

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

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

*by*

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

*&*

**DIVISION OF WORKERS' COMPENSATION**

*January 15, 2018*



The Florida Department of Financial Services, Division of Workers' Compensation (DWC) and Division of Investigative and Forensic Services (DIFS) / 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, 2016 through June 30, 2017.

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January 15, 2018

**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, 2016 – June 30, 2017.

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 INVESTIGATIVE AND FORENSIC SERVICES**  
**(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 (DIFS) / 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, 2016 through June 30, 2017.**

The Division of Investigative and Forensic Services (DIFS) continues to be a perennial leader in the fight against insurance fraud. During Fiscal Year 2016/2017, investigative efforts resulted in 1,174 cases presented for prosecution, 1,101 arrests, and 1,099 successful prosecutions. During this time period, the Division received and reviewed over 16,315 referrals of suspected insurance fraud.

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

The Division of Investigative and Forensic Services (DIFS), Bureau of Workers' Compensation Fraud (BWCF) has maintained twenty-two (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 continues 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 Division of Workers' Compensation (Division), Bureau of Compliance. The BWCF will continue to enforce criminal statutes regarding "working without coverage" and the violation of stop work orders as issued through the Bureau of Compliance.

The BWCF has participated in joint pro-active ventures with the Division, 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.

The Tampa Workers' Compensation 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, the Tampa Workers' Compensation Squad participated in several stings and arrested twenty-two (22) individuals for unlicensed contracting and working without workers' compensation insurance.

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

The West Palm Beach Workers' Compensation Squad actively participates with two (2) task forces: the Broward Sheriff's Office Money Laundering Task Force (MLTF) and the Broward Sheriff's Office Workers' Compensation Fraud Task Force (WCFTF).

The Orlando Workers' Compensation Squad works with the Department of Homeland Security – Homeland Security Investigations (DHS-HIS) on Premium/MSB Cases.



In FY 2016-2017, DIFS investigated seventy-four (74) shell companies operating without workers' compensation insurance in which \$400 million worth of fraudulent transactions were identified. One (1) facilitator and thirty-four (34) shell company owners were criminally charged.

The Florida's 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 (10) to fifteen (15) 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 still working on a proposal to address issues concerning the abuse of workers' compensation exemptions within the construction industry and another proposal regarding s. 440.104, F.S. 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 BWCF's Chief, 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 Workers' Compensation Squad

#### 16-611

The DIFS conducted an investigation involving a workers' compensation premium fraud scheme orchestrated by the owner/operator of a construction company LLC.

On or about August 25, 2015, the suspect obtained a minimal workers' compensation policy through an insurance company for his company. The company was charged a premium of \$15,214 for an estimated payroll of \$91,500. The policy was canceled at approximately six and half (6 1/2) months later. During the course of the investigation, it was discovered that the LLC cashed a total of \$842,164 at a check cashing store or also known as a Money Service Business (MSB) located within the Miami-Dade County. The checks were cashed between the months of September 2015 through April 2016. Furthermore, according to the MSB records, the LLC had only one (1) individual listed on the account as authorized signature holders, which was the suspect.

According to the insurance company, if the suspect had provided accurate information in reference to payroll and actual employees they would not have issued a workers' compensation policy for a premium of \$15,214. The estimated amount of remuneration would have been estimated at \$842,164 then the premium amount would have been \$132,485. The actions of owner of the LLC caused a loss in excess of \$117,271 to the insurance company. On August 8, 2016, the suspect was arrested in Dade County for FS 440.105(4) (b) -Workers' Compensation Fraud, Grand Theft, and an Organized Scheme to Defraud. The case will be prosecuted through the Office of Katherine Rundle, State Attorney, Eleventh Judicial Circuit.

#### 15-1467

The BWCF conducted an investigation involving a workers' compensation application fraud scheme by an agent and owner/operator of an insurance agency.

On February 15, 2017, the agent was introduced to an undercover detective in reference to obtaining general liability and workers' compensation coverage for fifteen (15) to twenty (20) illegal employees. The agent explained to the undercover detective the scheme of reducing the total number of employees and creating fictitious social security numbers. Furthermore, for a fee of \$250 weekly, the five employees would be listed on a Personnel Leasing Company roster for workers'

compensation coverage. On the following day the undercover detective returned to the agent's office with the copy of identifications for the employees. At which point, the agent verbally provided three different social security numbers for the employees without social security numbers to be added on the required Personnel Leasing application. The undercover detective was charged \$1,180 for workers' compensation and \$1,026 for general liability coverages.

On or about February 17, 2017, the agent submitted an application and obtained a minimal workers' compensation policy through an insurance company, for a total of five (5) employees with an annual estimated payroll of \$78,000. Additionally, he obtained general liability coverage through a Casualty Insurance Company for three (3) employees. Based on the provided information to the insurance company, a bill was generated for a premium of \$5,954.52 for the workers' compensation and \$1,026 for the liability coverage. According to the insurance company, if the agent had provided accurate information in reference to actual employees and payroll, the premium for the Construction LLC's workers' compensation policy should have been \$28,564.38. Furthermore, if it was discovered that the provided information on the application was fraudulent, fictitious, or misleading, the policy would not have been issued. The actions of the agent would have caused a loss in excess of \$22,609.86 to the insurance company. On March 21, 2017, the insurance agent was arrested and charged with; Workers' Compensation Application Fraud, Insurance Application Fraud, Workers' Compensation Conspiracy to Commit Premium Fraud, and Grand Theft and a search warrant was served on his business.

## **Field Office: Orlando Workers' Compensation Squad**

### **15-353**

The following case proved to be a highly complex combination of underreporting payroll and related fraud, using an employee leasing company to provide basic coverage and insurance certificates and supplementing the income of existing employees and/or out-right concealment of employees, by failing to declare their existence to the leasing company or paying them as subcontractors while still employed by the leasing company. During August 2014 through May 2015, a construction company was believed to have been operated as a "shell company", in an organized scheme to defraud which resulted in workers' compensation fraud, insurance fraud and grand theft of premiums to the carrier. The crimes were allegedly facilitated by the suspect when he fraudulently obtained a minimal

workers' compensation policy for the construction company "shell company", through a leasing company by falsely claiming that his company was a small construction related business. The suspect received a Certificate of Insurance and allegedly used that certificate to allow various uninsured subcontractors to perform a variety of construction related trades throughout central Florida. Additionally, it should be noted that because of reported minimal staffing, it would be physically impossible for this company to have conducted the amount of work in different locations.

Using the information received from the bank, a systematic review of the cancelled checks was done and found a substantial number of checks written to individuals, on a weekly basis, many times names were repeated weekly. It became apparent that the suspect was far exceeding what was being reported to the insurance/leasing company. The total amount of checks written to individuals for the examination period was \$2,130,299.60.

The suspect consistently and systematically, electronically faxed or caused to be faxed, payroll records to the employee leasing company on a weekly basis, as the official request to that company for the generation of payroll for listed employees. The suspect failed to be truthful in his business dealings with the leasing company, failed to notify the leasing company of the full magnitude of his business operation, which subsequently caused the company to under-calculate his premiums for workers' compensation insurance and other fees, exposed the company to excess risk, which is based upon the number of workers on the payroll and types of work being conducted. The suspect paid workers without notifying the leasing company that he had those employees, which violated the terms of his contract. The suspect and his company failed to secure workers' compensation insurance coverage after he was cancelled by the employee leasing company. Based upon the information provided, it was determined that the suspect owed the leasing company a total of \$162,703.96 in premiums due. On May 22, 2017, the suspect was arrested on a warrant issued by the Statewide Prosecutor in Orange County for the following charges: Workers' Compensation Fraud-Failure to Secure Coverage, Workers' Compensation Fraud- False Document as Proof of Coverage, Workers' Compensation Fraud- False or Misleading Statements to Diminish/Avoid Premiums, Workers' Compensation Fraud- Conceal Payroll, Workers' Compensation Fraud- Application Fraud, Scheme to Defraud and Workers' Compensation Fraud- False Document as Proof of Coverage, and Grand Theft.



