

**JOINT REPORT TO  
THE PRESIDENT OF THE FLORIDA SENATE**

**THE SPEAKER OF THE  
FLORIDA HOUSE OF REPRESENTATIVES**

*by*

**THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES  
INVESTIGATIVE AND FORENSIC SERVICES/BUREAU  
OF WORKERS' COMPENSATION FRAUD**

*&*

**DIVISION OF WORKERS' COMPENSATION**

*January 15, 2017*



The Florida Department of Financial Services, Division of Workers' Compensation (DWC) and Division of Investigations and Forensic Services / Bureau of Workers' Compensation Fraud (BWCF) submit this joint report to the President of the Florida Senate and the Speaker of the Florida House of Representatives, pursuant to §626.989(9), Florida Statutes 2003. The joint report addresses the areas identified in §626.989(9), for the period of July 1, 2015 through June 30, 2016.

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January 15, 2017

**THE HONORABLE JOE NEGRON**  
**PRESIDENT OF THE SENATE**

**ROOM 400-SENATE OFFICE BUILDING**  
**TALLAHASSEE, FLORIDA 32399-1100**

**THE HONORABLE RICHARD CORCORAN**  
**SPEAKER OF THE HOUSE**

**THE CAPITOL – SUITE 420**  
**TALLAHASSEE, FLORIDA 32399-1300**

Dear President and Speaker:

The Division of Investigative and Forensic Services and the Division of Workers' Compensation appreciate the opportunity to provide you with this joint report regarding workers' compensation fraud, pursuant to subsection 626.989(9), Florida Statutes.

This report is a summary of our efforts and activities in combating workers' compensation fraud for the period of July 1, 2015 – June 30, 2016.

If you have any questions or concerns regarding this report, please give either of us a call.

Sincerely,



**TANNER HOLLOMAN, DIRECTOR**  
**DIVISION OF WORKERS' COMPENSATION**  
**(850) 413-1600**

Sincerely,



**SIMON BLANK, DIRECTOR**  
**DIVISION OF INSURANCE FRAUD**  
**(850) 413-3115**

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**The Florida Department of Financial Services, Division of Workers' Compensation (DWC) and Division of Investigative and Forensic Services, Bureau of Workers' Compensation Fraud (BWCF) submit this joint report to the President of the Florida Senate and the Speaker of the Florida House of Representatives, pursuant to §626.989(9), Florida Statutes 2003. The joint report addresses the areas identified in §626.989(9), F.S. for the period of July 1, 2015 through June 30, 2016.**

The Division of Investigative and Forensic Services, Bureau of Insurance Fraud continues to be a perennial leader in the fight against insurance fraud. During Fiscal Year 2015/2016, investigative efforts by the Bureau of Insurance Fraud resulted in 1,359 cases presented for prosecution, 1,179 arrests, and 1,033 successful prosecutions. During this time period, the Division received and reviewed over 16,950 referrals of suspected insurance fraud.

## **DIVISION OF INVESTIGATIVE AND FORENSIC SERVICES, BUREAU OF WORKERS' COMPENSATION FRAUD**

The Division of Investigative and Forensic Services, Bureau of Workers' Compensation Fraud (BWCF) has maintained 22 detectives, and four (4) supervisors assigned to squads located in Miami, West Palm Beach, Orlando and Tampa. In addition to these investigative resources the Bureau currently has four (4) dedicated prosecutors located in Miami-Dade, Hillsborough, Broward and Palm Beach Counties. These resources allow investigators to obtain timely arrest warrants and a more cohesive prosecution of individuals charged with violating the workers' compensation fraud statutes and related criminal acts.

The BWCF will continue to prioritize investigative resources in the following areas: employee/claimant fraud, premium fraud, and joint operations concerning construction sites working without appropriate coverage, with our partners in the Bureau of Workers' Compensation Compliance. The BWCF will continue to enforce criminal statutes regarding "working without coverage" and the violation of stop work orders as issued through Compliance.

The BWCF has participated in joint pro-active ventures with the Division of Workers' Compensation, the Department of Business and Professional Regulation (DBPR) and multiple local law enforcement agencies throughout the state to prevent and prosecute unlicensed contractors and those working without the appropriate workers' compensation coverage.

In February of 2013, the former Division of Insurance Fraud entered into a Memorandum of Understanding

with the Office of Financial Regulation which calls for the referral to the Division of any companies which, by virtue of a high volume of check cashing activity at OFR-regulated entities (Money Service Businesses), are suspected to be involved in complex workers' compensation premium fraud schemes.



During the Fiscal Year 2015-2016, the Division of Investigative and Forensic Services received 27 referrals from the Office of Financial Regulation involving Money Service Businesses which were potentially facilitating acts of workers' compensation fraud. The following is the status of those referrals:

- Five referrals are the subject of active criminal investigations.
- Four referrals have been identified as warranting investigation and are pending assignment.
- Six referrals were closed after preliminary investigation revealed insufficient evidence to support a successful criminal prosecution.
- One referral was turned over to another agency (Federal)
- Eleven referrals were closed after preliminary investigation revealed it to be below the Division's threshold warranting further investigation.

The BWCF is engaged in pro-active field investigations concentrating on companies engaged in premium fraud and operating without workers' compensation insurance.

The BWCF continues to receive referrals involving claimants suspected of having pre-existing conditions or of exaggerating the seriousness of their injuries (malingering).

Over the last few years, there has been a sharp increase in referrals involving claimants who have submitted injury claims using fictitious forms of personal identification. Section 440.105 (4) (b) 9, F.S., makes it a felony of the third degree for any person to present false, fraudulent or misleading oral or written statement regarding their identity either for the purpose of gaining employment or in support of any claim for workers' compensation benefits. During the last 18 months, the BWCF has seen a dramatic increase in referrals involving claimants who have supplied false, fraudulent or misleading information in support of workers' compensation benefits. Additionally, two recent court rulings before Judges of Compensation Claims have supported *denial of workers' compensation benefits* upon the finding of false, fraudulent or misleading information regarding the claimant's identity. This activity is very straightforward from a workers' compensation standpoint, as the statutory language is very clear that intentionally providing incorrect information about one's identity in support of a claim is a criminal act. However, this also makes it theoretically possible to have a legitimate injury claim, yet have it both denied by the carrier and also face criminal prosecution at the same time. The statute not only makes it a crime to intentionally use incorrect information about one's identity in support of a claim, but also to use it for the purpose of gaining employment. Pro-active investigations by the BWCF during the last several years have identified thousands of individuals statewide who are using false or fraudulent types of identification, mostly in the form of fake or stolen Social Security numbers/cards, in support of employment. The vast majority (nearly 100 percent) of the individuals encountered during both types of investigations are undocumented workers who are in the U.S. without any official status. While the BWCF does not get involved with immigration issues, other than to refer cases in which a person is suspected of being undocumented to the appropriate agency, the current national immigration debate, along with the requirement in 14 other states that employers utilize

the E-Verify system to verify identity, results in nearly all of these investigations having some immigration status nexus.

The Tampa WC Squad has been working with several law enforcement agencies and their Economic Crime Units (Pinellas, Manatee, and Polk Counties) regarding unlicensed contractors who are also working without workers' compensation insurance. During the last fiscal year, Tampa WC participated in several stings and arrested 33 individuals for unlicensed contracting and working without WC Insurance.

The WPB WC Squad actively participates with two (2) task forces. The BSO Money Laundering Task Force (MLTF) and the BSO Workers' Compensation Fraud Task Force (WCFTF).

The Orlando WC squad works with the Department of Homeland Security – Homeland Security Investigations (DHS-HIS) on Premium/MSB Cases.

In FY 2015-2016, The Division of Investigative and Forensic Services investigated **73 shell companies** in which **\$196 million** worth of fraudulent transactions were identified. **Three facilitators and twenty-one shell company owners were criminally charged.**

Based on the fore mentioned legislation, a Check Cashing Database (CCDB) was developed and was activated in September 2015 and has been utilized by investigators throughout the State. The CCDB also proved to be invaluable when it came to conducting enforcement actions, surveillance, and arrests of shell company owners and/or facilitators.

The Florida Workers' Compensation Fraud Task Force was formed in 1992 and was not created by legislation or administrative rule. The original task force started with approximately ten to fifteen members from the insurance industry, employers, Bureau of Insurance Fraud personnel and interested citizens. The mission of the task force is to explore ways to combat insurance fraud through enhanced legislation, administrative rules and education of both the public and the state of Florida prosecutorial agencies.

Over the years the task force has proposed many legislative enhancements and administrative rule changes that have been enacted, that have greatly enhanced DIFS's ability to pursue criminal fraud and have helped the insurance carriers prevent fraud from actually taking place.

Currently the task force is working on a proposal to address issues concerning the abuse of workers' compensation exemptions within the construction industry and another proposal regarding section 440.104 competitive bidder; civil action having a cause of action for damages.

As part of the Florida's Workers' Compensation Fraud Task Force, which is chaired by the Bureau Chief of Workers' Compensation Fraud, the BWCF continues to share information with the industry and government agencies to forge a strong working relationship with the task force members in combating insurance fraud. Quarterly meetings are held to discuss trends and current issues relating to fraud.

Finally, the BWCF actively participates in the Florida Insurance Fraud Education Committee (FIFEC) annual conference in Orlando, Florida, to teach and conduct panel discussions related to workers' compensation fraud.

