

**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, 2020*



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 subsection 626.989(9), Florida Statutes (F.S.) 2003. The joint report addresses the areas identified in subsection 626.989(9), F.S., for the period of July 1, 2018 through June 30, 2019.

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January 15, 2020

**The Honorable Bill Galvano**  
**President of the Senate**

**Room 400-Senate Office Building**  
**Tallahassee, Florida 32399-1100**

**The Honorable José Oliva**  
**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, 2018– June 30, 2019.

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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# 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-one (21) detectives, two (2) intelligence analysts, and four (4) supervisors assigned to squads located in Miami, West Palm Beach, Orlando and Tampa. The BWCF is overseen by a Captain and a Bureau Chief. In addition to these investigative resources, the Bureau currently has five (5) dedicated prosecutors located in Miami-Dade, Hillsborough, Duval, 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 has continued to prioritize investigative resources in the areas of: 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 at residential and commercial job sites.

In FY 2018-19, the BWCF participated in numerous contractor stings and job site inspection stings in Tampa, Miami, and Orlando, which resulted in 210 arrests 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. A check cashing database (CCDB) was

developed and activated in September 2015 by the Office of Financial Regulation, which has been of great value identifying the underreporting of payroll by companies throughout the state.

The BWCF continues to work closely with the Florida's Workers' Compensation Fraud Task Force, an independent body formed in 1992 by 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 taking place.

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

### Case 18-721

The president of a Corporation, actively concealed payroll to avoid paying a higher workers' compensation premium. The suspect applied for workers' compensation insurance with Norguard Insurance Company on 3/15/2017 and according to the policy information Rating Worksheet and the ACORD, he indicated that his annual estimated remuneration for the policy year would be \$75,000.00 with only one employee. Based on the provided information, a workers' compensation policy was issued a premium of \$14,533.00, which became effective on 03/15/2017 through 03/15/2018. The policy was not renewed for failure to meet the minimum payroll requirements.

During the course of the investigation, it was discovered that the corporation cashed a total of \$2,298,611.69 in checks issued by numerous construction companies at three money service businesses (MSB) located in Miami-Dade and Broward Counties. The suspect was the sole individual that cashed the checks at the money service businesses within the policy period. Furthermore, sworn affidavits were obtained from several contractors who confirmed hiring and paying the suspect's corporation \$2,348,784.94 for labor only.

A statement of loss affidavit was obtained from Norguard Insurances Company indicating that based upon the payroll exposure amount of \$2,348,784.94, the corporation should have been charged \$430,028.00 in workers' compensation premium. In addition, the suspect nor any other representative never contacted Norguard to relay any significant change in payroll from what was stated upon the initial application as required by Florida Statute 440.381(4).

The defendant was arrested on October 24th, 2018 and was charged with Premium evasion fraud, Grand theft, Conspiracy to commit premium fraud and Organized scheme to defraud. All charges are second degree felonies.

### Case 18-571

The suspect knowingly operated his business without the proper workers' compensation insurance. During the course of the investigation, it was discovered that the business drafted numerous checks that were made payable to employees on a bi-weekly and/or weekly

basis for work performed. During the 2017 calendar year, a total of 659 payroll checks were drafted in a sum of \$306,100.00 to employees. Records show that those employees were working at an active construction site, under the subject's company. Furthermore, at least one employee was remunerated for work performed after the suspect obtained a Certificate of Election to be Exempt.

An affidavit was obtained from the Bureau of Compliance who confirmed that the employer did not have an active workers' compensation policy on file. Additionally, a Certificate of Election to be Exempt existed for the suspect, effective April 19, 2018 and expiring April 18, 2020.

An affidavit was obtained from a contractor who subcontracted the company throughout the 2017 calendar year, for construction labor only. The company was paid a total of \$604,900.00 for work performed between January 2017 through December 2017.

On May 16, 2019, the suspect was arrested in Miami-Dade county and charged with Failure to Secure Workers' Compensation Coverage.

### Case 18-178

A suspect knowingly made false statements in order to continue her benefits. The suspect filed a workers' compensation claim with her employer for a work-related injury to her left knee. According to the suspect, she was cleaning the bathroom floor of a guest suite when she slipped on a bar of soap that was on the floor and fell to the knees. As a result, she sustained a left knee contusion. Due to her injury, a left knee arthroscopic surgery was performed on May 8, 2015.

Based on the medical records, the suspect's injury showed little to no improvement after the surgery, as a result surveillance was initiated. The surveillance of the suspect was conducted for several days during April of 2016, where she was observed: sitting on a chair with her feet on the floor, standing, walking without utilizing a cane, carrying a laundry bag to the washing machine, walking up several steps, placing groceries into a cart, and carrying multiple bags of groceries at once.

On July 18, 2016, the suspect provided a sworn deposition in which she discussed her current condition after surgery to her left knee. According to the suspect, her knee had worsened. She limped and had pain every day. She could not do anything around the house; therefore, her daughter did the household chores. She spent her days lying down or sitting with her feet

elevated. She always limped and could not walk without her cane. She added she needed the cane to stand up and could not lift or carry objects.

An affidavit was obtained from a treating physician who evaluated the subject on June 1, 2016. The physician indicated that after reviewing the medical records and the surveillance footage, the suspect's complaints and physical examination were inconsistent with the surveillance footage.

The actions of the suspect caused a loss of \$32,747.78 to Continental Indemnity Company. On April 9, 2019, the suspect was arrested in Miami-Dade County and charged with Workers' Compensation Fraud.

### **Case 17-1637**

The owner of a company (suspect) provided false and misleading information on his workers' compensation coverage application for the purpose of lowering his workers' compensation premium cost. According to the Service Proposal and ACORD sheets from Cornerstone Professional Employer Organization (PEO), the suspect indicated that his annual estimated remuneration for the policy year would be \$50,000. The ACORD revealed there were two employees listed. Based on the provided information, a policy was issued with an effective date of April 4, 2017 and was subsequently canceled on August 21, 2017, where only \$500.52 was paid for premium cost.

During the course of the investigation, it was discovered that the company cashed a total of \$6,755,074.32 in checks issued by numerous construction companies at two money service businesses (MSB) in Miami-Dade County. The suspect and his resident agent were the only individuals that cashed the checks at the money service businesses within the policy period. A total of \$2,894,276.02 was confirmed as payroll by contractors who hired and paid the suspects' company for labor only.

A statement of loss affidavit was obtained from Cornerstone PEO indicating that based upon the payroll amount of \$2,894,276.02, Cornerstone suffered a loss to their insurance company in the amount of \$572,266.64 in workers' compensation premium. In addition, the suspects never contacted Cornerstone PEO to relay any significant change in payroll from what was stated upon the initial application as required by subsection 440.381(4), F.S.

The suspects were arrested and charged with Premium Evasion Fraud, Grand Theft, Conspiracy to Commit Premium Fraud and Organized Scheme to Defraud.

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

### **19-557**

On April 27, 2019, the claimant while engaged in her duties as a Corrections Sergeant with the Florida Department of Corrections, Tomoka Correctional Institute, Daytona Beach, Florida claimed a locker lid fell on her right-hand causing injury. The claimant reported the injury to her supervisor and sought immediate treatment where she had emergency surgery to repair her right hand.