**16-1946**

The claimant reported a work-related incident to his employer, that he was injured on January 3, 2007, while employed as a laborer. The suspect alleged he injured his neck while moving a Z-bar that struck him in the throat. During the course of the claim, the suspect continued to receive medical treatment from physicians.

An investigation determined that the suspect misrepresented his history of injuries to his treating physicians. During his claim, he indicated in his sworn deposition/testimony on, that he required a motorized wheelchair or a walking stick everywhere he (went) traveled. He also stated that he was not able to bend his body and had pain in his back, legs, and upper torso. The suspect was documented on video surveillance entering and exiting a medical facility utilizing his motorized wheelchair. However, days later additional surveillance showed the suspect moving in an unrestricted manner without the use of support devices. He was also documented cleaning his boat and preparing the boat before travelling. Additionally, video surveillance showed him on a boat ramp where he was observed physically pushing the boat off of a trailer and into the water. The statements the suspect made during his sworn deposition contradict what was observed during surveillance. As a result of the suspect's misrepresentations, the insurance company suffered harm in the amount of \$561,852.91. An investigation by DIFS determined that the suspect did commit the offenses of: Workers' Compensation Fraud - False Statements in support of a Claim, False and Fraudulent Insurance Claims, and Grand Theft. A warrant was issued and the suspect was arrested on December 19, 2016, in Orange county for workers' compensation fraud.

**16-195**

An investigation revealed the claimant reported a work-related injury to his employer, where he was employed as a trouble shooter and cable repairer. The claimant stated that he was ascending a ladder, when he lost his grip with his left hand and missed with his right hand, causing him to fall off the ladder. The claimant stated he fell about six (6) feet, fracturing both ankles.

Video surveillance was taken at the claimant's home located in Lake County. During the surveillance video, the claimant was observed in a 2.5-hour timeframe walking around his property utilizing a weed eater, mowing with a push mower, walking back and forth on the large parcel of his property, operating a riding mower, carrying a large container of gasoline and using an electrical blower before returning all equipment to a detached garage/work shop. During video surveillance, the claimant was observed conducting activities

without the use of any support devices or assistance from anyone and moving in an unrestricted manner. It should be noted that these are the activities the claimant advised his treating physicians that he was unable to do. The claimant failed to be truthful and intentionally gave false and/or misleading statements of fact to his treating workers' compensation physicians and the insurance claim adjuster for obtaining workers' compensation benefits that he otherwise would not have been entitled to.

Based upon the information obtained during the investigation by DIFS, it was determined that the claimant did commit the offenses of: Workers' Compensation Fraud - False Statements in Support of Claim, False and Fraudulent Insurance Claims (1 count) and Grand Theft (1 count). An arrest warrant was issued in Lake County and the claimant was arrested on May 11, 2017.

**Field Office: West Palm Beach Workers' Compensation Squad****16-1311**

This investigation was a joint effort with DIFS and the Division's Bureau of Compliance. During a mini sweep with detectives from DIFS and investigators from the Bureau of Compliance, an unlicensed/uninsured subcontractor was identified. This subject advised that he "rents" his Certificate of Insurance from a carpentry company. The investigation indicated that the suspect was operating as a shell company.

The suspect in conjunction with uninsured subcontractors, engaged in an Organized Ongoing Scheme to Defraud during which the defendant committed crimes including Workers' Compensation Fraud (premium avoidance), Organized Scheme to Defraud, Application Fraud and Grand Theft. The suspect was the corporate officer for the shell company that was in Broward County, Florida. The suspect rented his Certificate of Insurance to numerous uninsured subcontractors, thereby underreporting his employees, class code of work, and payroll. These crimes were committed against the insurance company from 2014 to May 2016. The investigation determined that the premium loss for the insurance company insuring the suspects company for the premium years 2014-2015, 2015-2016 and 2016-2017 totaled \$827,128. Between 2014 and May 2016, approximately \$7,210,446 of checks were cashed for the suspect's company through money service businesses in South Florida, a common method used to circumvent workers' compensation statutes. At the time of application(s), the suspect misrepresented material information relating to payroll exposure, number of employees and significant

changes in business operation. Based upon these misrepresentations, the suspect avoided approximately \$827,128 of premium due. On August 18, 2016, a warrant was issued in Broward County for Workers' Premium Fraud / Organized Scheme to Defraud / Application Fraud / Grand Theft all (1st Degree Felonies). On August 31, 2016, the suspect was arrested.

### **16-1235**

This investigation was a joint effort with DIFS and the Division's Bureau of Compliance. During a Bureau of Compliance sweep of construction sites in Martin County, in April of 2016, investigators encountered a suspect who stated he oversaw a crew hanging trusses for a single-family home. The suspect told investigators he was renting a Certificate of Insurance (COI) from a company for a 6% fee and did not have workers' compensation insurance. A check of the issuing company found that it was an active corporation with a minimal workers' compensation policy. The annual payroll reported to the insurance company was \$95,600.

The investigation determined that between the dates of December 18, 2015 to June 6, 2016, the suspect's shell company cashed business to business checks at a check cashing store in Lake Worth, FL totaling \$1,141,336.13. This is a common method used to circumvent the workers' compensation statutes. At the time of application, the suspect misrepresented material information relating to payroll exposure, number of employees and significant changes in business operation. She reported an estimated annual payroll of \$95,600. Based upon these misrepresentations, she avoided approximately \$69,000 of additional premium due for the policy period. An arrest warrant was issued for the suspect in Palm Beach County for Workers' Compensation Fraud (Premium fraud). On November 18, 2016, the suspect was arrested in Palm Beach County for Workers' Compensation Fraud. The is the sole officer of the shell company.

### **Field Office: Tampa Workers' Compensation Squad**

#### **16-1673**

This investigation involved a suspect doing business as a construction company, who applied for and secured workers' compensation insurance for his company. The suspect reported six (6) employees and an estimated payroll of \$160,000. This brought the insurance premium to \$13,244. On July 16, 2015, the insurance company performed a physical annual audit on the construction company for the policy period May 1, 2014 to May 1, 2015. Based on the records provided to them by the suspect, the insurance company determined his construction company's alleged payroll was \$64,918.00.

Based on this information, the premium amount was reduced where the suspect only paid \$6,573 in premiums.

The Division's Bureau of Compliance, conducted routine job site inspections between May 2014 to April 2016, where their investigators made contact with the construction company employees. From the months of May 2014, to May 2015 (previous policy period), the investigators conducted jobsite investigations where the subcontractor was the suspect's construction company. These contacts identified 78 total workers with twenty (20) workers identified on sixteen (16) separate jobsites. From the months of May 2015, to April 2016 (current policy period), the investigators conducted jobsite investigations where the subcontractor was again the suspect's construction company. These contacts identified 103 total workers with sixty-eight (68) workers identified on thirty-three (33) separate jobsites. The investigation revealed that the suspect's construction company from the dates of September 4, 2015 to May 2, 2016, had cashed a total of 3,159 checks from various contractors for a grand total of \$12,166,135.79. The Bureau of Compliance concluded their investigation and determined that the suspect's construction company was found to have underreported their payroll. Therefore, a Stop-Work Order was issued to the suspect for the premium avoidance. A civil penalty of \$1,849,631.34 was levied against the suspect's construction company.