### **Case Highlights** **Field Office: Miami WC Squad** **16-670**

**SYNOPSIS:** The Division of Investigative and Forensic Services, Bureau of Insurance Fraud conducted a pro-active enforcement action on December 2, 2015 to determine if members of the construction industry were working with the appropriate coverage. This inspection took place at a residential construction site in the City of Doral in Miami-Dade County. While on the scene, detectives spoke with the construction company owner/operator. The owner was cooperative and provided proof of insurance covering three (3) employees. The General Contractor was contacted providing information concerning 20 or more employees working for said company.

Investigative efforts found that on or about September 23, 2015, the owner secured a policy that provided coverage for approximately three (3) employees. However, during the course of the investigation it was discovered that the owner had approximately 20 to 25 laborers working for him. Through the months of September 2015 to January 2016 he cashed in excess of \$842,371.58 worth of checks paid by a contractor to the owner's company solely for construction labor.

According to the Leasing Company, if the owner provided the actual number of employees and payroll information, the premium would have cost an additional \$88,785.90.

On 4/13/16, the owner was arrested in Miami-Dade County FL and charged with Workers' Compensation Fraud, 2nd Degree, Grand Theft, 2nd Degree, and Organized Scheme to Defraud, 1st Degree.

### **15-713**

**SYNOPSIS:** The Division of Investigative and Forensic Services, Bureau of Insurance Fraud conducted an investigation involving a workers' compensation premium fraud scheme orchestrated by the owner of a construction company. The investigation centered on providing false and misleading information on the application for Workers' Compensation insurance coverage for the purpose of lowering premium costs.

On or about April 8, 2014, owner obtained a minimal workers' compensation policy through an insurance company. The company was charged a premium of \$19,640.00 for an estimated payroll of \$105,000.00. The policy was canceled approximately eight (8) months later. During the course of the investigation it was discovered that the company cashed a total of \$11,907,639.60 through numerous money service businesses within Miami-Dade County. The checks were cashed between the months of April 2014 through November 2014. Furthermore, according to the money service business records, owner's company had only one (1) individual, the subject, listed on the account as the authorized signature holder.

According to the insurance company, had the owner provided accurate information in reference to payroll, they would not have issued a Workers' Compensation policy for a premium of \$19,640.00. The estimated amount of remuneration would have been estimated at \$2,039,857.33 making the premium amount \$460,010.37.

On 02/12/2016, the owner was arrested in Miami-Dade County and charged with Workers' Compensation Premium Fraud, Grand theft, and Organized Scheme to Defraud.

Case is currently pending prosecution.

### **Field Office: TAMPA WC Squad** **15-54 / 15-985 / 15-1099 / 15-1398**

**SYNOPSIS:** A number of related cases were investigated based on information provided by the Office of the State Attorney, Sixth Judicial Circuit, and Pinellas County Consumer Protection ("JCCP") regarding the owner, who was operating as an unlicensed contractor within the confines of Pinellas County, Florida. Between

August 2014 and May 2015, the owner solicited work for his tree service business and contracted with four elderly victims to perform various construction related work relating to gutter / roof repairs and landscape work at the victims' residences. Two of the victims suffer from Alzheimer's and lacked the mental capacity to enter into such contracts. The owner was not licensed to perform the contracted work and did not have the required workers' compensation coverage. The victims in these cases suffered a cumulative financial loss of \$27,905.00. The owner was charged with multiple counts of exploitation of the elderly, working without workers' compensation coverage, and unlicensed contracting. Defendant was adjudicated guilty of his crimes and sentenced to 8 years in prison.

### 15-1078

**SYNOPSIS:** The victim in this case contacted the Bureau of Insurance Fraud and said that he contracted with the owner in October 2014 to remodel the victim's home located in Bradenton, Florida. The owner abandoned the job site without completing the work. The victim paid the owner upfront the full amount for the home remodel. The owner represented himself to be a licensed contractor when he contracted with the victim for the home remodel. It was later learned that the owner was not licensed and did not have workers' compensation insurance coverage and/or a state issued exemption. The victim suffered a financial loss of \$42,975.00. The owner was arrested on 01/12/2016. The owner failed to appear for his arraignment and a bench warrant was issued for failure to appear on 2/25/2016.

### Field Office: WPB WC Squad 15-1482

**SYNOPSIS:** A referral from the Bureau of Workers' Compensation Compliance specified that a Hollywood based Construction Company had violated a Stop Work Order (SWO) on multiple occasions for working without workers' compensation coverage. Once the company obtained coverage, it was discovered that their actual payroll drastically exceeded their estimated payroll and their reported number of employees thereby circumventing the workers' compensation statutes.

An investigation by The Division of Investigative and Forensic Services, Bureau of Insurance Fraud discovered that from March 2015 through August 2015, the company had cashed over \$9,900,000.00 at check cashing stores throughout Broward County. Had the

company properly reported estimated payroll and number of employees, the premium would have been \$753,544 to the appropriate insurance carrier.

The owner was arrested for WC Premium Fraud and Grand Theft on December 22, 2015 in Broward County. Case is currently pending prosecution.

### 15-1727

**SYNOPSIS:** This investigation was a joint effort with the Bureau of Workers' Compensation Compliance and the Bureau of Insurance Fraud. The operator of an identified "shell company" was the subject of a separate criminal investigation (Violation of Stop Work Order). Information from this initial effort was developed to support the fact the owner was operating without proper workers' compensation coverage.

Additional information determined sometime in September 2014, the owner applied for and secured a minimal workers' compensation insurance policy through an insurance company. Subsequent to the initial application process, the owner amended the coverage to reflect four (4) employees, and increased her estimated payroll to \$76,000.00. By this time, approximately \$4,000,000.00 of the checks issued to this company already had been negotiated through a Broward County money service business.

The investigation determined that between the dates of October 5, 2014 and October 3, 2015, approximately \$11,803,851.00 of checks was cashed for this company through a money service business, a common method used to circumvent workers' compensation statutes. At the time of application, the owner misrepresented material information relating to payroll exposure, number of employees and significant changes in business operation. Based upon these misrepresentations, the owner avoided approximately \$1,803,851.00 of premium due.

On 03/31/2016, the owner was arrested on Workers' Compensation Fraud and Grand Theft violations (both 1st Degree Felonies). Case is currently pending prosecution.

### Field Office: ORLANDO WC Squad 15-1158

**SYNOPSIS:** The Bureau of Insurance Fraud completed an investigation concerning an individual who is an installer of screen porches and other construction of this type. This individual circumvented the

requirements of FSS 440.105 provisions of not having an exemption, workers' compensation insurance coverage and the State requirements of having to be a licensed contractor. The individual used paperwork from another company, to give the appearance of working for the company and/or representing the company.

The investigation by the Bureau of Insurance Fraud revealed that this subject failed to secure coverage, did not have a contractor's license and used altered documents to portray himself as a legitimate company.

An investigative report was submitted to Brevard county State Attorney for prosecution and a warrant was issued on 10/19/15. On 12/14/15, the subject was arrested for Workers' Compensation Fraud -Failure to Secure Coverage. On 2/11/16, he pled guilty and was sentence to 2 years supervised probation. Investigative Cost was ordered in the amount of \$538.08

## **15-1798**

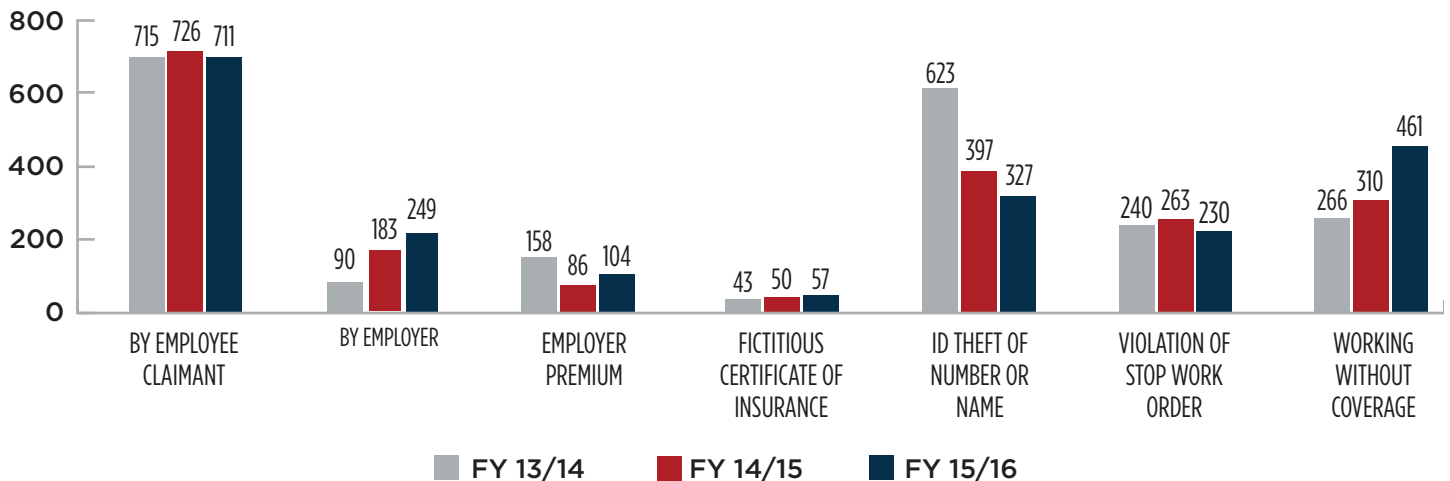
**SYNOPSIS:** This investigation came as a referral from The Florida Department of Business Professional Regulation (DBPR) reference a complaint on contractor who performed construction type work without the required workers' compensation insurance or exemption. According to DBPR, the complainant indicated that she signed a contract with the owner of Affordable Painting and Remodeling to remodel her kitchen. The subject owner demolished the kitchen and installed plumbing, and electrical. He was paid a total of \$10,500.00. The subject abandoned the job and never completed the work.

