

DEPARTMENT OF INSURANCE

George Mueller, *Deputy Commissioner*

FRAUD DIVISION

2400 DEL PASO ROAD, SUITE 250

SACRAMENTO, CA 95834

(916) 854-5760

www.insurance.ca.gov



November 6, 2018

Stephen Rusconi
Business Manager
Fresno County District Attorney's Office
2220 Tulare Street, Suite 1000
Fresno, CA 93721

RE: Executed Original of the Fiscal Year 2018-19 Grant Award Agreement for the
Automobile Insurance Fraud Program

Dear Stephen Rusconi:

Fresno County was awarded \$410,608 for the Fiscal Year 2018-19 Automobile
Insurance Fraud Program.

Please find the following three documents enclosed:

- Executed Original of the Fiscal Year 2018-19 Grant Award Agreement
- Summary of Important Deadlines
- After Award Administrative Requirements

Sincerely,

Jan Perschler

Janis Perschler
Manager, Local Assistance Unit

Enclosures

cc: Lara Clinton, Deputy District Attorney

**INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA**

GRANT AWARD AGREEMENT

Fiscal Year 2018-19

Automobile Insurance Fraud Program

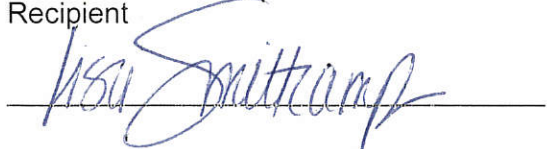

The Insurance Commissioner of the State of California hereby makes an award of funds to **Fresno County**, Office of the District Attorney, in the amount and for the purpose and duration set forth in this grant award.

This grant award consists of this agreement and the application for the grant and made a part hereof. By acceptance of the grant award, the grant award recipient agrees to administer the grant project in accordance with all applicable statutes, regulations and Request-for-Application (RFA).

Duration of Grant: The grant award is for the program period, **July 1, 2018** through **June 30, 2019**.

Purpose of Grant: This grant award is made pursuant to the provisions of California Insurance Code §1872.8 and shall be used solely for the purposes of enhanced investigation and prosecution of automobile insurance fraud and economic car theft cases.

Amount of Grant: The grant award agreed to herein is in the amount of **\$410,608**. This amount has been determined by the Insurance Commissioner. However, the actual total award amount for the county is contingent on the collection and the authorization for expenditure pursuant to the Government Code §13000 et seq. The grant award shall be distributed pursuant to §1872.8 of the Insurance Code and to the California Code of Regulations Sub-Chapter 9, Article 4, §2698.65.

<p>Official Authorized to Sign for Applicant/Grant Recipient</p> <p></p> <p>Name: Lisa A. Smittcamp Title: District Attorney</p> <p>Address: 2220 Tulare Street, Suite 1000 Fresno, CA 93721</p> <p>Date: <u>9/20/18</u></p>	<p>DAVE JONES Insurance Commissioner</p> <p></p> <p>Name: George Mueller Title: Deputy Commissioner</p> <p>Date: <u>10-17-18</u></p>
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I hereby certify upon my own personal knowledge that budgeted funds are available for the period and purposes of this expenditure.


Crista Hill, Budget Officer, CDI

10/25/18
Date

FRESNO COUNTY DISTRICT
ATTORNEY

AUTOMOBILE INSURANCE FRAUD PROGRAM

GRANT APPLICATION

FISCAL YEAR
2018 - 2019

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GRANT APPLICATION CHECKLIST and SEQUENCE FISCAL YEAR 2018-2019

THE APPLICATION MUST INCLUDE THE FOLLOWING:

	<u>YES</u>	<u>NO</u>
1. GRANT APPLICATION TRANSMITTAL (FORM 02) completed and signed by the district attorney?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. PROGRAM CONTACT FORM (FORM 03) completed?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. Original or certified copy of the BOARD RESOLUTION (FORM 04) included? If NOT, the cover letter must indicate the submission date.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4. TABLE OF CONTENTS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
5. The County Plan includes:		
a) COUNTY PLAN QUALIFICATIONS (FORM 05)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b) STAFF QUALIFICATIONS (FORM 06(A))	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c) ORGANIZATIONAL CHART (FORM 06(B))	<input checked="" type="checkbox"/>	<input type="checkbox"/>
d) PROGRAM REPORT (DAR OR FORM 07)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e) COUNTY PLAN PROBLEM STATEMENT (FORM 08)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
f) COUNTY PLAN PROGRAM STRATEGY (FORM 09)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6. Projected BUDGET (FORMS 10-12) included?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
a) LINE-ITEM TOTALS VERIFIED?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b) PROGRAM BUDGET TOTAL (FORM 12) matches amount requested on FORM 02?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
7. EQUIPMENT LOG (FORM 13) completed and signed?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8. JOINT PLAN (Attachment A) completed and signed?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9. CONFIDENTIAL CASE DESCRIPTIONS (Attachment B) Is all content readable? A partial narrative is not acceptable.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10. ELECTRONIC VERSION (CD/DVD) included?	<input checked="" type="checkbox"/>	<input type="checkbox"/>

GRANT APPLICATION TRANSMITTAL**AUTOMOBILE INSURANCE FRAUD PROGRAM****Grant Period: July 1, 2018 to June 30, 2019**

Office of the District Attorney, County of FRESNO,
hereby makes application for funds under the Automobile Insurance Fraud Program
pursuant to Section 1872.8 of the California Insurance Code.

