

**Statutory Appeals Unit**  
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**Governor Gavin Newsom**  
**Secretary, Government Operations Agency Amy Tong**  
**Director Eraina Ortega**

June 28, 2024

Vlad Mikulich  
(served under separate cover  
via Proof of Service)


Melissa Russell, Division Chief  
Personnel Management Division  
CalHR  
1515 S Street  
Sacramento, CA 95811

Re: **CalHR Case No.: 24-SS-0001 - Claimant Class: Department of Insurance,**  
**Supervising Fraud Investigators**  
Pay Parity Hearing

TO ALL PARTIES AND THEIR REPRESENTATIVES:

Attached please find a copy of the **Decision** issued by the Department of Human Resources in the above-referenced matter.

If you have any questions, please contact this office.



Makay Bütz  
Legal Analyst  
Department of Human Resources

cc: See attached Proof of Service

**STATE OF CALIFORNIA  
BEFORE THE  
DEPARTMENT OF HUMAN RESOURCES**

**In the Matter of the Request for a  
Quasi-Legislative Hearing**

**Case No.: 24-SS-0001**

**MOVING PARTY:**

California Department of Insurance:  
Supervising Fraud Investigator I,  
Supervising Fraud Investigator II,  
Chief, Fraud Bureau  
***Pay Parity***

**MOVING PARTY'S REPRESENTATIVE:**

Vlad Mikulich  
(served under separate cover  
via Proof of Service)

**RESPONDING PARTY:**

Eraina Ortega, Director  
CalHR  
1515 S Street  
Sacramento, CA 95811

**RESPONDING PARTY'S REPRESENTATIVE:**

Melissa Russell, Division Chief  
Personnel Management Division  
CalHR  
1515 S Street  
Sacramento, CA 95811

**REAL PARTY IN INTEREST:**


California Department of Insurance  
300 Capitol Mall, 17th Floor  
Sacramento, CA 95814

**DECISION**

The attached Proposed Recommendation of the Sr. Administrative Law Judge is hereby adopted as the Department's Decision in the above matter.

**IT IS SO ORDERED:**

June 28, 2024

  
\_\_\_\_\_  
Eraina Ortega, Director  
Department of Human Resources

**Salary Setting Hearing**

**CalHR Case No.: 24-SS-0001**

**BEFORE THE**

**DEPARTMENT OF HUMAN RESOURCES**

**OF THE STATE OF CALIFORNIA**

**SUBJECT**

On February 1, 2024, Vlad Mikulich, Supervising Fraud Investigator II, California Department of Insurance (CDI), filed a pay parity appeal with the Department of Human Resources' (CalHR) Statutory Appeals Unit pursuant to Government Code section 19826(a), on behalf of the claimants, the Supervising Fraud Investigators of the California Department of Insurance. On February 21, 2024, the CalHR Director, Eraina Ortega, designated the CalHR Sr. Administrative Law Judge to hear the claimant's pay parity appeal.

## **CLAIMANTS' ARGUMENT**

It is the position of claimants, the California Department of Insurance (CDI), Supervising Fraud Investigator I (7541), Supervising Fraud Investigator II (7542) and the Chief, Fraud Bureau, CDI (7545) that a pay disparity exists with their salaries and the salaries paid to the Department of Justice (DOJ) Special Agent Supervisor (8524), Special Agent-In-Charge (8523), and Assistant Bureau Chief, Division of Law Enforcement (8681). The claimants contend they have comparable duties and responsibilities to their DOJ counterparts, yet are paid 9-24% less, depending on the classification.

The claimants argue their work is substantially the same as they must adhere to the same Police Officer Standards and Training (POST) requirements for education and training. Government Code section 19826 (a) requires job classes be paid a like salary for comparable work.

## **PROCEDURAL HISTORY**

On February 1, 2024, Vlad Mikulich, Supervising Fraud Investigator II, filed a pay parity appeal with the Department of Human Resources' (CalHR) Statutory Appeals Unit pursuant to Government Code section 19826(a), on behalf of the claimants, the Supervising Fraud Investigators of the California Department of Insurance (CDI). Specifically, the Supervising Fraud Investigator I (7541), Supervising Fraud Investigator II (7542) and the Chief, Fraud Bureau, CDI (7545). On February 21, 2024, the CalHR Director, Eraina Ortega, designated the CalHR Sr. Administrative Law Judge to hear the claimant's pay parity appeal and a letter was mailed to the parties. On February 29, 2024, the SAU issued a Notice telephonic Pre-Hearing Conference for March 18, 2024. At the Pre-Hearing Conference the videoconference pay parity hearing was scheduled for April 17, 2024 and April 18, 2024.

The claimants called seven (7) witnesses; CDI Supervising Fraud Investigator I's Myra Svoboda and Steven Hall; CDI Supervising Fraud Investigator II's, Vladislav Mikulich, Eric Hood, and Richard Edmonson; and CDI Chiefs, Shawn Conner and Victoria Martinez.

## **SALARY SETTING PROCEEDINGS**

The Department of Human Resources (CalHR) has rulemaking and adjudicative powers similar to the legislative and judicial powers of the legislature and the courts. (*Lowe v. California Resources Agency* (1991) 1 Cal.App.4th 1140.) An administrative hearing

may involve both legislative and judicial function, depending on the questions the administrative agency is asked to resolve. (*Lowe, supra*, 1 Cal.App.4th at p. 1140, citing (*Dominey v. Department of Personnel Administration* (1988) 205 Cal.App.3d 729.))