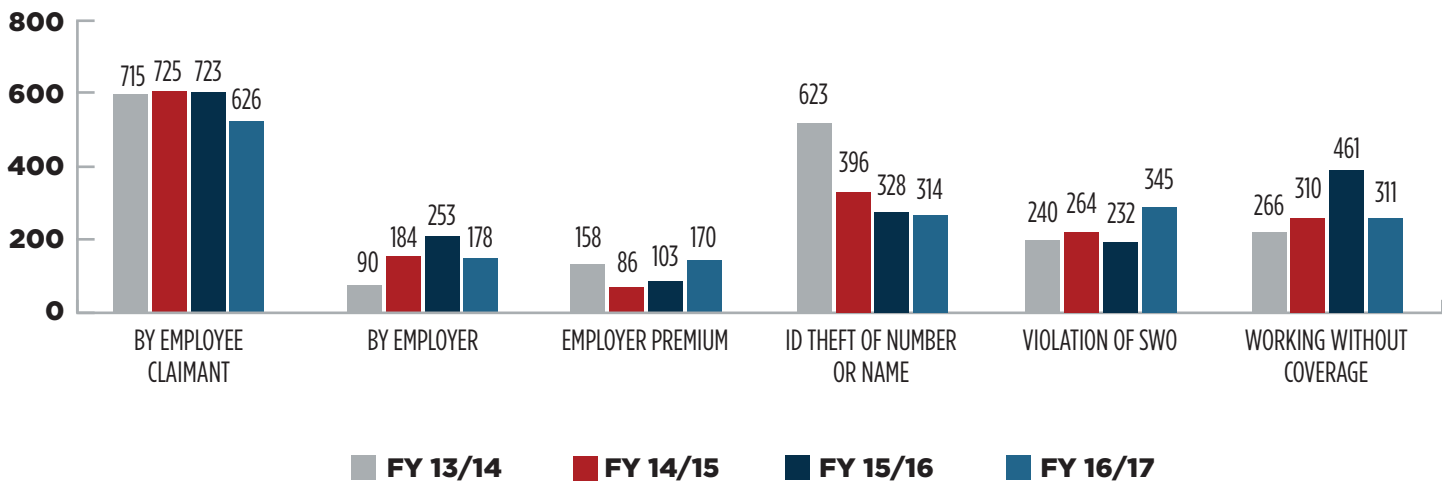
The DIFS investigation revealed \$10,258,923.57 worth of checks cashed for the suspect's construction company between May 1, 2014 and May 1, 2015. Had this amount been reported to the insurance company, the premium would have been \$1,019,737. As a result of the suspect's misrepresentation of his payroll at the time of application and subsequent premium audit, he avoided \$1,013,164 in premiums. At no time did the suspect provide factual updates to the insurance company relating to significant changes in his business operation, including number of employees or payroll exposure, as required by Florida Statutes. His misrepresentation of payroll, coupled with a failure to provide required updates to the insurance company, was a deliberate attempt to avoid paying insurance premiums commensurate to the amount of business performed.

# TYPES OF WORKERS' COMPENSATION REFERRALS

SUB TYPE	# OF REFERRALS
AGENT PREMIUM	2
BY ATTORNEY	1
BY EMPLOYEE CLAIMANT	626
BY EMPLOYER	178
BY PROVIDER	33
EMPLOYEE PAYROLL DEDUCTION	6
EMPLOYER PREMIUM	170
FICTITIOUS CERTIFICATE OF EXEMPTION	8
FICTITIOUS CERTIFICATE OF INSURANCE	35
ID THEFT OF NUMBER OR NAME	314
MONEY SERVICE BUSINESS	2
VIOLATION OF STOP WORK ORDER (SWO)	345
WORKING WITHOUT COVERAGE	311