Contact: Lara Clinton Deputy District Attorney

Address: 2220 Tulare Street, Suite 1000

Fresno, CA 93721


Telephone: (559) 600-3162

(1) New Funds Being Requested: \$ 551,512.00

(2) Estimated Carryover Funds: \$ 2,500.00

TRACI FRITZLER
Assistant District Attorney
(3) *Program Director*

STEPHEN RUSCONI
District Attorney Business Manager
(4) *Financial Officer*


(5) District Attorney's Signature

Name: LISA A. SMITTCAMP

Title: DISTRICT ATTORNEY

County: Fresno

Address: 2220 Tulare Street, Suite 1000

Fresno, CA 93721

Telephone: (559) 600-3141

Date: 06/19/2018

**AUTOMOBILE INSURANCE FRAUD PROGRAM
PROGRAM CONTACT FORM
FISCAL YEAR 2018-2019**

1. Provide contact information for the person with day-to-day operational responsibility for the program, who can be contacted for questions regarding the program.
 - a. Name: Lara Clinton
 - b. Title: Deputy District Attorney
 - c. Address: 2220 Tulare Street, Suite 1000
 - d. Fresno, CA 93721
 - e. E-mail address: lclinton@fresnocountyca.gov
 - f. Telephone Number: (559) 600-3162 Fax Number: (559) 600-2144
2. Provide contact information for the District Attorney's Financial Officer.
 - a. Name: Stephen Rusconi
 - b. Title: Business Manager
 - c. Address: 2220 Tulare Street, Suite 1000
 - d. Fresno, CA 93721
 - e. E-mail address: srusconi@fresnocountyca.gov
 - f. Telephone Number: (559) 600-4447 Fax Number: (559) 600-4100
3. Provide contact information for questions regarding data collection/reporting.
 - a. Name: Lara Clinton
 - b. Title: Deputy District Attorney
 - c. Address: 2220 Tulare Street, Suite 1000
 - d. Fresno, CA 93721
 - e. E-mail address: lclinton@fresnocountyca.gov
 - f. Telephone Number: (559) 600-3162 Fax Number: (559) 600-2144

**BOARD OF SUPERVISORS RESOLUTION
FISCAL YEAR 2018-2019**

RESOLUTION

Please be advised that a Resolution from the Board of Supervisors authorizing Fresno County to enter into a Grant Award Agreement with the California Department of Insurance will be forwarded no later than December 1, 2018.

COUNTY PLAN: QUALIFICATIONS FISCAL YEAR 2018-2019

QUESTIONS

Answer the following questions to describe your experience in investigating and prosecuting automobile insurance fraud cases during the last two (2) fiscal years, as specified in the California Code of Regulations, Title 10, Section 2698.65.

- The outcomes reported in Form 5 shall represent activities funded by this grant program.
- If a case is being reported in more than one insurance fraud grant program, clearly identify the component(s) that apply to this program.

1. What areas of your automobile insurance fraud operation were successful and why?

The Fresno County District Attorney's Automobile Insurance Fraud Unit (AIF Unit) has been in operation for over 25 years. The well-qualified, dedicated staff has maintained valuable contacts with other local agencies that specialize in automobile theft and automobile insurance fraud. The AIF Unit attends the most relevant training seminars on current fraud trends and how to successfully combat those fraud schemes. The Fresno County District Attorney's Office is committed to staffing the AIF Unit with a seasoned prosecutor and investigator. Their experience has allowed for the successful investigation and prosecution of complex cases. The AIF Unit strives to prosecute defendants in a diverse yet balanced caseload which reflects the automobile insurance fraud issues unique to Fresno County.

Successes in Fiscal Year 2016-2017

In FY 2016-2017, the AIF Unit filed 19 cases against 25 defendants. Eleven were applicant fraud cases. The remaining eight cases were staged accidents, insider fraud, economic car theft, and cases as a result of Bureau of Automotive Repair (BAR) investigations. The majority of the criminal cases were resolved only after full restitution was made. In Fiscal Year 2016-2017, restitution in the amount of \$35,971.17 was collected and dispersed to victims.

Prosecution of the 28 defendant fraud ring case known as Operation Crash for Cash was ongoing in Fiscal Year 2016-2017. Fifteen defendants were convicted via no contest pleas; four defendants were convicted of felonies and 11 defendants pled to misdemeanors. Some of the convictions resulted in significant custody time: one defendant was sentenced to five years local prison and three others were sentenced to

between four to eight months in jail. The case remained active against 13 defendants at the end of the year. In Fiscal Year 2016-2017, restitution in the amount of \$18,330.71 was collected and returned to the victims in this case.

The AIF Unit worked closely with a local police department to investigate a sheriff's deputy suspected of committing arson and insurance fraud. The suspect alleged that his recently purchased vehicle was stolen from his driveway and burned nearby. The investigation revealed that the suspect burned his own vehicle to collect money for a fraudulent insurance claim due to his dire financial status. The defendant pled during Fiscal Year 2017-2018.

Arson and insurance fraud charges were filed against a defendant accused of having someone burn his vehicle to collect insurance proceeds when he could no longer afford the payments. In an effort to determine who dumped and burned the vehicle, the AIF Unit investigator wrote several search warrants to obtain the defendant's cell phone records and records from cellular providers using cell towers near where the vehicle was found. The investigator then compared every phone number associated with the defendant's cellular use history to the numbers identified as connecting through the two cell towers. The AIF Unit investigator interviewed several witnesses to build a case entirely on circumstantial evidence.

The AIF Unit prosecuted several BAR cases after consumer complaints and undercover operations revealed that auto repair shop owners charged insurance companies for parts not installed and labor not performed. The AIF Unit will continue to prosecute repair shops that place dangerous unrepaired and unsafe vehicles on the roadways.

Successes in Fiscal Year 2017-2018

In FY 2017-2018, the AIF Unit filed 23 cases against 28 defendants. Thirteen were applicant fraud or auto arson cases. The remaining 14 cases were classified as economic car theft. Felony convictions increased from the prior fiscal year. The majority of the criminal cases were resolved only after full restitution was made. The AIF Unit collected and dispersed \$35,748.07 in restitution to victims.