The investigation by the Bureau of Insurance Fraud revealed that subject/owner failed to secure coverage.

On 12/17/15, a warrant was issued. On 12/21/15, an investigative report was submitted to the Orange County State Attorney for prosecution. On 4/19/16 the subject was arrested for Workers' Compensation Fraud. On 7/11/16, he pled no contest and was sentence to 3 years supervised probations. Special conditions include restitution to the victim \$ 8,200.00, and \$623.04 to DIF for investigative cost.

# TYPES OF WORKERS' COMPENSATION REFERRALS

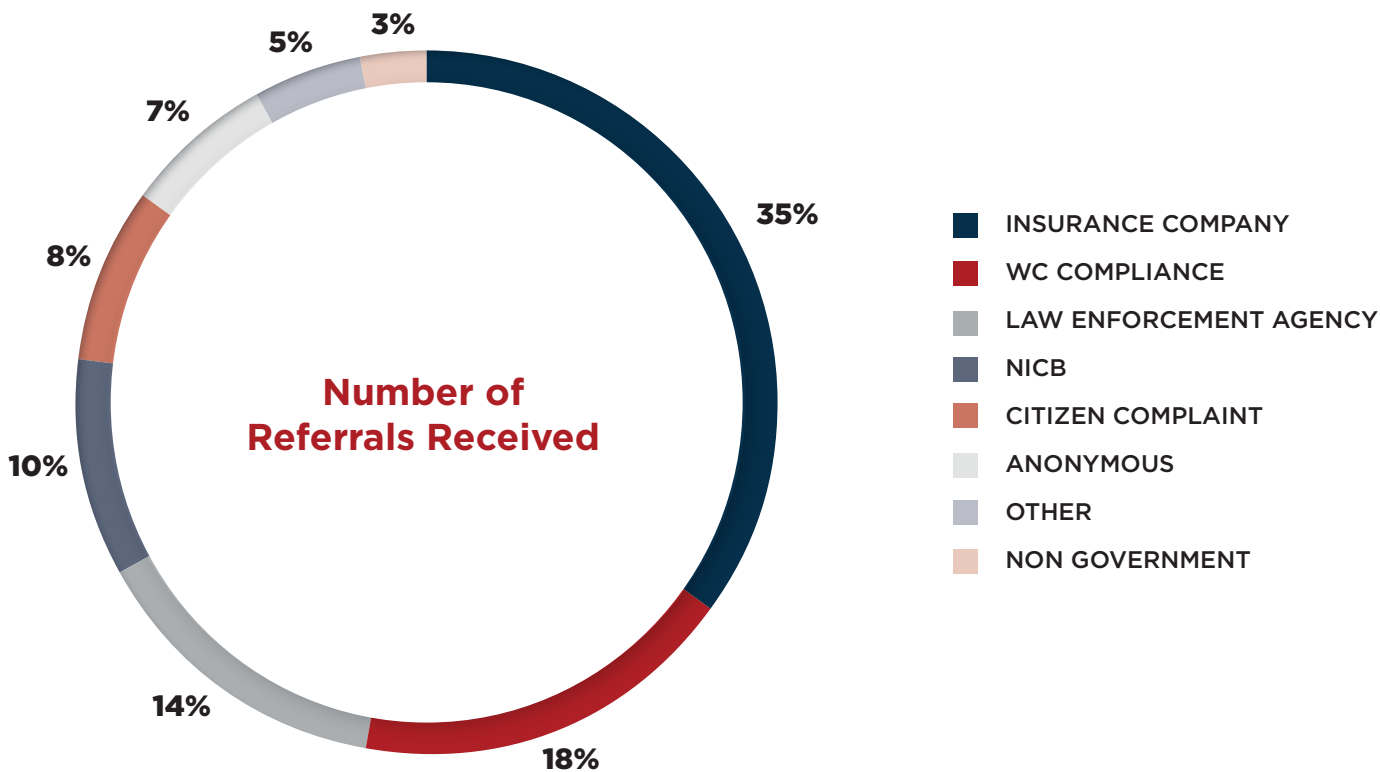
SUB TYPE	# OF REFERRALS
AGENT PREMIUM	1
BY ATTORNEY	2
BY EMPLOYEE CLAIMANT	711
BY EMPLOYER	249
BY PROVIDER	15
EMPLOYEE PAYROLL DEDUCTION	1
EMPLOYER PREMIUM	104
FICTITIOUS CERTIFICATE OF EXEMPTION	4
FICTITIOUS CERTIFICATE OF INSURANCE	57
ID THEFT OF NUMBER OR NAME	327
LEASING COMPANY	0
MONEY SERVICE BUSINESS	3
VIOLATION OF STOP WORK ORDER	230
WORKING WITHOUT COVERAGE	461
	<b>2165</b>





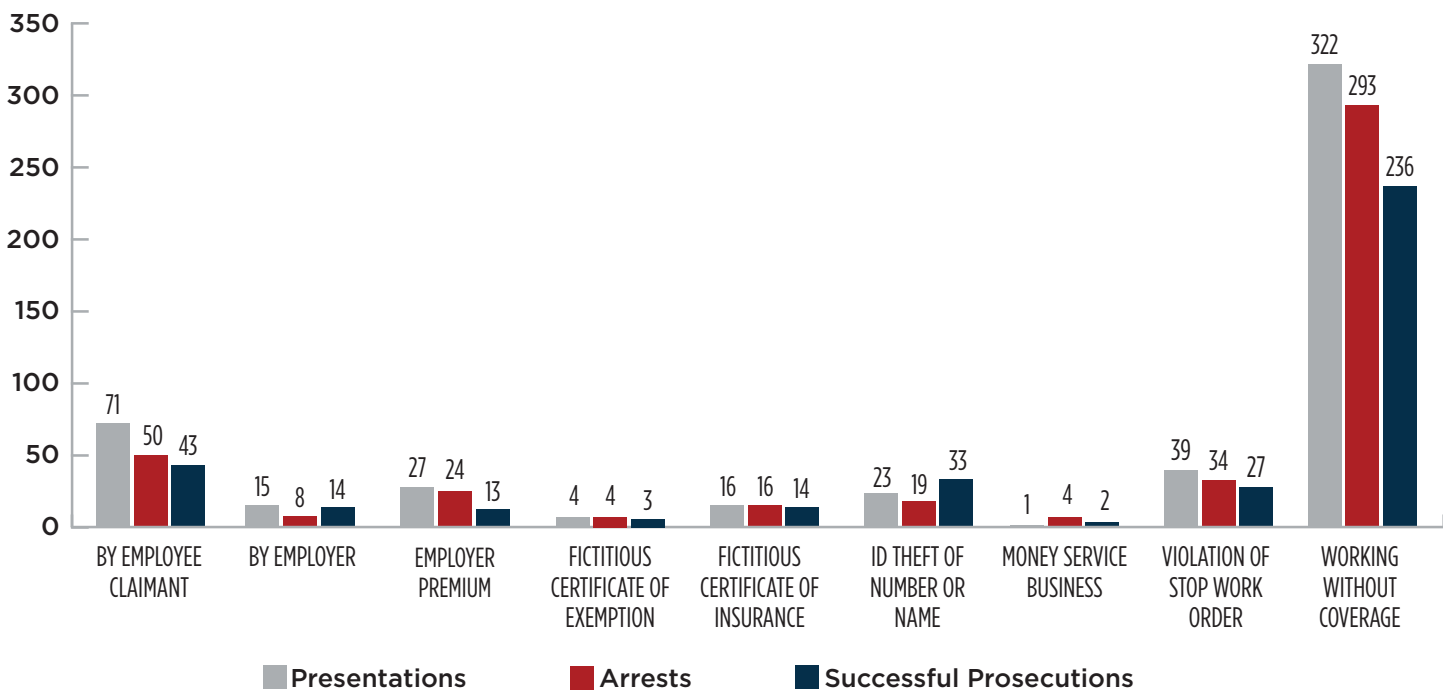
# NUMBER OF SUSPECTED FRAUD REFERRALS & NUMBER OF CASES INITIATED

SOURCE	NUMBER OF REFERRALS RECEIVED	CLOSED: CASE INITIATED
ANONYMOUS	158	16
CITIZEN COMPLAINT	210	50
WC COMPLIANCE	401	131
INSURANCE COMPANY	748	177
LAW ENFORCEMENT AGENCY	303	294
NON GOVERNMENT	112	88
NICB	177	25
OTHER	56	43
<b>GRAND TOTAL</b>	<b>2165</b>	<b>824</b>



