

**STATE OF CALIFORNIA
FRAUD ASSESSMENT COMMISSION**

**Summary Meeting Minutes
Sacramento, California
June 26, 2024**

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

Others present: Eric Charlick, Deputy Commissioner (DC), California Department of Insurance (CDI) Enforcement Branch; Andy Gulcher, Chief, CDI Investigation Division; Victoria Martinez, Deputy Chief, CDI Fraud Division; and Felicia Lieb, Deputy Chief, CDI Fraud Division.

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

I. Fraud Assessment Commission

Chairperson Bobrowsky opened the meeting at 10:30 am.

a. Opening Remarks

Chairperson Bobrowsky welcomed the new Commissioners and asked them to introduce themselves.

Joseph Carresi works for So. Cal. Edison. They have an internal program for investigations. Tyrone Spears is the Chief Risk Officer for the City of Los Angeles and manages their Workers' Compensation program. Tim Cloney is the Vice President for Special Investigations for Zenith Insurance. He was a former CHP officer working on insurance fraud for 30 years. Commissioner Cloney oversees the SIU for Zenith Insurance. Soraya Wright is a Risk Professional and recently retired from Amazon. She previously worked for Target and Clorox. Branden Lopez, represents organized labor. He is the Executive Director for the Center for Contractor Compliance which monitors public works projects. Commissioner Lopez has been on the FAC for about 4 years. Dan Calamuci represents the Carpenters Union. He has been a part of the FAC for 1 year now.

Chairperson Bobrowsky thanked LAU Manager Diana Russell and the LAU team for all their work. He advised materials are available on the table in the back of the room and also by emailing LAU. All votes will be roll call votes.

Chairperson Bobrowsky stated that two of the important issues for the DAs to focus on is continuity and outreach. Outreach to the public in communities and also within the SIU community are important. We are post pandemic and outreach needs to be a priority again.

Vice-Chairperson Lopez thanked the DA offices that took the time to present and answer his questions at the last meeting. He said the underground economy has grown and provider fraud

is the biggest cost driver. He questions if we have done enough to fight provider fraud. He has 5 questions:

1. Can CDI become the primary referring source for provider fraud cases?
2. Would the DAs prefer to do their own investigations or would they prefer CDI do the investigations?
3. What are CDI and the DA offices doing to train new staff?
4. Can CDI & DAs use industry experts to assist them with their investigations? If not, why?
5. When can CDI do to assist the DA offices by improving the quality and number of referrals?

Commissioner Calamuci welcomed the new commissioners and thanks the review panel.

Commissioner Wright said she thinks there is an opportunity on how to leverage best practices amongst the DA offices.

Commissioner Carresi looks forward to working with everyone. He agrees with Ms. Wright's comments about the sharing of best practices.

Commissioner Cloney thanked the counties who showed up at the last meeting. He said it is important to do outreach to insurers that aren't submitting FD1s or FD1s that are lacking. He mentioned Shaddi Kamiabipour is doing a class at AFA on how to communicate with law enforcement.

Commissioner Spears is happy to be here. He is representing the self-insured community and agreed outreach is important.

b. Approval of the Summary Meeting Minutes

Chairperson Bobrowsky asked the Commissioners to read the meeting minutes. He read the FAC bylaws regarding the majority of Commissioners needing to vote yes to approve any motion. He asked if there were any questions. Vice-Chairperson Lopez asked if the Insurance Commissioner approved the one year split. LAU Manager Diana Russell confirmed yes, it was approved.

Motion

Commissioner Calamuci made a motion to accept the summary minutes as submitted for the FAC Meeting on January 25, 2024. Commissioner Wright seconded the motion.

Action

A roll call vote was taken and the Commissioners unanimously approved the summary meeting minutes, with Commissioner Spears abstaining.

c. Report on the FAC participation in the CDI's FY 24-25 Commissioner's Workers' Compensation Review Panel

Chairperson Bobrowsky stated it was a spirited debate during the last meeting. Vice-Chairperson Lopez said the unspent funds information was very insightful during the review. He said maybe the DAs can try new techniques and try to use all the funds.

Chairperson Bobrowsky said there is a lot of time and effort that goes into the grant applications. He said that in the next year, he'd like to see other FAC Commissioners volunteer to read the applications. Vice-Chairperson Lopez agreed that reading the applications was very insightful.

Chairperson Bobrowsky asked if any of the Commissioners wanted to say anything. Commissioner Cloney recommended all the Commissioners read the applications, even if they are not part of the panel as it is an educational experience.

d. Public Comments

The floor was opened the for public comments.

Jill Nerone from San Mateo County came up to the podium. She responded to the Commissioners questions. She said she would love to do outreach to insurers not sending FD1s. She said in regards to the question about CDI becoming the primary investigators, that would be great, but CDI doesn't have the staff. She said her county gets some referrals from outside agencies without an FD1. Regarding training new staff, she trains her new staff. Regarding industry experts, she would love experts to assist.