Aggressive prosecution of the 28 defendant fraud ring case known as Operation Crash for Cash resulted in significant sentences during this fiscal year. The case was a series of staged and paper collisions using common vehicles, cell phone numbers, and claimants. The total loss was approximately \$130,000. One of the lead conspirators received three years in state prison for recruiting people to make false claims. Another lead conspirator received 365 days in jail for operating a body shop that received two-party checks from insurance companies to repair damage that was actually caused by the staged and paper collisions. Two mid-level conspirators received eight months in jail for participating in four to five fraudulent claims. A lower-level participant received four months in jail for his role in one fraudulent claim. Additionally, two lower-level conspirators received prison sentences after violating the terms of their probation. In total, the case has

resulted in felony convictions against eight defendants and misdemeanor convictions against 14 defendants. The case remains active against four defendants, including the mastermind of the scheme. To date, \$29,552.74 in restitution has been collected and returned to the victims in this case.

The close working relationship and open communication between the AIF Unit prosecutor and the Central Valley Regional Office (CDI) prevented one of the lead Operation Crash for Cash conspirators from fleeing the country and the supervision of the probation department. The CDI case detective received information from the Department of Homeland Security that the defendant booked a one-way flight to Moscow. The detective contacted the prosecutor right away. The prosecutor immediately alerted the Fresno County Probation Department who was tasked with supervising the defendant. A probation officer called the defendant that day. The defendant denied she planned to travel. The Adult Compliance Team (ACT), which includes District Attorney and Probation Department personnel, searched the defendant's house the next morning and located evidence that she intended to leave the country. After being confronted with the evidence, the defendant confessed she was leaving that day to return to Armenia. The ACT Team seized the defendant's passport. Shortly after, the defendant's attorney petitioned the court for permission to allow her to go to Armenia so she could work and pay restitution. The prosecutor objected. The court denied the defendant's motion to modify probation to allow her to travel. Since then, the defendant has begun making payments towards the \$86,792.12 restitution she owes for her part in the conspiracy. Quick teamwork prevented the defendant's flight beyond the reach of the court and probation department.

Despite the significant challenges of proving auto arson cases, the AIF Unit obtained several significant convictions during Fiscal Year 2017-2018 against defendants who burned (or arranged to have burned) their vehicles to collect insurance proceeds. In the case investigated by the AIF Unit discussed above, the defendant pled on the eve of the preliminary hearing to a felony count of insurance fraud and was ordered to serve two years on probation with 90 days on the work program. The defendant's vehicle was found burned two hours after the vehicle was allegedly stolen from a shopping mall. Despite the case being built entirely on circumstantial evidence and the identity of the arsonist unknown, the AIF Unit obtained a felony conviction against the insured. The AIF Unit also convicted a Fresno County Sheriff's Deputy as discussed above who burned his vehicle to obtain insurance benefits. The defendant pled to a felony and is awaiting sentencing. The case has brought media attention to the issue of insurance fraud.

The AIF Unit resolved an insider fraud case after full payment of restitution. The defendant, while employed as an insurance agent, pocketed \$13,815.27 in upfront insurance policy premiums and broker fees from car buyers. The owner of the insurance agency who employed the defendant was extremely appreciative to be made whole with

the resolution of the case.

The AIF Unit is working closely with Help Eliminate Auto Theft (HEAT), the local auto theft task force, to prosecute defendants who are chopping up vehicles and selling them for profit. All chop shop cases are prosecuted by the AIF Unit so that an experienced prosecutor can handle these cases. The AIF Unit prosecutor worked with the task force detectives to establish a procedure and streamline the process for obtaining destruction orders from the court. Prior to this, law enforcement agencies were unnecessarily paying storage fees for unidentifiable trailers and other evidence long after the cases had resolved. The new process avoids the waste of taxpayer money on unnecessary storage fees.

2. Specify any unfunded contributions (i.e., financial, equipment, personnel, and technology) and support your county provided to the automobile insurance fraud program.

The Fresno County District Attorney's Office assigns a Budget Analyst, Chief Deputy District Attorney, and a Commander of the Bureau of Investigations to oversee the AIF Unit. The District Attorney's Office provided a Senior Legal Assistant to the AIF Unit part-time to assist with case management, restitution, and grant administration until she retired in March 2018. The District Attorney's Office currently provides a Program Technician to the AIF Unit who handles the day to day operations of the AIF Unit. Further, the Bureau of Investigations provides additional investigative resources for search warrant and arrest warrant service when required.

3. Detail and explain the turnover or continuity of personnel assigned to your Automobile insurance fraud program. Include any rotational policies your county may have.

The Fresno County District Attorney's Office has continually staffed the AIF Unit with dedicated and experienced investigators and prosecutors. These prosecutors and investigators are given the tools and resources they need to develop the specific expertise to effectively investigate and prosecute automobile insurance fraud, including complex cases that require additional time. The District Attorney's Office prioritizes continuity of staff in specialty assignments whenever possible.

The AIF Unit was staffed by Deputy District Attorney Lara Clinton during the past fiscal year. DDA Clinton is a seasoned prosecutor with significant trial experience. DDA Clinton has been a prosecutor for 16 years and is certified as a Criminal Law Specialist. The California State Bar Association designates individuals who meet certain criteria and pass a written examination as specialists in their designated fields. Only 342 California attorneys are designated as Criminal Law Specialists. DDA Clinton joined the AIF Unit in March 2017. Since joining the AIF Unit, she has taken advantage of several training opportunities specific to Auto Insurance Fraud. DDA Clinton attended the California

District Attorneys' Association (CDAA) Insurance Fraud conference in October 2017 and CDAA Felony Sentencing training in May 2018. Additionally, DDA Clinton attends bimonthly Western State Auto Theft Investigator (WSATI) trainings, monthly HEAT Team roundtable meetings, and bimonthly CDI sponsored Special Investigations Unit (SIU) meetings.

Senior Investigator Jarrod Amey was assigned to the AIF Unit in June 2017. Senior Investigator Amey has 23 years of law enforcement experience as a police officer, detective, and DA Investigator. Senior Investigator Amey has worked at the Fresno County District Attorney's Office since March 2013. He has received extensive training regarding fraud investigations and white collar crime during his career. In 2015, he became a member of the International Association of Financial Crimes Investigators. In 2016, he earned a certificate in Financial Crimes Investigations from the Robert Presley Institute of Criminal Investigation.

