

2017-103 AUDIT SCOPE AND OBJECTIVES

Workers' Compensation System—Anti-Fraud

The audit by the California State Auditor will provide independently developed and verified information related to the California Department of Insurance (Insurance), the Department of Industrial Relations (Industrial Relations) and other California governmental entities' processes for preventing, detecting, and prosecuting fraud in California's workers' compensation system, and will include, but not be limited to, the following:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Identify the state, local, and other agencies that are responsible for workers' compensation system anti-fraud efforts and describe the relationships, roles, and responsibilities of these agencies in preventing, detecting, and prosecuting workers' compensation fraud.
3. Determine how and to what extent, if any, the various governmental agencies—including Insurance and Industrial Relations—coordinate their efforts with insurers and self-insured employers to prevent and detect workers' compensation fraud. Identify any gaps or weaknesses in their coordination efforts and areas for improvement.
4. Evaluate whether the State's existing system of distributing fraud assessment funds to local district attorneys has been effective in increasing the frequency with which workers' compensation fraud cases have been accepted and successfully prosecuted.
5. Review the methods used and rationale for allocating fraud assessment funds between investigative and prosecutorial functions.
6. Evaluate the efficiency of Insurance, Industrial Relations, and a selection of three local agencies in deploying their investigative and prosecutorial resources. Determine the extent to which resources are appropriately balanced between the investigative and prosecutorial functions.
7. Review and evaluate the effectiveness of Insurance's efforts to recruit and retain peace officer fraud investigators.
8. Determine how anti-fraud resources pertaining to workers' compensation are organized and directed in other large states. Assess whether there are alternative structures that would be more effective in identifying, prosecuting, and preventing fraud.
9. To the extent possible, identify for the most recent three fiscal years the amount of discovered fraud perpetrated by insurers, employers, employees, medical providers, and attorneys.
10. Review and assess any other issues that are significant to the audit.