



County of Santa Cruz⁰⁰⁸⁵

DISTRICT ATTORNEY'S OFFICE

701 OCEAN STREET, ROOM 200, P.O. BOX 1159, SANTA CRUZ, CA 95060
(831) 454-2400 FAX: (831) 454-2227 E-MAIL: dao@co.santa-cruz.ca.us

KATHRYN CANLIS
DISTRICT ATTORNEY

August 8, 2002

BOARD AGENDA: August 27, 2002

Members of the Board of Supervisors
Governmental Center
701 Ocean Street, Room 500
Santa Cruz, California 95060

RE: DISTRICT ATTORNEYS FISCAL YEAR 2002-2003 STATE DEPARTMENT OF
INSURANCE AUTOMOBILE INSURANCE FRAUD PROGRAM

Dear Members of the Board:

Santa Cruz County has been receiving funds for the Automobile Insurance Fraud Program since 1993 from the State Department of Insurance. The District Attorney is requesting your Board's authorization to reapply to the State Department of Insurance for \$67,481 in FY 2002-2003 to continue in the office's efforts to investigate and prosecute automobile insurance fraud cases. The statutory authority authorizing the Department of Insurance to provide funding for to be used solely for Automobile Insurance Fraud investigations and prosecutions is contained in California Insurance Code Section 1872.8, California Code of Regulations Subchapter 9, Article 4, Section 2698.65.

Our application also includes recovery of indirect overhead charges from the Department of Insurance for our investigation and prosecution of automobile insurance fraud cases.

A copy of our reapplication will be placed on file for your review with the Clerk of the Board. We will continue to notify your Board of any changes to the fiscal year 2002-2003 State Department of Insurance Automobile Insurance Fraud Program.

WATSONVILLE OFFICE

□ P.O. BOX 228 • FREEDOM, CA 95019 • 1430 FREEDOM BLVD. • WATSONVILLE, CA 95076 • TEL: (831) 763-8166 • FAX: (831) 763-80

Members of the Board of Supervisors
August 8, 2002
Page 2

IT IS THEREFORE RECOMMENDED that your Board adopt a Resolution authorizing the District Attorney to reapply to the State Department of Insurance for \$67,481 in fiscal year 2002-2003 Automobile Insurance Fraud funds.

Sincerely,


KATHRYN CANLIS
DISTRICT ATTORNEY

RECOMMENDED:



SUSAN A. MAURIELLO
COUNTY ADMINISTRATIVE OFFICER

Auto fraud ltr & res

**DEPARTMENT OF INSURANCE
GRANT TRANSMITTAL**

0087

Office of the District Attorney, County of Santa Cruz, hereby makes application for funds under the **automobile** fraud program pursuant to Section 1872.8 of the Insurance Code.

Contact: Mike McFarland, Chief Deputy-Administration

Address: 701 Ocean Street, Room 200

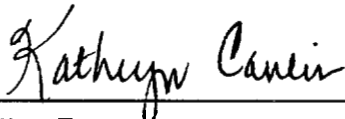
Santa Cruz, California 95060 Telephone: (831) 454-2400

Fax: (831) 454-2227

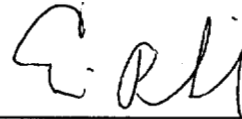
(1) *Program Title*
Automobile Insurance Fraud Program

(2) *Grant Period*
July 1, 2002-June 30, 2003

(3) *Grant Amount*
\$67,481.42



(4) *Program Director*
Kathryn Canlis, District Attorney



(5) *Financial Officer*
Eric Seib
701 Ocean Street, Room 200
Santa Cruz, CA 95060

(831) 454-2400

(831) 454-2596

(6) *District Attorney's Signature*



Name: Kathryn Canlis
Title: District Attorney
County: Santa Cruz
Address: 701 Ocean Street, Room 200
Santa Cruz, CA 95060

Telephone: (831) 454-2400

Date:

PROGRAM CONTACT FORM

0088

1. Provide the name, title, address and telephone number for the person having day-to-day responsibility for the program.

Name: **G. David Genochio**
Title: **Assistant District Attorney**
Address: **701 Ocean Street, Room 200**
Santa Cruz, California 95060

Telephone Number: **(831) 454-2400**

Fax Number: **(831) 454-2227**

2. Provide the name, title, address and telephone number for the Chair of the County Board of Supervisors.

Name: **Janet K. Beautz**
Title: **Chairperson, Santa Cruz County Board of Supervisors**
Address: **701 Ocean Street, Room 500**
Santa Cruz, California 95060

Telephone Number : **(831) 454-2200**

Fax Number: **(831) 454-3262**

3. Provide the name, title, address and telephone number for the District Attorney's Financial Officer.

Name: **Eric Seib**
Title: **Financial Officer**
Address: **701 Ocean Street, Room 200**
Santa Cruz, California 95060

Telephone Number: **(831) 454-2400**

Fax Number: **(831) 454-2227**

4. Provide the name, title, address and telephone number for the person responsible for the data collection/reporting for the applicant agency.

Name: **Mike McFarland**
Title: **Chief Deputy - Administration**
Address: **701 Ocean Street, Room 200**
Santa Cruz, California 95060

Telephone Number: **(831) 454-2400**

Fax Number: **(831) 454-2227**

BEFORE THE BOARD OF SUPERVISORS
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO.

On the motion of Supervisor
duly seconded by Supervisor
the following resolution is adopted

RESOLUTION AUTHORIZING THE DISTRICT ATTORNEY TO APPLY FOR FUNDS DURING FISCAL YEAR 2002-2303 FOR AN AUTOMOBILE INSURANCE FRAUD PROGRAM ADMINISTERED BY THE CALIFORNIA DEPARTMENT OF INSURANCE

WHEREAS, the Board of Supervisors of Santa Cruz County desires to undertake a certain project designated the Automobile Insurance Fraud Program, to be funded from funds made available through Chapter 1222 (SB 953), Statutes of 1991 administered by the California Department of Insurance.