Senior Investigator Amey attended the CDAA Insurance Fraud symposium in October 2017 and the Northern California Fraud Investigators Association (NCFIA) conference in April 2018. Senior Investigator Amey is a member of WSATI and regularly attends their trainings, monthly HEAT Team roundtables, and bimonthly CDI sponsored SIU meetings.

4. List the governmental agencies you have worked with to develop potential automobile insurance fraud cases.

The AIF Unit works with all local law enforcement agencies including CDI, the California Highway Patrol Investigative Services Unit, the HEAT Team, Career Criminal Auto Theft Team (CCATT), Fresno County's Agricultural Crimes Task Force (a specialized team consisting of Fresno County Deputy Sheriffs and a CHP officer), BAR, and the Department of Motor Vehicles. Staff also works with the Federal Bureau of Investigation, Department of Social Services, and other local police agencies from the surrounding communities when investigating cases.

AIF Unit members attend monthly briefings with the HEAT Team as well as roundtables organized by CDI working with insurance companies' special investigation units.

The AIF Unit participates in the WSATI organization's meetings and annual training conference.

5. Were any frozen assets distributed in the current reporting period? (Assets may have been frozen in previous years.) If yes, please describe. If no, state none.

None.

**COUNTY PLAN: STAFFING
FISCAL YEAR 2018-2019**

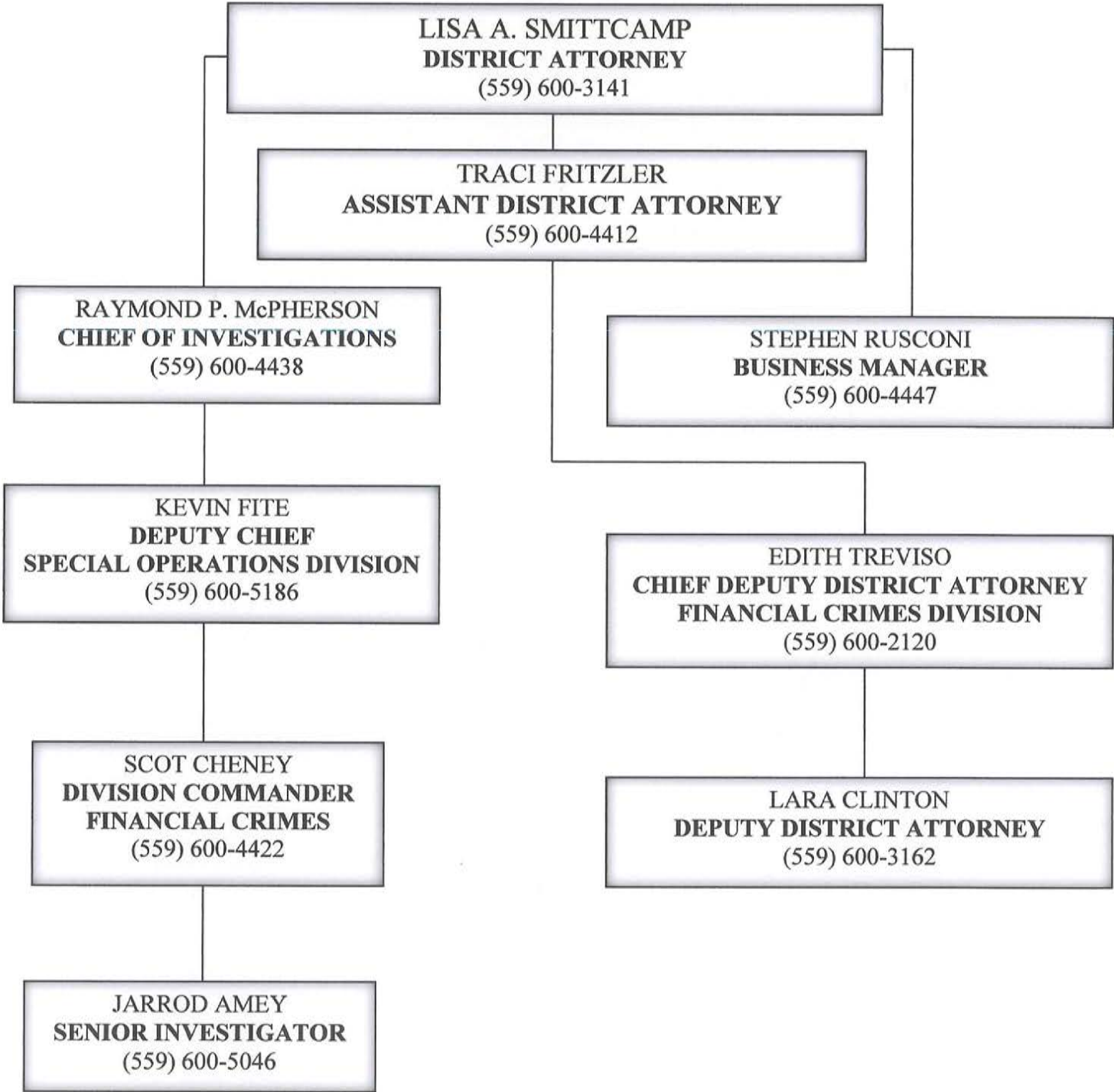
COUNTY OF FRESNO

Prosecutors	% Time	Time With Program Start Date/End Date
Lara Clinton	100%	3/27/2017 - Present

COUNTY OF FRESNO

Investigators	% Time	Time With Program Start Date/End Date
Jarrod Amey	100%	6/5/2017 - Present

ORGANIZATIONAL CHART



**COUNTY PLAN: DISTRICT ATTORNEY PROGRAM REPORT
FISCAL YEAR 2018-2019**

DAR (FORM 07) is submitted online

**STATISTICAL INFORMATION WILL BE CAPTURED
FROM JULY 1, 2017 TO JUNE 15, 2018**

COUNTY PLAN: PROBLEM STATEMENT

FISCAL YEAR 2018-2019

PROBLEM STATEMENT

Describe the types and magnitude of automobile insurance fraud (e.g., applicant, medical/legal provider, staged collisions, insider fraud, insurer fraud, fraud ring, capping, and economic vehicle theft) relative to the extent of the problem specific to your county. Use local data or other evidence to support your description.