An investigation conducted by the Division of Investigative & Forensic Services, Bureau of Workers' Compensation Fraud, Orlando Field Office, revealed that the claimant did not injure her hand at work as she claimed. Two co-workers testified, that a few days prior to the alleged injury, they received a group text from the claimant while she was on leave at a family funeral, showing a picture of the claimants swollen hand, with a message indicating, "It's officially Broke." "Got in a fight with a wall." Medical records revealed that the claimant received treatment at a medical facility in Tennessee for her hand injury.

On June 3, 2019, Workers Compensation Fraud Detectives conducted an audio recorded interview with the claimant and she confessed to the detectives that she made a false claim of injury because she didn't have the out of pocket costs to cover the medical care, and that she didn't have enough time saved to take off from work.

An investigative summary report was submitted to the Volusia County State Attorney on October 22, 2019. The suspect was arrested and charged with F.S. 817.234 (1)(a) (1) False and Fraudulent Insurance Claims, and 812.014(2) (c) Grand Theft. The case is pending in the courts.

## **Field Office: West Palm Beach Workers' Compensation Squad**

### **18-979**

Suspect and his company obtained an active workers' compensation insurance policy through NorGuard Insurance Company and the suspect documented his annual payroll at \$95,800.00. The total estimated annual premium was calculated at \$14,604.00.

During the policy period of September 16, 2017-February 15, 2018, the company was found to have cashed payroll checks from multiple construction companies worth \$1,629,768.25. An affidavit of loss from NorGuard was

obtained which stated that had the suspect disclosed the income of \$1,629,768.25 in payroll, they would have charged an additional \$302,595.00 in workers' compensation premium.

The suspect charged with Workers' Compensation Fraud (Premium Avoidance) and Organized Scheme to Defraud, was convicted on both charges and sentenced to four (4) years in prison to be followed by five (5) years of probation.

### **19-1160**

DIFS received an anonymous complaint regarding a company providing a fraudulent certificate of workers' compensation insurance to a business.

The investigation that followed showed the company had been operating without workers' compensation insurance since April 2018. The company performed security services for several homeowners' associations (HOA's) as well as charter schools. Wage reports filed by the company with the Department of Revenue from April 2018 to March 2019, revealed the company provide services and paid over \$900,000 in wages to approximately 60 employees. Records obtained from a check cashing store indicated the owner and president of the company (suspect) cashed almost a million dollars in business checks since April 2018.

Further, the company's security license was found to have expired in June 2019 and was never renewed. According to invoices collected from an HOA, the company continued to perform security services until at least September 30, 2019.

The suspect was arrested and charged with one count of Working Without Workers' Compensation Coverage and one count of Providing Security Services Without a License.

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

#### **17-1729**

The suspect filed a workers' compensation claim alleging she had strained her lower back as she moved a chair at her workplace in Brooksville, Florida. The suspect claimed injuries to her lower back from the center to her right side and down to her lower right hip. The suspect was treated for her injuries by multiple providers in multiple counties. The suspect did not disclose to her medical providers that she had prior low back complaints. Furthermore, the suspect denied receiving

any medical treatment for back problems prior to her workplace injury during a deposition related to her claim.

Information was obtained showing the suspect had been treated for lower back pain since 2008. In 2013 and prior to her workplace injury, the suspect experienced such severe back pain that she applied for Social Security Disability.

On June 8, 2017, a hearing was held before the Judge at the Division of Administrative Hearings, Office of Compensation Claims, Tampa District Office. The suspect testified as did two doctors. The Judge ruled the suspect picked and chose what she told the authorized doctors about her past medical care. The Judge also ruled that the carrier had met its burden of proof and established that the suspect intentionally withheld information about her prior low back pain for the purpose of obtaining workers' compensation benefits.

The suspect was arrested and charged with Workers' Compensation Fraud in Pasco county. She was convicted on May 2019 and ordered to pay restitution.

#### **18-1232**

The suspect filed a workers' compensation claim alleging an injury that did not occur, for the sole purpose of collecting workers' compensation indemnity and medical benefits.

The suspect was at his place of employment working as a cook when he reported that the glass door to the produce refrigerator fell off the hinges and hit him in the head and right shoulder. The suspect said that he blacked out and injured his head and right shoulder. He also said that he could not use his right arm and could barely lift anything.

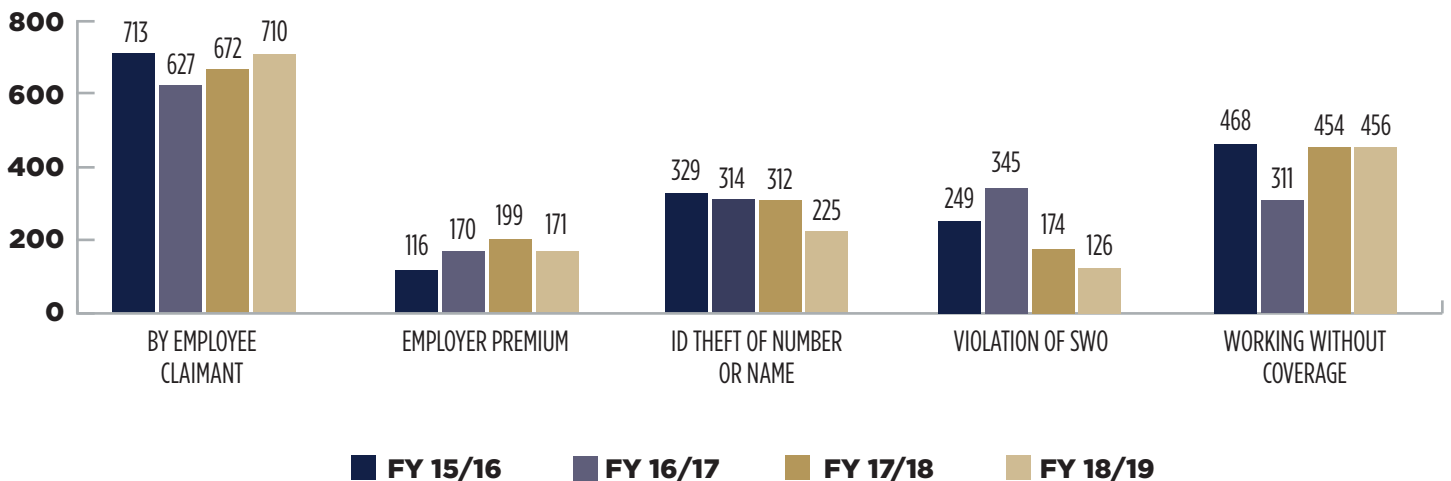
The suspect was put in a sling, diagnosed with right shoulder sprain and referred for physical therapy. All the medical treatment after that was denied because the suspect's employer had security video showing that he could not have been injured as he reported. The video showed the suspect closing the refrigerator door and the door falling off the hinges. The door fell in front of the suspect, and he placed it on the floor carefully with his left hand. He then picked up the door, knelt and placed the door on top of his right shoulder. The suspect was not hit by the door.

The suspect was arrested, convicted and ordered to pay restitution.