2031

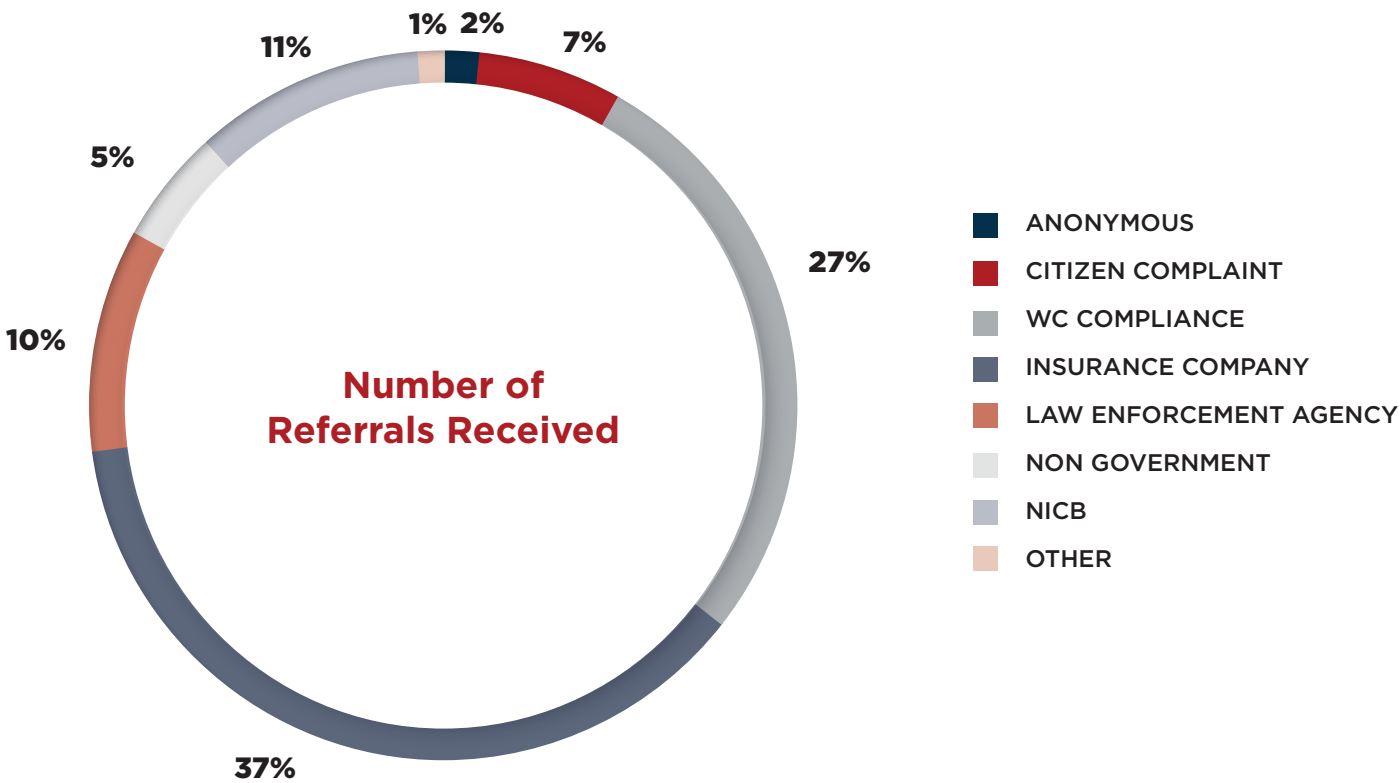
## Suspected Fraud Referrals





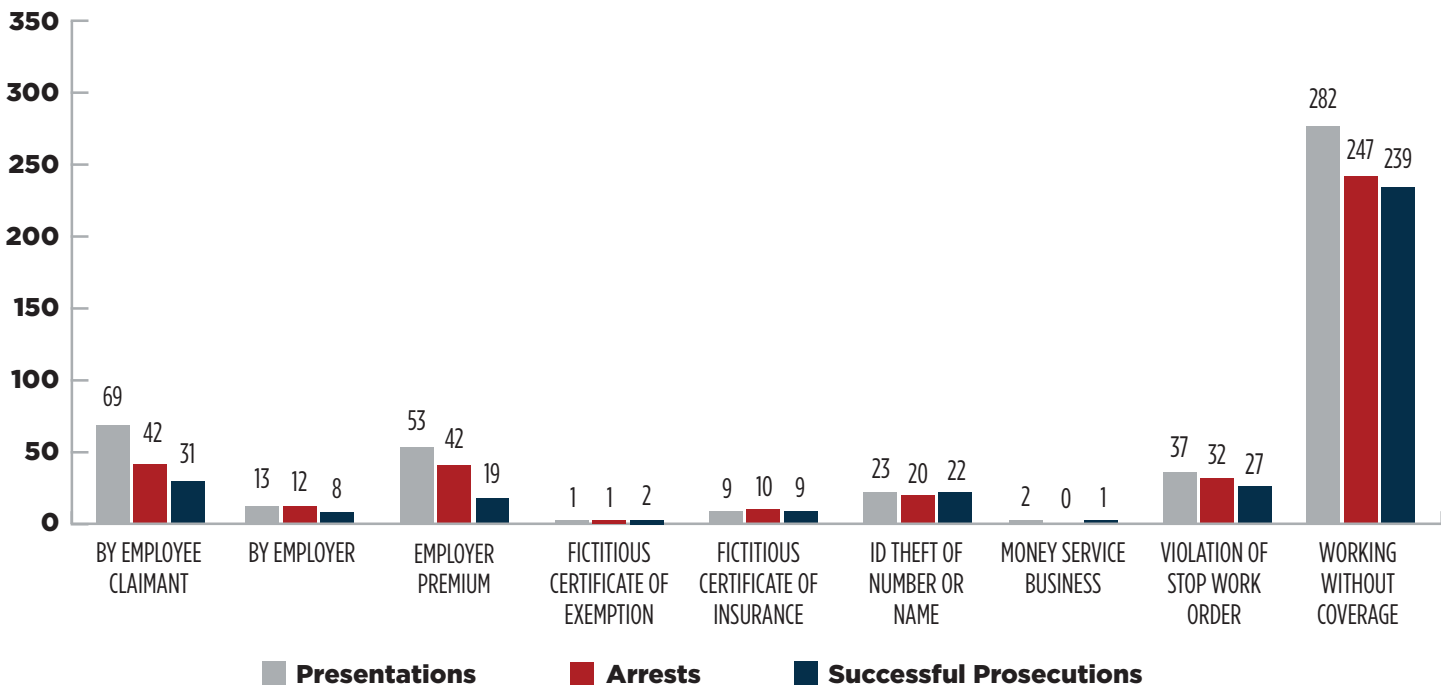
# NUMBER OF SUSPECTED FRAUD REFERRALS & NUMBER OF CASES INITIATED

SOURCE	NUMBER OF REFERRALS RECEIVED	CLOSED: CASE INITIATED
ANONYMOUS	33	0
CITIZEN COMPLAINT	132	13
WC COMPLIANCE	545	147
INSURANCE COMPANY	735	149
LAW ENFORCEMENT AGENCY	207	194
NON GOVERNMENT	103	100
NICB	211	23
ALL OTHER	42	20
<b>GRAND TOTAL</b>	<b>2031</b>	<b>646</b>

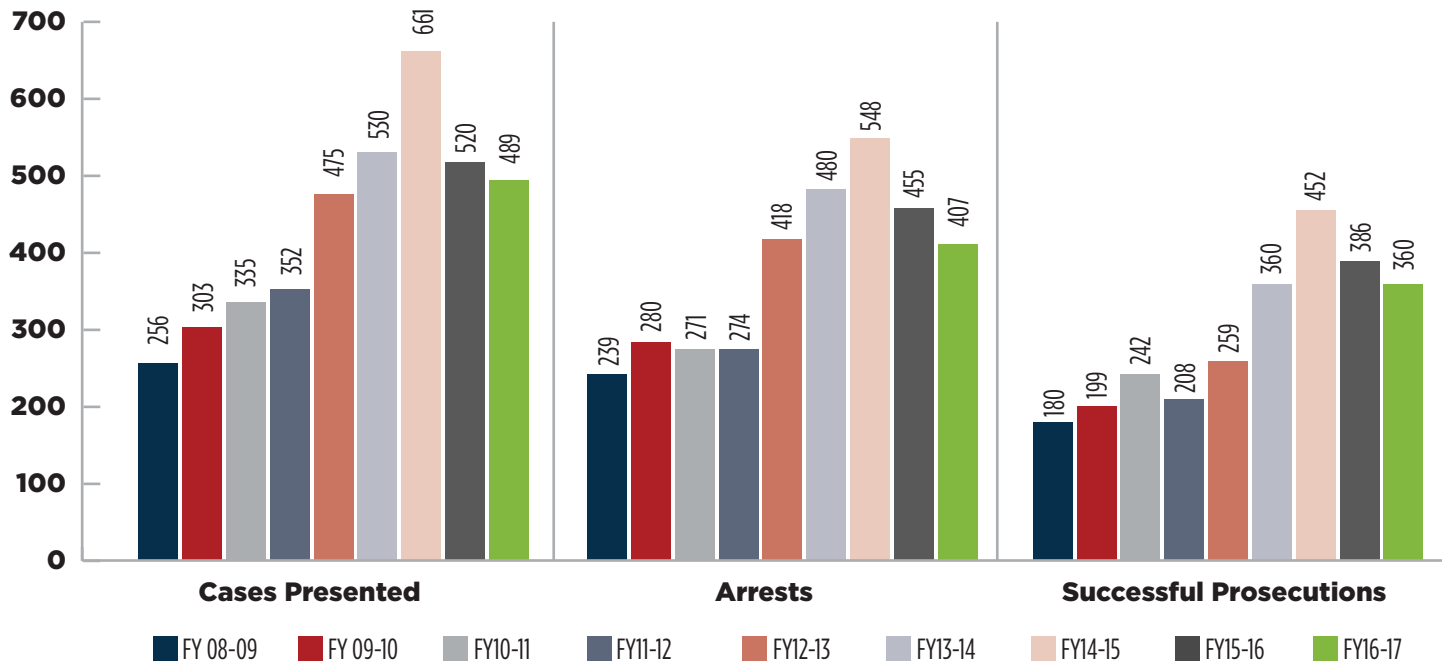


# TYPES OF PRESENTATIONS, ARRESTS & SUCCESSFUL PROSECUTIONS

Type of Case	Presentations	Arrests	Successful Prosecutions
BY EMPLOYEE CLAIMANT	69	42	31
BY EMPLOYER	13	12	8
BY PROVIDER	0	1	1
EMPLOYER PREMIUM	53	42	19
FICTITIOUS CERTIFICATE OF EXEMPTION	1	1	2
FICTITIOUS CERTIFICATE OF INSURANCE	9	10	9
ID THEFT OF NUMBER OR NAME	23	20	22
MONEY SERVICE BUSINESS	2	0	1
VIOLATION OF STOP WORK ORDER	27	32	27
WORKING WITHOUT COVERAGE	282	247	239
<b>Total</b>	<b>489</b>	<b>407</b>	<b>360</b>



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	FY 16-17
Cases Opened	568	1597	1286	531	891	785	723	824	698
Cases Closed	621	1380	1293	629	704	840	697	761	670
Cases Presented	256	303	335	352	475	530	661	520	489
Arrests	239	280	271	274	418	480	548	455	407
Successful Prosecutions	180	199	242	208	259	360	452	386	360



## 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 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 Investigative and Forensic Services (DIFS). 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 2016-2017.

# I. REFERRALS

## Division of Investigative and Forensic Services (DIFS)

The Division and DIFS maintain a cooperative working relationship to carry out our respective statutory duties. The Division enforces administrative compliance with the workers' compensation law, pursuant to s. 440.107, F.S., while DIFS 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 DIFS on compliance sweeps seeking out employers that are not in compliance with the workers' compensation law.

During the period of July 1, 2016 through June 30, 2017, the Division's Bureau of Compliance and DIFS made the following referrals:

- The Division referred 545 employers to DIFS for possible criminal investigation.
- The Division received 17 referrals from DIFS for civil violations under Chapter 440, F. S.

