

**STATE OF CALIFORNIA
FRAUD ASSESSMENT COMMISSION**

**Summary Meeting Minutes
Sacramento, California
September 4, 2019**

In attendance: Don Marshall, Chairperson; and Commission Members Christine Baker, Jay R. Bobrowsky, John Riggs, and Joel Sherman.

Others present: Jack Horvath, Chief, Fraud Division, Enforcement Branch, California Department of Insurance (CDI); Eric Charlick, Assistant Chief (AC), CDI Enforcement Branch; Patricia Hein, Senior Staff Counsel, and CDI Legal Division.

Opening Remarks

Chairperson Marshall opened the meeting at 10:40 a.m. and asked the Commissioners if they wished to make any opening comments and asked the two Commission members participating in their first Fraud Assessment Commission (FAC) meeting to introduce themselves.

Commissioner Baker introduced herself and noted her past experience with fraud actions. Under her leadership at the Department of Industrial Relations (DIR) several major workers' comp reforms were negotiated and regulations developed.

Commissioner Bobrowsky is the new State Compensation Insurance Fund (SCIF) designee and indicated that he is the Senior Vice President of Special Investigations at SCIF and the President of the Anti-Fraud Alliance.

There were no other opening comments.

Approval of the Summary Meeting Minutes

Chairperson Marshall then asked for a motion to approve the submitted summary minutes from the June 19, 2019 meeting.

Motion

Commissioner Riggs made a motion to accept the June 19, 2019, summary minutes as submitted. Commissioner Bobrowsky seconded the motion.

Action

The summary meeting minutes were unanimously approved. Chairperson Marshall moved to the next agenda item.

Sub-Committee Reports on the RFA Update

Chairperson Marshall clarified that the current RFA Update Sub-Committee members are himself and Commissioner Riggs. He commented that the RFA process belongs to CDI and that it is a work in progress. Chairperson Marshall explained that the current RFA is outdated and efforts are being made to update the process to make the applications and data collected easier and clearer for reviewers to evaluate performance. He further explained that he had met with CDI prior to the last FAC meeting and feels that CDI understands the changes he would like to see and is moving in the right direction. He had no further update.

Commissioner Sherman indicated that there were no updates from the Goals and Objectives Sub-Committee.

Public Comments

Chairperson Marshall asked if there were any public comments on these topics and there were none.

Before moving to the next agenda item, Chairperson Marshall stepped in front of the Commission's table and asked Jack Horvath, CDI Fraud Division Chief, to come forward. On behalf of the FAC, he presented a Certificate of Appreciation to Chief Horvath for his service and congratulated him on his upcoming retirement.

Chairperson Marshall then asked Dominic Dugo, Chief Deputy District Attorney (DA) for San Diego County to come forward. On behalf of the FAC, he presented a Certificate of Appreciation to Mr. Dugo for his service and congratulated him on his upcoming retirement.

On behalf of the DAs, Jennifer Snyder, Head Deputy with the Los Angeles DA Office, presented a plaque to Mr. Dugo recognizing his service and congratulated him on his upcoming retirement.

On behalf of CDI, Chief Horvath, presented a Certificate of Appreciation to Mr. Dugo from Insurance Commissioner Ricardo Lara for his service.

On behalf of the CDI Fraud Division, Chief Horvath presented Mr. Dugo with a State flag that had flown over the Capitol and congratulated him on his upcoming retirement.

The meeting returned to the next agenda item and Chairperson Marshall turned the meeting over to Chief Horvath.

Enforcement Branch Administrative Update

Chief Horvath started by acknowledging the Local Assistance Unit (LAU) and introduced the team's two new members.

Chief Horvath then skipped to the next agenda item.

Workers' Compensation Program Overview

Annual Reports summarizing performance activities for the past fiscal year, FY 2018-19, were provided to the Commissioners on behalf of the Fraud Division and the DAs.

Ms. Perschler, the LAU Manager, explained that she had received a request from Los Angeles County to amend their statistics and stated that updated DA information would be provided to the FAC at their next meeting.

Administrative Update (continued)

Chief Horvath continued with the administrative update. He discussed CDI's RFA update efforts to better capture outreach activities. He then gave a summary of hiring and recruitment efforts. Chief Horvath responded to questions from Commissioners Marshall and Riggs regarding vacancy rates, training, and qualification requirements. Chief Horvath also responded to questions from Commissioner Bobrowsky regarding outreach and task force efforts by CDI and the DAs.

Public Comments

Chairperson Marshall asked if there were any public comments on these topics and there were none.

Workers' Compensation Program Overview (continued)

Chief Horvath continued with the Program Overview and highlighted the collaboration, cooperation, and partnerships that exist between CDI Regional Offices and the DA Offices. In some instances personnel from both organizations are located in the same offices; work on task forces together and with other agencies; have open and regular communication; and support each other to maximize resources.

Chief Horvath commented that he has worked with the CDI Budget Office and CDI has determined a 12% increase in funding is needed to maintain the current staffing level and to continue to reduce the vacancy rate. He also indicated that CDI is committed to working jointly with the DAs to support the California's consumers and employers. At this point, Chief Horvath turned the meeting over to CDAA representative, Deputy DA (DDA) Scott Tsui of Santa Clara County.

DDA Tsui indicated that, with consideration given to the Fiscal Year 2020-21 Projected County Activity Plans and Projected Budgets submitted by the counties, he supported the request for a 12% increase in funding. He additionally responded to a prior comment made by Commissioner Bobrowsky by explaining that this year's CDAA Fraud Symposium includes a presentation on voucher fraud.

