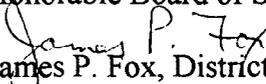


**COUNTY OF SAN MATEO**  
**Inter-Departmental Memo**

Date: September 23, 2002  
Hearing Date: October 22, 2002

**TO:** Honorable Board of Supervisors  
**FROM:**   
James P. Fox, District Attorney  
Pony #DAO111, Extension 4636  
**SUBJECT:** Application for Renewal of the Workers' Compensation  
Insurance Fraud Grant

**RECOMMENDATION**

Adopt a resolution authorizing submission of an application to the California Department of Insurance for grant funds in the amount of \$407,341 for the Workers' Compensation Insurance Fraud Program for fiscal year 2002-2003.

**BACKGROUND**

Under the provisions of Sections 1872.83, California Code of Regulations, Subchapter 9, Article 3, Section 2698.55, the California Insurance Commissioner is granted authority to issue funds to District Attorneys throughout the state for the purpose of investigating and prosecuting cases involving workers' compensation insurance fraud. In July 1994, your Board adopted a resolution authorizing the submission of an application to the California Department of Insurance for the subject grant. In November 1994, you approved an Appropriation Transfer Request and an amendment to the Salary Ordinance to add staff and implement the program.

**DISCUSSION**

An application is required each year to receive state funds through the California Department of Insurance. Program staff salaries and benefits and services and supplies are funded partially by the subject grant and partially by a grant addressing automobile insurance fraud investigation and prosecution. A proposal for that program will be submitted to your Board for approval within the next month.

Since the Insurance Fraud Unit's inception, the unit has received 299 suspected fraudulent claims to investigate and prosecute, resulting in 254 investigations, in many instances involving multiple suspects. The Unit has filed 47 criminal cases, charging 61 defendants with criminal offenses. Of the 53 defendants whose cases have been resolved to date, 50 defendants have been convicted of criminal charges, most of them felony offenses. The Unit has worked in tandem with the Department of Insurance, Employment Development Department, local law enforcement, various insurance

companies and third party administrators, the San Mateo County School Districts, and the Risk Management Division of Employee and Public Services to successfully prosecute fraudulent activities by chiropractors, doctors, attorneys, employers and individual applicants. To date, the unit has been able to attain court ordered restitution for \$1,781,930.12. Orders of restitution can become civil judgments, can be recorded for future collection and usually specify multiple year pay out schedules. Following is a chart showing the amounts ordered and collected since the start of this program.

Fiscal Year	Amount Ordered	Amount Collected
1995-96	\$ 36,009.00	\$ 36,009.00
1996-97	\$186,189.41	* \$ 56,739.61
1997-98	\$ 64,151.15	* \$ 29,361.79
1998-99	\$200,863.64	* \$146,818.30
1999-2000	\$175,442.00	* \$151,329.00
2000-01	\$161,263.65	* \$309,432.47
2001-02	\$958,011.27	* \$104,515.00
* Note: This amount includes some restitution collected for orders made in previous years.		

### **VISION ALIGNMENT**

The grant from the Department of Insurance keeps the commitments of, Ensure Basic Health and Safety for All and goal number 8: Help vulnerable people – the aged, disabled, mentally ill, at-risk youth and others – achieve a better quality of life; Create Opportunities for Every Household to Participate in our Prosperity; and Sow the Seeds of our Future Prosperity. This grant contributes to these commitments and goals by prosecuting those who attempt to steal from businesses through worker's compensation fraud and benefits the economic prosperity of our County's businesses and residents.

### **FISCAL IMPACT**

Each year, proposed funding levels are established by the Department of Insurance for each county and published in the State's Request for Funding documents as funds earmarked for both grant programs. For fiscal year 2001-02, \$410,473 was requested from the Department of Insurance. The final State award totaled \$410,000. Due to salary savings, it is anticipated that the District Attorney's Office will not exceed program needs and has received approval from the Department of Insurance to place any excess revenue received in a trust fund, which would be used to fund any future shortages. Once the subject grant and the above-mentioned automobile insurance fraud grant are approved by the Department of Insurance for fiscal year 2002-2003, it is anticipated that a similar process will occur and the combined insurance fraud grant programs will be fully funded by State and trust fund monies. Assuming approval will be forthcoming from the Department of Insurance for both grants, this current Board action will have no fiscal impact on Net County Cost.