NOW, THEREFORE, THE BOARD OF SUPERVISORS RESOLVES AND ORDERS that the District Attorney of the County of Santa Cruz is authorized, on its behalf to submit an application for state funds for an Automobile Insurance Fraud Program to the California Department of Insurance and is authorized to execute on behalf of the Board of Supervisors of Santa Cruz County a Grant Award Agreement, including any extensions or amendments thereof.

BE IT FURTHER RESOLVED that grant funds received hereunder shall not be used to supplant expenditures controlled by this body;

PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Cruz, State of California, this ____ day of _____ 2002, by the following vote:

VOTE:

AYES :

NOES :

ABSENT :

ABSTAIN :

JANET K. BEAUTZ

CHAIRPERSON OF THE BOARD

ATTEST: _____
Clerk of Said Board

APPROVED AS TO FORM: 

Assistant County Counsel

~~DISTRIBUTION:~~ District Attorney
County Counsel
Auditor, CAO

INSURANCE FRAUD INVESTIGATION/PROSECUTION PROGRAMS FISCAL YEAR 2002/2003 GRANT

0090

Grant Application Forms Checklist & Sequence

The Request for Application MUST include the following:

	<u>YES</u>	NO
1. Is the Grant Application Transmittal sheet completed and signed by the District Attorney?	<u> X </u>	
2. Is an original or certified copy of the Board Resolution included? If NOT, the cover letter must indicate the submission date.	<u> X </u>	<u> </u>
3. Is the Program Contact Form completed?	<u> X </u>	
4. Is the Project Budget included?	<u> X </u>	<u> </u>
a) Line item totals are verified?	<u> X </u>	<u> </u>
b) Carryover estimate is included?	<u> X </u>	<u> </u>
5. The County Plan includes:		
a) County Plan Qualifications	<u> X </u>	<u> </u>
b) County Plan Problem Statement	<u> X </u>	<u> </u>
c) County Plan Program Strategy	<u> X </u>	<u> </u>
d) Staff Qualifications and Rotational Policies	<u> X </u>	<u> </u>
e) Organization Chart	<u> X </u>	<u> </u>
f) Joint Investigative Plan	<u> X </u>	<u> </u>

**STATE OF CALIFORNIA DEPARTMENT OF INSURANCE
AUTOMOBILE INSURANCE FRAUD PROGRAM**

0091

TOTAL ALLOCATION: \$67,481

BUDGET CATEGORY AND LINE-ITEM DETAIL			
A. Personal services - Salaries/Employee Benefits			COST
(1) <u>0.17 FTE Assistant District Attorney (Level IV)</u>			
Annual salary of	\$113,563	\$19,301	
On-call pay: 256 hours x \$2.00/hr		\$8'	
Subtotal			\$19,393
Annual OASDI of	\$6,910	\$1,171	
Annual employee insurance of	\$6,895	\$1,171	
Subtotal			\$2,342
(2) <u>.40 FTE Inspector II</u>			
Annual salary of	\$78,666	\$31,461	
Subtotal			\$31,461
Annual PERS retirement of	\$2,745	\$1,091	
Annual OASDI of	\$1,141	\$450	
Annual employee insurance of	\$6,145	\$2,451	
Subtotal			\$4,012
TOTAL ALL SALARIES & BENEFITS			\$57,219

OCJP-A303b

Office of Criminal Justice Planning

**STATE OF CALIFORNIA DEPARTMENT OF INSURANCE
AUTOMOBILE INSURANCE FRAUD PROGRAM**

0092

BUDGET CATEGORY AND LINE ITEM DETAIL		COST
B. Operating Expenses		
(1) <u>Conference and Training Requirements</u>		
<u>CDAAC Conference</u>		
(A) Registration@ \$200 for two assigned staff	\$400	
(B) Lodging for four days @ \$84 for two assigned staff	\$672	
(C) Per diem for four days @ \$42 for two assigned staff	\$336	
Subtotal		\$1,408
<u>NCFIA Training</u>		
(A) Registration@ \$80 & \$25 membership fee for one assigned staff	\$1 05	
(B) Per diem for one day @ \$42 for one assigned staff	\$ 42	
Subtotal		\$147
(2) <u>County Overhead</u>		
An amount, not to exceed 5% of the actual total direct project costs, excluding equipment		\$3,213
(3) <u>Computer Services</u>		\$3,994
(4) <u>Supplies</u>		\$1,500
TOTAL OPERATING EXPENSES		\$10,262

OCJP-A303b
Office of Criminal Justice Planning

0093

OCJP A303b
Office of Criminal Justice Planning

COUNTY PLAN

0094

AUTO INSURANCE FRAUD QUALIFICATIONS

Describe the District Attorney's experience in investigating and prosecuting automobile insurance fraud and economic car theft. Include any relationships developed or planned with other public or private entities which may be useful to program operations.

The Automobile Insurance Fraud investigator was assigned to the program on a 40% basis. He is assigned to the Santa Cruz County Auto Theft Task Force and has used that position to generate new cases referrals and investigative leads. Many auto theft cases were found to be suspicious in nature and potentially insurance fraud motivated.

If the District Attorney has received a grant from CDI prior to this application, list only those achievements made possible by the use of grant funds. Also complete the Summary of closed and pending prosecutions for FY 2001-2002. A page listing program achievements realized with the use of other funds may be included in the Appendix.

2. In FY 98/99 23 investigations were initiated and involved an average of 1 identified suspects per investigations. In FY 99/00, 1 investigation was initiated and involved an average of 1 identified suspect per investigation. In FY 00/01, 1 investigation was initiated and involved an average of 2 identified suspect per investigation. From July 1, 2001 to June 30, 2002), 8 investigations were initiated and involved an average of 1.37 identified suspects per investigation.

