision can be made:

1. Complete investigative reports, including all search warrants and an index and summary of all documents, photographs, videos and other evidence submitted, in triplicate;
2. Copies, or access to, all documents that have been recovered in the course of the investigation, whether by search warrant or otherwise, and a contact person to assist in discovery requests regarding said materials;
3. A list of anticipated witnesses, including addresses, telephone numbers and dates of birth (DOB's not required for law enforcement personnel);
4. A complete rap sheet on all suspects and witnesses (except law enforcement personnel);
5. DMV printouts and Soundex's on all suspects;
6. Information regarding any inducements or agreements regarding the giving of information or testimony that may have been made to witnesses;
7. Name and telephone number of the investigating officer who will be responsible for the signing of the declaration in support of arrest warrant and to provide additional investigation, if warranted.

July 18, 2001

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Training

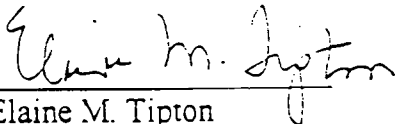
The Fraud Division and the District Attorney will participate in regularly scheduled training produced by the California District Attorneys Association, the Northern California Fraud Investigators Association, POST, and any other training that is warranted.

Upon request to either the Fraud Division or the District Attorney, training presentations will be made to insurers, attorneys, medical providers and any other organization interested in instruction relating to recognizing and combating insurance fraud. The District Attorney and the Fraud Division will participate in joint trainings and outreach within San Mateo County. Informal training and the answering of questions relating to insurance fraud for the industry and the public will also continue.

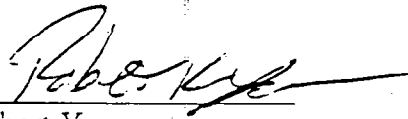
Problem Resolution

Dispute resolution has not been an issue in the past. However, if a dispute does occur, it should be resolved at the earliest possible time, by the prosecutor and the investigator or his/her respective supervisor(s). Final disposition of serious disputes between the Fraud Division and the District Attorney relating to investigations and prosecutions will be made by the District Attorney.

Disputes which deal with prosecutorial decisions will be decided by the District Attorney. Disputes that deal with investigative issues will be decided by the investigative agency in charge of the investigation and the District Attorney.



Elaine M. Tipton  
Deputy in Charge  
Insurance Fraud Unit  
San Mateo County  
District Attorney



Robert Yee  
Chief Investigator  
Martinez/Benicia Office  
State of California  
Department of Insurance Fraud Division

EMT/ad

# **APPENDIX "A"**

## **NEWS MEDIA ARTICLES**

# Press Release



Welcome to the California Department of Insurance's Media Relations webpage.

If you are a member of the public wishing information, please visit [the Consumer Services Division homepage](#) or call the [Consumer Hotline](#).

**FOR RELEASE:**

August 16, 2001 (#080)

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## **SAN MATEO MAN SENTENCED TO ONE YEAR IN JAIL AND ORDERED TO PAY \$800,000 FOR WORKERS' COMPENSATION SCHEME**

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SAN MATEO – A San Mateo man was sentenced this week in Superior Court, County of San Mateo by Judge Mark R. Forcum on five felony counts of insurance fraud, tax fraud and money laundering.

Laurence Bennett Guy, owner of Guy's Roofing in Redwood City, California, was sentenced to one year in county jail, placed on five years of supervised probation and ordered to pay \$800,000 in restitution to several insurance agencies, the California Department of Insurance (CDI) and the Employment Development Department (EDD). Guy has thus far paid an amount slightly more than \$100,000 in restitution.

Guy's sentencing was the result of a four and a half-year investigation and prosecution by CDI, EDD and the San Mateo County District Attorney's Office.

Guy developed a cash pay scheme in which he paid his workers in cash for all overtime hours and some straight time, thereby underreporting his payroll taxes and reducing his workers' compensation insurance premiums. This allowed Guy's Roofing to underbid competing roofers in the Bay Area who were paying their share of taxes and insurance premiums as required by law.

California Insurance Commissioner Harry W. Low expressed his enthusiasm for the positive results accrued through this sophisticated investigation. "When this type of illegal activity is exposed and eliminated, both workers and employers benefit," said Commissioner Low. "A fair competitive marketplace where workers receive an honest accounting of their benefits is in the best interest of all



Californians."