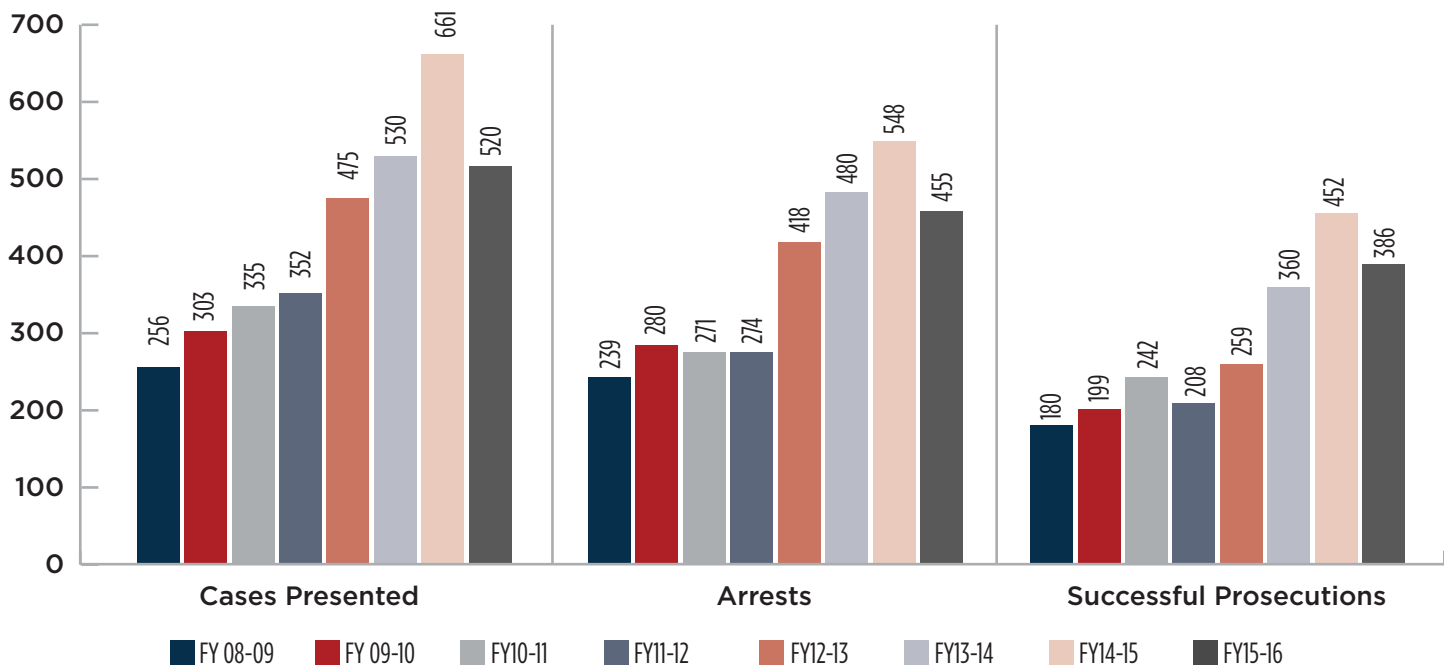
# TYPES OF PRESENTATIONS, ARRESTS & SUCCESSFUL PROSECUTIONS

Type of Case	Presentations	Arrests	Successful Prosecutions
AGENT PREMIUM	1	1	0
BY ATTORNEY	0	0	0
BY EMPLOYEE CLAIMANT	71	50	43
BY EMPLOYER	15	8	14
BY PROVIDER	0	1	1
EMPLOYEE PAYROLL DEDUCTION	0	0	0
EMPLOYER PREMIUM	27	24	13
FICTITIOUS CERTIFICATE OF EXEMPTION	4	4	3
FICTITIOUS CERTIFICATE OF INSURANCE	16	16	14
ID THEFT OF NUMBER OR NAME	23	19	33
LEASING COMPANY	0	1	0
MONEY SERVICE BUSINESS	1	4	2
VIOLATION OF STOP WORK ORDER	39	34	27
WORKING WITHOUT COVERAGE	322	293	236
<b>Total</b>	<b>520</b>	<b>455</b>	<b>386</b>



Seven Year Statistical Data

Measurement	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
Cases Opened	568	1597	1286	531	891	785	723	824
Cases Closed	621	1380	1293	629	704	840	697	761
Cases Presented	256	303	335	352	475	530	661	520
Arrests	239	280	271	274	418	480	548	455
Successful Prosecutions	180	199	242	208	259	360	452	386



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## DIVISION OF WORKERS' COMPENSATION (DIVISION)

The Division is currently utilizing various tools to focus its investigative efforts on identifying non-compliant employers to maximize its resources for the benefit of the citizens of Florida and combat premium fraud in the workers' compensation system.

The mission of the Division is to actively ensure the self-execution of the workers' compensation system through educating and informing all stakeholders of their rights and responsibilities, leveraging data to deliver exceptional value to our customers and stakeholders, and holding parties accountable for meeting their obligations.

The Division is responsible for ensuring that employers comply with their statutory obligations to obtain appropriate workers' compensation insurance coverage for their employees. Ensuring employers adhere to workers' compensation coverage requirements results in coverage for employees that were previously without coverage due to non-compliance; ensures that covered employees with work-related injuries receive all statutorily required benefits; levels the economic playing field for all employers and adds premium dollars to the system that were previously evaded due to non-compliance. The Division conducts investigations to determine employer compliance and assesses penalties against employers who fail to meet their statutory obligations.

The Division recognizes the importance of collaborative efforts with other state and local enforcement agencies, especially the Division of Investigations and Forensic Services. The Division also has long established partnerships with a variety of state and local agencies and industry-related associations and organizations to make the best use of resources, leverage data, and share information to increase employer compliance.

Pursuant to subsection 626.989(9), Florida Statutes, the Division provides the following report of workers' compensation enforcement and compliance activities and performance during FY 2015-16.

# I. REFERRALS

## Division of Investigations and Forensic Services

The Division of Workers' Compensation and the Division of Investigative and Forensic Services maintain a cooperative working relationship to carry out our respective statutory duties. The Division of Workers' Compensation enforces administrative compliance with the workers' compensation law, pursuant to s. 440.107, F.S., while the Division of Investigations and Forensic Services enforces the criminal provisions of the workers' compensation law, pursuant to s. 440.105, F.S. Our jointly developed referral program facilitates the efficient referral of cases between the divisions and allows each Division to determine if an investigation will be initiated based upon a referral. Referrals are made to each Division within 24 hours of a suspected violation of the law, and are considered a priority to be acted upon immediately.

Not only do the Divisions communicate with each other upon receipt of a referral, but the Division of Workers' Compensation often works jointly with the Division of Investigations and Forensic Services on compliance sweeps seeking out employers that are not in compliance with the workers' compensation laws.

During the period of July 1, 2015 through June 30, 2016, the Bureau of Compliance and Division of Investigative and Forensic Services made the following referrals:

- The Division of Workers' Compensation referred 575 employers to the Division of Investigative and Forensic Services for possible criminal investigation.
- The Division of Workers' Compensation received 39 referrals from the Division of Investigative and Forensic Services for civil violations under Chapter 440, F. S.

## Referrals to Other Agencies

The Division works cooperatively with local building and permitting agencies. The Bureau provides timely responses to local agencies' calls for assistance in verifying employers who are in violation of the Workers' Compensation laws. Joint operations have been conducted throughout the state with a number of city and county code enforcement offices, the Department of Business and Professional Regulation and the Division of Investigative and Forensic Services.

In addition to the referrals for workers' compensation fraud, 4,194 employers were referred to other agencies where the employers were suspected of violating the laws regulated by those entities. Ninety-nine percent (99%) of those referrals were made to the Department of Business and Professional Regulation (DBPR). The primary reasons for the referrals are unlicensed activity in the trade in which the employer was working, failure to provide workers' compensation insurance to its employees (a violation of the condition for licensure) and, for individuals who obtained exemptions and indicated that a DBPR license was not required for their trade listed on the exemption.

## Non-Compliance Referral Database

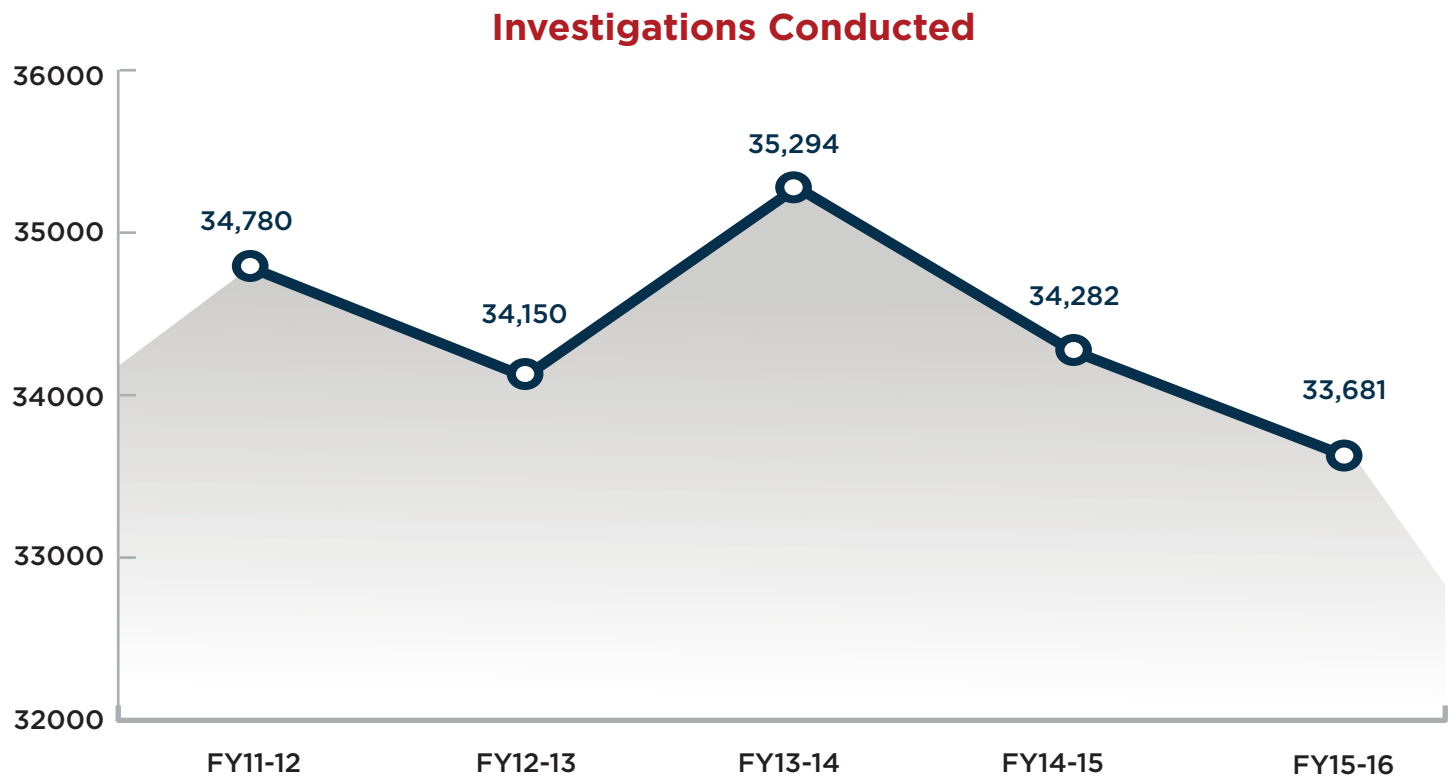
The Division receives public referrals regarding employers who are suspected of failing to adhere to the workers' compensation coverage requirements through its online Non-Compliance Referral Database and phone calls. The database streamlines the process to initiate investigations promptly and provides real-time feedback to the person who made the referral.