3. In FY 98/99 0 warrants/indictments were issued, involving an average of 0 suspects and/or defendants. In FY 99/00, 1 warrants/indictments were issued, involving an average of 2 suspects and/or defendants. In FY 00/01 2 warrants/indictments were issued, involving an average of 2 suspects and/or defendants. From July 1, 2001 to June 30, 2002), 2 warrants/indictments were issued, involving an average of 2 suspects and/or defendants.

4. In FY 98/99 0 arrests were made. In FY 99/00 1 arrest was made. In FY 00/01 2 arrests were made. From July 1, 2001 to June 30, 2002), 2 arrests were made.

5. In FY 98/99 3 convictions were obtained involving 2 defendants. Of these convictions, 0 were obtained by trial verdict, 3 were obtained by plea or settlement. In FY 99/00 0 convictions were obtained involving 0 defendants. Of these convictions, 0 were obtained by trial verdict, 0 were obtained by plea or settlement. In FY 00/01 0 convictions were obtained involving 0 defendants. Of these convictions, 1 were obtained by trial verdict, 0 were obtained by plea or settlement. From July 1, 2001 to June 30, 2002), 3 conviction were obtained involving 3 defendants. Of these convictions, 0 were obtained by trial verdict, and 3 were obtained by plea or settlement.

6. In FY 98/99 0 defendants were ordered to pay \$ 0 in fines and penalty assessments. Of this amount \$ 0 was collected from 0 defendants. In FY 99/00 0 defendants were ordered to pay \$ 0 in fines and penalty assessments. Of this amount \$ 0 was collected from 0 defendants. In FY 00/01 0 defendants were ordered to pay \$ 0 in fines and penalty assessments. Of this amount \$ 0 was collected from 0 defendants. From July 1, 2001 to June 30, 2002), 3 defendants were ordered to pay \$ 10,173.18 in fines and penalty assessments. Of this amount, \$ 8,773.19 was collected from 3 defendants.

7. In FY 98/99, 0 defendants were ordered to pay restitution in the amount of \$ 0 to victims. Of this amount, \$ 0 was collected from 0 defendants, benefitting 0 victims. In FY 99/00, 0 defendants were ordered to pay restitution in the amount of \$ 0 to 0 victims. Of this amount, \$ 0 was collected from 0 defendants, benefitting 0 victims. In FY 00/01, 0 defendants were ordered to pay restitution in the amount of \$ 0 to victims. Of this amount, \$ 0 was collected from 0 defendants, benefitting 0 victims. From July 1, 2001 to June 30, 2001), 2 defendants were ordered to pay restitution in the amount of \$ 52,962.82 in fines and penalty assessments. Of this amount, \$ 16,550.59 was collected from 2 defendants, benefitting 24 victims.

COUNTY PLAN
QUALIFICATIONS (cont'd)

0096

8. List all program's prosecutor(s) and investigator(s). Under the name of each staff:
- a. List the percentage of their time devoted to the program.
 - b. How long have the prosecutor(s)/investigator(s) been with the program?
 - c. Under the name of each prosecutor and each investigator, list all the cases (by suspect name or by case number, when the case was assigned, and briefly describe the case) the prosecutor(s) have prosecuted during fiscal year **2001-2002**. Please also include those cases that were prosecuted with positive result.

Assistant District Attorney G. David Genochio was the program prosecutor during FY 2001/2002. He spent 17% of his time on grant-related activities during fiscal year and he has periodically worked on the grant for approximately ten years.

The investigator assigned to the grant during FY 2000-2001 was Inspector Martin Krauel. He spent 40% of his time on grant-related activities. He has worked on the grant for one year.

ASSISTANT DISTRICT ATTORNEY G. DAVID GENOCHIO:

CASE #99-0023-M	ACTION	Investigators: James Gray
	CHIROPRACTIC	Laurel Robinson
	CENTER	(CDI--San Jose)
		ADA: David Genochio

This case was originally reported as an Auto Insurance fraud case. A patient of Dr. Jeffrey LEVINE at the Action Chiropractic Center reported nonexistent office visits connected to massage therapy sessions.

Subsequent interviews with the massage therapist, former employees and the service of search warrants established that Dr. LEVINE and his wife/office manager -- Martha LEVINE -- were involved in a practice of fraudulent medical billing involving Worker's Compensation, Auto and Personal Injury claims. 202 incidents of fraudulent billing involving 20 patients were identified as occurring over a two-year period.

This investigation was conducted jointly with investigators from the CDI-Fraud Division. On 3-15-2001, a complaint charging 40 counts of Insurance Fraud was filed against Jeffrey and Martha LEVINE DBA: Action Chiropractic Center.

On 1-8-2002, Action Wellness Center, Inc. pleaded guilty to 10 counts of 550(b)(2) PC –Insurance Fraud. The following sentence was imposed: \$200.00 Restitution Fund fine, \$45,000.00 for Investigative Costs (\$30,000.00 to the Workers' Compensation Insurance Fraud Program and \$15,000.00 to the Auto Insurance Fraud Program), \$9773.19 County Fine and \$6,970.82 in Direct Restitution to the victim patients and insurance carriers.

Mandatory reports were made to the California Chiropractic Board for potential action against Dr. LEVINE's license. This case was closed.

INSPECTOR MARTIN KRAUEL:

CASE #01-0420-M

**MEDICAL
PROVIDER**

**Investigators: Martin Krauel
Derrick Lane
(CDI-San Jose)**

A personal-injury attorney reported false billing for chiropractic care by the MEDICAL PROVIDER in Soquel relating to an auto collision patient. The patient (who had also been an employee of chiropractic office) reported billings for treatment not received and named other claims (which included Workers' Compensation patients) that may have also received false billings for treatment.

MEDICAL PROVIDER is owned by CHIROPRACTOR and the office manager is her husband--OFFICE MANAGER.