# TYPES OF WORKERS' COMPENSATION REFERRALS

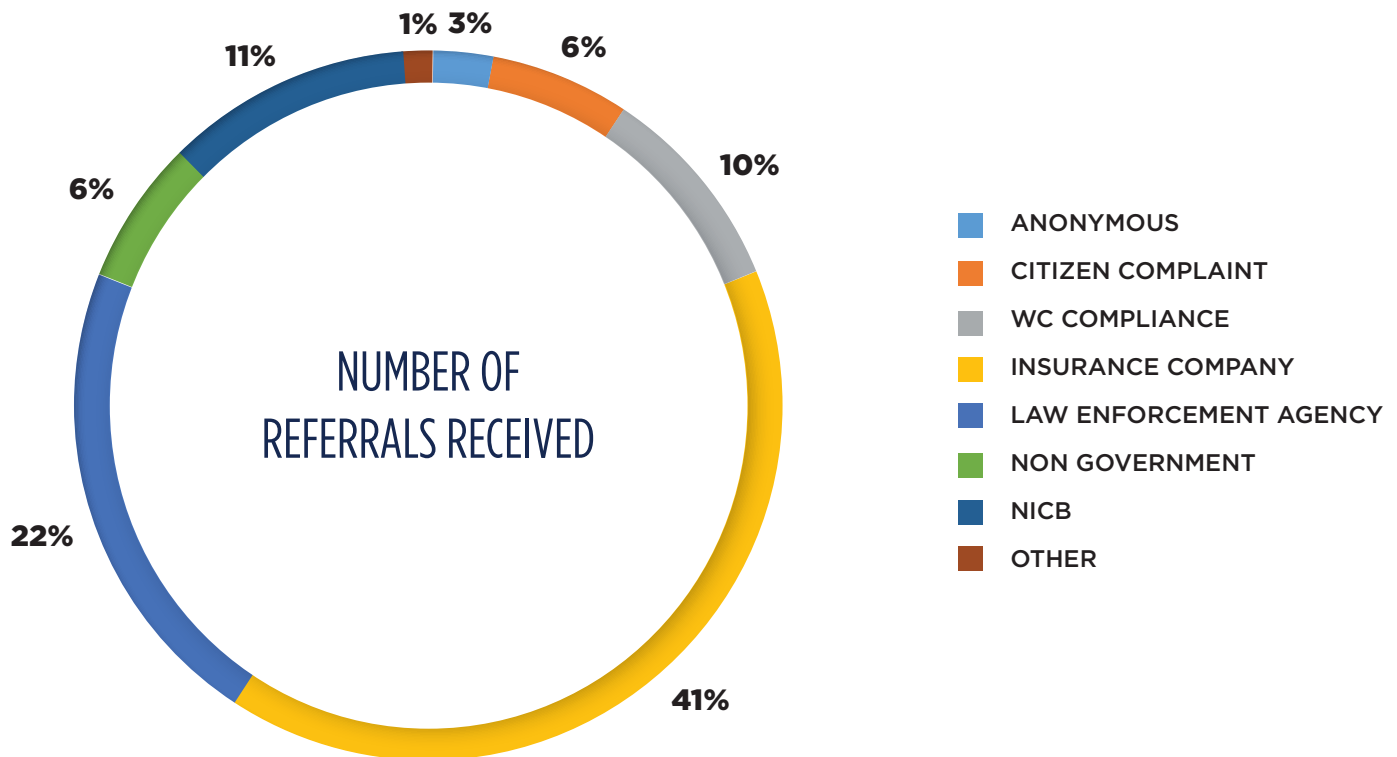
SUB TYPE	# OF REFERRALS
AGENT PREMIUM	2
APPLICATION	11
BY ATTORNEY	1
BY EMPLOYEE CLAIMANT	711
BY EMPLOYER	23
BY PROVIDER	9
EMPLOYEE PAYROLL DEDUCTION	1
EMPLOYER PREMIUM	172
FAILURE TO PAY PENALTY	35
FICTITIOUS CERTIFICATE OF EXEMPTION	5
FICTITIOUS CERTIFICATE OF INSURANCE	37
ID THEFT OF NUMBER OR NAME	225
MONEY SERVICE BUSINESS	9
VIOLATION OF STOP-WORK ORDER (SWO)	126
WORKING WITHOUT COVERAGE	456
	<b>1,823</b>

## WC REFERRALS



# NUMBER OF SUSPECTED FRAUD REFERRALS & NUMBER OF CASES INITIATED

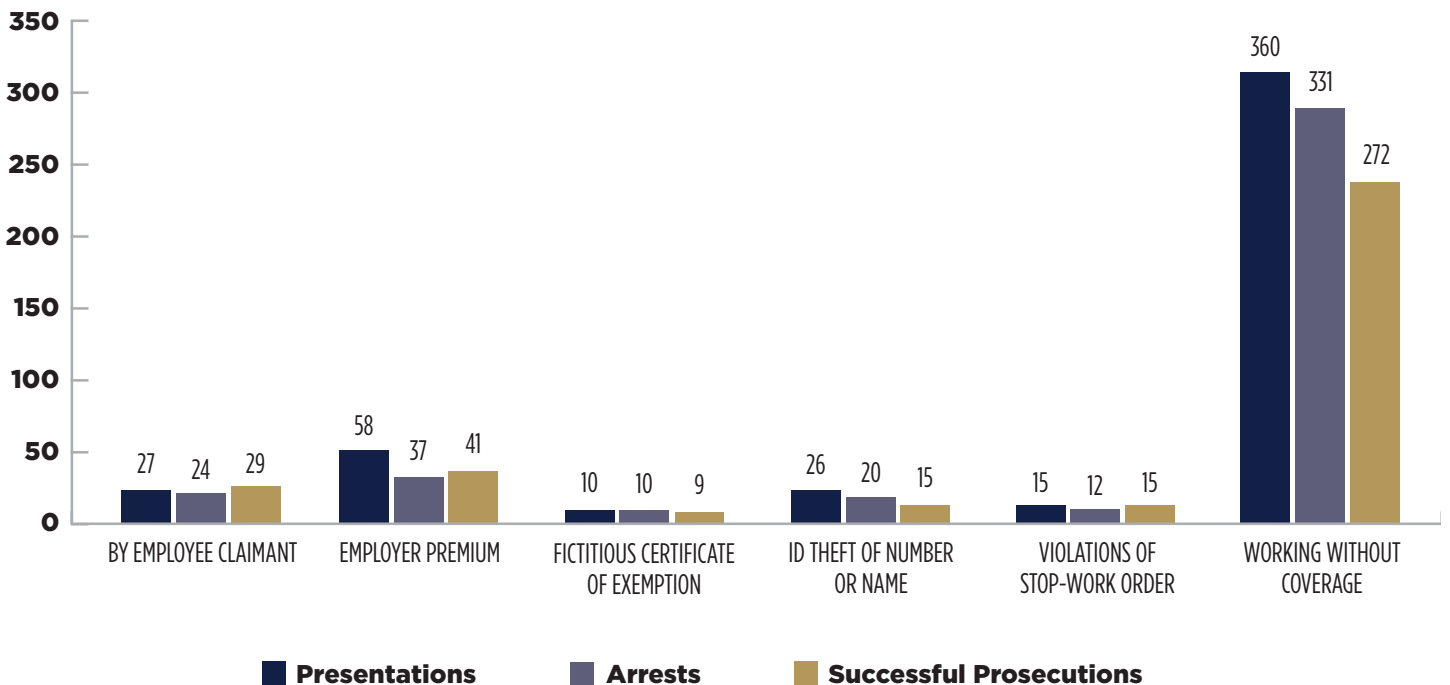
SOURCE	NUMBER OF REFERRALS RECEIVED	CLOSED: CASE INITIATED
ANONYMOUS	58	1
CITIZEN COMPLAINT	108	11
WC COMPLIANCE	176	64
INSURANCE COMPANY	740	82
LAW ENFORCEMENT AGENCY	337	299
NON GOVERNMENT	117	101
NICB	204	5
OTHER	24	5
<b>GRAND TOTAL</b>	<b>1,823</b>	<b>602</b>