Public Comments

Chairperson Marshall asked if there were any public comments on this topic and there were none.

Public Comments

At this point the 14 people that had submitted requests for time to provide public comment were given the opportunity to address the Commission.

The first speaker was Assistant DA Jill Nerone of the Alameda DA Office. Additional speaking time was conceded by Supriya Perry, Janice Williams, and Sean Kensinger of the San Francisco, Solano, and Marin County DA Offices. Ms. Nerone highlighted the collaborative efforts among the Regional Office and the seven counties that make up the Golden Gate/Northbay Consortium. She indicated that, in consultation with other DA Offices, she is requesting a 14% increase in funding. Ms. Nerone explained that, as the focus has shifted from claimant fraud to include premium and provider fraud in their caseload, it takes more time and resources to work these cases. She then talked about search warrants and described an effort to prepare and serve a search warrant. She further stated that the additional funding was needed to maintain efforts or current staffing will be at risk.

Commissioner Sherman requested additional information regarding search warrants and Ms. Nerone responded. Commissioner Baker commented on the sharing of information and resources. Commissioner Bobrowsky inquired as to how counties are currently addressing the risk and Ms. Nerone responded.

The next speaker was DDA Mike McCoy with the El Dorado County who presented the Commissioners with a handout that summarized the Northern Impact Workers' Compensation Insurance Fraud Task Force performance statistics for a three year period. He emphasized how the task force is increasing their results but won't be able to maintain this effort without a 14% increase. The Commissioners made no comments.

Manny Jimenez, Senior DDA with Fresno County was the next speaker. Mr. Jimenez commented on his participation in and the commitment of all the agency members of the Central Valley Workers' Compensation Fraud Task Force, highlighted the amount of time and resources provider fraud cases take while the counties continue to strive for a balanced caseload, and discussed how the impact of applicant fraud is personal for employers. The Commissioners made no comments.

The next speaker was Head DDA Jennifer Snyder of Los Angeles County. Additional speaking time was conceded by Margaret Roper and William Le of the Orange and San Bernardino County DA Offices. Ms. Snyder started by addressing Commissioner Sherman request to a prior speaker for additional information regarding search warrants. She then proceeded with a slide presentation highlighting various types of fraud cases, the impact and trade-off of working complex cases, liens stayed, training and outreach efforts. She requested a 14% increase in funding from the Commission. The Commissioners made no comments.

Chief DDA Robert Brown of San Bernardino County addressed the Commission and commented how a large case in their county utilized a significant amount of resources. He indicated that outreach suffers when funds are needed for criminal prosecution and asked for a 14% increase in funding. The Commissioners made no comments.

The next speaker was Chief DDA Michael Silverman of Riverside County. Additional speaking time was conceded by Kelli Catlett and Amy Glaudini also of Riverside County and Gregory Young of Alameda County. Mr. Silverman commented that he wanted to shift the Commission's focus and proceeded with a slide presentation highlighting the cost impact of the program's funding on employers and comparing this fund's growth to other funds. He indicated that the DAs want to work the complex cases without sacrificing the rest of the program but that they can't do it without additional funding. The Commissioners made no comments.

There were no further public comments and Chairperson Marshall opened the floor for comments from the Commissioners.

Chairperson Marshall began by explaining that this year is different from the past as requested by the Commissioners at last January's meeting. The second meeting allows review the material presented today before discussing at next week's meeting.

Chairperson Marshall then highlighted some fraud investigation and prosecution statistics that are part of the annual report which he felt might be topics for further discussion. He commented on the reported statistics for arrests and search warrants.

Commissioner Sherman stated that if presenters use examples they should be prepared to discuss the cost. He also commented that employers are impacted by the total of all assessments and it is expensive in California.

Commissioner Baker commented on DA Budgets, the amount of restitution ordered compared to restitution collected, and asked what effort is being taken to collect.

Chairperson Marshall asked if there were any public comments.

Mr. Silverman of Riverside County commented that he recognizes the effect on business but emphasized that a 14% increase does not equal a 14% increase to employers.

Commissioner Baker commented that it is hard to quantify if premium fraud cases save the employers money, she acknowledged that large cases take multiple years and provide a high estimate of chargeable fraud during those years, and expressed that this fund brings money back to the employers.

Chairperson Marshall commented that he would like to know the number of new case filings and an estimate of the average time from charge to conviction.

Jennifer Snyder of Los Angeles responded that there are too many variables to make this estimation and Chairperson Marshall agreed.

Dominic Dugo of San Diego County commented on the importance of outreach and crime prevention efforts which lead to referrals and deter non-serious offenders, thereby, allowing the DAs to focus on the bad people.

There being no further public comments, Chairperson Marshall moved to the next agenda item.

Other Business

Next Scheduled Meetings

Chairperson Marshall announced the next scheduled meetings as September 11, 2019, and January 8, 2020 and that both of these meetings would take place in Sacramento.

Closing Remarks

Chairperson Marshall asked the Commissioners if they had any closing comments and there were none.

Public Comments

Chairperson Marshall asked if there were any public comments on this topic and there were none.

Chairperson Marshall asked for a motion to adjourn the meeting.

Motion

Commissioner Bobrowsky made a motion to adjourn and Commissioner Baker seconded the motion.

Action

The Commissioners unanimously approved and the meeting adjourned at 12:25 p.m.