In *Lowe*, the court specifically found the matter of setting and adjusting salary ranges pursuant to Government Code section 19826 to be quasi-legislative. As explained in *Lowe*, a hearing on the adjustment of salary ranges is quasi-legislative and involves the entire class of claimants in their quest for pay parity. While there are statutory limits on the authority which flows from Government Code section 19826, CalHR retains discretion to determine the criteria to be used in establishing salaries. (*Lowe, supra*, 1 Cal.App.4th at p. 1140, citing (*State Trial Attorneys' Ass'n. v. State* (1976) 63 Cal.App.3d at pp. 304-305.)) That discretion necessarily includes the discretion to place greater "value" on or give greater weight to some duties and responsibilities than others. (*Lowe, supra*, 1 Cal.App.4th at p. 1140.)

CalHR's purpose in this proceeding is to determine whether its salary-setting procedures should be amended, repealed, or otherwise modified for application in future salary determinations. Alternatively, CalHR is charged with determining whether the duties of claimants warrant reallocation to another classification. This recommendation addresses the pay parity issue under Government Code section 19826 (a); and the reallocation issue.

## **METHODOLOGY**

The documents reviewed in this quasi-legislative process are provided in the two boxes labeled quasi-legislative hearing, to include the exhibits, documents and attachments provided by the claimants, together with their position statements. All testimony was sworn, recorded and transcribed and is part of the quasi-judicial process, and is incorporated as part of the record. The Personnel Management Division (PMD) did not testify but provided a comprehensive analysis of the pay parity claim of the CDI Supervising Fraud Investigators I and II, and the Chief, Fraud Bureau.

The salary setting hearings were held on April 17-18, 2024, via videoconference. The claimants called seven witnesses; PMD called none. The quasi-legislative record for the claimants to supplement with additional materials. remained open until April 30, 2024. On April 25, 2024, the CalHR sent an email to the claimant's representative to ask a statistical question regarding the number of cases that remain fraud related only, and the amount that include non-fraud related charges. Because of the quasi-legislative nature of this proceeding, CalHR may consider outside material in addition to written or

verbal information provided at the hearing. The Sr. Administrative Law Judge also reviewed the CDI Annual Report of the Commissioner for 2021 and 2022, and various CDI and DOJ press releases. All documents are incorporated as part of the quasi-legislative record.

## **THE SALARY SETTING FUNCTION OF THE DEPARTMENT OF HUMAN RESOURCES**

Government Code section 19826(a) provides CalHR with authority to, “establish and adjust salary ranges for each class in state civil service. This authority is subject to any merit limits contained in Article VII of the California Constitution.” In general, CalHR has jurisdiction over the State’s financial relationship with its employees, including matters of salary. . .” (*Gilb v. Chiang*, (2010) 186 Cal.App.4th 444, review denied.)

Two threshold issues must be addressed in order to examine pay parity under Government Code section 19826(a):

- 1) What constitutes a comparable duty for Supervising Fraud Investigators I, and II, and Fraud Bureau Chief classifications of the California Department of Insurance, and Special Agent Supervisor, Special Agent-In-Charge and Assistant Bureau Chiefs of the Department of Justice; and
- 1) If the duties and responsibilities are comparable, are they paid a like salary?

The claimant’s testimony is outlined below, followed by the PMD comprehensive analysis of the job classifications.

## **CLAIMANT’S TESTIMONY**

### Eric Hood, Supervising Fraud Investigator II

Eric Hood, Supervising Fraud Investigator II, Department of Insurance (CDI) has been in law enforcement for nearly two decades. His working title is Captain. Captain Hood currently supervises the Inland Empire Regional Office of the CDI Fraud Division. He has a Master’s degree from Northridge University and has attended several Peace Officers Standards and Training (POST) managerial and supervisory training in addition to his original POST training.

Hood, Supervising Fraud Investigator II, since 2020, testified for the claimants and explained California Department of Insurance (CDI) Investigators have the same working conditions as their Department of Justice (DOJ) counterparts. The Duty Statements include the same tasks and have interchangeable duties and nearly identical hiring requirements. This contrasts with the Department of Social Services Investigators who are unarmed civilians with no arrest duties and CDI Investigators are criminal investigators and sworn peace officers.

Hood introduced the State Personnel Board (SPB) specifications for CDI Investigators, and the Special Agents of DOJ. [Exh.1,2] He explained as sworn Peace Officers Standards and Training (POST) officers they may work undercover to expose a medical insurance fraud, and if they find evidence of other crimes, they will immediately open the investigation to include other violations, like money laundering and asset forfeiture. This case expansion happens in almost every case the CDI investigates.

CDI Investigators are also charged with working undercover, performing weekly covert operations and stationery surveillance in search of probable cause. Hood says this is identical to DOJ Special Agents, as is their core function of interrogation which is 80% of their duties. In ten years, he has arrested over one hundred doctors, and believes this is higher than DOJ arrests in the same time period. He provided a chart comparing the duties of CDI Investigators and DOJ Special Agents using Department of Human Resources (CalHR) specifications. The duties are identical as they each conduct investigations, gather evidence, arrest suspects, conduct police field activities, train other law enforcement agencies and act as protective security detail. [Exh.4]

Similarly, the CDI Supervising Fraud Investigators and DOJ Special Agents duties are similar in scope. Hood introduced [Exh.6] indicating each are working supervisors, supervising Peace Officers, working on task forces with other law enforcement agencies, investigating complex cases and provide technical assistance and training. Additionally, the CDI and the DOJ each oversee programs in a designated geographical area for training, enforcement programs and special projects, [Exh.7]

The Statement of Duties on the CalHR website [Exh.8] outlines the essential and marginal functions of the DOJ Special Agent. Hood testified this mirrors his job duties because he performs each and every task listed. For example, typical working conditions involve remote crime scenes, harsh weather conditions and travel throughout the state.