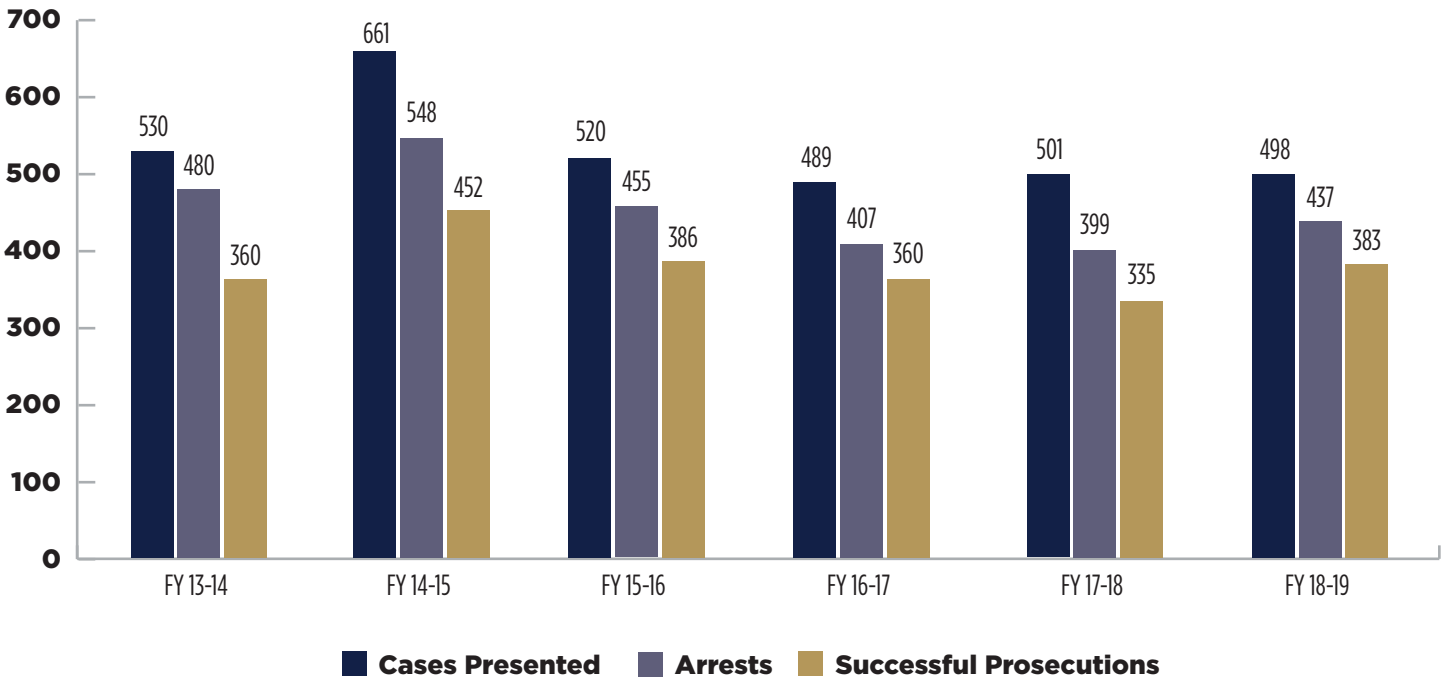


# TYPES OF PRESENTATIONS, ARRESTS & SUCCESSFUL PROSECUTIONS

TYPE OF CASE	PRESENTATIONS	ARRESTS	SUCCESSFUL PROSECUTIONS
BY EMPLOYEE CLAIMANT	27	24	29
BY EMPLOYER	2	2	1
BY PROVIDER	0	0	1
EMPLOYER PREMIUM	58	37	41
FICTITIOUS CERTIFICATE OF EXEMPTION	0	0	0
FICTITIOUS CERTIFICATE OF INSURANCE	10	10	9
ID THEFT OF NUMBER OR NAME	26	20	15
MONEY SERVICE BUSINESS	0	1	0
VIOLATION OF STOP-WORK ORDER	15	12	15
WORKING WITHOUT COVERAGE	360	331	272
<b>Total</b>	<b>498</b>	<b>437</b>	<b>383</b>