CDI received and reviewed 271 Suspected Auto Fraud Claims in Fresno during Fiscal Year 2017-2018. Auto Insurance Fraud continues to greatly impact the residents of Fresno County with applicant fraud, vehicle arsons, fraud rings, economic car theft, and medical provider fraud.

Applicant Fraud

Fresno County is the tenth largest county in California based on its estimated population of 989,255 as of July 2017. (2017 U.S. Census Bureau) This is an increase from 2016 of 9,340 residents, a 0.9 percent change. Unfortunately, jobs have not kept up with the population increase. Fresno County's unemployment rate in 2017 was 8.8 percent, nearly double the rate of unemployment in California (4.8%) and the nation (4.4%).

From 2012 to 2016, the median household income in Fresno was \$45,963, significantly below the median income of most Californians (\$63,783). In Fresno County, 25.5 percent of the population lives below the poverty line. The rate of persons living in poverty in Fresno County is double the poverty rate of the nation (12.7 percent) and is significantly higher than the California poverty rate (14.3 percent).

Fresno County's economy is highly dependent on agriculture. California suffered a severe multi-year drought which caused Fresno County farmers to allow thousands of acres of farmland to go fallow. Despite increased precipitation, the effects of the drought persist in Fresno. In 2017, Governor Brown terminated the 2014 Drought State of Emergency for all counties in California except Fresno and three other counties, two of which adjoin Fresno.

These issues all factor into families foregoing automobile insurance, foregoing repairs to their vehicles, falling behind on their auto loan payments, and ultimately resorting to insurance fraud when faced with an auto-related dilemma.

There are also many uninsured, unlicensed drivers in Fresno County. Typically they obtain older, less expensive vehicles which are more easily stolen for parts, thus creating an environment for increased auto insurance fraud.

Vehicle Arsons

Vehicle arsons are commonly committed for insurance fraud purposes, but they generally go undetected. The insured has the vehicle burned, which is then deemed a total loss by the insurance company. Vehicle arsons are very difficult crimes to prove and are very labor intensive to investigate. Due to lack of investigative resources to properly examine the vehicle at the time of recovery, valuable evidence is lost. When fraud is ultimately suspected, it is too late to conduct the proper investigation. Often the vehicle is recovered long after the arson has been committed due to Fresno County's vast farmlands where vehicles are easily disposed of with no witnesses.

Fraud Rings

Local auto theft task forces focus on businesses, both legitimate and illegitimate, that promote economic car theft and auto insurance fraud by dealing in stolen vehicles, stolen vehicle parts, and bill insurance companies for work not performed and parts not supplied to consumers. These businesses include metal recyclers, auto body repair shops, and auto parts shops. The AIF Unit has filed several cases involving fraud rings consisting of the employees, customers, and owners of these businesses. BAR has submitted several cases where auto repair shops are committing fraud by billing insurance companies for unperformed work on the customers' vehicles.

Economic Car Theft

Fresno County has one of the highest auto theft rates in the nation. Fresno has long been plagued by continually high auto theft statistics. According to statistics supplied by the California Highway Patrol, Fresno County ranks as number 12 out of the 58 counties for the most vehicles stolen in 2017. Although 2017 statistics are not yet available, Fresno has been in the top ten in auto thefts nationwide almost every year since 2007 according to the National Insurance Crime Bureau. Additionally, the Fresno Police Department was number 9 in the state for law enforcement agencies reporting the incidence of vehicle thefts in 2017.

The various law enforcement agencies' auto theft task forces are fighting auto theft crime every day. The AIF Unit receives numerous cases from each of these task forces every year. The task forces' efforts and aggressive prosecution by DDAs specializing in auto theft cases are making an impact in Fresno County; auto thefts dropped 14.8 percent in 2017, as compared to the statewide drop of 6.2 percent. Unfortunately, 16 percent fewer vehicles were recovered in Fresno County in 2017, as compared to the statewide rate of 6.8 percent fewer vehicles recovered in 2017 rather than 2016. It is vital to continue funding prosecutors and investigators dedicated to insurance fraud and economic car theft to provide for aggressive, specialized prosecution.

Despite efforts to educate the public, many drivers continue to leave their cars running, unattended, to cool down or warm up due to Fresno's unusually hot summer days and cold winter mornings. This allows opportunistic car thieves to steal vehicles that may not otherwise be stolen due to advanced technology.

A large part of Fresno's economic car theft problem revolves around chop shops. The local auto theft task forces investigate many cases where suspects are stealing vehicles, including

older vehicles, and stripping them for parts. Many do so for profit, while others use the parts for their own vehicles. Investigations of chop shops have uncovered numerous owner give-up cases, as well as stolen vehicles.

Medical Provider Fraud

Medical providers who commit billing fraud commonly cross over from the workers' compensation insurance fraud arena into the auto insurance fraud arena. The AIF Unit recognizes the importance of investigating medical provider fraud and is committed to investigating these cases. The AIF Unit continues to work closely with all local, state and federal law enforcement agencies to combat medical provider fraud in Fresno County.

COUNTY PLAN: PROGRAM STRATEGY

FISCAL YEAR 2018-2019

PROGRAM STRATEGY

1. Explain how your county plans to resolve the problem described in your problem statement. Include improvements in your program.

Fresno County faces many challenges, including increased auto insurance fraud in applicant fraud, fraud rings, economic car theft, and medical provider fraud. The AIF Unit is working diligently to help law enforcement combat these areas of auto insurance fraud every day. The AIF Unit strives and has been successful in maintaining a balanced caseload.

Applicant Fraud

The AIF Unit maintains excellent open communication with our various referral sources. Staff will continue to network and coordinate training with the SIU managers for the auto insurance industry. These trainings for claims examiners focus on applicant fraud red flags and evidentiary requirements for successful criminal prosecutions as well as obtaining feedback on how we can better assist in case evaluations. The AIF Unit continues to assist CDI in joint investigations as needed.