Hood provided an Essential Functions Duty Statement for a CDI Supervising Fraud Investigator I, which states, "this position is designated as peace officer. The incumbent must successfully qualify at quarterly weapon qualifications and meet all Peace Officers

Standards and Training (POST) requirements. Incumbents perform a full range of peace officer duties and responsibilities in the accomplishment of their assignments in accordance with the California Penal Code, section 830.3." [Exh.10] He then compares the DOJ Special Agent with the CDI Supervising Fraud Investigator I position, which appears almost identical in scope.

Hood then introduced his own Essential Functions Duty Statement for a Supervising Fraud Investigator II. It states, "[E]nsure that all mandatory POST training is completed as required. Participate in investigations as necessary. Assist in the administration of a specialized investigative program or project as mandated by law or required by Division administration. Coordinate Grant funded task force operations with prosecutors and allied law enforcement. Review and analyze regional area crime trends. Identify and develop formal In-House Training Programs to meet Branch and division needs." [Exh.12]

He then provided DOJ Special Agent in Charge essential functions statement which mirrors his Essential Functions Duty Statement for a Supervising Fraud Investigator II. [Exh.13] "Plans, develops, and implements comprehensive policies and procedures relating to the operation of the enforcement teams under his/her supervision. Ensures that fiscal and program integrity is maintained, and coordinates intelligence exchange with state, federal, local, and multijurisdictional agencies. Develops and maintains administrative and operational quality control measures."

To exemplify the similarities in the respective job duties of a DOJ Special Agent and a CDI Supervising Fraud Investigator, Hood provided an Attorney General press release dated Monday, February 5, 2024. The press release announced a \$2.1 million settlement against Pomona Hospital for Medi-Cal Fraud. [Exh.19] The article lauds the DOJ Department of Medi-Cal Fraud and Elder Abuse (DMFEA) investigation of a hospital charging higher than usual and customary rates from December 2016 through September 2021. The case settled for \$2 million. [Exh.20] Hood also pointed out that not all private insurance issues involve CDI Supervising Fraud Investigators. [Exh.21]

He testified that joint Task Forces are the "best practice" and the department that receives the case usually takes the lead. This could be dependent on grants from the Federal government like Medi-Cal for DOJ, but CDI is not limited by grant funding. Each Regional Office determines whether they will work certain cases jointly. Sometimes funding issues preclude joint missions.

Hood, as a Supervising Fraud Investigator II, testified that CDI receives the bulk of their cases from insurance companies, approximately 20,000+ cases annually. CDI currently has 130 investigators, and cannot take on 20,000 cases per year, and must close many

cases when they have no Investigators. Sometimes DOJ reaches out to CDI when they need resources like surveillance cameras, which could result in a joint Task Force.

One such Task Force involved the Orange County District Attorney's Office and the CDI. The investigation included the assistance of the National Insurance Crime Bureau, which arrested two individuals in a \$20 million Workers' Compensation Insurance Fraud kickback scheme. [Exh.22] Similarly, the DOJ DMFEA had a similar arrest of 16 individuals for \$2 million in a Medi-Cal pregnancy fraud, arresting 2 physicians, 3 clinic administrators and 11 assistants for luring pregnant women to a fake health clinic that fraudulently billed Medi-Cal for at least \$2 million. [Exh.23]

Hood testified there are many cases that overlap with DOJ because they involve fraudulent insurance claims. He provided 2 examples of this from press releases involving 2 physicians conspiring to illegally furnish controlled substances to Anna Nicole Smith [Exh.24] and a conviction of a San Joaquin County doctor in connection with the four-year Medi-Cal fraud scheme. [Exh.25] CDI was not involved in either of those investigations but worked jointly with DOJ on similar cases.

Hood testified he primarily works with the Federal Bureau of Investigation (FBI) who can assist CDI with investigating cases because a federal agency can provide additional manpower. CDI also reaches out to the Internal Revenue Service (IRS) and work on a reciprocal agreement within their various jurisdictions. Hood provided various press releases which show the reciprocal agreement with the FBI. One dated July 2021 involved a medical imaging company found guilty of running massive health care fraud through the State Worker's Compensation system. The FBI and the California Department of Insurance fraud division investigated. [Exh.26]

Similarly, the DOJ announced the sentencing of a Medical Director of a Long Beach addiction clinic in connection with a four-year Medi-Cal fraud scheme. In that case the California Department of Health Care Services referred the matter to the DOJ and was handled by the DOJ DMFEA office. [Exh.27] In 2020, CDI Commissioner, Ricardo Lara, announced the guilty plea of the founder of a Los Angeles drug and alcohol treatment center, who ran a \$175 million fraudulent healthcare billing scheme that was exposed by an investigation by the CDI and the Los Angeles County District Attorney's Office. [Exh.28]

Hood testified that in 2021, the DOJ arrested owners of a corrupt sober living facility with the assistance of the CDI and the FBI [Exh.29] Another press release recounts a \$60 million sober living home fraud scheme uncovered by the CDI with the assistance of the Orange County District Attorney's Office. [Exh.30] He testified he is currently

working on a joint case with the FBI and they alternate who will surveil and issue search warrants.

Hood then outlined what is required in a Report of Investigation. For each of the cases that either went to trial or were plead out by the wrongdoer, a Report of Investigation is required whether you work for DOJ or CDI. Hood cannot stress strongly enough that each of these fraud cases handled by either DOJ or CDI are identical in scope. Each performs search warrants, surveillance, arrest warrants, and interrogations. He provided three DOJ Reports of Investigation, detailing investigations lasting 4 to 6 years. [Exh.31, 32, 33] Of note in these DOJ Reports of Investigation, is that the DOJ agent that participated, was formerly a CDI Fraud Investigator.