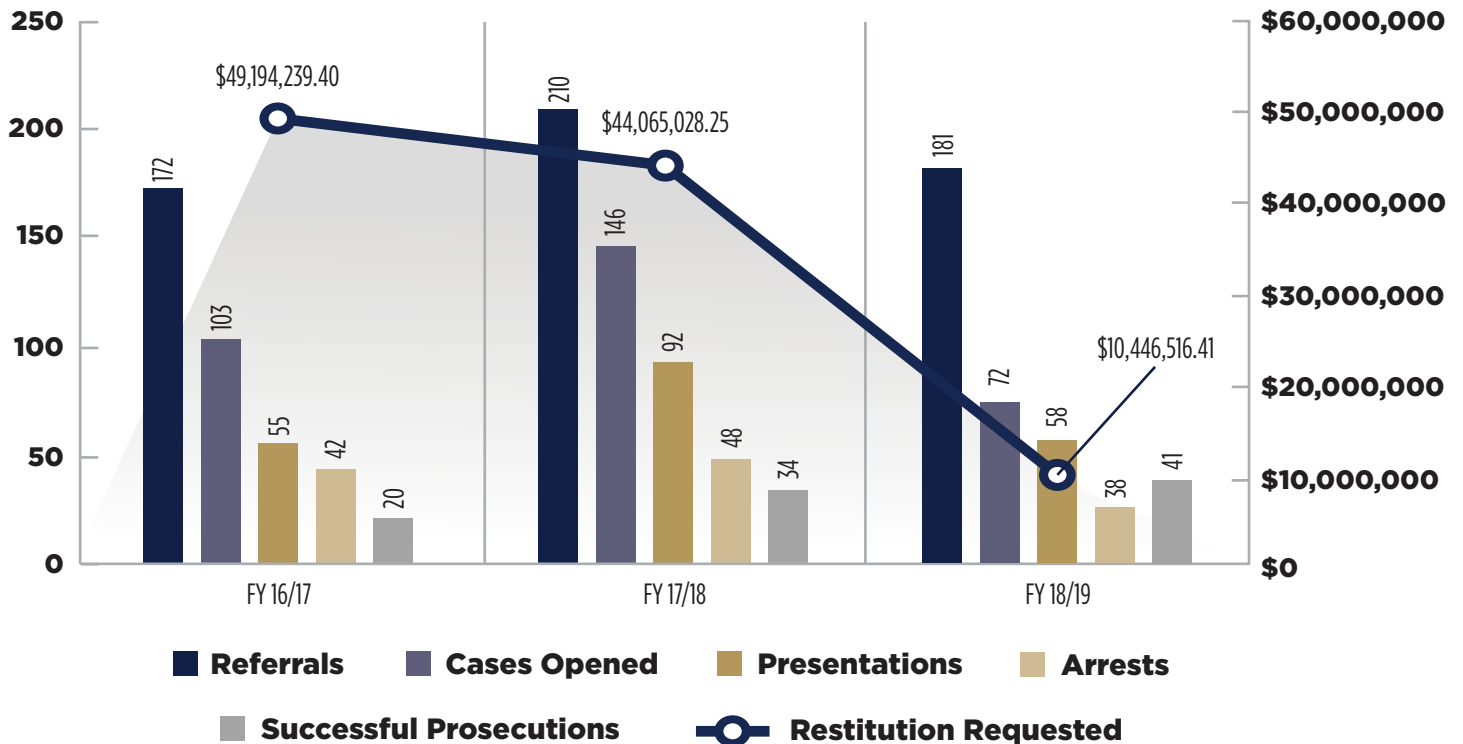


Measurement	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Cases Opened	785	723	824	698	746	601
Cases Closed	840	697	761	670	652	601
Cases Presented	530	661	520	489	501	498
Arrests	480	548	455	407	399	437
Successful Prosecutions	360	452	386	360	335	383



# WORKERS' COMPENSATION MSB/ PREMIUM CASES

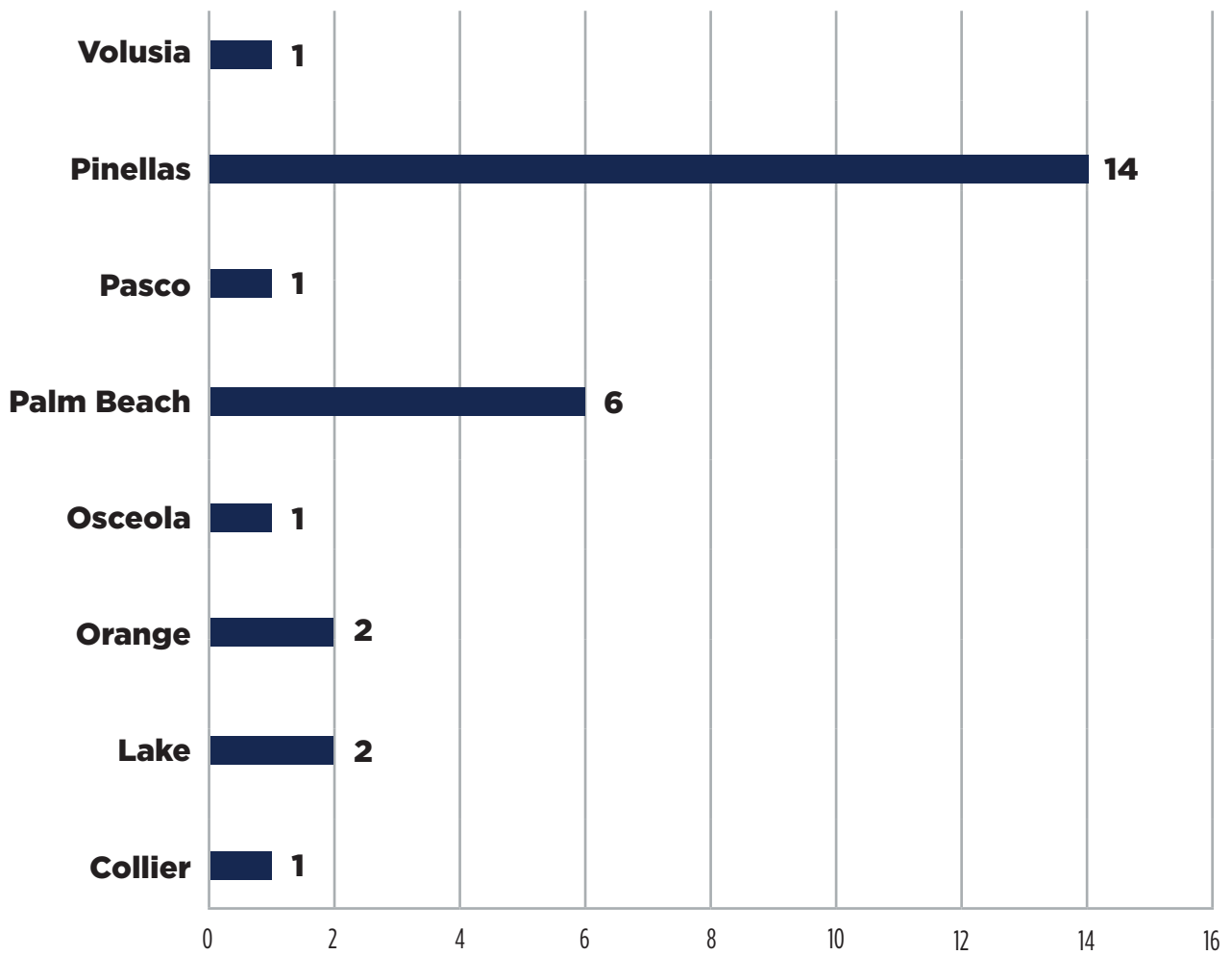
EMPLOYER PREMIUM/MSB	FY 16/17	FY 17/18	FY 18/19
REFERRALS	172	210	181
CASES OPENED	103	146	72
PRESENTATIONS	55	92	58
ARRESTS	42	48	38
SUCCESSFUL PROSECUTIONS	20	34	41
RESTITUTION REQUESTED	\$49,194,239.40	\$44,065,028.25	\$10,446,516.41



# DECLINATIONS

There were 28 declinations for the BWCF during this reporting period.

Number of WC Declinations



## DIVISION OF WORKERS' COMPENSATION (DIVISION)

The Division is responsible for ensuring employers comply with Florida's coverage requirements by obtaining workers' compensation insurance for their employees. A strong employer compliance program results in coverage for employees who may have been previously without coverage due to an employer's non-compliance; ensures that 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 utilizes various tools to focus its investigative efforts on identifying non-compliant employers and combating premium fraud in the workers' compensation system.

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), F.S., the Division provides the following report of workers' compensation enforcement and compliance activities and performance during FY 2018-19.

# 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 section 440.107, F.S., while DIFS enforces the criminal provisions of the workers' compensation law, pursuant to section 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 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, 2018 through June 30, 2019, the Division's Bureau of Compliance and DIFS made the following referrals:

- The Division referred 183 employers to DIFS for possible criminal investigation.
- The Division received 6 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 several 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, 7,166 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 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, emails and phone calls. The database streamlines the process to initiate investigations promptly and provides real-time feedback to the person who made the referral.

