

**STATE OF CALIFORNIA
FRAUD ASSESSMENT COMMISSION**

**Summary Meeting Minutes
Sacramento, California
January 8, 2025**

This meeting was a hybrid meeting with the option for the public to attend in person or via teleconference. Commissioners personally in attendance: Chairperson Jay Bobrowsky, Vice-Chairperson Branden Lopez, and Commissioners Dan Calamuci, Joseph Carresi, Tim Cloney, and Tyrone Spears.

Others present: Eric Charlick, Deputy Commissioner (DC), California Department of Insurance (CDI) Enforcement Branch; Victoria Martinez, Acting Division Chief, CDI Fraud Division, Shawn Conner, Felicia Lieb, and Eric Williams, Deputy Chiefs, CDI Fraud Division, and Lance Ferrari, Acting Deputy Chief, CDI Fraud Division.

Yvonne Hauscarriague, Senior Staff Counsel, CDI Government Law Bureau, attended via teleconference.

I. Fraud Assessment Commission

Chairperson Bobrowsky opened the meeting at 10:30 am and read the process to request documents presented today and how to make public comments if calling in or attending via Zoom. All votes will be conducted by roll call vote. He thanked the LAU team and thanked the first responders fighting the Southern California fires. He mentioned Commissioner Wright could not attend today due to travel issues.

a. Opening Remarks

Chairperson Bobrowsky asked the Commissioners if they have any opening remarks.

Commissioner Cloney said he wanted to remark on a comment made at the last meeting about spending all grant funds each year. He stated he is opposed to spending all the grant funds if it is not spent wisely, for example buying new cars every couple years.

Chairperson Bobrowsky said that fighting insurance fraud is difficult. He said he read the proposed Goals and Objectives (G&Os) and he wants to point out that having a balanced caseload is the key to a successful program. Fighting fraud is a team effort between the DAs and CDI, and also the DAs coordinating together. Additionally, consistent staffing is very important and rotating staff wastes resources. Outreach and public awareness are crucial too. He believes we need to be strategic and tactical with our resources.

Vice-Chairperson Lopez thanked Commissioner Cloney for remarking on his comment at the prior meeting about extra funds. He said San Diego's use of funds for outreach is an excellent example.

Commissioner Spears said his thoughts with all those affected by the SoCal fires and he is grateful to be here today.

Chairperson Bobrowsky turned the meeting over to Yvonne Hauscarriague.

b. Election of the FAC Chair and Vice-Chair

Ms. Hauscarriague went over the election process. Chairperson Bobrowsky opted to run for the position of Chair. All other Commissioners declined.

Chairperson Bobrowsky summed up his background. He's a former police officer from the Bay Area. He has held multiple SIU positions over the years. He has won multiple awards for his SIU work. He has been with SCIF for about 6 years and is the Senior Vice President of Special Investigations. He has been on the FAC panel for 6 years. He is looking for consistency and results from the DAs.

Ms. Hauscarriague asked for public comments on the topic of chair election. There were none. A roll call vote was done and the commissioners unanimously voted in favor of Chairperson Bobrowsky continuing as FAC Chair.

Ms. Hauscarriague asked each commissioner if they wish to run for Vice-Chair. Vice-Chairperson Lopez opted to run for the position of Vice-Chair.

Vice-Chairperson Lopez said he is Executive Director for Center of Contractor Compliance. He said he understands it can be difficult to quantify results of investigations, however, we should hold everyone accountable for the money they receive. He particularly wants specifics on how results will be obtained. Also, he would like to see grant funds being used wisely. He feels it should be a goal of the DAs and CDI to hire experts on a temporary base to fill the gap in staffing.

Ms. Hauscarriague asked for public comments on the topic of chair election. There were none. A roll call vote was done and commissioners unanimously vote in favor of Vice-Chairperson Lopez continuing as FAC Vice-Chair.

c. Approval of the Summary Meeting Minutes

Chairperson Bobrowsky asked the Commissioners to review the meeting minutes from the last meeting.

Motion

Commissioner Spears made a motion to accept the meeting minutes. Commissioner Carresi seconded the motion.