The Division investigated 1,909 referrals submitted via the Non-Compliance Referral Database during FY 2015-16. The investigations initiated by the referrals resulted in the issuance of 469 enforcement actions and \$10.2 million in assessed penalties against non-compliant employers.

## II. ENFORCEMENT ACTIVITIES & WORKERS' COMPENSATION EXEMPTION STATISTICS

During the period of July 1, 2015 through June 30, 2016, through its enforcement and investigative efforts the Division:

- Conducted 33,681 investigations. The graphic below shows the total number of investigations conducted during the last five fiscal years. Investigations are physical on-site inspections of an employer's job-site or business location conducted to determine employer compliance with the workers' compensation coverage requirements.

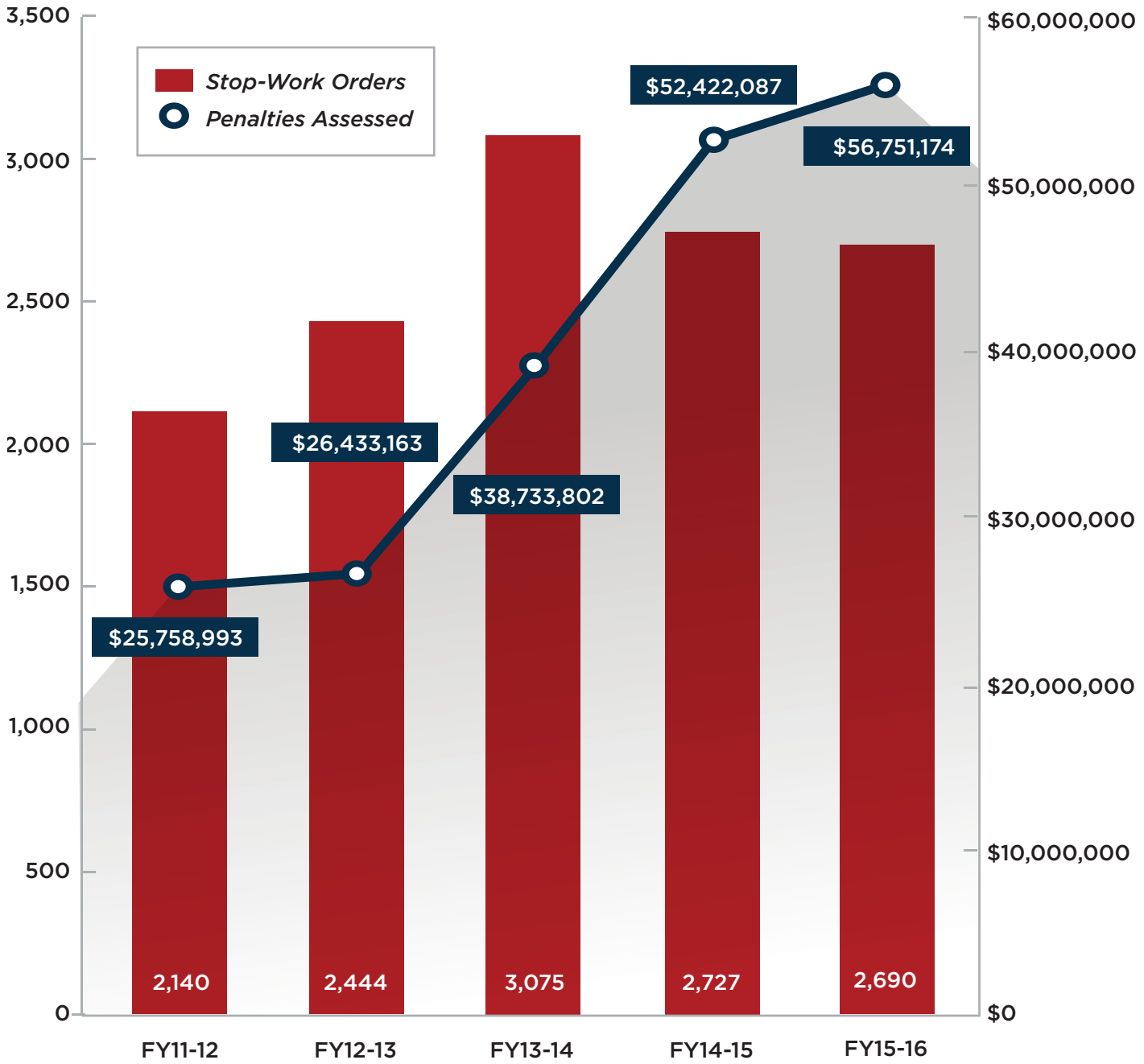


### Stop-Work Orders

- Issued 2,690 Stop-Work Orders. Stop-Work Orders are issued for the following violations: failure to obtain workers' compensation insurance, materially understating or concealing payroll, materially misrepresenting or concealing employee duties to avoid paying the proper premium, materially concealing information pertinent to the calculation of an experience modification factor, and failure to produce business records in a timely manner. Stop-Work Orders require the employer to cease business operations until the Division issues an order releasing the Stop-Work Order.
- Assessed \$56,751,174 in penalties. An employer who

has failed to comply with the workers' compensation coverage requirements is assessed a penalty based upon the methodology required by the Workers' Compensation Law. Assessed penalties are equal to 2 times what the employer would have paid in workers' compensation insurance premiums for all periods of non-compliance during the preceding two-year period, or \$1,000, whichever is greater. Penalty amounts vary and are dependent on the employer's payroll, risk classification, and period of non-compliance. The following graph represents the number of Stop-Work Orders issued and the amount of penalties assessed over the past five fiscal years.

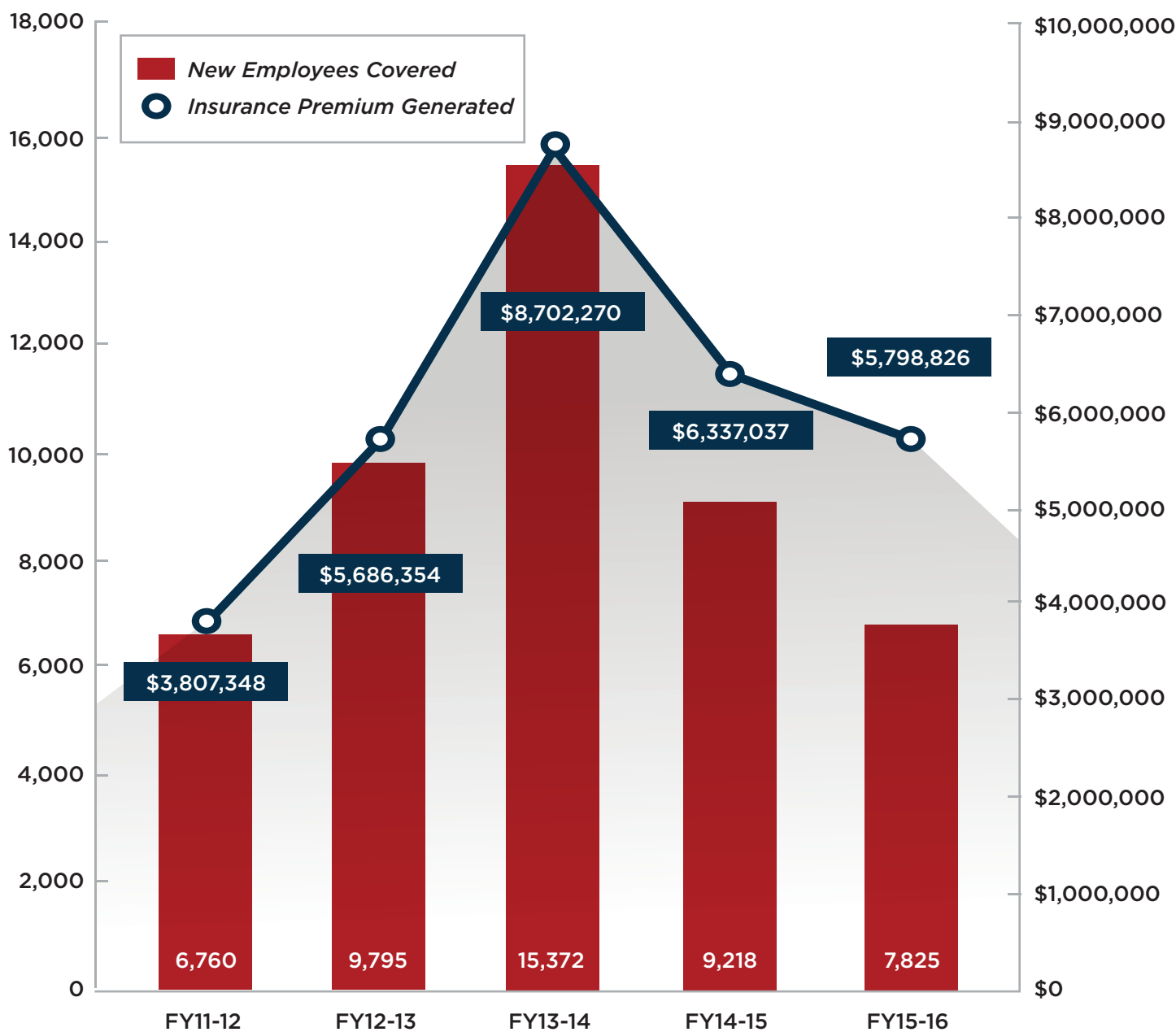
**Stop-Work Orders Issued and Penalties Assessed**