Hood continued to explain that the DOJ and CDI Investigators do the same job and introduced Interview Reports. The Interview Report is nearly identical to the DOJ Report of Investigation. The Interview Report is extremely detailed and covers years and years of surveillance and document gathering and investigative procedures including search warrants, arrest warrants and interrogations. Hood testified whether insurance fraud or Medi-Cal fraud the investigations are extremely detailed. [Exh.34] They involve interviews, interrogations, search warrants, surveillance, and many other law enforcement tools to unravel million-dollar frauds of doctors scamming the insurance industry. One such investigation involved a doctor who was part owner and board member of a Bank, had a Villa in Lake Como, Italy, and owned an Aston Martin, Bentley and Maserati. [Exh.34]

Yet another investigation code-named, Operation Spinal Cap involved a doctor who had a kickback scheme with several hospitals, who later agreed to cooperate in an ongoing investigation with the CDI. This is similar to what would be done at DOJ when they have a cooperating witness to assist in their investigation. [Exh.35] In this case the CDI worked together with the FBI to bring the various parties to justice.

Hood then introduced his Investigation Operations Plan which describes the type of operation, the personnel, the undercover personnel, signals, suspects, locations, vehicles, background and the mission or purpose of the operation. The Operations Plan also involves execution of the mechanics of the operation, including serving search warrants, any special problems or considerations such as history of violence, mental condition, or weapons. Communications, medical emergencies, individual and special equipment must all be accounted for. In addition to the Operations Plan there is always a Contingency Plan with a critical incident checklist. [Exh.36]

Hood explained that whether DOJ or CDI, criminal investigations are the same, and they do the same thing as DOJ Special Agents. Hood testified credibly and with a

wealth of knowledge for both the DOJ, FBI and CDI process, and is perfectly situated to evaluate the similarities of each agency. For example, whether DOJ or CDI, critical incident checklists are used interchangeably by each agency. This includes ensuring civilian witnesses are located and identified, the statement is recorded, if possible; scene photographs shall be taken only by personnel from the investigating agency; ensuring the security and collection of any weapons or instruments involved in the critical incident and protecting sensitive investigative information. [Exh.36]

Hood then went on to a CDI Operations Plan involving an arrest and a known risk in an insurance fraud case. Here again, the Operation Plan for the arrest of the suspect is identical in scope to the DOJ Operation Plan. [Exh.37] He articulated there is a lot of work that goes into these operations as they are extremely detailed. [Exh.38] Both CDI and DOJ investigators have operation plans for arrest, extradition, surveillance and any other specialty, like undercover work.

Hood also provided a final Report of Investigation from DOJ Bureau of Medi-Cal Fraud and Elder Abuse case involving an Orthopedic facility. The final document is over 50 pages in length and details every aspect of the investigation. [Exh.39] He also provided a Report of Investigation from the CDI which is identical to the DOJ final Report of Investigation. [Exh.40] All of their investigations need to have declarations pursuant to section 2015.5 of the California Code of Civil Procedure in support of issuance of felony complaint arrest warrants. He provided an example from a DOJ Special Agent and is 56 pages in length. [Exh.41] Here again, the training is similar, and one must have the requisite experience to fulfill the requirements of a proper affidavit preceding an arrest. [Exh. 42]

Hood compared the California State Personnel Board specification of a Chief, Fraud Bureau, CDI class code 7545 with the DOJ series, 8681, 8680, 8682. The specifications detailing the typical tasks of these investigators are virtually identical. Hood ended his testimony by explaining that the consequence of error for an Investigator, whether DOJ or CDI, is "someone could die," or civil rights violations could lead to extensive and costly litigation. He believes for the CDI Supervising Fraud Investigators to continue doing its job, the pay disparity must end.

#### Shawn Conner, Chief, Fraud Bureau

Shawn Conner, Chief Fraud Bureau, CDI, has the working title of Deputy Chief. Deputy Chief Conner is a second-level manager and oversees five Regional Offices in Southern California with approximately 100 staff. He testified the State Personnel Board specifications of DOJ and CDI and Investigators are comparable, if not identical.

Conner testified he has operational control over the CDI Investigators budget and routinely speaks with the Legislature and various District Attorney offices around the state. He is involved in special projects with the Information Technology department and development of their case management system. Because he has operational control over the budget, he explained they do not receive grant money directly. The District Attorney offices for each county pay for the prosecution of various individuals under criminal investigation.

He works with District Attorney offices from San Diego, Imperial, San Bernardino, Santa Barbara, Ventura and Riverside counties. He currently has 89 sworn officers that report to him and has 101 allocated positions. He explained that it is difficult to recruit because DOJ salaries are higher even though they do the same job. Conner's counterpart at DOJ is Kurt Mueller, Assistant Chief overseeing five offices.

Deputy Chief Conner has held both positions Supervising Fraud Investigator I (7541) and Supervising Fraud Investigator II (7542) over the last thirteen years and currently supervises individuals in these classifications. [Exh.3] He works with city and county agencies including local sheriff's offices and provides training for most of these agencies. He introduced his Essential Functions Duty Statement as Chief, Fraud Bureau, CDI, which indicates he ensures coordination of major field operations and activities with other regional areas, Enforcement Branch headquarters, including the completion, evaluation and oversight of special projects, programs or studies affecting operations, data systems, policy manual development and revision, and employee safety issues. [Exh. 75]

He explained Task Forces with other agencies whether local, state or federal, are driven by memorandums of understanding (MOU). CDI leads several Task Forces, similar to DOJ, including auto fraud rings which include various county District Attorney office and the California Highway Patrol. He explained the CDI Fraud Division, formed in 1979, predates the DOJ. Because either DOJ or CDI can arrest anyone for anything under the Penal Code, he believes their duties are identical. He provided the DOJ Chief, State Personnel Board specification which he believes is identical to his job description. [Exh. 43, 44]

Conner explained that while the DOJ budget may be larger than the CDI, its mission is dependent on staffing levels. Because of the salary disparity they have trouble recruiting new investigators to the CDI. He testified that when a Task Force is developed, the agency that received the complaint initially takes responsibility for the overall operations. Operational Plans are universal between the DOJ and the CDI. Each serves search warrants and uses deadly force when necessary to execute arrests. They each

need to avoid false arrest and consider other employees' health and safety when performing the functions of an investigator.