Susan Park, Ventura County spoke next. She said that some referrals in her county are self-generated. She said it is important to have both CDI & the DA offices investigating cases. As for training staff, events like CDAA and AFA are very valuable.

No more public comments in person. LAU Manager, Diana Russell read the instructions on how to make public comments if attending on Zoom or on the phone.

Bill Lee from San Bernardino was on Zoom. He said the So Cal Consortium met and discussed continuity and training. Regarding CDI being the primary referral source, that is the traditional method. He said they are open to whatever is the most effective.

Chairperson Bobrowsky congratulated DC Charlick on his promotion.

II. Enforcement Branch Update

DC Charlick asked for a moment of silence for the passing of CDI Captain Rick Edmonson.

DC Charlick talked of how influential Captain Edmonson was. DC Charlick welcomed the new FAC Commissioners. He also thanked George Mueller for his years of service. He introduced the LAU team and advised the LAU team were recipients of ICASA Award this year.

a. Overview of Funding Process and Recommendations for FY 24-25

Per the California Code of Regulations, the Insurance Commissioner convenes a Review Panel to evaluate the applications. CDI Attorney Yvonne Hauscarriague was also present to ensure the integrity of the review process. The Commissioner's Review Panel convened in a hybrid meeting on June 12, 2024. Representatives of 30 of the 33 counties that submitted grant applications

made presentations. Based on California Code of Regulation Section 2698.57 and 2698.58, Deputy Chief Martinez and DC Charlick met with The Commissioner's team, on June 24, 2024, to review the funding recommendations submitted by the Review Panel. There were seven modifications to the Review Panel's recommendations. The adjustments were all made in the additional award amounts, not the base awards. The revised total funding amounts for these seven counties are as follows:

Kern:	\$ 624,317	to	\$ 611,831
Los Angeles:	\$ 8,041,750	to	\$ 7,541,750
Monterey:	\$ 969,256	to	\$ 1,000,000
Riverside:	\$ 3,532,007	to	\$ 3,590,000
San Mateo:	\$ 1,265,338	to	\$ 1,165,338
Santa Clara:	\$ 5,089,815	to	\$ 5,563,564
Tulare:	\$ 861,504	to	\$ 911,504

Additionally, the Review Panel's recommendation to distribute any excess FY 23-24 Fraud Division funds, along with FY 23-24 fines and penalties was approved using the pro-rata method, pending budget authority.

DC Charlick presented a letter from Insurance Commissioner Lara to the FAC members outlining his funding recommendations. LAU distributed copies of the letter to attendees in the room and set out additional copies. For those not in attendance in person, requests for copies of the letter and funding distribution can be emailed to LAU. Then LAU Manager Diana Russell read the letter from IC Lara including the total funding the Insurance Commissioner is recommending for every county.

DC Charlick as the FAC Commissioners if they had any questions.

Chairperson Bobrowsky read the procedure for whether or not the FAC agrees with the Insurance Commissioner's funding recommendations. He then summarized it. He mentioned in the history of the FAC, there has never been a situation where the Insurance Commissioner's recommendations were rejected.

Vice-Chairperson Lopez asked for a breakdown of the funding changes. While LAU prepares that DC Charlick continued with the EB update.

b. Administrative Update

DC Charlick provided an update regarding GCMS. He advised DHC, LACPP and Urban will use GCMS for FY 24-25 program. At the last FAC meeting, LAU Manager Diana Russell reported that Alameda and Shasta still needed to submit their FY 22-23 audits. At this time, Alameda's audit is still outstanding and Shasta has submitted their audit. Shasta has been invoiced and the DAs FY 22-23 unexpended funds comprise the FY 24-25 additional awards.

DC Charlick provided an update on staffing and advised since January 2024 we placed 33 detectives through backgrounds, 9 detectives have been hired, and we have 2 recruits scheduled to graduate from the police academy this month. However, pay equality is one of the Fraud Division's ongoing challenges. To address this, IC Lara partnered with Assembly Insurance Committee Chair Lisa Calderon to sponsor Assembly Bill (AB) 2872. The bill seeks pay equality between CDI Investigators and DOJ Special Agents.

Commissioner Cloney asked what the current CDI vacancy rate is. DC Charlick advised it is 33%, which is 57 detectives. Commissioner Cloney asked with the number in background and academy, what would the number be? DC Charlick replied it would reduce it by about 20.