## Referrals to Other Agencies

The Division works cooperatively with local building and permitting agencies and provides timely responses to local agencies' calls for assistance in verifying employers who are in violation of the workers' compensation law. 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 (DBPR) and DIFS.

In addition to the referrals for workers' compensation fraud, 4,400 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 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.

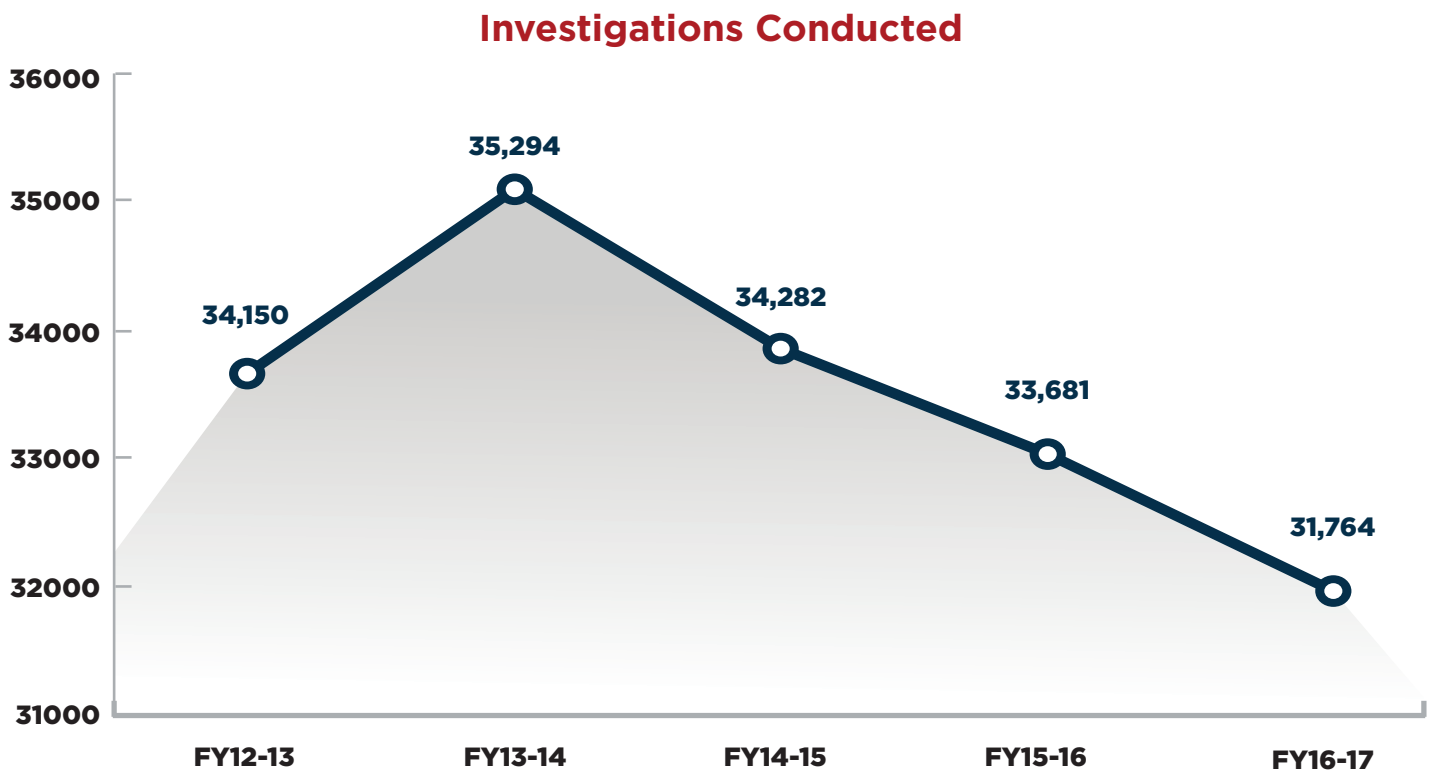
The Division investigated 1,708 referrals submitted via the Non-Compliance Referral Database during FY 2016-17. The investigations initiated by the referrals resulted in the issuance of 425 enforcement actions and \$7.3 million in assessed penalties against non-compliant employers.



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

During the period of July 1, 2016 through June 30, 2017, through its enforcement and investigative efforts the Division:

- Conducted 31,764 investigations. Investigations are physical onsite inspections of an employer's job site or business location conducted to determine employer compliance with the workers' compensation coverage requirements. The graphic below shows the total number of investigations conducted during the last five fiscal years. Fiscal Year 16-17 shows a slight decrease than the previous year due to the Bureau of Compliance's focus on outreach efforts in response to the impact of Hurricanes Hermine and Matthew.

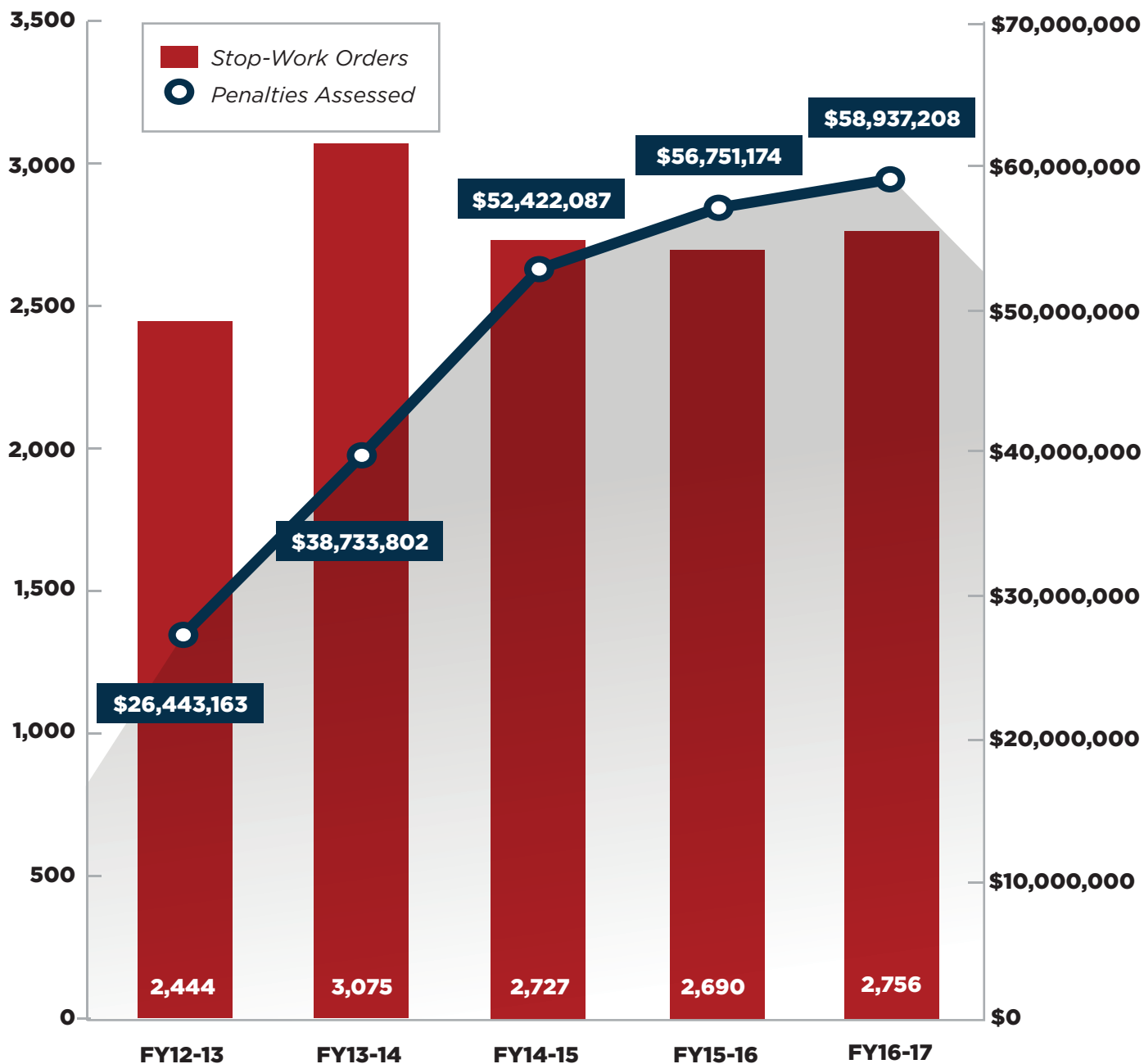


### Stop-Work Orders

- Issued 2,756 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 \$58,937,208 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.