Fraud Rings

The AIF Unit investigates all fraud ring referrals, including those involving a large number of suspects and incidents. The AIF Unit is currently prosecuting a 28 defendant fraud ring that was investigated by CDI. The AIF Unit will continue to network with insurance companies in identifying and investigating all suspected fraud rings.

Economic Car Theft

The AIF Unit will continue to work closely with local law enforcement agencies, CDI and SIUs to prosecute both chop shop cases and career auto thieves as efficiently as possible.

Medical Provider Fraud

The AIF Unit will work with the Workers' Compensation Insurance Fraud Unit, CDI, and the National Insurance Crime Bureau (NICB), as well as other law enforcement agencies in investigating and combating medical provider fraud. Combating medical provider fraud is a priority due to its vast impact on the cost of auto insurance for the consumer. Reducing medical provider fraud reduces insurance costs for consumers.

AIF Unit Design

Fresno County is requesting sufficient funding to assign the following full-time positions: one Deputy District Attorney, one Senior District Attorney Investigator, and one half-time Senior Legal Assistant.

It is essential to have a Senior District Attorney Investigator who can review referrals closed

by CDI due to insufficient resources. The Fresno County District Attorney's Office did not receive funding for the Urban Auto Grant for the last grant cycle. The DAI will also be available to investigate cases that would normally be considered Urban Auto Fraud cases.

The DAI will conduct all requested pre-trial follow-up investigations, serve subpoenas, prepare and execute search warrants, locate, transport and prepare witnesses/victims, maintain evidence, and perform other required tasks to support the DDA.

The DDA will ensure cases which are determined to have a significant impact on the program's mission are successfully prosecuted. The DDA will appear in court for AIF Unit cases, including Mandatory Supervised Release, probation, and restitution hearings.

The AIF Unit Senior Legal Assistant will maintain the AIF Unit database, restitution payments, and help in the grant application process. This individual will prepare all court documents, correspondence, and provide any other support for AIF Unit members as necessary.

The AIF Unit continues to collect and track restitution ordered by the court. With the AIF Unit's database, staff can collect restitution, forward payments to victims, and maintain contact with those defendants who fail to make restitution payments quickly and efficiently.

The AIF Unit is responsible for outreach presentations to law enforcement and insurance industry personnel. The AIF Unit staff regularly meets with local law enforcement and private carriers as part of their outreach efforts to discuss potential referrals.

Program Improvement Goals for Fiscal Year 2018-2019

The AIF Unit will work toward filing high impact cases such as sophisticated fraud rings that will provide the greatest deterrent effect. With the rise in arson-related insurance fraud, the AIF Unit will aggressively pursue these types of cases as well as medical provider fraud cases.

The DAI will continue to cooperate with CDI to coordinate investigations and pursue complex cases. The AIF Unit will coordinate with the Workers' Compensation Insurance Fraud Unit in the investigation of medical mills in Fresno County.

2. What are your plans to meet the announced goals of the Insurance Commissioner? Copies have been provided for your reference.

- If these goals are not realistic for your county, please state why they are not, and what goals you can achieve. What is your strategic plan to accomplish the goals?

The AIF Unit will continue to actively pursue cases with high fiscal impact. Staff is committed to reinforcing the message that automobile insurance fraud will not be tolerated in Fresno County.

The AIF Unit is committed to providing continuity of staff. Continuity will allow expertise to grow and improve the performance of the AIF Unit. This improvement will assist in addressing the rampant fraud problem in Fresno County and thereby reduce the overall cost to insurance companies and the public.

The AIF Unit will continue to provide outreach to the law enforcement community, the insurance industry, and the public. Staff remains committed to assisting with case evaluations and training. The AIF Unit will continue to participate in the SIU roundtables, WSATI meetings, and local law enforcement task forces.

3. What goals do you have that require more than a single year to accomplish?

Establishing and maintaining open communication with law enforcement agencies and insurance companies is an ongoing goal. The successful prosecution of complex cases often takes more than a single year to investigate and prosecute.

4. Training and Outreach

- List the **training received** by each county staff member in the automobile fraud unit **during Fiscal Years 2016-2017 and 2017-2018.**

Training Received in Fiscal Year 2016-2017

Esmeralda Garcia, Deputy District Attorney

- CDAA Fraud Symposium, October 2016

Lara Clinton, Deputy District Attorney

- NCFIA Insurance Fraud Conference, April 2017
- WSATI Counterfeit VIN training, April 2017
- CDI "Insurance Fraud is a Crime" Training, May 2017

Shelly Sweeton, Senior District Attorney Investigator

- CDAA Fraud Symposium, October 2016

Mark Diedrich, Senior District Attorney Investigator

- Witness Protection Training, April 2017

Training Received in Fiscal Year 2017-2018

Lara Clinton, Deputy District Attorney

- CDAA Insurance Fraud Symposium, October 2017
- CDAA Felony Sentencing Training, May 2018
- WSATI Smart Water training, April 2018

Jarrod Amey, Senior District Attorney Investigator

- CDAA Fraud Symposium, October 2017
- NCFIA Anti-Fraud Conference, April 2018
- WSATI Smart Water training, April 2018

Training/Outreach FY 2017-2018

AIF Unit personnel

- Informal training to local law enforcement agencies as needed
- Bi-monthly roundtable meetings with local SIU personnel/law enforcement
- Monthly HEAT meetings
- Meet with SIU investigators to provide instruction on the necessary elements to file a case and to identify fraud indicators

Describe training/outreach you plan to provide in FY 2017-2018

CDI Detectives and the AIF Unit are coordinating with local SIUs to give fraud training to claims examiners and other local insurance groups.

The AIF Unit staff plan to meet with SIU investigators on a regular basis to provide training and instruction on the requirements for a successful referral for prosecution. The DDA will be available for both formal and informal training and presentations as opportunities arise.