An associate chiropractor who worked at MEDICAL PROVIDER contacted the DAO and reported additional billing fraud. He provided the names of patients and specific incidents of fraud. Subsequently, patients were contacted and fraud allegations were corroborated.

This case will be jointly investigated with Santa Cruz District Attorney Workers' Compensation Fraud investigators and the CDI-San Jose. An undercover operation and search warrant service at two or more locations is anticipated.

This investigation will be carried into FY 2002/2003.

CASE #SCA00-028

**Steven PRICE
Ronald NANCE
James REGISTER**

**Investigators: Martin Krauel
Ray Faulk (CHP)
ADA: Dave Genochio**

On 04-21-1999, a 1999 Monaco 36' motor home, retail valued at \$250,000 was reported stolen from Guarantee Chevrolet sales lot in Scotts Valley, California.

The RV company became aware that the motor home was stolen because they received notice that Guarantee RV was responsible for a traffic citation (owner responsibility for registration violation) and the vehicle described was missing from their inventory.

The Scotts Valley Police investigated the initial theft and learned that on 04-13-1999 Robert NANCE was the driver of the motor home when the citation was issued. He also learned that Steven PRICE, a RV sales person at Guarantee RV was an ex roommate and personal friend of NANCE.

On 6-9-1999, Reliance Insurance Company paid Guarantee RV \$161,545 for their loss on the motor home.

On 06-29-1999, Herb NILL, the owner of Guarantee RV contacted the SVPD and explained he had received a telephone call from NANCE. NILL said NANCE told him he (NANCE) was hired by Steve PRICE to deliver the motor home to "JR Enterprises" in St. Mary's Georgia, and that Guarantee RV Sales Manager Adam GOLDBERG was in on the theft.

The SVPD interviewed PRICE and GOLDBERG, but did not obtain enough information for their prosecution. The SVPD eventually requested a warrant for the arrest of Ronald NANCE.

On 4-9-2002, Inspector Krauel and CHP Investigator Faulk and I flew to Missoula, Montana and interviewed NANCE (who was in federal custody on an unrelated matter). NANCE provided information that led the investigators to St. Mary's, Georgia, where James REGISTER was interviewed. REGISTER admitted arranging to receive the motor home from PRICE and admitted that he took custody of the motor home from NANCE.

REGISTER led the investigators to Glen St. Mary, Florida, where the interviewed Luis CORDOVA. That interview led the investigators to Gregory DELGAUDIO and the recovery of the stolen motor home in Jacksonville, Florida.

Arrest warrants for PRICE and REGISTER were issued, charging conspiracy and theft. There was insufficient evidence or venue to charge GOLDBERG, CORDOVA or DELGAUDIO.

On 06-24.-2002, PRICE was arrested. REGISTER still has an outstanding warrant

The motor home has been turned over to Caimbridge Integrated Services Group, as they are the company representing Reliance Insurance Company (in Liquidation).

This prosecution will be carried into FY 2002/2003.

CASE #SCA01-083

CLAIMANT

Investigator: Martin Krauel

On 10-22-2001, an informant told SCPD CSO Evelyn Henderson that CLAIMANT was driving a 2001 VW that had speciality parts on the car that were previously on a 2000 VW that CLAIMANT I reported stolen. CSO Henderson gave the information to me requesting that I follow up on the reported information. 0099

I researched and found that on 03/09/2001, CLAIMANT reported the theft of his 2000 VW to Santa Clara Police Department. On 03-9-2001, San Jose office of the California Highway Patrol recovered CLAIMANT's stolen vehicle. The VW was found stripped and had dents and scratches over the entire vehicle.

The California State Automobile Association paid an insurance claim in the amount of \$18,675.00. CLAIMANT was found to be a resident of Morgan Hill, California.

Based on the information that the VW was stolen in Santa Clara and was recovered in San Jose, the investigation was forwarded to the Santa Clara District Attorney's Office for follow up. The local investigation was closed.

CASE #SCA02-016

**Armando
FERNANDEZ**

**Investigator: Martin Krauel
ADA: David Genochio**

On 01-9-2002, Armando FERNANDEZ reported his 1991 Honda Accord stolen to Watsonville Police Department.

On 01/16/2002, FERNANDEZ' Honda was recovered by California Highway Patrol in North Monterey County. It had been stripped and burned.

FERNANDEZ filed a claim with Farmers Insurance Company concerning his loss. In addition to the vehicle value, FERNANDEZ claimed approximately \$7,000.00 in vehicle upgrades.

On 01/29/2002, Investigator Rivera interviewed FERNANDEZ. As a result of the interview, FERNANDEZ admitted filing a false theft report. FERNANDEZ said he could get more money from the insurance company than if he sold the car himself.

On 07/02/2002, FERNANDEZ pled no contest to filing a false police report and filing a false insurance claim. FERNANDEZ was sentenced to 3 years formal probation, 120 days in county jail, and ordered to pay \$200.00 in restitution.

CASE #SCA02-015

CLAIMANT

**Investigators: Martin Krauel
Frank Deniz
(SCPD)**

On 12-23-2001 at 0334 hours, a 1988 Toyota is found abandoned at the scene of a hit

and run by Santa Cruz Police Department. The car was impounded.

0100

On 12-23-2001, at 0826 hours, a subject identifying himself as CLAIMANT requested tow assist from AAA, stating his car had gone off the road the previous night. At 0857 hours, the male said he got the problem corrected and canceled the tow request.

On 12-23-2001, at 0930 hours, CLAIMANT reported to VEHICLE OWNER the car she had lent to him was stolen from his driveway. As a result, VEHICLE OWNER filed a theft report with Santa Cruz PD.

Investigator Deniz contacted the mentioned parties but was unable to confirm that the Toyota was in fact stolen. The information was not forwarded to the DA's office for review as Deniz felt there was insufficient information for prosecution.