Chairperson Bobrowsky asked what is the pass rate from background to academy. DC Charlick said about 35% pass background. We hire a combination of new recruits and people from other agencies. Chairperson Bobrowsky asked if CDI is getting more staff now than prior years. DC Charlick said it depends on the location. He said we get enough applications, but several are rejected during background. Chairperson Bobrowsky asked if the pay raise bill passes, how will that affect retention and hiring. DC Charlick said it will definitely help retention and hiring new staff.

Commissioner Wright asked what future staffing plans CDI has once fully staffed. DC Charlick said that it's been several years since CDI has been fully staffed. It's always been due to pay discrepancies and over the years it has grown and shrunk many times. When the pay discrepancy is minimal we don't lose many people, but currently it's a large discrepancy.

Vice-Chairperson Lopez stated that some DAs office staff stated they are willing to collaborate with CDI. He said that some counties have very new staff, but he wonders is there something that can be done by CDI to organize meetings between the DA offices to educate the DA counties. DC Charlick said that when there are new officers being trained, the Central Valley office puts on training. He said that our Regional Offices work with the counties in their region and do joint training. However, doing training in So Cal would be difficult for a county like Humboldt to attend.

Back to the distribution of funding. Chairperson Bobrowsky asked if the Commissioners have any questions. Commissioner Wright asked about Riverside's funding change and their self-imposed cut. DC Charlick advised that 3 out of the 5 reviewers gave them their requested amount so the IC decided to give them that amount.

Vice-Chairperson Lopez said the reductions to Kern and San Mateo are concerning. He said that San Mateo had a good application, so why a reduction? DC Charlick said that most of their statistics have gone down this year. They also have a history of high carryover and they stated they will have carryover again this year. He said even though IC Lara's funding recommendation reduced the Review Panel's recommendation, San Mateo's FY 24-25 total funding is going up about \$100,000 over last year's award.

Commissioner Spears asked about Los Angeles's reduction. DC Charlick explained their arrests, convictions, and cases in court statistics all went down. Also, Los Angeles had \$2.3M for outreach in their budget, with zero plan on how they were going to do that. Their last financial audit showed \$3.8M in unspent funds.

Commissioner Calamuci asked if the counties have a chance to respond before they vote. DC Charlick advised they can at the time of public comments.

Vice-Chairperson Lopez said he agrees with most of the changes, particularly the Los Angeles change. He said if he votes no, it would be due to San Mateo's reduction. He said the explanation was that San Mateo's past performance wasn't great, but the funds are for the future.

DC Charlick pointed out again the high carryover and that they are still getting about \$100,000 more than last year's total award. The county had a history of high carryover before and after Ms.

Nerone joined the county. If their carryover is within 25% they will get it approved so they will be getting more than the \$100,000 additional already awarded.

Commissioner Wright asked if San Mateo's plans for the future were considered. DC Charlick said yes, however the Insurance Commissioner sent them a warning letter last year about their excessive carryover.

Chairperson Bobrowsky said he'd be interested in what San Mateo's carryover will be. Ms. Nerone came up to the podium. She said she started in San Mateo in May 2023. She is the first full time DDA in the history of the program. Their carryover will be about \$208,000. A lot of this was due to an investigator not being hired until January 2023. She said some of her numbers were down in her first year there. However, she expects those numbers to go way up next year.

Chairperson Bobrowsky said from the State Fund perspective, they have seen an increase in productivity from San Mateo since Ms. Nerone arrived. He said that the issue is they are getting \$100,000 more than last year along with \$200,000 carryover, and it may take years to get their program up to speed. He said he would support the decrease to the Review Panel's recommendation as of now, but is willing listen to more discussions.

Vice-Chairperson Lopez said that \$100,000 decrease to San Mateo is a lot bigger than \$100,000 from Los Angeles. He thinks the \$100,000 could be more easily absorbed by a larger county than San Mateo.

c. Public Comments

The floor was opened the for public comments. No in-person comments and no comments online.

III. Advice and Consent from the FAC

Chairperson Bobrowsky stated that there are fines and penalties, and unspent CDI funds that goes back to the counties. Historically we take the pro-rata method to distribute these funds. He asked if anyone has any questions on that process as that is the first part to be voted on. No questions.

He said the second part is accepting the Insurance Commissioner's funding recommendation.

Motion

Chairperson Bobrowsky made a motion to accept the pro-rata method for the fines, penalties and unspent CDI funds, along with the Insurance Commissioner's funding recommendations. Commissioner Cloney seconded the motion.

Action

A roll call vote was taken. Commissioners Bobrowsky, Cloney, Spears, and Wright voted yes. Commissioners Lopez and Calamuci voted no. Commissioner Carresi abstained. Motion passed with 4 yes votes.

a. Public Comments

The floor was opened the for public comments and there were none.

Commissioner Spears clarified the vote was for both items. Chairperson Bobrowsky confirmed yes.

Meeting break from 12:10 – 12:25.