Victoria Martinez, Chief, Fraud Bureau

Victoria Martinez, Chief, Fraud Bureau, CDI, is a special projects manager supervising training, data analytics, auditing, computer forensics, and grants. Her working title is Deputy Chief and she testified to two State Personnel Board job specifications, her own and the comparable job classification at DOJ, the Assistant Chief. There are four Deputy Chiefs statewide including Deputy Chief Martinez. She explained fraud referrals are received from virtually anyone, but particularly insurance companies file complaints.

Deputy Chief Martinez explained that even though they do not process grants or apply for grants they receive allocations from various grants of District Attorney offices around the state. She is responsible for ensuring the various funding formulas are based on each county's demographics. She explained that she is responsible for determining assessments and gave an example of the 2024 Worker's Compensation was \$89 million for calendar year 2024-25. Of the \$89 million, 40% went to CDI and 40% to the District Attorney, the remaining 20% was determined as discretionary by the Committee Chair of the Insurance Commissioner and the Fraud Assessment Commission.

CDI cases are prosecuted by the counties, the State of California or the federal government. These agencies work together to determine how best to approach an investigation. She will bring cases to DOJ, and if they decline prosecution, they may be able to use the local District Attorney for prosecutorial purposes. She testified she does the identical task of managing special projects just like her DOJ counterparts. [Exh. 43, 44]

Richard Edmonson, Supervising Fraud Investigator II

Richard Edmonson, Supervising Fraud Investigator II, supervises the southern Los Angeles Regional Office for the CDI Fraud Division. His working title is Captain, and he has a Bachelor of Science in Criminal Justice. He testified that in 2010 the classification changed from Fraud Investigator to Investigator and noted that the California State Personnel Board specification for an Investigator does not mention Fraud in the description. [Exh. 1]

Captain Edmonson explained that CDI and DOJ Investigators are all trained POST peace officers of the State of California, and they each arrest individuals. The DOJ Investigators did not get collapsed into the Basic Investigator class, which lead to the disparity in pay. He believes that there is a 20% pay disparity with CDI investigators and DOJ special agents. Many investigators from CDI including supervisors, are going

to DOJ for higher pay because the rank-and-file make as much as CDI Supervising Fraud Investigators.

He provided an example of an arrest report from the CDI Fraud division from a joint investigation with the DOJ. The arrest report indicates the suspects surrendered rather than be arrested. [Exh.49] He also provided a copy of a 2023 search warrant and affidavit for computer equipment and electronic data. He explained this is a standard State of California, County of Los Angeles, search warrant and affidavit used by both DOJ and CDI and stressed they are identical. [Exh.51] In this case the search warrant had to be served jointly in Kentucky.

He explained that what makes a case complex is the number of suspects and the amount of money involved and the nature of the fraud. He also testified that many cases begin as a fraud case but then may turn into a firearms case or other complex aspect of an arrest. He has served approximately 1000 search warrants and encounters firearms about half the time with business search warrants, and 85% with personal residences.

He works in Los Angeles County where he serves all types of warrants including specialized warrants and is the highest-ranking officer in his division. He is currently in charge of three Task Force; a CHP CDI Task Force; an Los Angeles Police Department (LAPD) auto Task Force, and an LA Worker's Compensation Task Force which also includes LAPD. The DOJ TRUE Task Force is another that his office participates in with DOJ. TRUE, stands for Tax Recovery in the Underground Economy, established in 2020. [Exh. 47]

He explained that they have specific training for new hires which includes how to perform search warrants, including writing and serving search warrants. They are also trained in the logistics of a search, creating fake records, searching warehouses involving multiple locations and employees. The training for new hires also includes joint evidence, bank account review and computer search warrants.

As Captain, he is responsible for assigning cases to his Supervising Fraud Investigator I and II employees. He determines whether or not to give it to a more experienced investigator based on the type of case. Cases are generally submitted via the CDI website and based on zip codes are assigned to the appropriate regional office. They receive approximately 50 to 60 cases per day and must determine whether it's a complex case or whether they are able to proceed with the investigation. Sometimes they receive so many cases that they are unable to investigate all of them and may send some to DOJ or the county District Attorney.

Captain Edmonson explained the consequence of error is extremely high with CDI Investigators, just like DOJ Investigators. If an error is made at any point during a

years-long investigation, they may be unable to prosecute. Also, the threat of a lawsuit for millions of dollars is always a risk when dealing with large suspect pools. Because of the consequence of error, CDI takes the training of Investigators seriously, and has a 3-day course in Field Operations, Auto Insurance Fraud, and How to Seize and Package contraband.

CDI Investigators are also trained for approximately 45 days in three different phases, including search warrants. During the one-year probationary period, CDI Investigators are trained on insurance premium fraud, Worker's Compensation fraud, after attending the POST academy for 6 months. His staff also receives regular department-wide quarterly training, all training is POST certified.