On 01-25-2002, Investigator Deniz contacted the Special Investigations Unit at Allstate Insurance Company and forwarded his information to them

This investigation will be carried into FY 2002/2003.

CASE #SCA02-046

CLAIMANT

Investigator: Martin Krauel

ADA: Dave Genochio

On 09-6-2001, CLAIMANT filed a claim with GEICO Insurance Company claiming that his 1971 Mercedes Benz 300SEL car was destroyed by fire. GEICO felt that the claim was suspicious and requested assistance from the California Department of Insurance. CLAIMANT filed a claim for \$12,000.00. On 09-14-2002, GEICO obtained a valuation of the Mercedes Benz and determined the fair market value at \$5,225.00.

On 02-19-2002, the California Department of Insurance notified GEICO that they were unable to assist them with their fraud investigation and they were forwarding their file to the Santa Cruz County District Attorney.

On 03-12-2002, the claim file was obtained from GEICO. A forensic analysis report by Garrett Engineers stated they believed the cause and origin of the car fire was due to a flammable liquid having been poured over the exterior of the vehicle.

On 05-20-2002, CLAIMANT was interviewed regarding the suspicious claim. He denied any knowledge or involvement in the car fire. On 05-30-2002, a polygraph examination with CLAIMANT was conducted by Chief Inspector Harvey Flores at the Santa Cruz County District Attorney's Office. Chief Inspector Flores formed the opinion that CLAIMANT was deceptive when questioned about his involvement in the fire of his Mercedes Benz.

An arrest warrant for CLAIMANT was requested charging him with arson and insurance fraud. This prosecution will be carried into FY 2002/2003.

On 05-04-2001, CLAIMANT filed an insurance claim with Mid Century Insurance Company for the replacement of the motors of his 47' yacht stating that the cooling intake was blocked by debris causing the motors to overheat. The claim was for \$50,000.00.

On 03-12-2002, I received information from the California Department of Insurance that the insurance claim was suspected of being fraudulent.

The yacht's captain was interviewed and said the engines burned a lot of oil and it was his opinion the engines were worn out. The captain said CLAIMANT had offered him money to tell the insurance company the engines failed because the cooling system got blocked.

A recorded "pretext" telephone call was conducted between the captain and CLAIMANT. During the call, the captain brought up the subject of the engines and the offer of payment for lying on the insurance claim. CLAIMANT denied having made the offer and blamed the captain for damaging the engines by piloting the yacht through a kelp bed.

This case lacked sufficient evidence to support a prosecution and was closed.

CASE #CSA02-073 NAMES WITHHELD**Investigator: Martin Krauel**

A confidential informant reported fraudulent loans being made by a financial institution. Defaults on the loans exposed insurance carriers to substantial losses.

The matter is being investigated by two federal law enforcement agencies and no additional local investigation is anticipated.

AUTOMOBILE INSURANCE FRAUD
SUMMARY OF CLOSED AND CONTINUING PROSECUTIONS
JULY 1, 2001 - MAY 15, 2002
 (USE ADDITIONAL PAGE, IF NECESSARY)

0102

Case Number	Referred By	Code Section	Number Arrested	Number Held to Answer	Number Convicted	Fine	Restitution
99-0023-M	O	550(b)(2) PC x 10 Counts	2	N/A	2	\$9,973.19	\$51,970.82
SCA00-028	L	10851 CVC 496 PC 504 PC 182(a)(1) PC	3	I	PENDING	PENDING	PENDING
SCA02-016	L	550(b)(1) PC 148.5 PC	1	N/A	1	\$200.00	NONE

* CDI (Fraud Division, California Department of Insurance), P (Private Carrier, S.I.U.), L (Local Law Enforcement), or O (Other)

COUNTY PLAN
PROBLEM STATEMENT

0103

Question 1

- a. Please document and describe the types of automobile insurance fraud and economic car theft (claimant, medical/legal provider, capping, staged accident, fraud ring, insider fraud, economic car theft) relative to the extent of the problem specific to your county.

Over the past years of the automobile fraud grant, the majority of cases referred for investigation have centered on claimant fraud. Some examples of this are switched drivers in cases of collisions; falsely reporting a car has been stolen when it actually was involved in a collision, and falsely reporting a car has been stolen when it was burned or vandalized by someone.

A medical provider fraud case involving billings for false office visits resulted from a complaint from a single auto claim patient. This case grew to include over 30 patients and to involve auto, Workers' Compensation and Group insurance fraud. A chiropractor and his wife/office manager were charged collectively with forty counts of insurance fraud and were convicted on ten counts.

There have been few reported cases involving either staged collisions or organized fraud rings within this county.

- b. Estimate the magnitude of the automobile insurance fraud problems and identify the type of fraud indicators in your county.

As a small county, the indicators of fraud are reflected by the number and type of cases referred. It is anticipated that referred cases will continue to consist primarily of claimant fraud cases.

Question 2

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

Inasmuch as the Santa Cruz County District Attorney's Office accepts and investigates all automobile fraud cases referred to it, and prosecutes those cases where there is sufficient evidence, this acts as a deterrent to those who would commit fraud. The assignment of the program investigator to the county auto theft task force aides in the investigation of potential automobile fraud cases, thereby doubling the effort of law enforcement in the area of fraud within the county.

Question 3:

What are the long term goals of the county in the battle against automobile insurance fraud for the next three years?

In order to effectively investigate and prosecute automobile fraud cases, consistently within the investigative and prosecution staff is imperative. Over the past year, the rotation of staff three times has

**COUNTY PLAN
PROBLEM STATEMENT**

0104

had a negative impact on the ability to completely and thoroughly work up these difficult cases.

In FY 2001/2002, the responsibility for investigating auto insurance frauds and economic auto theft crimes was transferred to the District Attorney's Office Auto Theft investigator. We anticipate this assignment to continue to generate additional investigations and provide some consistency in the way they are investigated.