Action

The summary meeting minutes were unanimously accepted via a roll call vote.

d. FAC Goals and Objectives Subcommittee Report

Commissioner Cloney thanked Commissioner Wright for working with him on the Goals and Objectives (G&Os). He stated they made a few changes. Jennifer Tran from LAU read the proposed FY 25-26 FAC G&Os.

Commissioner Cloney advised that on page 2, line 6 should read “actively” instead of “active”.

Chairperson Bobrowsky asked the Commissioners if they have feedback. None

Bobrowsky said that the last the word in the last paragraph of the first page, “severe”, may not be the best word. Commissioner Cloney explained that he is referring to their opposition to diversion. Vice-Chairperson Lopez said that he wonders if that last sentence would help the DAs fight back against diversion. He opposes taking the word “severe” out of the paragraph. Commissioner Calamuci supports removing that word, while he understands the thought behind it.

The Commissioners continued with their review of the G&Os. Chairperson Bobrowsky wanted the word “District Attorney” to be plural “District Attorneys” on the second page.

No further comments by the Commissioners. The Commissioners agreed to remove the word “Severe” from the first page.

Public Comments

Jill Nerone from San Mateo said she agrees with removing the word “severe” as it may not appear they are being fair. She wanted to note that the DAs are also very frustrated with diversions.

Tamara Martin from San Diego spoke and said she shares in Jill’s frustration with court ordered diversion. However, when a county comes up with diversion terms themselves it is often because it would result in more favorable terms for the victim, such as full restitution.

Victor Ou from San Diego said he agrees there is a lack of holding people responsible for their actions however, he is hoping that with Prop 36 we will enter into a new era where there is more accountability. By the county initiating the diversion, they can then dictate the terms and make sure it is favorable. Commissioner Cloney said he does not support diversion because there’s typically no punishment. He feels restitution is not punishment as it is paying back money they shouldn’t have in the first place. Victor Ou replied that in some cases they need to take what they can get and try to get the most favorable diversion terms.

No further public comments.

Jennifer Tran from LAU summarized the FAC Commission’s changes to the proposed FY 25-26 FAC G&Os.

There was a 10 minute break to print the revised proposed G&Os.

The meeting reconvened at 11:37 am.

Motion

Vice-Chairperson Lopez made a motion to accept the FY 25-26 FAC G&Os. Commissioner Cloney seconded the motion.

Action

The FY 25-26 FAC G&Os were unanimously accepted via a roll call vote.

e. FAC Representatives for the Workers' Compensation Grant Review Panel

The FAC provides two FAC Commissioners to participate in the Workers' Compensation Grant Review Panel. Commissioners Calamuci and Cloney volunteered and will serve on the panel for FY 25-26 applications.

f. Public Comments

There were no public comments.

II. Enforcement Branch

a. Administrative Update

Deputy Commissioner (DC) Charlick advised he'd like to address the questions asked at the previous FAC meeting. Previously Commissioner Cloney asked CDI to breakdown the average number of hours spent on case types. DC Charlick advised there are a number of reasons why cases vary in time. On average claimant fraud cases took 14,989 hours, medical provider fraud 1,000 hours, misclassification 2,869 hours, other workers' comp 9,011 hours, under-reported wages 24,431 hours, uninsured employer 391 hours, and x-mod evasion 1,336 hours. DC Charlick then provided some case examples wherein the hours spent were much higher than the average due to various factors including complexity, volume of digital evidence review, multiple search warrant locations, etc.

In response to Vice-Chair Lopez's previous question regarding what steps CDI will take if we can't secure the staff we desire: CDI has increased our efforts to recruit self-sponsored candidates at academies, recruiting at colleges, using Investigative Analysts to assist in cases, hiring Student Assistants, and working with NICB and other taskforces to combine resources. In response to the question regarding if there is a strategy in place to leverage the team we currently have: We realign resources to maximize efficiency and evaluate current processes to identify area to improve. Additionally, the Fraud Division has been looking at the allocation of resources and geographic boundaries of our regional offices to maximize efficiency. Regarding what safeguards we you have in place to mitigate the setbacks that are inevitable when an experienced detective or attorneys leaves their position: CDI has in-house training such as BIC, FTO Program, and ETTU. We also have intermediate and advanced investigation training where our senior staff provide training on complex investigations, state-wide case debriefs, and several of our DA partners provide training to our new detectives.