The growth in the assessed penalty amount since FY12-13 is due to the increase in the number of Stop-Work Orders issued and to the increase in the number of employers who fail to give the Division business records to calculate the penalty. Consequently, the Division is legally required to impute the employer’s payroll for each employee equal to 2 times the state-average weekly wage. Effective October 1, 2016, the Legislature reduced the imputing multiplier from 2 times to 1.5 times, and if employers provide their complete business records to enable the Division to calculate the penalty, the Division will reduce the penalty by 25%.

The following graphic reflects the number of employees covered as a direct result of the Bureau’s enforcement efforts and issuance of Stop-Work Orders and the monies added to the workers’ compensation premium base that had previously been evaded.

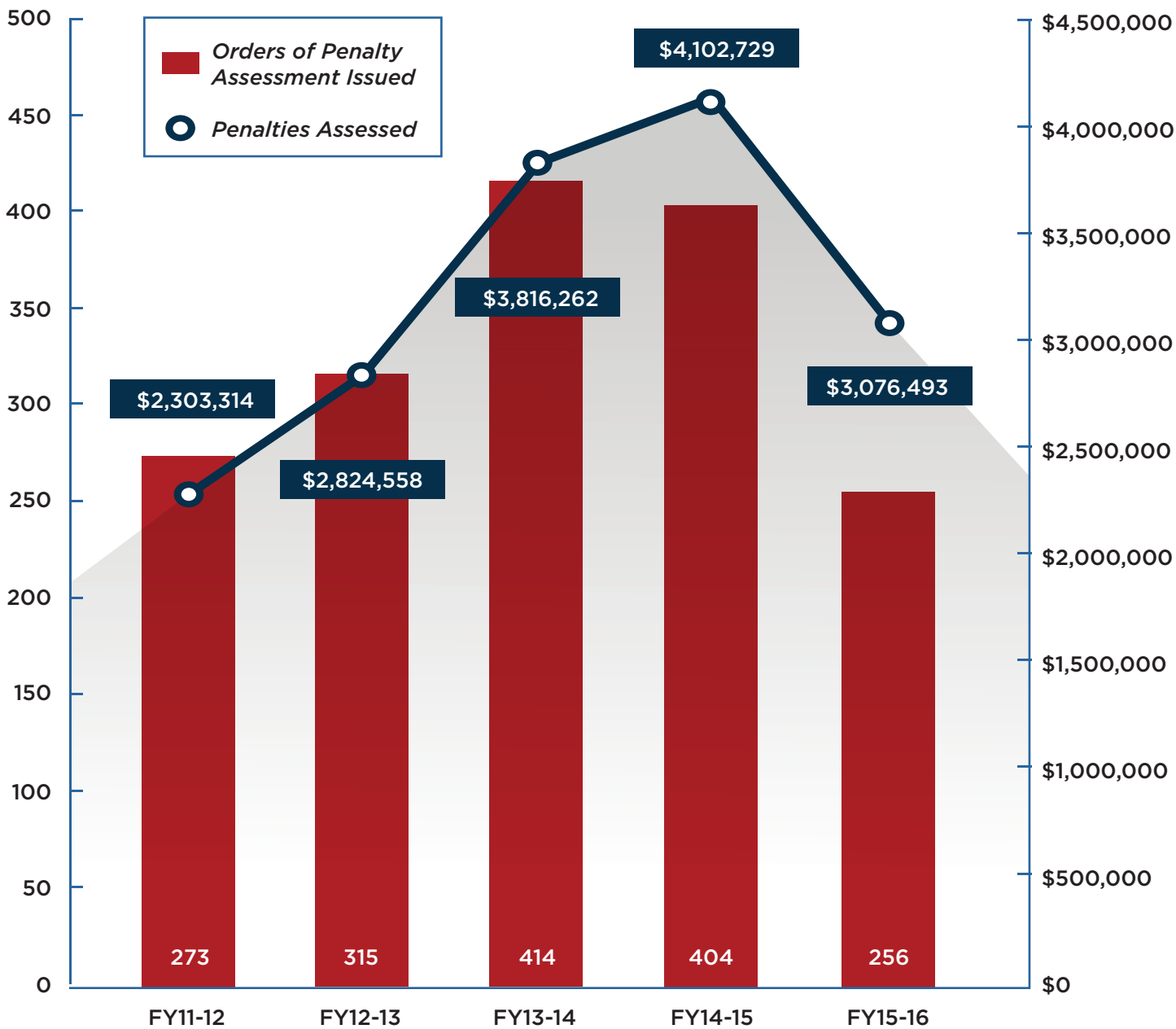
### New Employees Covered & Insurance Premium Generated Based Upon Stop-Work Orders Issued





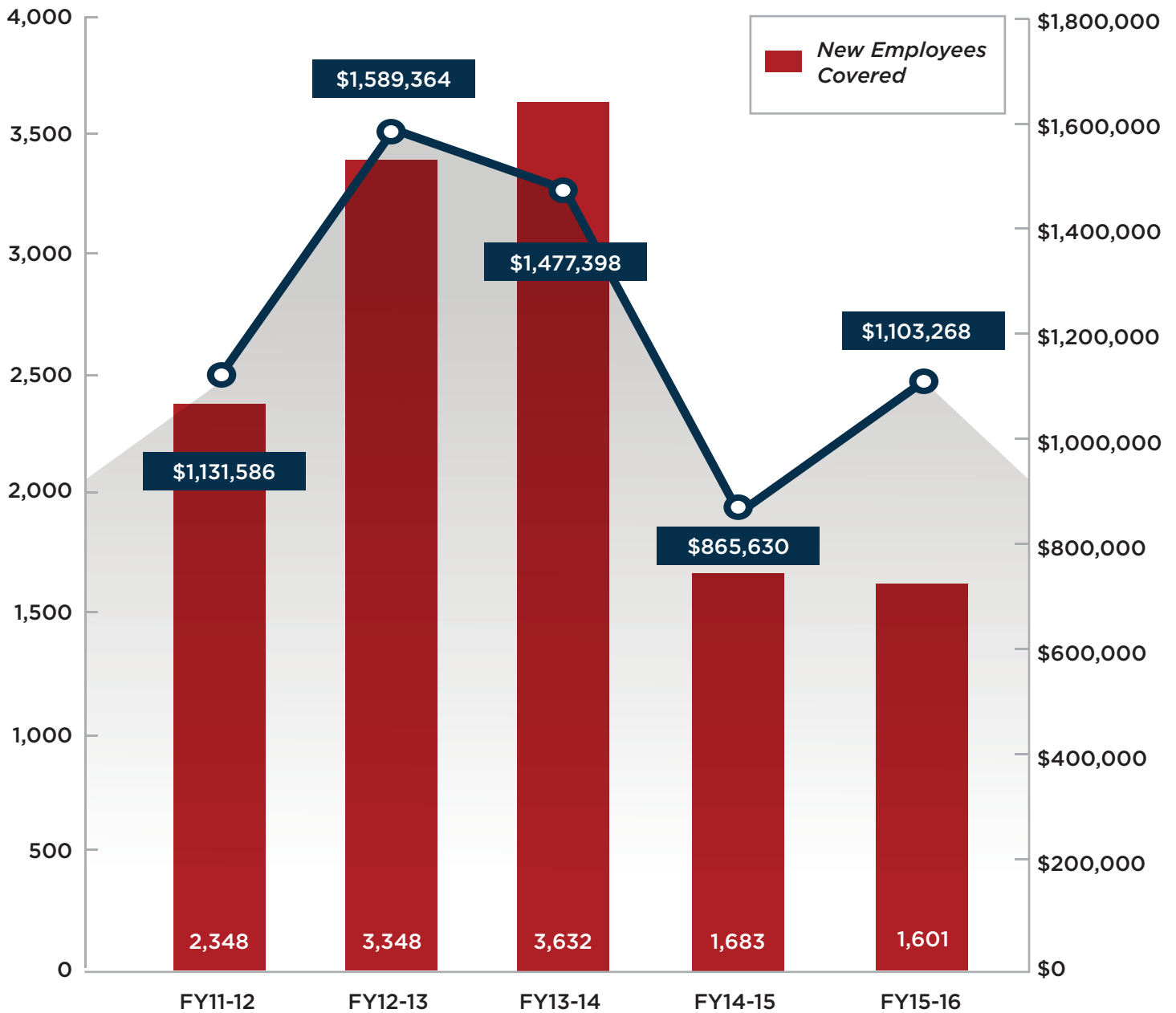
The next two graphics pertain to Orders of Penalty Assessment. In cases where the employer obtains coverage subsequent to the commencement of an investigation, an Order of Penalty Assessment for the failure to maintain coverage is issued in lieu of a Stop-Work Order. During FY 2015-16, 227 employers were issued an Order of Penalty Assessment with assessed penalties totaling \$4,527,181.