COUNTY PLAN PROGRAM STRATEGY

0105

1. **Describe the manner in which the district attorney will address the problem defined in the Problem Statement. What are the sources for referrals of cases for investigation and/or prosecution? Are referrals received directly from the Fraud Division, insurers, the California Highway Patrol, or other local law enforcement agencies? Describe how the district attorney will coordinate with various sectors, including insurers, medical and legal providers, the Fraud Branch, the California Highway Patrol and local law enforcement agencies.**

The Santa Cruz County District Attorney's Office has traditionally received automobile fraud referrals from the Department of Insurance Fraud Division, insurance companies, the Santa Cruz County Auto Theft Task Force, and from citizen informants.

These cases have generally been received by the fraud unit in a variety of levels of completeness. Some cases have been thoroughly investigated and well documented, while others contain only an allegation of fraud with no or minimal supporting evidence.

Since the philosophy of the District Attorney's Office has been to accept any and all referrals, there is substantial amount of initial legwork which must be done to determine if an actual case exists. The majority of the referred cases never result in criminal charges being filed.

A close relationship has previously been established with the field office in San Jose of the Department of Insurance Fraud Division. That relationship has been instrumental in referring cases, as well as assisting this office in conducting investigations. The unit will continue to work closely with the auto theft task force within the county, as well as the local agencies, to identify and investigate potential automobile insurance fraud.

It is the philosophy of the Santa Cruz County District Attorney's Office to accept any suspected fraud case -- regardless of the amount of loss (there is no need that a loss occurred at all, as long as the fraud is present) and in whatever form or condition it is received -- as long as the basic elements of the fraud are present. Each case will be further investigated to a point where a determination is made whether a criminal conviction can, or cannot, be brought.

Additionally, we aggressively pursue the prosecutions undertaken and demand restitution (when a loss has occurred) as a condition of any plea. We have received very favorable comments from SIUs and insurance defense attorneys regarding our efficiency and aggressiveness in handling fraud investigations and prosecutions.

As mentioned, a close relationship has been formed with the Department of Insurance Fraud Bureau field office in San Jose. That office has assigned investigators to conduct cases in Santa Cruz County and it is hopeful that investigations conducted by CDI personnel will be submitted for prosecution in FY 2002-2003.

The investigator who had been assigned to the grant during FY 2001/2002, **Inspector Martin**

Krauel, was assigned in July 2001. Inspector Krauel is assigned to the Santa Cruz County Auto Theft Task Force ("SCARE") and will be responsible for all grant-related investigations at 60% of his time.

The program prosecutor, **ADA G. David Genochio**, has approximately ten years periodic experience in the program and will be handling all of the grant prosecutions at 17% of his time.

2. Please elaborate on the District Attorney's plan for outreach to the public and private sectors.

The personnel changes noted above will free the investigator and prosecutor to initiate outreach to potential sources of case referrals.

3. If the program does not have a full workload, please describe what steps the County will take to improve the situation.

A full workload has not been a problem. Our problems have been more in the nature of trying to keep up with the work received. The personnel structure outlined above should make the case intake, evaluation and investigation (which takes, by far, the most grant time) a more efficient operation during FY 2002-2003.

4. As part of the overall management plan, describe how the district attorney will achieve the objectives of the program. Describe the hiring plan, activity plan, and time line schedule for the program. Discuss the internal quality control procedures that are in place or will be employed to assure objective achievement. Discuss the budget monitoring procedures that are in place or will be employed.

In reviewing the past years of the Automobile Insurance Fraud grant, it is apparent that these cases require a great deal of investigative work. These cases are time consuming to investigate and require much field work to conduct follow-up. The activities of the insurance fraud unit will be supervised by the Chief of Inspectors and, within the Bureau of Investigation, all cases will be tracked.

The project attorney assigned will maintain a close working relationship with the fraud investigator and provide legal assistance whenever the need arises. Cases investigated and referred for review and filing will come to the project attorney and be handled vertically.

The unit will conduct weekly meetings in conjunction with the other office fraud units to discuss the current cases, as well as issues that may arise during the grant year. Additionally, there will be a series of meetings on an annual basis to prepare the submission of the annual report to the Insurance Commissioner. At the same time there will be a review of the previous years performance of the goals and objectives.

COUNTY PLAN
PROGRAM STRATEGY (Cont'd)

0107

Financial and budgetary aspects of the Insurance Fraud Program will be supervised by the District Attorney's Administrative Services Officer. The annual financial audit report will be prepared by the Auditor/Controller of Santa Cruz County and the California Department of Insurance.

The District Attorney's Insurance Fraud program has been in continuous operation during the last fiscal year, therefore, there will be no delay in the program for FY 2002/2003.

5. What other anti-fraud programs or units are maintained within the district attorney's office? How will this program be integrated with them?

There are six other anti-fraud programs maintained within the Santa Cruz County District Attorney's Office. These programs are:

- Public Assistance Fraud Program
- Consumer Fraud Program
- Real Estate Fraud Program
- Elder Abuse Fraud Program
- Auto Insurance Fraud Program
- Environmental Fraud

All programs are staffed by senior attorneys within the District Attorney's Office and are monitored by the respective supervisors with ultimate authority vested in the Chief Deputy, Criminal Prosecutions.

6. A "Joint Investigative Plan" must be properly developed and agreed upon by both the District Attorney and the Fraud Division to create the framework for effective communication and resource management in the investigation and prosecution of automobile insurance fraud.

See Attachment C - Guidelines for Preparing a Joint Investigative Plan (A Joint Investigative Plan must be submitted in this application. County and the Fraud Division are required to develop and to follow the plan)

A Joint Investigative Plan was drafted and approved by both the District Attorney's Office and the Fraud Division. A copy of the Joint Plan is attached.