5. Describe the county's efforts and the district attorney's plan to obtain restitution and fines imposed by the court to the Automobile Fraud Account.

The AIF Unit regularly obtains court ordered fines and restitution orders for victims. The court orders the defendant to make restitution payments through the AIF Unit.

To enhance the collection of restitution, AIF Unit staff will contact victims to determine the amount of restitution. The Senior Legal Assistant will monitor restitution payments and will send reminder letters to those defendants that fail to make a scheduled restitution payment. Where restitution is not being made, the DDA will actively seek judicial enforcement in probation violation hearings.

The AIF Unit collects restitution payments directly from the defendants and forwards these payments to the victims. The AIF Unit calendars violation of probation hearings on its own motion to have the court address willful violations of the Court's restitution orders.

6. Identify the performance objectives that the county would consider attainable and would have a significant impact in reducing automobile insurance fraud.

Projection:

a. 60 new investigations will be initiated during FY 2018-2019

b. 45 new prosecutions will be initiated during FY 2018-2019

7. If you are asking for an increase over the amount of grant funds awarded last fiscal year, please provide a brief description of how you plan to utilize the additional funds.

The FY 2016-2017 grant award did not fund a Senior Legal Assistant. The AIF Unit would benefit greatly from a half-time grant funded Senior Legal Assistant that would maintain the database, prepare grant documents, monitor the receipt and distribution of restitution, and

assist the DDA and DAI with case preparation.

\$ <u>551,512.00</u> FY 2018-2019 Grant REQUEST	\$ <u>458,647.00</u> FY 2017-2018 Grant AWARD	\$ <u>92,865.00</u> FY 2018-2019 Increase Requested
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Utilization Plan:

Additional funds received will be used for a legal assistant to support the AIF Unit. In fiscal year 2017-2018, the AIF Unit had to utilize a legal assistant from another unit that did not specialize in issues unique to AIF cases.

AUTOMOBILE INSURANCE FRAUD PROGRAM**BUDGET: PERSONNEL SERVICES****FISCAL YEAR 2018-2019****COUNTY NAME:** FRESNO

A. PERSONNEL SERVICES: Salaries and Employee Benefits	COST
<p><u>(1) DEPUTY DISTRICT ATTORNEY:</u> This individual devotes 100% of time to this program.</p> <p>Annual salary: \$134,610</p> <p><u>Benefits:</u></p> <p>Retirement: (\$134,610 @ .6239) \$83,983</p> <p>OASDI: (\$134,610 *.0145)+(\$127,200*.062) \$9,838</p> <p>Health Ins- Annual: \$7,921</p> <p>Unemployment-Annual: \$103</p> <p>Workers Comp-Annual: \$618</p> <p>Admin Fee- Annual: \$170</p>	<p>\$134,610</p> <p>\$102,633</p>
<p><u>(1) SENIOR DISTRICT ATTORNEY INVESTIGATOR:</u> This individual devotes 100% of time to this program.</p> <p>Annual salary: \$95,084</p> <p><u>Benefits:</u></p> <p>Retirement: (\$95,084 @ .8728) \$82,989</p> <p>OASDI: (\$95,084 *.0765) \$7,274</p> <p>Health Ins-Annual: \$7,921</p> <p>Unemployment-Annual: \$103</p> <p>Workers Comp-Annual: \$618</p> <p>Admin Fee- Annual: \$170</p>	<p>\$95,084</p> <p>\$99,075</p>
<p><u>(.5) SENIOR LEGAL ASSISTANT:</u> This individual devotes 50% of time to this program.</p> <p>Annual salary: (\$48,550 * 50%) \$24,275</p> <p><u>Benefits:</u></p> <p>Retirement: (\$48,550 @ .6239) * 50% \$15,145</p> <p>OASDI: (\$48,550 *.0765) * 50% \$1,857</p> <p>Health Ins-Annual: (\$7,921 * 50%) \$3,961</p> <p>Unemployment-Annual: (\$103 * 50%) \$52</p> <p>Workers Comp-Annual: (\$618 * 50%) \$309</p> <p>Admin Fee- Annual: (\$170 * 50%) \$85</p> <p><u>Membership Dues:</u></p> <p>California Board Dues \$380</p> <p>CDAIA \$25</p>	<p>\$24,275</p> <p>\$21,409</p> <p>\$405</p>
A. PERSONNEL SERVICES TOTAL	\$477,491

**AUTOMOBILE INSURANCE FRAUD PROGRAM
PROGRAM BUDGET: OPERATING EXPENSES
FISCAL YEAR 2018-2019**

COUNTY NAME: FRESNO

B. OPERATING EXPENSES	COST
<u>MOBILE COMMUNICATIONS:</u>	\$1,600
<u>LIABILITY INSURANCE:</u>	\$70
<u>OFFICE EXPENSE:</u>	\$2,000
<u>POSTAGE:</u>	\$250
<u>DATA PROCESSING:</u>	\$11,500
<u>PROFESSIONAL & SPECIALIZED SERVICES:</u>	\$2,000
<u>PUBLICATIONS:</u>	\$200
<u>RENTS & LEASES - BUILDINGS:</u>	\$12,000
<u>FACILITY MAINTENANCE:</u>	\$1,504
<u>SMALL TOOLS:</u>	\$1,000
<u>MILEAGE:</u>	\$500
<u>TRANSPORTATION, TRAVEL, & EDUCATION:</u>	\$6,000
<u>GARAGE CHARGES- FLEET:</u>	\$10,000
 <u>INDIRECT COSTS: (10% * Salaries (\$253,969))</u>	 \$25,397
 B. OPERATING EXPENSE TOTAL	 \$74,021

**AUTOMOBILE INSURANCE FRAUD PROGRAM
PROGRAM BUDGET: EQUIPMENT
FISCAL YEAR 2018-2019**

COUNTY NAME: FRESNO

C. EQUIPMENT	<i>COST</i>
C. EQUIPMENT TOTAL	\$0
D. PROGRAM BUDGET TOTAL	\$551,512

[illegible]Date: June 19, 2018

Attachment "A"

Joint Investigative Plan

ATTACHMENT A

JOINT PLAN

PROGRAM STRATEGY - ATTACHMENT "A"

1. GOALS OF THE PLAN:

This plan is designed to coordinate the efforts of the Fresno County District Attorney's Office Automobile Insurance Fraud Unit (AIF) and the Central Valley Regional Office of the Department of Insurance (CDI) to investigate and prosecute cases as expediently and efficiently as possible. This plan lays out a framework for cooperation, resource sharing, and avoidance of duplication of efforts by both agencies.