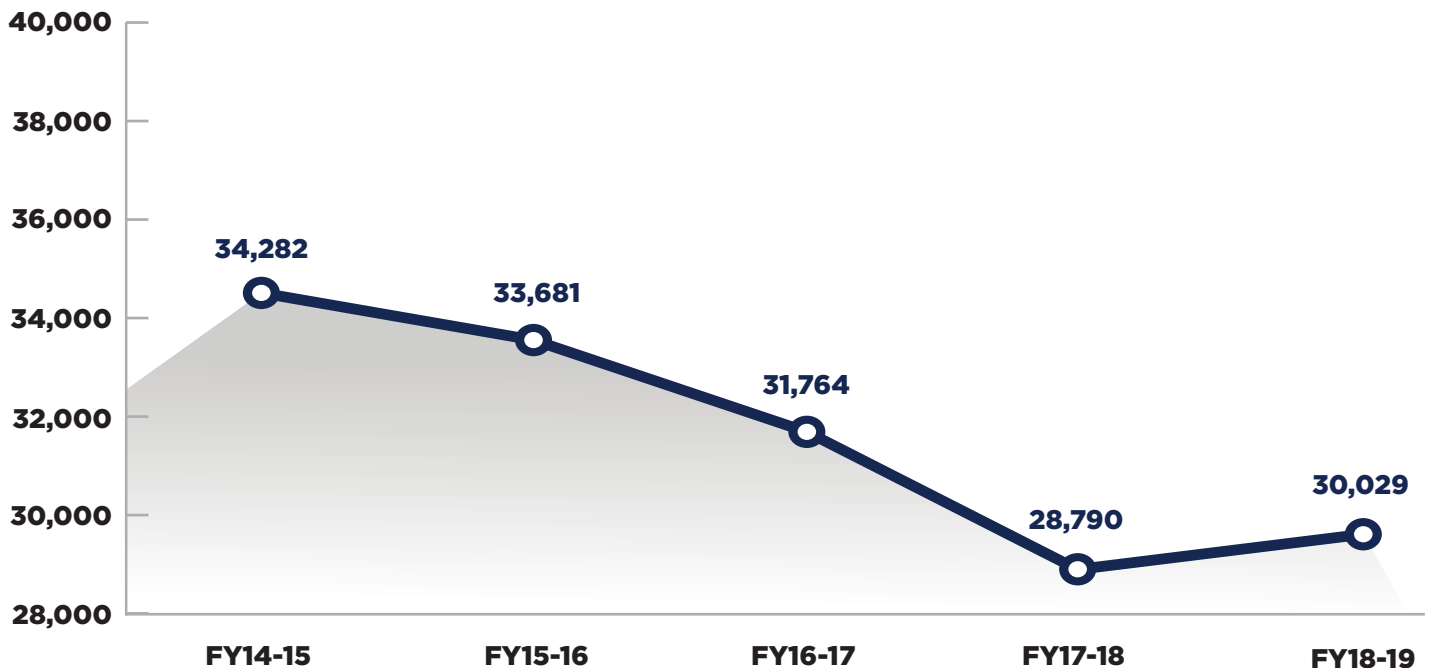
The Division investigated 1,724 referrals submitted via the Non-Compliance Referral Database during FY 2018-19. The investigations initiated by the referrals resulted in the issuance of 514 enforcement actions and \$14.4 million in assessed penalties against non-compliant employers.

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

During the period of July 1, 2018 through June 30, 2019, through its enforcement and investigative efforts, the Division:

- Conducted 30,029 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.

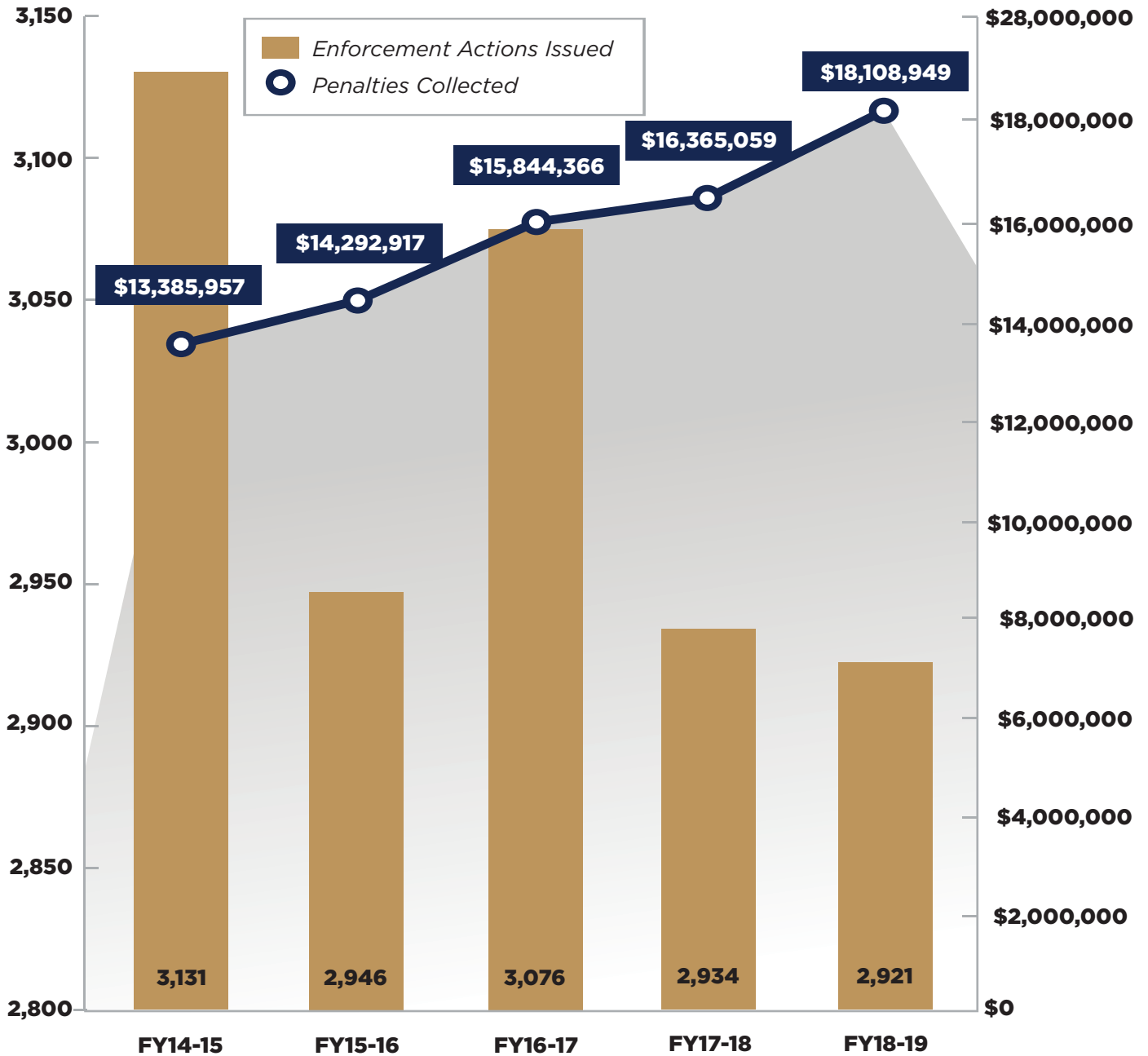
**Investigations Conducted**



- Issued 2,921 enforcement actions. Enforcement actions are Stop-Work Orders and Orders of Penalty Assessment. 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. Orders of Penalty Assessment are issued in cases where the employer obtains coverage prior to the issuance of the enforcement action.
- Collected \$18,108,948.87 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 enforcement actions issued and the amount of penalties collected over the past five fiscal years.