In response to Vice-Chair Lopez's question whether technology plays a role in enhancing our efforts: We are in the early stages of developing our case management system which will potentially include AI tools. Over the last two years CDI has utilized data analytics using raw data from DIR to identify potential medical provider fraud cases. We are also in the process of executing a pilot program with a data analytics company as well as looking into AI to assist with identifying impact cases. Regarding the question of who gives legal advice to CDI detectives when handling complex insurance fraud investigations: The DAs do not provide legal advice. However, CDI enters into "Joint Plans" with DA's offices participating in the grant programs and those joint plans outline the vertical prosecution procedures to be utilized in every regional office. Each regional office works closely with the DA's offices to adhere to the joint plan and vertically prosecute cases. When working cases with the U.S. Attorney's Office (USAO), the same vertical prosecution model is utilized, but there is no formal agreement. In terms of "legal advice", CDI has internal legal counsel, and ultimately all matters that fall outside of the scope or expertise of CDI Legal are referred to the CA Attorney General, which represents state agencies in all legal matters.

In response to Vice-Chair Lopez's question whether CDI has a criminal legal team available to its detectives to guide and protect them: On internal matters, CDI has internal counsel. Anything outside of their expertise is the responsibility of the Attorney General's Office.

Vice-Chairperson Lopez asked if we rely on the CA Attorney General. DC Charlick advised no. That's not what the CA AG is there for and we'd have to pay them; We rely on that vertical prosecution model.

Vice-Chairperson Lopez asked is it possible for CDI to hire a Criminal Law Lawyer to protect CDI from civil liability? DC Charlick replied that we rely on our staff counsel, like Yvonne Hauscarriague. As for whether we could hire a Criminal Lawyer, we would have to defer to our Legal Department.

Commissioner Cloney asked if the new training courses for CDI detectives will be recorded. DC Charlick replied yes, they will be live and will record them for detectives if they couldn't attend the training.

Chairperson Bobrowsky asked if CDI sends their new detectives to conferences like AFA. DC Charlick advised yes, typically we try to send new detectives. There are times we send Sergeants to the trainings too.

DC Charlick then provided a personnel update. DC Charlick advised that throughout FY 23-24 our Professional Standards Unit conducted 68 background investigations for detective positions. The peace officer background process is very extensive and not all candidates are selected for hire. Of the 68 detective candidates placed into background, 13 were hired as new sworn detectives. In 2024, the Fraud Division had the following personnel transactions: Deputy Commissioner George Muller retired and DC Charlick was promoted to replace him. We suffered the loss of Captain Rick Edmonson when he

passed away. Myra Svoboda was promoted to Captain of the Los Angeles Regional Office and 3 detectives were promoted to Sergeant. Additionally, 4 detectives retired, 1 detective resigned, and 9 transferred to another State Agency. We have vacancies for 1 Chief, 3 Sergeants, and 59 detectives.

b. Department of Industrial Relations Assessment Collection for FY 2025-26

Chairperson Bobrowsky asked DC Charlick to read the DIR letter for FY 25-26 collections. DC Charlick read the letter from DIR. DC Charlick advised that in November 2024, the Fraud Assessment Commission assessed an aggregate amount of \$89,985,405 for Fiscal Year 2025-26. In November, CDI determined that there were approximately \$321,000 in unspent CDI funds available at the end of FY 2023-24. There was also approximately \$343,000 in fines and penalties collected in FY 23-24. Pending budget authority approval, these funds will be distributed on a pro-rata basis to the District Attorneys this current 2024-25 fiscal year. No funds are being used to offset collections. Therefore, the amount of money that will need to be collected by the Department of Industrial Relations from California employers for the Fiscal Year 2025-26 is \$89,985,405.

c. District Attorney Unexpended Funds

Jennifer Tran from LAU provided the unexpended funds numbers. For FY 23-24, the District Attorneys had \$7,775,053 in unexpended funds, excluding interest; this was 14.89% of their total award. Of that, \$3,822,347 was approved for carryover into FY 24-25, and the remainder was invoiced to be returned to the program for FY 24-25.

d. Insurance Fraud Programs

CDI will publish the Workers' Compensation Funding Announcement and Application in GMS, on Wednesday, February 19, 2025. The deadline for submitting applications is 5:00 p.m. April 23, 2025. Any county that fails to submit their application by the published deadline will not be considered for funding per California Code of Regulations, Title 10, section 2698.52(c).