7. Describe what kind of training has been received and planned for, by:

COUNTY PLAN
PROGRAM STRATEGY (Cont'd)

- a) by the county staff on automobile insurance fraud;

The insurance fraud investigator attended the 2001 CDAA Insurance Fraud conference in Monterey.

It is projected that both grant investigators and the prosecutor will attend the conference in 2002.

- b) the local Special Investigative Units to enhance the investigation and prosecution of automobile insurance fraud and economic car theft; and

There are very few SIUs in Santa Cruz County. The vast majority of case referrals are presented by SIUs, etc., from other counties. The program investigator has traveled to San Jose, Menlo Park and San Francisco by invitation to speak to insurance SIUs, adjustors and examiners to the topic of what is needed in order to prosecute criminal fraud cases. It is intended that presentations such as these are continued in FY 2002-2003.

- c) the coordination with the Fraud Division, insurers, CHP or other entities.

We are anticipating that during FY 2002-2003 some training can be coordinated with personnel from the CDI-San Jose.

8. Describe staff rotational policies that affect the program.

Given the complexity of the cases in the insurance fraud arena, it is imperative that trained and experienced investigators are assigned to the unit. Therefore, it is the intent that the personnel assigned to the program will remain consistent throughout FY 2002-2003.

9. Describe the county's efforts and the District Attorney's plan to collect restitutions and fines imposed by the court. List of cases when restitution has been requested and the amount that was collected in fiscal year 2001-2002.

Between FY 1998/1999 and FY 2001/2002, a medical provider fraud case was jointly investigated by the District Attorney's Office and the San Jose Fraud Division of CDI. A guilty plea to ten felony counts of insurance fraud was accepted and approximately \$67,000.00 in fines and restitution was ordered. \$45,000.00 of the restitution was directed

COUNTY PLAN
PROGRAM STRATEGY (Cont'd)

0109

to the Workers' Compensation (\$15,000) and Auto Insurance (\$15,000) Fraud Grant Funds.

In future cases such as this, restitution to the Fraud Grant Funds will be requested as part of any conviction, whether by plea or verdict.

AUTOMOBILE INSURANCE FRAUD PROGRAM EQUIPMENT LOG FOR FY 2001-2002

County of SANTA CRUZ

Equipment Ordered	Equipment Costs	Date Ordered	Date Received	Serial Number	Equipment Tag Number	Equipment Tag Affixed (Y/N)
Sony Digital Camcorder	\$571.00	5/10/02	5/13/02	380167	81697	Y

I certify this report is accurate and in accordance with the approved Grant Award Agreement

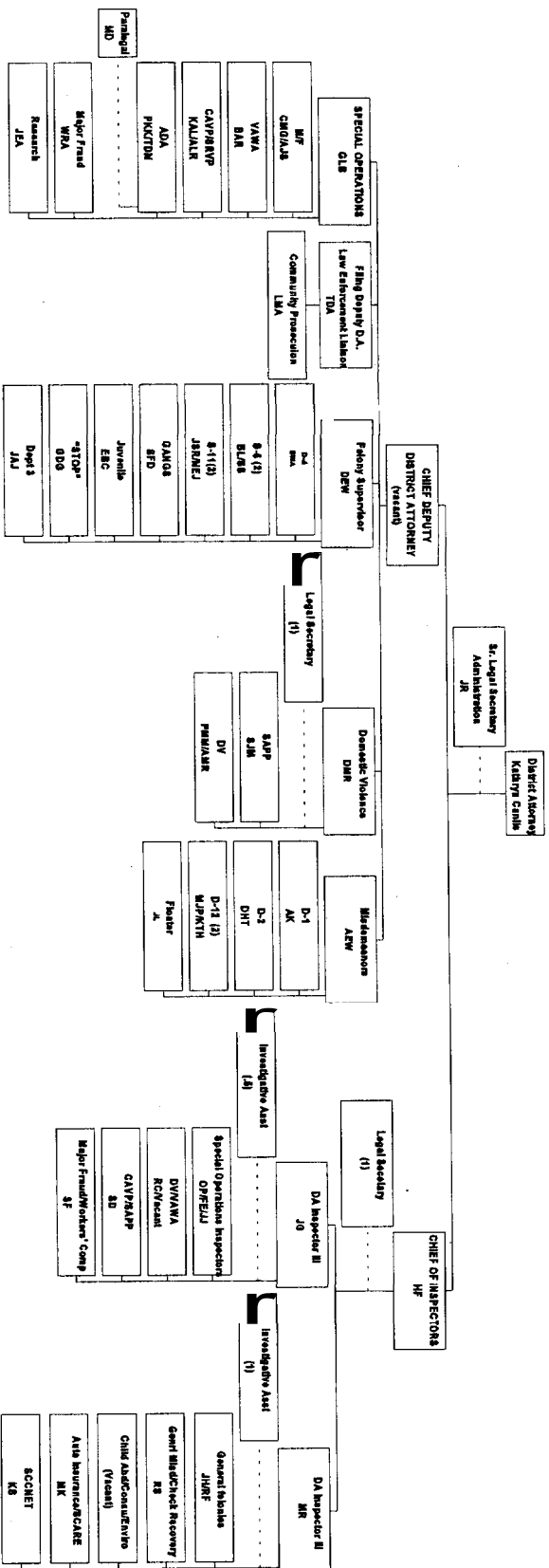
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Q. O. A. H.

Date: _____

5-20-02

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**SANTA CRUZ COUNTY DISTRICT ATTORNEY'S OFFICE
AND
CALIFORNIA DEPARTMENT OF INSURANCE**

**WORKER'S COMPENSATION AND
AUTOMOBILE INSURANCE FRAUD
JOINT INVESTIGATION PLAN'
2002/2003 GRANT YEAR**

STATEMENT OF GOALS:

The primary goal is to thoroughly investigate and aggressively prosecute those persons determined to be committing Worker's Compensation and Auto Insurance fraud in Santa Cruz County.