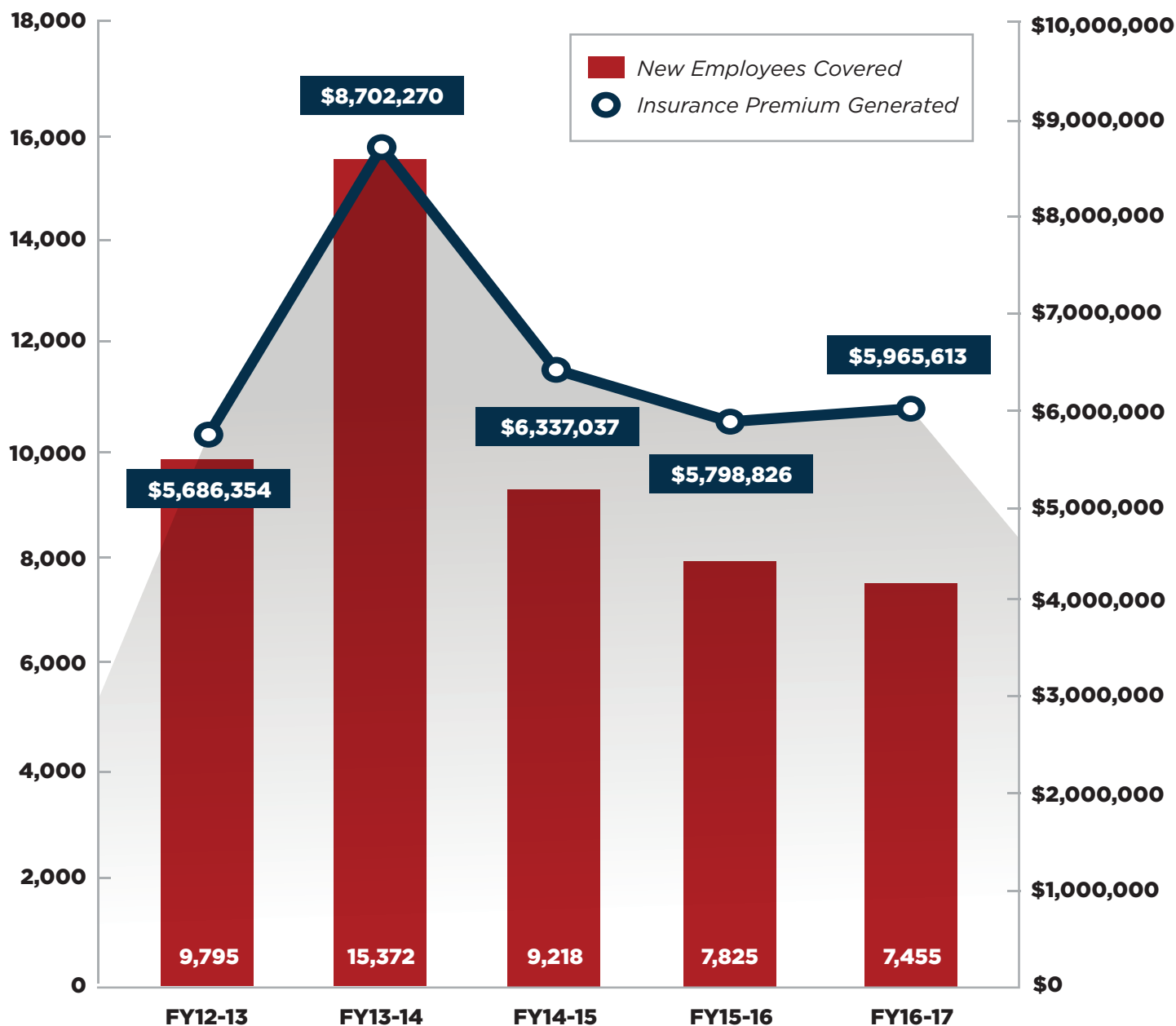
### Stop-Work Orders Issued and Penalties Assessed



The growth in the assessed penalty amount since FY13-14 is due 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%.

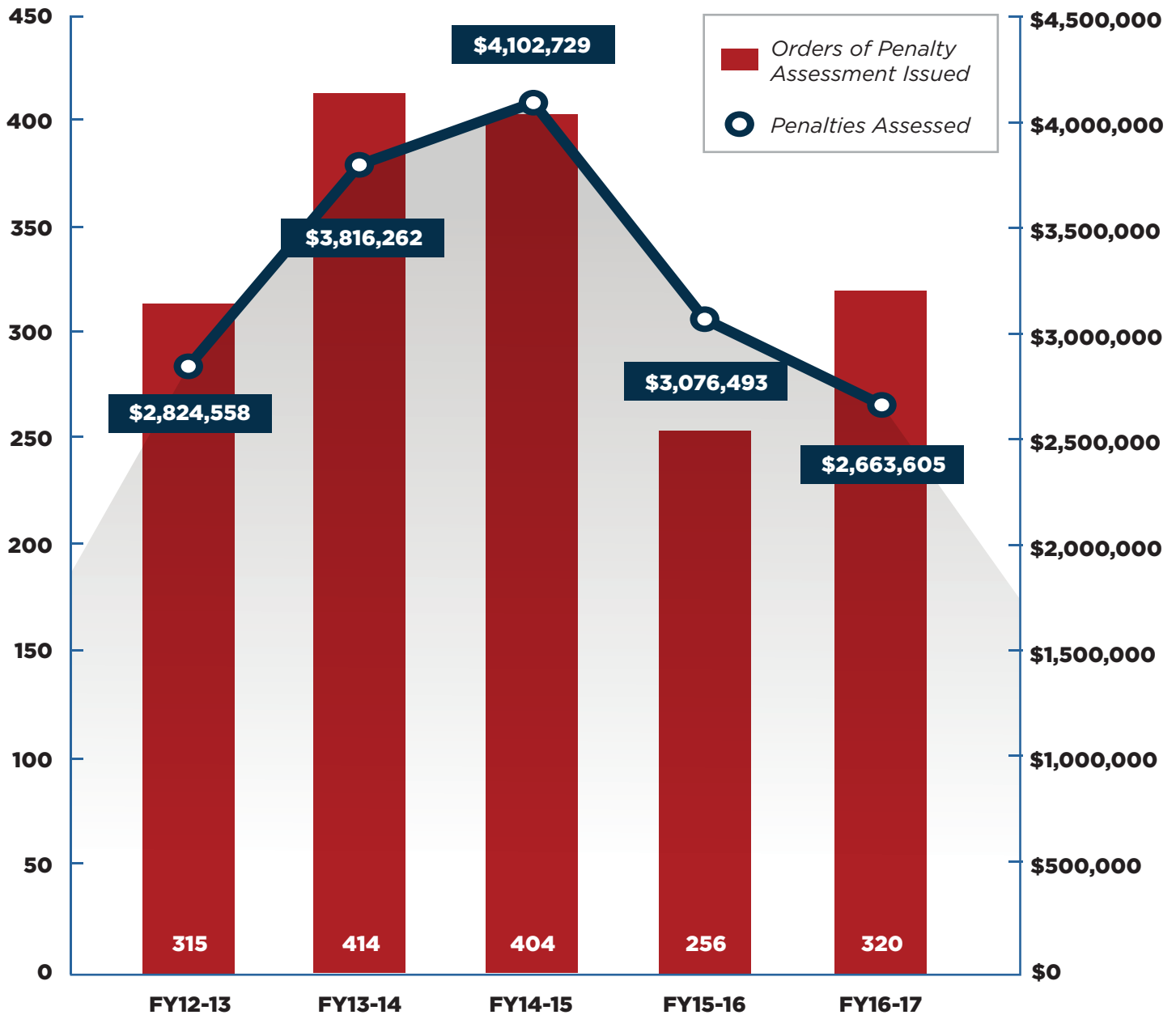
The following graphic reflects the number of employees covered as a direct result of the Bureau’s enforcement efforts and issuance of Stop-Work Orders and the monies added to the workers’ compensation premium base that had previously been evaded.