The Enforcement Branch will present the Grant Information Webinar on February 26 2025, which will provide an overview of the application and award process. Two Grant training Workshops will be held in March. Applicants are encouraged to participate in the CDI Grant Training Workshops and if they have any questions to reach out to the Local Assistance Unit. The Local Assistance Unit will be sending out emails with more information on the planned training events.

The Workers' Compensation (WC) grant program will be using the new system starting July 1, 2025 for their reporting of FY 25-26 activities. For the current FY reporting, WC grant counties are utilizing the old system as the first reporting requirement for FY 24-25 is due on February 1, 2025.

The Workers' Compensation Grant Review Panel is convened by the Insurance Commissioner to evaluate each county's application and make funding recommendations to the Insurance Commissioner. The Commissioner, in making his determination as to the most effective distribution of moneys, shall obtain the advice

and consent of the Fraud Division and the Fraud Assessment Commission. Per California Code of Regulations, the Review Panel consists of: Two members of the Fraud Assessment Commission, the Director of the Department of Industrial Relations or his/her designee, an expert in consumer crime investigation designated by the Insurance Commissioner, and the Enforcement Branch Deputy Commissioner or his/her designee. Representing the Fraud Division will be Deputy Chief Victoria Martinez. The Insurance Commissioner's Review Panel is a public meeting and is scheduled to meet on Wednesday, June 11, 2025. This meeting will be held as a hybrid meeting. County presenters may participate via Zoom and do not have to be in person.

e. Public Comments

Chairperson Bobrowsky asked if there were any public comments and there were none.

There was a 5 minute break and the meeting resumed at 12:27 pm.

III. Aggregate Assessment Split

a. Discussion

DC Charlick advised Insurance Commissioner Lara is seeking the panel's advice and consent on his decision to make a one-time adjustment to the aggregate assessment by 4.76%, which results in an overall assessment split of 55% to the DAs and 45% to CDI for FY 25-26. This would equate to \$48,875,973 for the DAs and \$39,989,432 for the CDI Fraud Division.

LAU Analyst Jennifer Tran read the letter from Insurance Commissioner Lara seeking the FAC's consent.

LAU Analyst Sara Marshall presented a PowerPoint regarding the DAs history of unspent funds, total funding, and expended funds. Additionally, the PowerPoint outlined the proposed FY 25-26 for the DAs with the proposed split adjustment and additional funding from returned unspent DA FY 23-24 funds, the DA's FY 25-26 funding would be \$52,850,852, which is \$371,714 more than the FY 24-25 DA total funding. Each slide was read for call-in participants.

DC Charlick came back to the podium and stated that after carefully evaluating CDI's estimated SFC caseload capacity and our labor force flexibility, the Enforcement Branch recommended another one-time discretionary split adjustment of 4.76% for FY 25-26 to ensure the assessment's utilization appropriately in the intended fiscal year. Additionally, CDI routinely approves justified carry-over and we anticipate to allow the DAs to carry over a portion of their FY 24-25 unspent funds into FY 25-26. If the FAC consents to the Commissioner's decision to adjust the split, CDI's plan is to continue to increase the level of service in the WC program. Also, it should be noted the one-time adjustment being sought here today is approximately \$2 million less than we are receiving in the current FY.

Commissioner Cloney said that since CDI didn't expend all our funds last year, how are they going to work more cases with more money if they don't have enough staff to utilize

all their funds. DC Charlick replied Fraud Division did expend all their funds; it was other support branches in CDI that did not.

Commissioner Cloney asked about how many cases were rejected for lack of resources. Deputy Chief Felicia Lieb advised CDI turned down approximately 1,000 cases due to lack of resources, which is about 1/3 of the SFCs received.

Commissioner Spears asked why the PowerPoint presentation did not include a chart for CDI spent and unspent funds. DC Charlick explained that every year, except last FY, CDI expended all our funds.

Chairperson Bobrowsky said it makes sense to him to consent to the one-time split change and he sees no downside.

Commissioner Cloney asked if the 33% of our cases that are being closed for insufficient resources will be eliminated if the split change goes through. DC Charlick said no, \$4 million will not fund 1,000 cases.