According to investigators, a payroll document was uncovered detailing the scheme when a search warrant was served on Guy's Roofing in July of 1997. A check was issued to an employee of Guy's Roofing, which Guy alleged was a sub-contractor. The employee was then given a check with a list of what denominations of bills would be needed to pay the workers in cash. The check was always kept under \$10,000 in order to keep the bank from reporting the transaction to federal authorities. Once cashed, the money was brought back to Guy's Roofing to be placed in envelopes for each employee and attached to their paycheck. The payroll document also directed the bookkeeper to shred all evidence of cash payments after the cash was distributed.

To further expand the scheme, Guy had employees create fictitious identifications with green cards and social security cards to allow employees to cash checks under assumed names. Employees were also ordered to create false certificates of workers' compensation insurance coverage to be shown to insurance companies and tax auditors in furtherance of the insurance and tax fraud scheme.

Guy was ordered to surrender to the San Mateo County Jail on October 6, 2001 to begin his one-year sentence.

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Last Revised - August 16, 2001  
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### **Calif. Man Sentenced for Workers' Comp Scheme**

August 20, 2001

Five felony counts of insurance fraud, tax fraud and money laundering led to the sentencing of a San Mateo, Calif. man last week.

Laurence Bennett Guy, owner of Guy's Roofing in Redwood City, received a one-year sentence, along with being placed on five years of supervised probation. Guy was also ordered to pay \$800,000 in restitution to several insurance agencies, the California Department of Insurance (CDI) and the Employment Development Department (EDD). To date, Guy has paid just over \$100,000 in restitution.

The sentencing resulted from a four and a half-year investigation and prosecution by CDI, EDD and the San Mateo County District Attorney's Office.

According to investigators, Guy developed a cash pay scheme where he paid his workers in cash for all overtime hours and some straight time, thereby underreporting his payroll taxes and decreasing his workers' compensation insurance premiums. In turn, this allowed Guy's Roofing to underbid competing roofers in the Bay Area who were paying their share of taxes and insurance premiums as required by law.

Investigators further reported that a payroll document was uncovered noting the scheme when a search warrant was served on Guy's Roofing in July of 1997. A check was given to an employee of Guy's Roofing, which Guy alleged was a sub-contractor. The employee was then given a check with a list of what denominations of bills would be needed to pay the workers in cash. The check amount was always left under \$10,000 in order to keep the bank from reporting the transaction to federal authorities. Once cashed, the money was returned to Guy's roofing to be placed in envelopes for each employee and attached to their paycheck. The payment document also directed the bookkeeper to shred all evidence of cash payments following when the cash was distributed.

In expanding the scheme, Guy directed employees to create fictitious identifications with green cards and social security cards to allow employees to cash checks under assumed names. Employees were also told to make false certificates of workers' compensation insurance coverage to be shown to insurance companies and tax auditors in furtherance of the insurance and tax fraud scheme.

Guy has been ordered to surrender to the San Mateo County Jail on Oct. 6, 2001 to begin a one-year sentence.

# Press Release



Welcome to the California Department of Insurance's Communications Office Web page.

If you are a member of the public wishing information, please visit [the Consumer Services Division homepage](#) or call the [Consumer Hotline](#).

**FOR RELEASE:**

April 17, 2002 (#051)

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## TWO BAY AREA MEN CHARGED WITH INSURANCE FRAUD

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BENICIA – Investigators from the California Department of Insurance (CDI) Criminal Investigations Branch's Fraud Division announced two recent insurance fraud investigation developments.

- Benorad Prasad, 63, of San Bruno, was arrested after self-surrendering to the San Mateo County District Attorney's Office on one count of workers' compensation insurance fraud. Prasad was booked into the San Mateo County Jail and released on his own recognizance.

According to investigators, Kelly Moore Paint Company employed Prasad when he allegedly suffered a job-related injury on September 12, 2000. Prasad claimed he was unable to perform his normal duties at work and at home and thus received approximately \$13,000 in workers' compensation benefits.

Investigators subsequently discovered that Prasad played in a golf tournament on September 16, 2000, and was later observed practicing his golf swing and putting at the Cypress Golf Practice Range in South San Francisco on February 15 and 16, 2001.