After the break Chairperson Bobrowsky clarified Commissioner Spears was ok with the vote being for both items.

IV. Discussion on September FAC Meetings

Chairperson Bobrowsky advised he sent a letter to DC Charlick to discuss moving the September Aggregate Assessment FAC meetings to a later date once unexpended funds are known for each county. He said carryover has been high and in the past they have increased the assessment without knowing how much the carryover was.

LAU Manager, Diana Russell read Chairperson Bobrowsky's letter.

a. CDI Input on Logistics

DC Charlick said CDI will our numbers by mid-October and the DAs numbers are due October 31st. He said LAU will have the data compiled by November 2nd and PRA requests can be submitted at that time. Previously we had the meetings in September because of the BCP (Budget Change Proposal), however we can submit a baseline budget adjustment by mid-November at the very latest. We would have November 5th and November 19th as optional FAC meeting dates. The final deadline for the BCP is November 20th. Another option is for a Spring Finance BCP, which goes through legislature approval. The only legal requirement is having the numbers to DIR by March 15th. Having the unexpended funds from both CDI and the DAs before voting on the Aggregate Assessment would be valuable. Again, CDI will make the data available to the DAs via PRA requests.

b. Discussion

Chairperson Bobrowsky summarized the topic of moving the meetings. Vice-Chairperson Lopez clarified that moving the meeting is for the FAC panel to have the unexpended funds before setting the Aggregate Assessment. He asked why PRAs are needed. Ms. Russell advised technically everything LAU receives is confidential so a PRA request is needed.

Commissioner Calamuci said he supports this and thanks Chairperson Bobrowsky for sending this letter. His only note is that November 5th is Election Day. DC Charlick said any time that week works.

Commissioner Cloney said that he is concerned with November 20th being the final BCP cut off, so he'd prefer earlier in the week. Ms. Russell advised that as long as both dates are set now, the meetings can be less than 2 weeks apart. Chairperson Bobrowsky said he is overseas the

week after, so that's why the meetings have to be 2 weeks apart. He asked if the 4th and the 18th would be ok. Ms. Russell said the only concern is the DAs will get the data on the 1st, and she wants to make sure the DAs have enough time to make a presentation. Chairperson Bobrowsky suggested the 6th and 18th. Not everyone could make it.

Ms. Russell suggested we open the floor to the DAs for their input.

Tamara Martin, San Diego spoke and said that she would appreciate knowing the unspent funds before requesting an increase. She said that the unspent funds knowledge may help them with their request. She said that if the data isn't released until the 1st, the 4th is too soon, but the 5th (Election Day) would work.

Bill Lee, San Bernardino, stated the lack of data has been a handicap for them. Having more information will help them make more accurate requests. He said they also like to have all County's DARs, so they would like the meetings moved. He said that the FAC can also consider if they have all the data they want from the DA offices.

Tamara Martin asked how long in advance the DAs need to get LAU their presentation. Ms. Russell replied that if it's one consolidated presentation, then 30 minutes before the meeting is sufficient.

Chairperson Bobrowsky suggested the 5th and the 19th of November. DC Charlick said the only concern is that we have enough FAC Commissioners to make a quorum.

All FAC commissioners confirmed they are all available for the 5th and 19th. All commissioners agreed 10:30 am is fine for the start time.

Motion

Chairperson Bobrowsky made a motion to move the September meetings to set the Aggregate Assessment to November 5th and 19th. Commissioner Calamuci seconded the motion.

Action

A roll call vote taken and the motion unanimously passed.

c. Public Comments

The floor was opened the for public comments on the topic just discussed. There were none.

V. Public Comments

The floor was opened the for public comments on any topic discussed today.

Bruce Wick, Housing Contractors of CA, spoke via Zoom. He advised provider fraud is of high importance, however, prosecuting all fraud is important.

George Mueller spoke via zoom and thanked the FAC Commissioners for their work and welcomed the new Commissioners. He thanked the FAC for their partnership over the years.

VI. Closing Remarks

Chairperson Bobrowsky thanked the Commission in their flexibility in moving the next meeting dates.

Commissioner Cloney stated he's happy to be on the Commission and he appreciates their hard work.

Commissioner Wright thanked everyone for making the time and effort to be here in person.

Vice-Chairperson Lopez said he appreciates the lively discussions and he feels we are moving in the right direction.

Commissioner Calamuci thanked everyone and congratulated DC Charlick on his promotion.

Commissioner Carresi is looking forward to learning and working with everyone.

Commissioner Spears thanked everyone for their warm welcome and LAU staff for their assistance.

Motion

Vice-Chairperson Lopez made a motion to adjourn the meeting Commissioner Bobrowsky seconded the motion.

Action

A roll call vote was taken and the Commissioners unanimously approved the motion.

The meeting adjourned at 12:56 p.m.