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



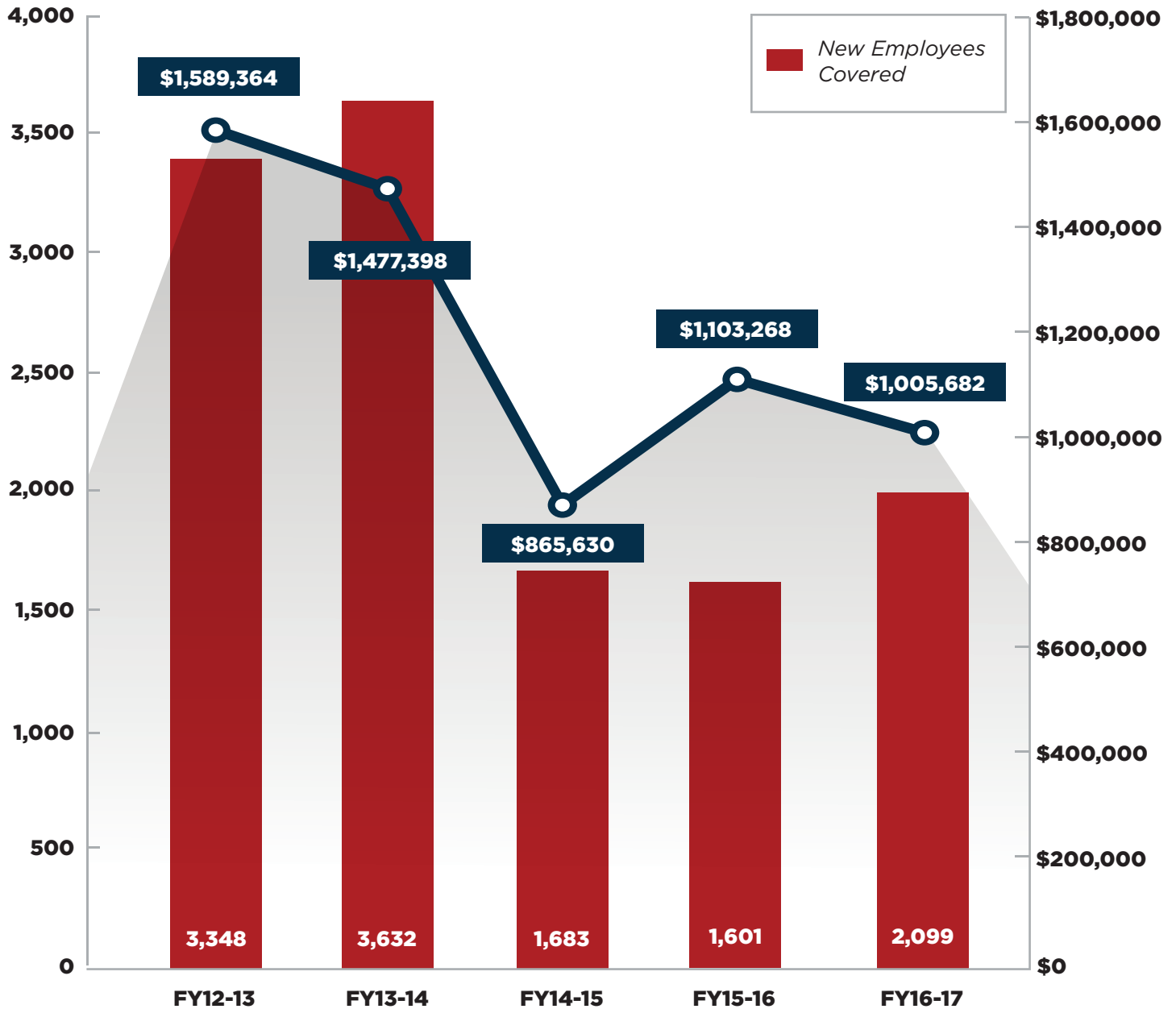
The next two graphics pertain to Orders of Penalty Assessment. In cases where the employer obtains coverage subsequent to the commencement of an investigation, an Order of Penalty Assessment for the failure to maintain coverage is issued in lieu of a Stop-Work Order. During FY 2016-17, 320 employers were issued an Order of Penalty Assessment with assessed penalties totaling \$2,663,605.

### 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 three statewide workers' compensation construction sweeps during the Fiscal Year. Investigators conducted 2,868 employer investigations at 1,886 construction sites and issued 216 enforcement actions to construction companies that put their employees at risk by failing to carry the required workers' compensation coverage. The Bureau conducted fewer sweeps due to the hurricanes that impacted the State of Florida during September and October of 2016.

In addition to these efforts, several districts coordinated and conducted sweeps with DIFS, 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

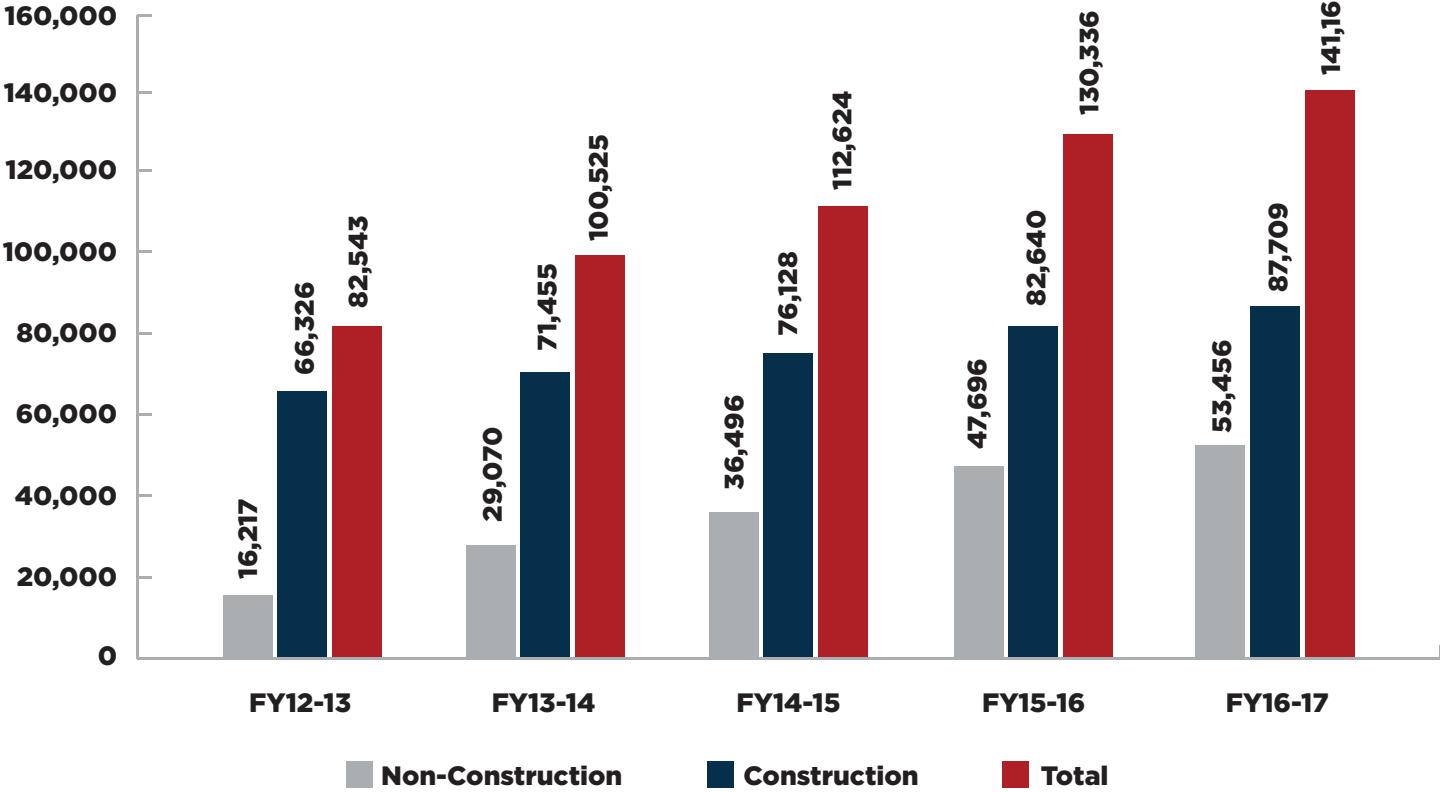
complex investigations and identify underreporting. The unit has investigated a total of 237 entities resulting in 30 enforcement actions. The issuance of these enforcement actions were due to the Division's discovery of hundreds of millions of dollars in unreported payroll to insurance carriers.

