



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

District Attorney's Office

**DATE:** August 5, 2004

**BOARD MEETING DATE:** August 31, 2004

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

**RECOMMENDATION:**

Adopt a resolution authorizing submission of a grant application to the California Department of Insurance for grant funds in the amount of \$552,614.00 for the Workers' Compensation Insurance Fraud Program for fiscal year 2004-2005.

**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 the Board adopted a resolution authorizing the submission of an application to the California Department of Insurance (DOI) for the subject grant. In November 1994 the Board also approved an Appropriation Transfer Request and an amendment to the Salary Ordinance to add staff and implement the program. Since 1994 the Board has renewed this application every year.

**DISCUSSION:**

An application is required each year to receive state funds through the DOI. Once our application is approved by the DOI, the DOI requires execution of a grant award agreement before monies are distributed. The grant award agreement provides, among other things, that any liability arising out of the performance of this grant award agreement, including civil court actions for damages, shall be the responsibility of the grant recipient and the authorizing agency. The Unit's 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 the Board for approval this month.

In the last four fiscal years, July 1, 2000 through June 30, 2004, the Unit has received 142 suspected fraudulent workers' compensation insurance claims to investigate and prosecute, resulting in 141 investigations. During that same four-year period the Unit has filed 26 criminal cases involving workers' compensation insurance fraud, and 23 defendants have been convicted of criminal charges, most of them felony offenses. The Unit has worked in tandem with the DOI, 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 & Public Services to successfully prosecute fraudulent activities by chiropractors, doctors, attorneys, employers and individual applicants. In the last four years the Unit has been able to obtain court-ordered restitution for \$1,429,784.60. Orders of restitution can become civil judgments, can be recorded for future collection and usually specify multiple year pay out schedules. The following is a chart showing the amounts ordered and collected during the last four fiscal years.

<u>Fiscal Year</u>	<u>Amount Ordered</u>	<u>Amount Collected</u>
2000-01	\$161,263.65	\$309,432.47*
2001-02	\$958,011.27	\$107,515.00*
2002-03	\$172,020.53	\$181,587.00*
2003-04	\$283,626.54	\$67,802.87*

\* Note: This amount includes some restitution collected for orders made in previous years.

#### **VISION ALIGNMENT:**

The grant from the DOI 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 Future Prosperity.

#### **FISCAL IMPACT:**

Each year, proposed funding levels are established by the DOI for each county and published in the State's Request for Funding documents as funds earmarked for both grant programs. For fiscal year 2003-04, \$461,424 was requested from the DOI. The final State award totaled \$315,537. This reduced amount resulted in removing one of the two Deputy District Attorneys assigned to this grant program and reassigning her in General Criminal. It is anticipated that the District Attorney's Office will not exceed the financial needs of the Unit and has received approval from the DOI 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 DOI for fiscal year 2004-2005, it is anticipated the combined insurance fraud grant programs will be fully funded by State and trust fund monies. Assuming approval will be forthcoming from the DOI for both grants, this current Board action will have no fiscal impact on Net County Cost.

**RECOMMENDED**

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**COUNTY MANAGER**