On March 28, 2002, Prasad waived formal arraignment and pled guilty to one count of workers' compensation fraud and was sentenced to 60 days in county jail and fined \$200. Prasad was placed on supervised probation for three years and ordered to pay restitution of \$12,000 to Gates McDonald, a third-party administrator for Kelly Moore

## Paint Company.

- Alfred Session, 42, of Oakland, was arrested for insurance fraud. His arrest is the result of an ongoing investigation conducted by the California Department of Insurance Criminal Investigations Branch's Fraud Division with assistance from the Alameda County District Attorney's Office.

Session allegedly made a false insurance claim to his insurance carrier, California State Automobile Association (CSAA), for the loss of stereo equipment from his car. An investigation of the fraud allegation made by CSAA subsequently led to Session's arrest on April 10, 2002.

CDI Investigators arrested Session and booked him into the Alameda County Jail for numerous violations of insurance fraud and grand theft. Additionally, Session who is on probation for unrelated violations is being held without bail for violating the terms of his probation.

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Last Revised - April 17, 2002  
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**NEWS**

# Krispy Kreme to expand

**BY THOMAS LEUPOLD**  
DAILY NEWS STAFF WRITER

A Krispy Kreme doughnut shop is looking to roll into Millbrae, along with an In-N-Out burger joint, a gas station and a Ducky's full-service car wash.

The businesses are eyeing a prime piece of land on the southeast corner of Millbrae Avenue and Rollins Road, across from where the new Bay Area Rapid Transit station will be built.

The location, at 309 E. Millbrae Ave., will be vacant because the business that's currently there, Thrifty Car Rental, is moving to the airport.

Ralph Petty, Millbrae's community development director, said it will be a high traffic area and the city wants an idea of the impact the businesses will have on traffic in the area.

"Our main concern is traffic. That's going to be an extremely busy intersection," Petty said.

After looking at an initial plan, the

**"Assuming we can resolve the traffic issues and the aesthetic issues, I can support the proposal."**

Marc Hershman

city asked the businesses to hire an independent traffic consultant and expects to receive an application when the study is complete.

"We'll take this application and see how the community feels about it," Petty said.

Petty said although Krispy Kreme doughnuts are the "hip" brand with some people, he's remaining neutral on the plan. Petty said he had his first chance to sample one of the company's doughnuts on Saturday at the opening of the city's new skate park, and he wasn't disappointed.

"It was good," Petty said.

Another recent Krispy Kreme initiative, Mayor Marc Hershman, had his first experience with the sweet cake rings in January.

"I like them. They are much lighter than your average doughnut," Hershman told the Daily News.

Hershman said the businesses could be a boon for Millbrae because he expects them to do well, but his main concern about the proposal, beyond the traffic impacts, is the look of the development.

"This is the gateway to our city and I don't want to see a run-of-the-mill design for the buildings and the landscape," Hershman said.

Hershman said he hopes to see buildings set back, featuring lawns and trees.

"Assuming we can resolve the traffic issues and the aesthetic issues, I can support (the proposal)," Hershman said.

Krispy Kreme officials did not immediately return a phone call from the Daily News last night.

# Taqueria manager admits tax evasion

**BY CHRISTINE LIAS**  
DAILY NEWS STAFF WRITER

A former taqueria manager for restaurants in San Mateo and Mountain View has admitted to two counts of paying his workers cash in order to avoid payroll taxes, a deputy district attorney said yesterday.

Juan Gamez, 30, will pay back

\$165,000 of the supposed \$253,472 he bilked in taxes from his employees' wages at Taqueria El Nayarita, 660 E. Third Ave. in San Mateo, as well as a similar store in Mountain View and a taco cart for catering.

He presented a check for \$75,000 when he was in court last Tuesday, before a trial was set to begin yesterday,

said Susan Edisody of the San Mateo County District Attorney's Office. The other counts against him were thrown out in exchange for Gamez's plea.

Gamez's probation officer will submit a report to the court before the taqueria manager is sentenced July 2.

He is out of jail after posting \$10,000 bail.

**Paul's**  
*European Cobbler*  
Comfort Shoes & Expert Shoe Repair

**LARGEST SELECTION OF**

*dansko*  
**IN THE BAY AREA**