### Exemption Statistics

The Division processed 87,709 construction industry exemption applications and 53,456 non-construction industry exemption applications in Fiscal Year 16-17. This represents an 8% increase in the number of exemptions processed over the prior year. As of June 30, 2017, there were 1,027,428 active exemptions. The Division processes an average of 98% 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 numerous jobsite contacts with a framing and concrete company in the Pensacola area, our investigator opened an investigation on the contractor for potentially underreporting payroll. The company had a policy for \$38,500 of payroll in a framing class code. During the course of the investigation, the investigator determined that the contractor had over \$1.8 million payroll. A Stop-Work Order for failure to secure payment of workers' compensation for materially understating or concealing payroll was issued in July, 2016. The penalty, based upon records was \$891,000. This case was taken before an administrative law judge in December 2016. The judge issued a ruling upholding the violations and penalties assessed.

### Case Two

In November of 2016, a Hotel/Resort business was found in violation of the workers' compensation law. Investigation by the Division revealed there were 29 employees identified and none of the employees for this business were covered nor was there a contract for this business with the staffing company. The business records were audited for the previous two years and a penalty of \$20,801.45 was issued. The employer entered into a periodic payment agreement and came into compliance by securing a workers' compensation policy for 29 employees, adding \$22,429 premium to the workers' compensation system.

### Case Three

An investigation was initiated from a routine site visit at a construction site. Five men were observed working as they unpacked roof tiles from wooden pallets onto the roof. The employer had workers' compensation insurance via a Professional Employment Organization (PEO) for three employees, none of which were present on site. A Stop-Work Order was issued and penalty calculated on records for \$298,404.06. The employer came into compliance by adding workers to their employee leasing agreement. The premium for eight employees was calculated to be \$30,950.40.

### Case Four

On December of 2016, a Bureau of Compliance investigator conducted a site visit during a construction sweep. The investigator observed four workers conducting/installing stucco stoppers on the roof. The employer stated he subcontracted the work to another company. The named subcontractor denied having the contract with the employer. A Stop-Work Order was issued to the employer for not having coverage for the four employees on site. The two owners did have active construction exemptions. Subsequently, after the Stop-Work Order was issued, the owner obtained a new leasing agreement. The new leasing agreement contained 12 active employees, generating an estimated manual premium of \$28,623.71. The two-year audit was completed and the employer was assessed a penalty of \$195,442.74.

### Case Five

In February of 2017, based upon a public referral, a Sarasota manufacturing and outdoor furniture sales business was found in violation of the workers' compensation law. The business owner provided records and 69 employees were identified as regular and customary employees. The employer came into compliance by securing a workers' compensation policy for 69 employees, adding \$155,260 premium to the workers' compensation system. A credit of \$125,680.89 was applied to the total penalty amount which reduced the penalty to \$66,522.65. The employer received credit for the timely submission of complete business records and the initial payment of premium on the policy. The employer entered into a periodic payment agreement.

## 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 (CEUs) for training on workers' compensation and workplace safety to employers who are licensed by DBPR, Construction Industry Licensing Board, Electrical Contractors Licensing Board and the Board of Accountancy. The Division provided classroom education and offered 80 CEUs to business owners, and licensed contractors who attended educational workshops around the state. These workshops were sponsored by both the Division and the following groups:

- Florida Association of Plumbing Gas & Mechanical Inspectors (FAPGMI) – Escambia & Santa Rosa Chapters
- Florida Roofing and Sheet Metal
- Florida Fire Equipment Dealers Association
- Latin American Association of Insurance Agents
- Punta Gorda Chamber of Commerce
- Occupational Safety and Health Association (OSHA)

- Sarasota County Plumbing and Heating Association
- Sarasota Manatee Roofing Association
- SWFL Construction
- Turner School of Construction Management
- University of South Florida Health & Safety Fair

### Educational Outreach Activities

In 2016, Hurricane Hermine and Hurricane Matthew impacted the State of Florida. Both storms caused significant damage to residential property and businesses which prompted a demand for contractors in the construction industry. During this time, the Investigators reached out to property owners and contractors by providing insurance and reconstruction information. Investigators shared brochures that included information on reporting damage to the insurance agent and/or company, finding licensed contractors, entering a repair reconstruction contract, and cancelling a contract. For the contractors, the brochure included information on the coverage requirements on workers' compensation to out of state contractors as well as State of Florida contractors. In addition, the investigators provided contact information on other Governmental Agencies who could assist people with the recovery process.

### 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 1,052 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 2016-17, the Division reinstated 424 Stop-Work Orders for non-payment.

The Division filed liens against 588 employers to collect unpaid penalties associated with Stop-Work Orders and Orders of Penalty Assessment. Further, the Division referred 588 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.
- 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. The use of the check cashing database has allowed the Division to issue 30 Stop-Work Orders to employers who have underreported payroll by \$317,737,467.99.

## 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, 2016 through June 30, 2017, 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:

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

This training is a 40-minute WebEx training series developed to educate compliance investigators, penalty auditors, facilitators and exemption staff members on the workers' compensation law, administrative rules, and new and existing procedures and policies.

### **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.

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

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



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

The Division's website contains links to several databases that are helpful to employers. These databases provide access to information for all stakeholders in the Workers' Compensation System. The Division 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 Division's website is located at: <http://www.myfloridacfo.com/Division/wc/>.

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 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 10,336 Construction Policy Tracking Database registrants are tracking workers' compensation policies and/or exemptions of 46,351 sub-contractors. The website is located at: <http://www.myfloridacfo.com/WCAPPs/Contractor/logon.asp>.

## Coverage Assistance Program

In March, 2017, the Division published the Coverage Assistance Program. This online tool allows employers to enter their primary class code or business description to find insurance companies that are currently providing workers' compensation coverage to employers with that same class code or business description. Although the results do not guarantee an insurance company will write a policy for the employer who is seeking coverage, the program can assist employers in their pursuit of cost effective premiums

and save time in the process. The website is located at: <https://minimarket.fldfs.com/>

## 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	8
<b>District 4</b>	Orlando - District Office	8
<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, 2016 through June 30, 2017, a total of 31,764 employer investigation cases was initiated resulting in an average caseload of 548 cases per investigator per year.