### Orders of Penalty Assessment & Penalties Assessed



The following graphic reflects the number of employees covered as a direct result of the Division’s enforcement efforts through the issuance of Orders of Penalty Assessment and the monies added to the workers’ compensation premium base that had previously been evaded.

### New Employees Covered and Insurance Premium Generated Based Upon Orders of Penalty Assessment



### Sweep Operations

The Bureau of Compliance conducted five statewide workers' compensation construction sweeps during the Fiscal Year. Investigators conducted 4,003 employer investigations at 2,787 construction sites and issued 245 enforcement actions to construction companies that put their employees at risk by failing to carry the required workers' compensation coverage.

In addition to these efforts, several districts sweeps were conducted and coordinated with the Division of Investigative and Forensic Services, DBPR, and local building and permitting agencies focusing on construction employers at residential and commercial jobsites.

### Special Cases Unit

The Division's special cases unit focuses on complex underreporting and misclassification cases. These cases often involve complex fraud schemes perpetuated by the use of check cashing store operations. This unit is comprised of senior investigators located throughout the state who have the skills and abilities to conduct

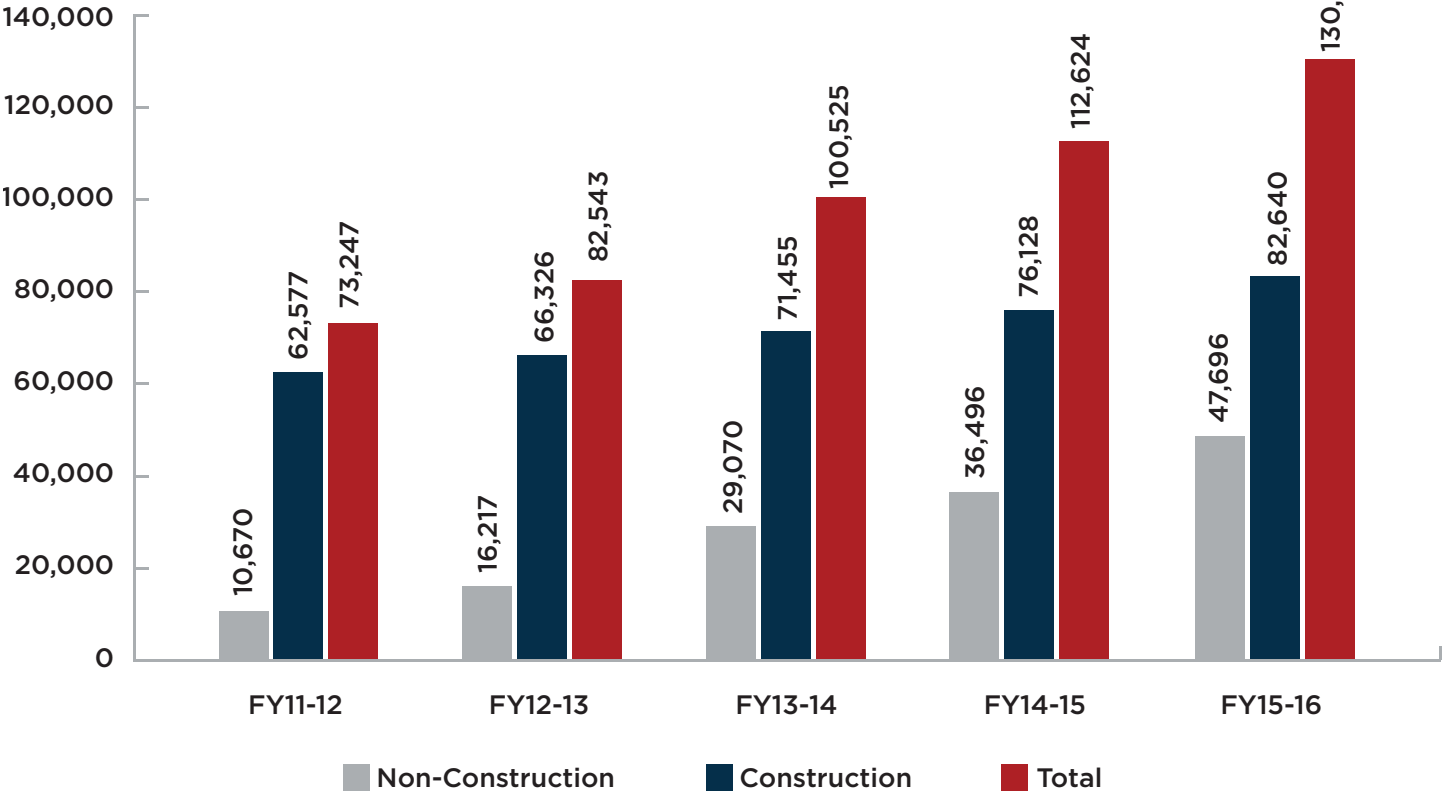
complex investigations and identify underreporting. This year the unit investigated 207 entities resulting in 14 enforcement actions. The issuance of these enforcement actions were due to the Division's discovery of hundreds of millions of dollars in unreported payroll to insurance carriers.

### Exemption Statistics

The Division processed 82,640 construction industry exemption applications and 47,696 non-construction industry exemption applications in Fiscal Year 15-16. This represents a 13% increase in the number of exemptions processed over the prior year. As of June 30, 2016 there were 1,007,091 active exemptions. The Division processes an average of 99% of all exemption applications within 5 business days of receipt.

The increase in construction industry exemption is reflective of the general improvement in Florida's economy and in the construction industry in particular. The rise in non-construction exemption is due to the statutory change that defines non-construction limited liability company members as "corporate officers". Corporate officers are employees but are allowed to exempt themselves.

### Exemption Applications Processed



## Case Studies

Below are examples of investigations conducted by the Bureau of Compliance.

### CASE ONE

As a result of a public referral in Tampa, our investigator opened an investigation on this roofing contractor for not securing workers' compensation coverage for all of his employees. A Stop-Work Order was issued and a penalty assessment of \$35,311.42 was issued to the contractor based upon his business records. The contractor came into compliance by entering into a periodic payment plan and securing workers' compensation coverage through a leasing policy adding \$9,305.54 into the workers' compensation system. A referral was also made to Department of Business and Professional Regulation.

### CASE TWO

On 10/14/2015, an investigator was conducting a random site visit in Miami, when he observed six individuals painting. The contractor indicated the company did not have any workers' compensation coverage. Based upon the investigation, a Stop-Work Order for failure to secure coverage was issued to the contractor. Based upon the review and audit of the records, a penalty of \$160,218.32 was assessed. The contractor came into compliance by adding the employees to the leasing policy thereby generating a premium of \$17,402 into the workers' compensation system. The amount of \$17,402.00 was credited to the employer bringing the penalty amount to \$142,816.32.

### CASE THREE

In February of 2015, based upon internal data analytics, a Hialeah home health business was found in violation of the Workers' Compensation Law. The business owner indicated he had 42 employees. An investigation by the Department revealed that none of the employees for the home health business were covered by workers' compensation. A Stop-Work Order was issued. The business records were audited for previous two years and a penalty of \$36,845.60 was issued. The employer entered into a periodic payment agreement and came into compliance by securing a workers' compensation policy for 42 employees, adding \$13,685.60 premium to the workers' compensation system. Employer received \$5,480.00 in credit for the initial down payment on the policy.

### CASE FOUR

In April of 2016, during a construction sweep in Port St. Lucie, our investigator identified 11 employees at Multiple site doing concrete work. The contractor had coverage through a leasing agreement; however, five of the employees identified at the jobsite were not covered by the leasing agreement. A Stop-Work Order was issued to the employer. An audit of the business records for the previous two-year period resulted in a penalty of \$76,055.72 for the workers' that were not covered. The employer came into compliance by entering into a periodic payment agreement and by adding 5 employees to the leasing agreement, adding \$13,650.03 to the workers' compensation system. This case was referred to the Division of Investigations and Forensic Services and the employer was charged with felony in accordance with section 440.105, F.S.

### CASE FIVE

On April of 2015, based upon internal data analytics alleging employees for a horse stable was not covered for workers' compensation, our investigator in Ocala conducted an investigation and found the employer to be in violation. The employer was issued a Stop-Work Order and was audited for two years for evading premium for workers' compensation. The employer came into compliance by purchasing a policy for his 43 employees and adding 10,773.20 to the workers' compensation system. A penalty of \$128,620.56 was assessed against the employer. The business received a policy credit of \$107,732.00 and paid in full the remaining balance of \$20,888.56.

## III. DIVISION INITIATIVES

### Employer Education

The Division continues its effort to provide Florida's employers with information regarding their statutory obligations under the Workers' Compensation Law. The Division has been providing free seminars to employers, contractors and a variety of organizations through classroom instruction and webinars throughout the state. Instruction has been provided to a number of industry groups to assist them in understanding their statutory obligations under the Workers' Compensation Law. The Division partners with the U.S. Department of Labor, Office of Safety and Health Administration (OSHA), and the USF Safety Florida Consultation Program in providing these educational seminars.