2. ASSIGNMENT OF CASES:

One Fresno County Deputy District Attorney (DDA) is assigned to the AIF unit. His or her primary responsibility is to file and prosecute all cases involving automobile insurance fraud. The DDA will maintain an open line of communication during the investigation, pre-filing review, and vertical prosecution of the case. The CDI Detective assigned to the case will assist with additional investigative requests as needed. When a case is to be investigated by CDI, the CDI Detective will obtain a DA number for record keeping.

3. COMMUNICATION BETWEEN AIF AND FRAUD DIVISION:

- (a) Notification – Cases are often referred from an insurance company or law enforcement agency to CDI. AIF and CDI will meet to discuss the investigation, and the DDA will give direction when needed.
- (b) Joint Investigation – When appropriate, the AIF Investigator or the CDI Detective may assist one another if resources allow in a joint effort.
- (c) Open Lines of Communication – The main goal is to investigate and file cases expediently. To achieve this goal the DDA and CDI Detective will maintain open lines of communication to discuss cases and any problems or issues that may arise.

Staff from both agencies will meet on a quarterly basis or sooner if requested. The status of each active case will be reviewed during these quarterly meetings.

4. CASE FILING REQUIREMENTS:

- (a) The focus of suspected auto insurance fraud investigations must be on both the development of probable cause to make an arrest, and obtaining sufficient evidence to prove the charge(s) beyond a reasonable doubt. Each case is unique and therefore requires an individualized investigation plan.
- (b) When submitting a case for prosecution, the CDI Detective is to present a complete investigation package. This will include the following:
 - 1. A brief summary of the case
 - 2. A report which outlines the offenses alleged to have been committed and the details of the investigation
 - 3. A completed District Attorney's Prosecution Request Form
 - 4. Evidence gathered to prove the charges, including the identification of available witnesses and supporting documentation, criminal history of all suspects, and a complete claim file if a claim was made, including restitution and investigative costs
 - 5. In cases alleging a false statement or misrepresentation, there must be identified evidence to show that the alleged false statement or misrepresentation is material to the claim.
- (c) The DDA will review all case presentations made by CDI within ten working days of receipt or as soon as reasonably possible. The DDA will notify the CDI Detective if any additional investigation is warranted. The CDI Detective will complete the additional investigation as soon as reasonably possible and provide AIF with status updates until the investigation is completed. The DDA will complete filing decisions in a timely fashion. If a case is rejected for prosecution, the DDA will prepare a written memorandum stating the reasons for the rejection, which will be provided to CDI.

5. UNDERCOVER OPERATIONS:

- (a) The AIF agrees to participate, where warranted, in joint undercover operations with CDI and/or other law enforcement entities which have jurisdiction in areas directly involving or related to automobile insurance fraud.
- (b) The AIF and CDI will coordinate their efforts and resources when working joint undercover operations to ensure an efficient operation with no duplication of efforts.
- (c) Prior to the commencement of any joint undercover operations, the AIF and CDI will develop and agree to a specified Joint Undercover Operation plan to ensure an efficient operation with no duplication of efforts.
- (d) Further, the AIF attorney will provide CDI with written authorization for surreptitious recordings in furtherance of the investigation.

6. TRAINING AND WORKING WITH INSURER SPECIAL INVESTIGATIVE UNITS AND SELF-INSURERS:

- (a) Open Door Policy – The AIF shall maintain an open door policy for CDI as well as SIU Investigators and Self-Insured Employers encouraging them to discuss cases for potential filing and/or prosecution.
- (b) Training – The AIF and CDI will cooperate in developing training programs for AIF and CDI investigators, SIU Investigators, and Self-Insured Employers.

7. PROBLEM RESOLUTION:

With one DDA and one CDI Detective assigned to each case, it will be easier to resolve problems in an expedient manner. The “**team concept**” will reduce any potential breakdown in communications between offices. In the event a conflict develops, using the open lines of communication established, the detectives or prosecutors will seek resolution at the lowest level possible. If a resolution cannot be achieved at this level, the immediate supervisors shall meet jointly with the detectives/prosecutors to seek resolution. It is anticipated that most, if not all, conflicts will be resolved by this step. However, if a conflict persists, then the CDI Captain and the Chief of Financial Crimes shall meet and confer.

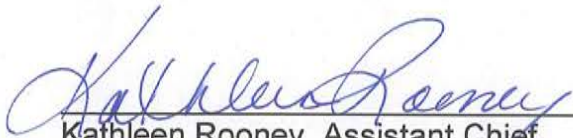
8. OTHER:

Both CDI and the AIF will assist each other in the following ways:

- (a) Storing evidence, based on availability
- (b) Sharing specialized equipment
- (c) In the service of search warrants, arrest warrants, and/or subpoenas
- (d) In any other way necessary to accomplish our common goal of deterring auto insurance fraud.


9. CONCLUSION:

The AIF and CDI agree to work together to investigate and prosecute those who commit insurance fraud in Fresno County by working impact cases while at the same time working a balanced case load. Both agencies agree that anti-fraud efforts must be conducted in a cost effective and efficient manner with professionalism, productivity, and effectiveness being the overriding principles governing the working relationship. Both agencies agree that the ultimate goal is to reduce the overall occurrence of automobile insurance fraud in Fresno County.



Kathleen Rooney, Assistant Chief
California Department of Insurance
Fraud Division

June 18, 2018
Date

 for

Edith Treviso, Chief of Financial Crimes
Fresno County District Attorney's Office

June 20, 2018
Date