New Investigators also receive on the job training for search warrants, arrest warrants and the actual execution of same. Auto and property casualty are less complex, unless it is a "crash and buy" scheme with staged collisions. Fake identities can lead to extremely complex cases. Complex cases are also those with high impact or high dollar amounts, but public safety issues are always priority assignments. He evaluates complex cases by first, public safety concerns, then dollar amount, then type of case.

Edmonson testified CDI Investigators are no different than DOJ Investigators, and each measure success by the number of search warrants, convictions, arrests and the recovery amount of each case.

Steven Hall, Supervising Fraud Investigator I.

Steven Hall, Supervising Fraud Investigator I, CDI, testified to his experience as a Special Agent, DOJ from 2008-2012, and his time with CDI. His working title is Sergeant. He testified there simply is no difference between these two Investigator classes. He conducted undercover operations and surveillance and says there is no difference in how these are handled whether CDI or DOJ. He also indicated there is no difference in using informants or executing search warrants, or the complex process of "backstopping."

Sergeant Hall testified when he was laid off from DOJ, he was a Special Agent and when researching which job he wanted to apply for, found the CDI Supervising Fraud Investigator series to be the "mirror image" of his old job at DOJ. He testified he had 7 weeks of training at DOJ as a Special Agent and cannot think of any differences between CDI and DOJ Investigators. The command structures and investigative protocols are identical at DOJ and CDI, and believes the CDI may have more autonomy in investigating certain claims than DOJ.

Myra Svoboda, Supervising Fraud Investigator I.

Myra Svoboda, a Supervising Fraud Investigator I, for six years has a Bachelor of Science in Criminal Justice. Her working title is Detective Sergeant. She first attended a 6-week POST training course in Sacramento, California, and then went through three phases of field training. She also took courses in search warrants, arrest warrants and surveillance.

She was assigned to work in auto insurance fraud and then Worker's Compensation fraud and later went on to property and casualty and healthcare fraud. She has worked undercover, met with informants and was instrumental in the 2012 sentencing of a doctor whose fraud case was featured on an episode of the television series 20/20. She has wired up informants and conducted over 100 surveillances, and as many warrants.

Detective Sergeant Svoboda has served as evidence custodian and is a range certified instructor. She does not see the difference between the tasks being performed by CDI Investigators and DOJ Special Agents. She generally supervises 12 sworn officers, but the average is down to 6, as they lose many good investigators to DOJ because of the pay disparity. She is currently working at CDI Headquarters actively recruiting for Investigators in an attempt to augment their dwindling ranks.

Vlad Mikulich, Supervising Fraud Investigator II.

Vlad Mikulich, who has a Bachelor of Science in Biology, began his career with the State of California as a Medical Researcher with the University of California, Los Angeles. He then worked as an Insurance Adjuster for the State Compensation Insurance Fund for four years, before starting with the Orange County office of CDI in 2007, as a Fraud Investigator.

He has been a handler for over 700 cases, designing undercover schemes, preparing search warrants and arrest warrants. He testified emphatically that search warrants and arrest warrants are the same whether prepared by DOJ or CDI, as they must follow the same legal parameters. He then began working on a \$1 million insurance provider fraud cases. He was instrumental in shutting down a Long Beach Hospital because the two men that controlled the hospital had multiple layers of various types of medical fraud.

He recalled a \$600 million dollar case where Orthopedic Surgeons would perform spinal fusions, whether the patient needed one or not, and would yield \$200,000 for each spinal fusion. In another case, \$3.25 billion dollars was lost in a Pharmacy fraud ring, which was the largest in United States history. He recalled working on the case with over 1,000 interviews and interrogations performed.

Mikulich explained that a case turned political when California State Senator Ronald Calderon was charged with taking bribes in exchange for Official Acts on behalf of the hospital owner and independent film studio which was actually an FBI front. [Exh. 58] The majority of the investigative work was done by the IRS and the FBI in conjunction with CDI. In yet another case, five people, including two doctors, were charged in kickback schemes involving nearly \$600 million in fraudulent claims by SoCal Hospitals. [Exh.59]

Mikulich is frustrated as CDI has lost over half a dozen agents recently to DOJ. His office has “become the proving ground for DOJ’ in the last 5 years, as they continue to lose their trained Investigators to DOJ. He blames the side letters which created the salary disparity and provided various tables indicating the salary differences.

### **PMD ANALYSIS**

The Personnel Management Division explained there were, “[N]o significant changes made to either CDI Fraud classification of DOJ Special Agent classifications until the 2010 statewide rank and file Investigator consolidation which affected the rank and file Fraud Investigator.” They explain, “At the time many departments had their own department specific Investigator series, and the consolidation aimed to streamline the examination process for the various rank and file investigator classifications which would incorporate a multitude of investigative areas.”

“DOJ was not considered as a part of that consolidation effort and instead remained its own classification. In 2022, DOJ had specification changes which added additional areas of criminal activity that could be investigated such as white-collar crimes, sexual trafficking and officer involved shootings.”

PMD also indicated that the schematic codes used to identify various work and occupational groupings are “typically generated at the creation of a classification and do not account for any changes that the classifications incorporate over times, such as expanded scope, variety . . .” Similarly, the Standard Occupations Codes used by CalHR and ultimately PMD, are merely “links to existing classification with a federal listing of Standard Occupation Codes for easier occupational comparisons across states.” These codes are primarily for historical purposes and do not assist the fact finder in determining whether, “like salaries shall be paid for comparable duties and responsibilities.

PMD also prepared an exhaustive compensation history which shows the salary differences between the CDI Supervising Investigators and the DOJ Special Agents.