The Division is required by statute to impute the employer’s payroll for each employee equal to 1.5 times the state-average weekly wage if the employer fails to provide requested business records. If employers timely provide their complete business records to enable the Division to calculate the penalty, the Division will reduce the penalty by 25%, provided the employer has not been previously issued an enforcement action.

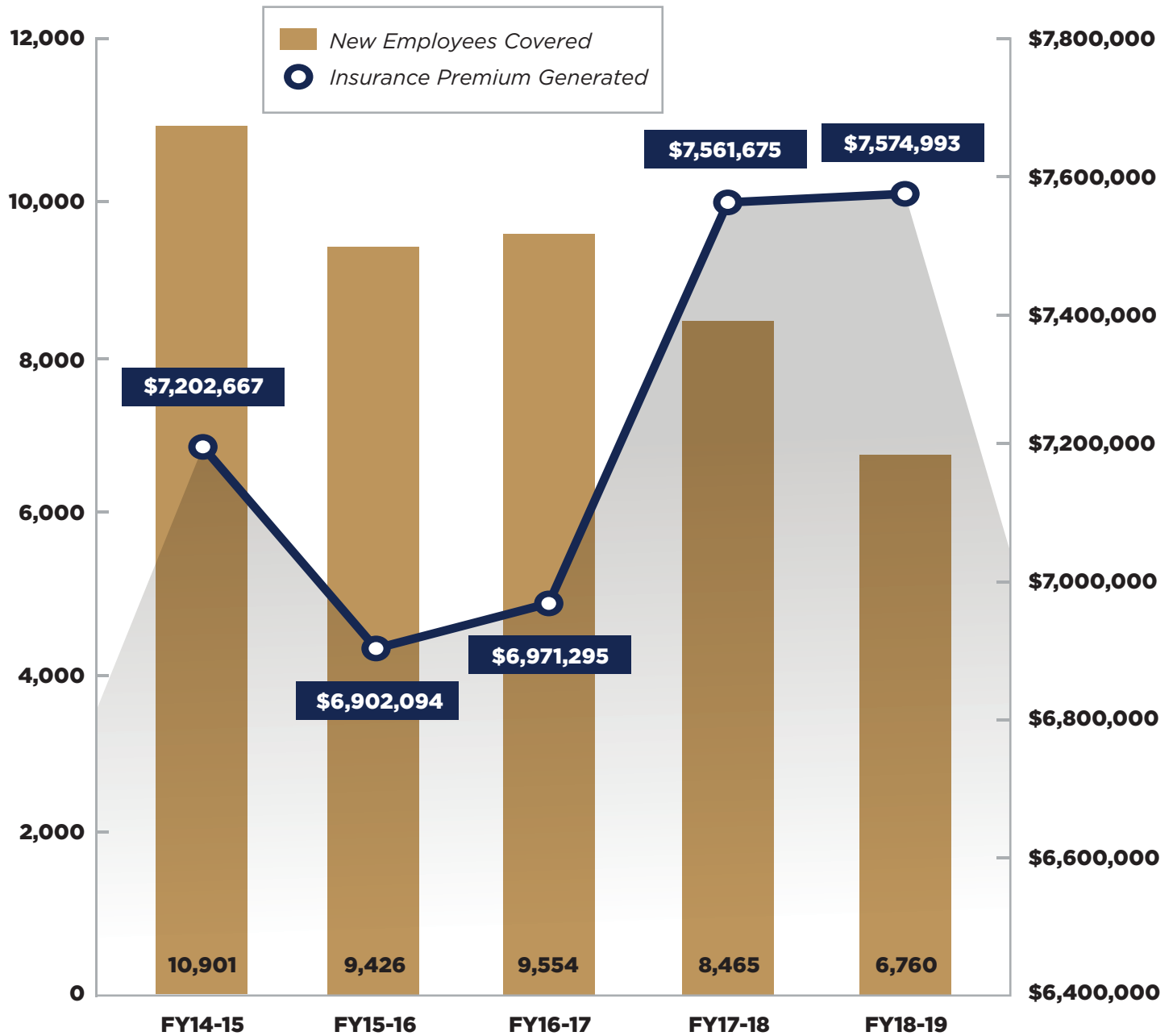
### Enforcement Actions Issued and Penalties Collected





The following graphic reflects the number of employees covered as a direct result of the Division's enforcement efforts and the monies added to the workers' compensation premium base that had previously been evaded. Employers, who have not been previously issued an enforcement action, may receive a penalty credit for the initial payment made on their policy.

### New Employees Covered & Insurance Premium Generated Based Upon Enforcement Actions Issued



## Sweep Operations

The Bureau of Compliance conducted four statewide workers' compensation construction sweeps during the fiscal year. Investigators conducted 3,535 employer investigations at 2,506 construction sites and issued 358 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 coordinated and conducted sweeps with DIFS, DBPR, and local building and permitting agencies focusing on construction employers at residential and commercial jobsites.