Commissioner Cloney asked if CDI has the staffing to utilize the \$4 million. DC Charlick said yes, we would allocate more staffing for WC cases as we have been doing FY 2024-25 since we got the 6.76% split adjustment.

DC Charlick said he had conversations with the DAs prior to the meeting so they were aware of our intentions.

b. Public Comments

Chairperson Bobrowsky asked if there were any public comments.

Victor Ou from San Diego stated he appreciates the transparency this time. They had a meeting with many of the DAs on Monday and the general consensus was to not oppose this one-time split adjustment. There was some concern about whether it is about spending all the money or spending it wisely. They wonder if there will be a tangible difference in CDI's outcomes. One of the concerns for the DAs is consistency of funding and the future fiscal year funding is determined so far in advance.

Jill Nerone from San Mateo County said she echo's Victor Ou's comments. She agrees the past two fiscal years the DAs struggled to spend all their funding, but historically that is not the case. She said she would love unspent funds to go back to the employers if possible.

DC Charlick commented on consistency of funding and state that the aggregate assessment is set seven months before the FY begins. In terms of consistency, the slides from CDI's presentation showed the DAs have spent consistently about the same amount. He believes CDI allotting more staff to fight WC fraud is a better use of funds than the DAs buying several cars and sending several people to out of state training.

LAU Manager, Diana Russell, wanted to clarify Jill Nerone's comment about wanting unspent funds back to the employers. She explained unspent DA funds are required by statute to go back to the DAs. Only unspent CDI funds and collected fines and penalties have the opportunity to go back to the employers if the FAC votes to offset the aggregate assessment instead of augmenting the DA's funding.

William Lee from San Bernardino participated online via Zoom. He thanked DC Charlick for communicating CDI's intentions ahead of time. He pointed out that the unexpended funds had gone up for the past couple years, but he was pleased the unspent funds in FY 23-24 did go down some.

c. Vote

Motion

Chairperson Bobrowsky made a motion to consent to a one-time split change of the aggregate assessment of 4.76% in favor of CDI. Spears seconded.

Commissioner Cloney asked if we could instead vote to approve the letter from Insurance Commissioner Lara as written. LAU Manager Diana Russell confirmed yes.

Chairperson Bobrowsky withdrew his motion. Commissioner Cloney made a motion to approve Commissioner Lara's request to adjust the split as outlined in his letter. Commissioner Spears seconded the motion.

Action

The one-time aggregate assessment split change, as outlined in Insurance Commissioner Lara's letter, was unanimously accepted via a roll call vote.

III. CDAA Presentation

Jill Nerone asked if they should postpone the presentation to the next meeting since some people could not attend due to travel issues. Chairperson Bobrowsky agreed.

IV. Other Business

- a.** Insurance Commissioner's Workers' Compensation Review Panel will be on June 11, 2025. This will be a hybrid meeting.
- b.** Next Scheduled FAC Meetings after that are: June 25, 2025, November 12, 2025, and November 19, 2025.
- c.** Public Comments: None.

V. Public Comments

The floor was opened for public comment on any agenda items and there were none.

VI. Closing Remarks

Commissioner Calamuci said his union is out there talking to workers on job sites and doing outreach. He said the DAs have willing partners in the unions. He is looking forward to reviewing the grant applications.

Commissioner Carresi appreciates the time spent in putting together all the data and answer these questions.

Commissioner Cloney said that when the split is discussed it always seems to come across adversarial and it shouldn't be as we are partners.

Chairperson Bobrowsky thanked LAU for their work and thanked the DAs for all their work.

Vice-Chairperson Lopez said, referencing the G&Os, that forging partnerships is key. He also mentioned outreach in the G&Os and that joint-labor management committees may be able to help with outreach. He wanted to confirm that if an employee files a fraudulent claim and a conviction isn't obtained, then their X-Mod is still affected. He said that he would like the legislation to be changed and he would like something to be done about that. He thinks we should continue to fight for CDI's pay differential.

Commissioner Spears thanked LAU, the Commissioners, and the DAs.

Motion

Commissioner Spears made a motion to adjourn the meeting. Commissioner Calamuci seconded the motion.

Action

The Commissioners unanimously approved via a roll call vote and the meeting adjourned at 1:30 pm.