	Assistant Chief (DOJ) Max	Chief Fraud (CDI) Max	Difference	SA in charge (DOJ) Max	Sup Fraud II (CDI) Max	Difference	SA sup (DOJ) Max	Fraud Sup I (CDI) Max	Difference
7/1/2015	\$10,633.00	\$10,107.00	5.20%	\$9,626.00	\$8,269.00	16.41%	\$8,477.00	\$7,325.00	15.73%
7/1/2016	\$10,952.00	\$10,410.00	5.21%	\$9,915.00	\$8,517.00	16.41%	\$8,731.00	\$7,545.00	15.72%
10/1/2016	\$11,017.00	\$10,475.00	5.17%	\$9,980.00	\$8,582.00	16.29%	\$8,796.00	\$7,610.00	15.58%
7/1/2017	\$11,348.00	\$10,789.00	5.18%	\$10,279.00	\$8,839.00	16.29%	\$9,060.00	\$8,249.00	9.83%
7/1/2018	\$11,575.00	\$11,005.00	5.18%	\$10,485.00	\$9,016.00	16.29%	\$9,241.00	\$8,414.00	9.83%
7/1/2019	\$13,083.00	\$12,756.00	2.56%	\$11,851.00	\$10,451.00	13.40%	\$9,975.00	\$9,267.00	7.64%
7/1/2021	\$13,745.00	\$13,401.00	2.57%	\$12,451.00	\$10,980.00	13.40%	\$10,480.00	\$9,736.00	7.64%
9/1/2021	\$15,394.00	\$13,401.00	14.87%	\$13,945.00	\$10,980.00	27.00%	\$11,738.00	\$9,736.00	20.56%
7/1/2022	\$15,971.00	\$13,904.00	14.87%	\$14,468.00	\$11,392.00	27.00%	\$12,178.00	\$10,101.00	20.56%
7/1/2023	\$16,450.00	\$15,037.00	9.40%	\$14,902.00	\$12,321.00	20.95%	\$13,546.00	\$10,924.00	24.00%

As the above chart illustrates, in 2021, a 12% salary increase was accomplished via a side letter for DOJ only. The salary disparity increased in July 2023, when statewide investigators received a 5% increase, and DOJ an 8% increase.

PMD also conducted Subject Matter Expert interviews with DOJ and CDI and learned that each department may "extend the scope beyond the unit assignment," but "DOJ's DMFEA is strictly funded to where Special Agents in the division may need to send cases to other areas of DOJ to be investigated as their grant funding limits the types of crimes that they are allowed to investigate."

## ALLOCATION FACTORS

To assess the value of any given set of duties and responsibilities, CalHR utilizes a number of "allocation factors."<sup>1</sup> The allocation factors which follow were assessed using the PMD analysis of the duties and responsibilities of CDI Supervising Fraud Investigators I, and II, and Fraud Bureau Chief classifications, are comparable to the DOJ Special Agent Series, and claimant testimony.

1. Variety and Scope of Responsibility - a measure of whether the work is repetitive or varied in nature and the breadth of the assigned program. It is clear from the testimony of the seven CDI investigators that their job duties and responsibilities are comparable

<sup>1</sup> Depending on the nature of the classification or class series, a combination of different allocation factors can be used to develop a set of allocation guidelines. Through the use of allocation factors, a position can be broken down into its component parts to be examined to determine the appropriate level/classification. [DPA CCD Manual, section 180. Allocation Guides.]

to that of DOJ Special Agents. Each testified credibly that they are both POST-trained, and file the same arrest and search warrants, expand the scope of their investigation as necessary if other crimes are discovered in an ongoing investigation and each rely on the Penal Code. CDI Penal Code 830.3 and DOJ Penal Code 830.1 provide each the authority to investigate crimes.

This is the only allocation factor which PMD believes has a "minute differentiation." Specifically, "there was not a significant difference except that [DOJ] Special Agent Supervisor would potentially be utilized in a specialist capacity overseeing a specific type of task force, while the Supervising Fraud Investigator would always be a supervisor over a team."

PMD concluded that, "the variety and scope of responsibility of CDI Supervising Investigators falls within that of what is expected of DOJ's supervising investigators [Special Agents]."

2. Supervision and Guidelines Received – the degree to which the work is supervised or reviewed.

PMD agrees with the claimants on Supervision and Guidelines Received as they perform their jobs with the same variety and scope of responsibility as DOJ.

3. Supervision Exercised – consideration is given to the number of civil service employees supervised and the type and amount of supervisory responsibility assigned to the position.

PMD agrees with the claimants, the Supervision Exercised by CDI Investigators is comparable to that of DOJ.

4. Complexity of Work – the status of the work or state of development of the problem when first presented to the employee; analytical and problem-solving requirements; the extent to which plans or actions must be initiated, developed or decided upon by the employee; and the scope of work.

PMD agrees with the claimants that there is no difference in Complexity of Work from that of DOJ.

5. Knowledge and Abilities Required – consideration is given to the subject matter of the work; the level of analytical ability required; and the nature of the problem to be solved.

PMD agrees with the claimants that the Knowledge and Abilities Required is not different from that of DOJ.

6. Responsibility for Decisions and Actions – a measure of the weight of authority given to the employee and the people affected by the decisions made.

PMD agrees with the claimants that there is no measurable difference in the Responsibility for Decisions and Actions Received from that of DOJ.

7. Personal Contacts/Relationships – consideration is given to the type and level of negotiation skill required; and the tact, poise, and persuasiveness required in the contact.

PMD agrees with the claimants that Personal Contacts/Relationships Received are comparable to that of DOJ.

8. Working Conditions/Environment – the physical characteristics and surroundings of the job that make specific demands upon a worker's capacity to perform his or her duties. These include, but are not limited to, special hazards, work location and tools.