A secondary goal is to educate insurance company personnel, third-party administrators, law enforcement and other potential sources to recognize Worker's Compensation and Auto Insurance fraud and make appropriate referrals for investigation.

Additionally, this Plan will serve as a Memorandum of Understanding between the Santa Cruz County District Attorney's Office and Department of Insurance Fraud Division to insure cooperation and efficiency between the two agencies.

RECEIPT AND ASSIGNMENT OF CASES:

The Santa Cruz District Attorney's Office Insurance Fraud Unit will maintain a professional and productive investigative relationship with the California Department of Insurance Fraud Division and its investigators in the San Jose Regional office. Communication and cooperation between the two agencies are imperative.

The Department of Insurance supervisor will meet with a representative of the District Attorney's Office minimally twice annually to review the working relationship between the agencies.

Most of the investigative referrals are submitted by insurance company Special Investigation Units (SIU) via the Suspected Fraud Claim (SFC) Referral Form. In suspected Worker's Compensation fraud cases, SFCs are delivered to both the District Attorney's Office and the Department of Insurance. In suspected Auto Insurance fraud cases, SFCs are only delivered to the Department of Insurance.

A formal protocol has been established in which all suspected fraud cases will be reviewed. A Department of Insurance Supervisor will review all incoming SFCs and make one of the following determinations:

- The case has sufficient probable cause for investigation and the Department of Insurance will conduct the investigation
- The case has sufficient probable cause for investigation, but the Department of Investigation is unable to conduct the investigation due to the current volume of active investigations
- The case lacks sufficient probable cause to initiate an investigation

On a weekly basis, the District Attorney Investigator will be mailed copies of the letters returned to the insurance companies relating to suspected fraud cases that occurred in Santa Cruz County. The District Attorney Investigator will have the discretion of reviewing and investigating any of those cases declined by the Department of Insurance and will notify the Department of Insurance, within five working days, of those cases in which an investigation will be initiated.

In the event that both agencies receive the same referral, the District Attorney Investigator will not initiate an investigation until the case is reviewed and a decision has been made by the Department of Insurance.

INVESTIGATIONS:

The District Attorney Investigator will notify the Department of Insurance of any self-initiated investigations. This notification will be completed by submitting a SFC within five working days so that the case may be entered in the Department of Insurance Index (IFIS).

On a monthly basis, a summary of all suspected fraud cases referred to the District Attorney's Office will be furnished to the Department of Insurance to check insurance company compliance of the cross-reporting requirements.

Most applicant fraud cases do not require the resources of more than one investigator to be assigned directly to the case. Investigators from either the District Attorney's Office or the Department of Insurance can contact each other for assistance and/or advice as necessary on a case-by-case basis.

More complex cases may require a joint investigation in which a commitment of personnel and other resources between both agencies will be required.

Investigators from the District Attorney's Office and the Department of Insurance will meet as necessary to discuss cases, strategy, resources and potential future joint investigations.

Investigators and the Project Prosecutor should communicate regularly during the course of an investigation so that a complete case may be submitted for prosecution. It is advisable that the Investigator(s) and Prosecutor meet minimally on a weekly basis (especially during a joint investigation) to review the evidence collected to that point and plan the future course of the investigation.

During the 200112002 grant year, investigators from the District Attorney's Office and the Department of Insurance concluded a joint-investigated Medical Provider insurance fraud investigation which resulted in guilty pleas to ten felonies and approximately \$67,000.00 in fines and restitution (including \$45,000.00 to the Workers' Compensation and Auto Insurance Fraud Funds).

Currently, a joint investigation is being conducted into a new Medical Billing Fraud case. This investigation will involve an undercover investigation and search warrant services to two or more locations.

NOTIFICATION TO INSURANCE COMPANY **SIU**:

When the District Attorney Investigator accepts a suspected fraud for investigation, the Investigator will contact the insurance company **SIU** to inform them of the case status and where additional follow-up information may be sent.

UNDERCOVER OPERATIONS:

The District Attorney's currently has one full-time investigator handling all suspected insurance fraud cases. It would be impractical to undertake an undercover operation without the assistance and cooperation of the Department of Insurance.

CASE FILING DETERMINATION:

In the spirit of cooperation, investigations conducted by the Department of Insurance within Santa Cruz County will be coordinated with the District Attorney Investigator. The Project Prosecutor will be briefed early in an investigation and will remain available to meet with Investigator(s) during the course of the investigation to discuss any aspect of the case.

The Project Prosecutor will review all submitted fraud investigations to determine what, if any, charges will be filed. The Prosecutor will notify the investigator of the filing decision that has been made on each case within ten working days. In cases in which

prosecution is declined, the Prosecutor will provide the Investigator with a letter outlining the reason(s) that the case was rejected within ten working days.

TRAINING:

During the 2001/2002 grant year, the Investigators assigned to both the Workers' Compensation and Auto Insurance Fraud grants attended the California District Attorney's Association training seminar in Monterey.

In the 2002/2003 grant year, the District Attorney Prosecutor and Investigators will attend the California District Attorney's Association training seminar.

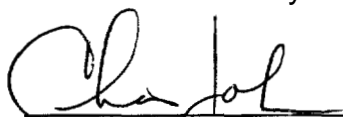
PROBLEM RESOLUTION:

If a disagreement develops between the Department of Insurance and the District Attorney's Office regarding the progress or outcome of an investigation, the "dispute" will be resolved by either the investigators themselves or resolution will be reached by the Supervisor or Chief Investigator of the San Jose Regional office in cooperation with the District Attorney's Office Chief of Inspectors.

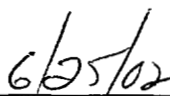
APPROVED:

G. David Genochio,
Assistant District Attorney
Santa Cruz County District Attorney's Office

Date



Charles Johnson,
Chief Investigator
California Department of Insurance--Fraud Division
San Jose Regional Office



Date