The Division is certified to provide instruction and continuing education credits for training on workers' compensation and workplace safety to employers who are licensed by the Department of Business and Professional Regulation, Construction Industry Licensing Board, Electrical Contractors Licensing Board and the Board of Accountancy.

The Division's webinars continue to be a popular option for the educational seminars. This allows employers the convenience of attending classes when it is not feasible to travel to a classroom session. The Division conducted 23 webinars for 2,112 employers.

The Division provided classroom education to over 1,338 business owners, and licensed contractors who attended 47 educational workshops around the state. These workshops were sponsored by both the Division and the following groups:

- Accountants of Spring Hill
- Broward Building Association
- Building Industry Association – Pensacola
- Carpenter Contractors of America – Lakeland
- City of Fort Pierce
- Construction Licensing Officials Association of

- Florida - Orlando
- Electrical Council of Florida – Fort Myers
- Electrical Council of Florida – Ridge Chapter (Lakeland)
- Electrical Council of Florida – New Smyrna Beach
- Electrical Council of Florida – Sarasota
- Electrical Council of Florida - Tampa
- Florida Irrigation Society – Ft. Myers
- Florida Association of Plumbing Gas & Mechanical Inspectors (FAPGMI) – Escambia & Santa Rosa Chapters
- Hernando County Building Division
- International Assn of Electrical Inspectors – Panhandle Division
- Manatee County Board of County Commissioners
- Mike Holt Electrical Contractor School
- North Florida Roofers Association
- South Florida Association of Code Enforcement
- Turner School of Construction Management
- University of South Florida Health & Safety Fair

### Public Databases

The Division has numerous databases that provide access to information for all stakeholders in the Workers' Compensation System. The Bureau recognizes the importance of providing stakeholders with as much information as possible to assist them in fulfilling their rights and responsibilities under the Workers' Compensation Law. The Proof of Coverage Database and the Construction Policy Tracking Database provide stakeholders with valuable tools to verify employer compliance. The database provides information regarding workers' compensation coverage and exemptions from workers' compensation. Data regarding workers' compensation insurance policies, endorsements, reinstatements, cancellations, non-renewals, and certificates of exemption can be accessed via the database.

The Construction Policy Tracking Database provides employers the ability to track their subcontractor's

workers' compensation policy and exemption status. The database sends an automatic electronic notification to an employer concerning any changes to its subcontractors' workers' compensation policy and/or exemptions.

## Collection Activities

Employers have the option of paying their penalties in full or entering into a periodic payment agreement. Paragraph 440.107(7)a., F.S., permits employers to submit periodic penalty payments pursuant to a payment agreement schedule. This year, the Division entered into 1,102 payment agreements.

If an employer defaults on making their monthly penalty payments, the Division is responsible for notifying the employer and reinstating the Stop-Work Order issued to the employer. During FY 2015-16, the Division reinstated 671 Stop-Work Orders for non-payment.

The Division filed liens against 629 employers to collect unpaid penalties associated with Stop-Work Orders and Orders of Penalty Assessment. Further, the Division referred 637 employers to collections vendors to collect unpaid penalties.

## Investigative Leads Initiative through the Use of Data

Several key initiatives are allowing the Division to focus its investigative efforts on identifying non-compliant employers to maximize its resources for the benefit of the citizens of this state. The Division utilizes several data sources to identify non-compliant employers.

- The Division utilizes payroll and employee information provided from the Department of Revenue to cross match with the Division's policy data, the Division is able to create lists of suspected non-compliant employers. Employers identified as potentially non-compliant are notified of the workers' compensation requirements and the penalties for failure to secure workers' compensation. Those employers that do not secure coverage following the notification are referred for investigation.
- As a result of the Division's efforts during FY 15-16, 814 employers voluntarily came into compliance; 12,771 employees were reported on new policies.

- The Division reviews policy cancellation information to identify employers whose policies have been canceled and no subsequent coverage has been obtained.
- County and city permitting information is obtained weekly to identify new jobsites where construction activity may be occurring.
- A recent initiative involves the use of a checking cashing database to identify employers facilitating workers' compensation fraud through the use of money service businesses which will be utilized in the coming year to identify workers' compensation fraud. The Division utilizes this information provided by the Office of Financial Regulation to identify underreporting of payroll and premium evasion.

## IV. INVESTIGATOR TRAINING

The Division's training and continuing education programs are an integral component of activities to aid investigators in identifying and administering enforcement actions for employers that are not in compliance. During the period of July 1, 2015 and June 30, 2016, the Division conducted numerous workers' compensation training sessions. The primary objective of the training sessions is to give each staff member greater technical skills to enhance their enforcement efforts by reviewing policies and procedures, comparing and analyzing data, and identifying areas for improvement within the enforcement process. The training sessions are summarized below:

provide individualized training on policies and procedures, processes, forms, databases, customer service and the investigative process. This 10-week training program was developed and implemented specifically for new investigators and auditors. The investigator/auditor and the supervisor sign an acknowledgement form after the completion of each portion of the training program. The investigator/auditor is then assigned to accompany experienced investigators/auditors in the field prior to being assigned to perform enforcement action independently.

### **40 on 440 Training Workshops -**

This training is a 40-minute WebEx training series developed to educate compliance investigators, penalty auditors and exemption staff members on the workers' compensation law, administrative rules, and new and existing procedures and policies. The Division held thirteen training workshops during fiscal year 2015-16.

### **Penalty Administration Training Workshops -**

This is a WebEx training series designed primarily for the Division's penalty auditors. This training focuses on laws, procedures and policies related to calculating penalties for non-compliant violations. The training is important in insuring consistent application of the penalty calculation procedures statewide. Penalty auditors are required to attend these training workshops. The Division has held nine training workshops during fiscal year 2015-16.

### **New Investigator/Auditor Training Program -**

As new investigators and penalty auditors are hired, the District Supervisors and the Training Coordinator

## V. DIVISION OF WORKERS' COMPENSATION WEBSITE & DATABASES

The Division of Workers' Compensation website is located at: <http://www.myfloridacfo.com/Division/wc/>. It contains links to several databases that are helpful to employers. The following is a list and description of databases within the Division's website.

### Proof of Coverage Database

The Proof of Coverage Database is available to the public and is particularly helpful to employers in both the construction and non-construction industries. An employer can determine if a subcontractor, or other entity, has a Workers' Compensation insurance policy or certificate of exemption, enabling them to assess their own liability for providing coverage for unprotected workers, as required by section 440.10, F.S. This database is the most frequently accessed Division database. The website is located at: <https://apps8.fldfs.com/proofofcoverage/Search.aspx>.

### Compliance Stop-Work Order Database

The Compliance Stop-Work Order Database, which is accessed through the Division's website, lists employers that have been issued Stop-Work Orders for failing to comply with the coverage requirements of Chapter 440, F.S. The database contains each employer's name, the date the Stop-Work Order was issued, the date the Stop-Work Order was released and the type of non-compliance violation. The website is located at: <https://secure.fldfs.com/wcapps/swo/SWOquery.asp>.

The Online Penalty Payment Service is available for employers to whom a Stop-Work Order or Order of Penalty Assessment has been issued. This service allows employers to pay their penalty payment in full or submit monthly periodic payments as required in their periodic payment agreement. The penalty payment service is convenient, simple to set up and easy to use.

The Division also has an online Employer Instructional

Manual available, which contains general information about the Online Penalty Payment Service and step-by-step instructions on setting up an online payment account. The instructional manual is provided to employers to whom a Stop-Work Order or Order of Penalty Assessment has been issued. In addition, employers can view and download the instructional manual from the Division's homepage.

### Construction Policy Tracking Database

The Construction Policy Tracking Database continues to be an effective tool for contractors and other interested parties regarding the workers' compensation coverage and exemption status of the subcontractors they use. The system is designed to send automatic electronic notification to an employer concerning any changes to the subcontractors' coverage and/or exemption status.

This database is also a useful tool for local permitting and licensing officials and insurers. As of June 30, 2016, a total of 10,052 Construction Policy Tracking Database registrants are tracking workers' compensation policies and/or exemptions of 44,245 sub-contractors. The website is located at: <http://www.myfloridacfo.com/WCAPPS/Contractor/logon.asp>.

### DWC e-alerts

The Division publishes e-alerts when newsworthy events or important announcements are available. Announcements regarding employer seminars, the promulgation of rules, and changes to the laws are examples of how the e-alert system is used. This is very helpful to employers who need to remain current with the changes in regulations governing their businesses.



## VI. DWC OFFICE LOCATIONS & STAFF

The Division maintains seven districts offices statewide. The regional offices are located in Jacksonville, Orlando, West Palm Beach, Miami, Pensacola, Tampa, and Fort Myers.

	Office Locations	Number of Investigations
<b>District 1</b>	Jacksonville - District Office	8
<b>District 1A</b>	Pensacola - District Office	9
<b>District 2</b>	West Palm Beach - District Office	9
<b>District 3</b>	Tampa - District Office	7
<b>District 4</b>	Orlando - District Office	9
<b>District 5</b>	Miami - District Office	9
<b>District 7</b>	Ft. Myers - District Office	7
<b>Total</b>		58

## VII. AVERAGE CASELOAD

For the period of July 1, 2015 through June 30, 2016, a total of 33,681 employer investigation cases were initiated resulting in an average caseload of 580 cases per investigator per year.



CHIEF FINANCIAL OFFICER  
**JEFF ATWATER**  
FLORIDA DEPARTMENT OF FINANCIAL SERVICES