PMD agrees with the claimants that the Working Conditions/Environment Received are identical to that of DOJ.

9. Consequence of Error – the impact of an error in time inconvenience, money, health; scope of the error in its effect on other units, the public or both; probability for error to occur and degree of difficulty in correcting or reversing the error.

PMD agrees with the claimants agree on Consequence of Error Received as they perform their jobs with the same variety and scope of responsibility as DOJ.

10. Area of Responsibility – the geographic or program area over which the position has responsibility.

PMD agrees with the claimants that there is no discernible difference in the Area of Responsibility from that of DOJ.

11. Administrative Responsibility – the extent to which the position is involved in such administrative tasks to develop and monitor program goals and objectives; budget and performing personnel; contracts and business services related activities.

PMD agrees with the claimants that Administrative Responsibility is no different than that of DOJ.

**LIKE SALARIES**

The PMD analysis shows the duties and responsibilities of the claimants overlap with DOJ Special Agents, however the scope of responsibilities may differ based on which division a DOJ Special Agent is assigned.

The PMD Analysis indicates the salary gap between the Supervising Fraud Investigator I (7541), Supervising Fraud Investigator II (7542) and the Chief Fraud Bureau, CDI (7545) classifications and the DOJ Special Agent classifications should be reduced.

**REALLOCATION**

As noted earlier, CalHR is charged with determining whether the duties of claimants warrant reallocation to another classification. Here, no reallocation is warranted as the claimants are working within their respective job classifications of Supervising Fraud Investigator I (7541), Supervising Fraud Investigator II (7542) and the Chief, Fraud Bureau, CDI (7545).

**RECOMMENDATION**

After thorough consideration of the testimony of the claimants, Supervising Fraud Investigator I (7541), Supervising Fraud Investigator II (7542) and the Chief, Fraud Bureau, CDI (7545), and the analysis of PMD, it is the recommendation that the claimant's salary be further reviewed by CalHR to determine whether a Special Salary Adjustment, Pay Differential, or Alternate Range Criteria may be an appropriate mechanism to bring the salary into closer alignment with DOJ Special Agents.

Respectfully submitted,



Karla Broussard-Boyd  
Sr. Administrative Law Judge  
Statutory Appeals Unit

## Exhibit Index

Exhibit Number	Document
1	State Personnel Board Job Specification for Investigator
2	State Personnel Board Job Specification for Special Agent, Department of Justice Series
3	State Personnel Board Job Specification for Fraud Investigator, Department of Insurance Series
4	California Department of Insurance Claimants Comparison of Duties for the Investigator Class and Special Agent Class taken from CalHR Specs
7	Duty Statement – California Department of Insurance, Investigator
8	Duty Statement – Department of Justice, Special Agent
10	Duty Statement – California Department of Insurance, Supervising Fraud Investigator I
11	Duty Statement – Department of Justice, Special Agent Supervisor
12	Duty Statement – California Department of Insurance, Supervising Fraud Investigator II
13	Duty Statement – Department of Justice, Special Agent in Charge
19	Attorney General Press Release February 5, 2024 “Attorney General Bonta Announces \$2.1 Million Settlement Against Pomona Hospital for Medi-Cal Fraud”
20	US Attorney General’s Office Press Release February 2, 2024 “Pomona Hospital Agrees to Pay More than \$2 Million after Self-Reporting Overbilling of Medi-Cal for Prescription Medications”
21	Attorney General Press Release September 8, 2003 “Attorney General Lockyer Obtains Longest Prison Sentence for Medi-Cal Fraud in California History”
22	California Department of Insurance Press Release January 28, 2020 “Two Arrested in \$20 Million Workers’ Compensation Insurance Fraud and Kickback Scheme”
23	Attorney General Press Release February 27, 2008

- 24           **"Brown Announces Sixteen Arrests in \$2 Million Medi-Cal Pregnancy Fraud"**  
**Attorney General Press Release March 13, 2009**
- 25           **"Brown Discuss Charges Filed Against Howard K. Stern and Two Physicians for**  
**Conspiring to Illegally Furnish Controlled Substances to Anna Nicole Smith"**  
**Attorney General Press Release June 17, 2022**
- 26           **"Attorney General Bonta Secures Conviction of San Joaquin County Doctor in**  
**Connection with Four-Year Medi-Cal Fraud Scheme"**  
**US Attorney General's Office Press Release July 2, 2021**
- 27           **"Medical Imaging Companies CEO Found Guilty of Running Massive Health**  
**Care Fraud Through the State Workers' Comp System"**  
**Attorney General Press Release December 7, 2021**
- 28           **"Attorney General Bonta Announces Sentencing of Medical Director of Long**  
**Beach Addiction Clinic in Connection with a Four-Year Medi-Cal Fraud Scheme"**  
**California Department of Insurance Press Release January 8, 2020**
- 29           **"Insurance Commissioner Lara Issues Statement Following Guilty Plea of Rehab**  
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**US Attorney General's Office Press Release March 30, 2021**
- 30           **"Orange County Man Arrested on Criminal Complaint Alleging Receiving Illegal**  
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**California Department of Insurance Press Release June 18, 2020**
- 31           **"Additional Arrest Warrants Issued in \$60 Million Sober Living Home Fraud**  
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- 33           **Department of Justice, Bureau of Medi-Cal Fraud and Elder Abuse,**  
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- 36           **CIMS Bureau of Investigations Operations Plan**

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- 58 US Attorney General's Office Press Release February 21, 2014

- "California State Senator Ronald Calderon Charged with Taking Bribes in Exchange for Official Acts on Behalf of Hospital Owner and Independent Film Studio That was Actually an FBI front"**
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