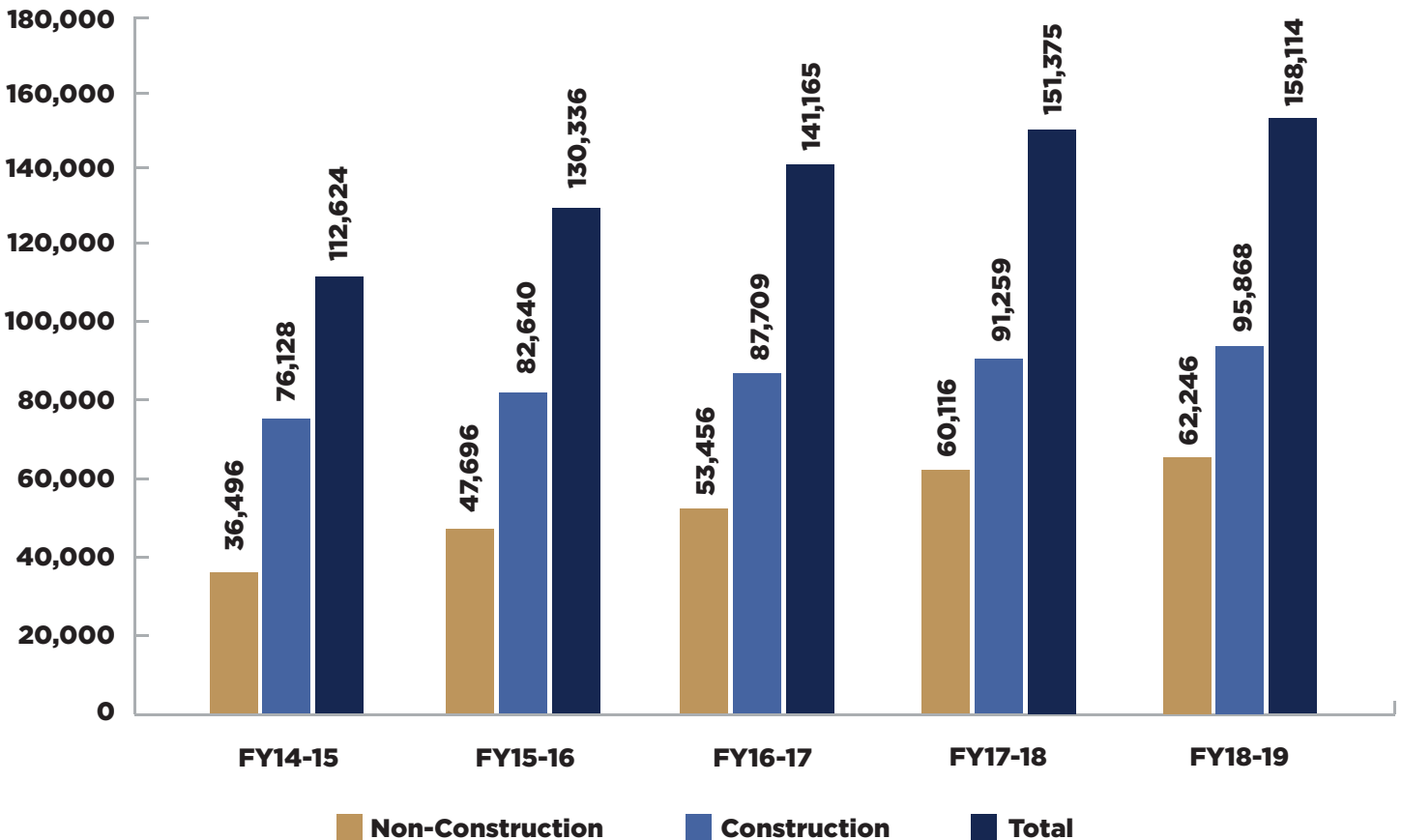
## Special Cases

The Division's focus on special cases, such as complex underreporting and misclassification cases, is vital in identifying workers' compensation insurance premium evasion. These cases often involve complex fraud schemes perpetuated by the use of check cashing store operations. The cases are handled by senior investigators located throughout the state who possess the skills and abilities to conduct complex investigations and identify underreporting.

## Exemption Statistics

The Division issued 95,868 construction industry certificates and 62,246 non-construction industry certificates in FY 2018-19. This represents a 1.78% increase in the number of exemptions processed over the prior year. At the end of FY 2018-19, there were 1,058,911 active exemptions. The Division processes an average of 98% of all exemption applications within 5 business days of receipt.

### Exemption Applications Processed



## CASE STUDIES

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

### Case One

While conducting routine compliance checks, an investigator observed several individuals performing masonry work on a newly constructed commercial building. After interviewing the employees and the owner of the business, it was determined the contractor's workers' compensation policy had been canceled due to the underwriter's discretion. The contractor was issued a Stop-Work Order for failure to secure workers' compensation insurance for its employees and assessed a penalty of \$160,716.26. The contractor came into compliance by entering into a leasing agreement with a Professional Employer Organization (PEO).

### Case Two

In January 2019, the Bureau of Compliance participated in a compliance sweep to determine if contractors were complying with Florida workers' compensation coverage requirements. During the sweep, an investigator observed several individuals installing a metal roof. After interviewing the individuals onsite, it was determined the employer was a client company of a Professional Employer Organization (PEO). The PEO confirmed that the individuals onsite were not on the employee roster and were not covered under the PEO's workers' compensation policy. As a result of the violation, the employer was issued a Stop-Work Order and assessed a \$68,297 penalty for being in violation. The employer came into compliance and paid the assessed penalty.

### Case Three

In February 2019, the Division investigated a Nursery/Farm to determine compliance. The investigation revealed the business employed 14 employees and was operating without workers' compensation insurance. The business was issued a Stop-Work Order and assessed a \$66,064.42 penalty. The business secured a workers' compensation policy to cover the 14 employees, resulting in \$9,671.00 in premium being added to the workers' compensation system.

### Case Four

As a result of the Division's data-mining initiative, an investigation was conducted on a bar/restaurant to determine workers' compensation compliance. During the initial investigation, the owner of the business assured the investigator the business was providing workers' compensation coverage to its employees. Unable to confirm coverage with the employer's agent, the investigator issued the employer a business records request. After reviewing the records and the workers' compensation policy information, it was determined the employer was not compliant during the initial site visit and secured a workers' compensation policy after the visit. The policy covered 40 employees, resulting in \$9,611.00 in premium being added to the workers' compensation system. The employer was assessed a penalty of \$24,606.06 for the violation.

### Case Five

The Division received a referral alleging an employer in the hospitality industry was operating without workers' compensation insurance. The Division commenced an investigation and determined the workers' compensation policy for the business had canceled and the business was operating without workers' compensation insurance. A Stop-Work Order was issued for failure to secure coverage and the employer was assessed a \$5,082 penalty. The employer secured a workers' compensation policy to cover its 73 employees, resulting in \$16,185 in premium being added to the workers' compensation system. The employer entered into a periodic payment plan to pay the assessed penalty.

### 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 DBPR, Construction Industry Licensing Board, Electrical Contractors Licensing Board and the Board of Accountancy.

The Division provided classroom education and issued 116 Continuing Education Units (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:

- National Association of Women in Construction
- Broward County Building Officials Association
- Florida Refrigeration & Air Conditioning Contractors Association
- Electrical Council of Florida
- Florida Society of Accountants SW Chapter
- Florida Workers' Compensation Conference
- Occupational Safety and Health Association (OSHA)
- University of South Florida Health & Safety Fair

#### Educational Outreach Activities

In 2018, Hurricane Michael significantly impacted Florida's panhandle. The storm caused major 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 Florida contractors. In addition, the investigators provided contact information on other governmental agencies who could assist people with the recovery process.

#### Bureau of Compliance Newsletter

The Division created a newsletter (The Navigator) to educate employers on Florida's coverage requirements and provide tips for ensuring compliance. The Navigator contains valuable information about investigations, exemptions and penalty assessments. It also includes dates for upcoming webinars and seminars. Furthermore, it gives employers the opportunity to suggest compliance-related topics specific to their work industry. The Navigator is released quarterly.



## Collection Activities

Employers have the option of paying their penalties in full or entering into a periodic payment agreement. Subsection 440.107(7)(a.), F.S., permits employers to submit periodic penalty payments pursuant to a payment agreement schedule. In FY 2018-19, the Division entered into 1,844 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 2018-19, the Division reinstated 334 Stop-Work Orders for non-payment.

The Division filed liens against 410 employers to collect unpaid penalties associated with Stop-Work Orders and Orders of Penalty Assessment. Further, the Division referred 410 employers to collection 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 to identify new jobsites where construction activity may be occurring.
- The Division utilizes information from a check cashing store database operated by the Office of Financial Regulation to identify employers using money service businesses to underreport payroll and thus avoid paying the appropriate workers' compensation premium.

## IV. BUREAU OF COMPLIANCE TRAINING

The Division's training and continuing education programs are an integral component of activities to help investigators in identifying and administering enforcement actions for employers that are not in compliance. During the period of July 1, 2018 through June 30, 2019, 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 ensuring 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: [www.MyFloridaCFO.com/Division/wc/](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: [apps8.fldfs.com/proofofcoverage/Search.aspx](http://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: [secure.fldfs.com/wcapps/swo/SWOquery.asp](http://secure.fldfs.com/wcapps/swo/SWOquery.asp)

### **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 subcontractor's coverage and/or exemption status.

This database is also a useful tool for local permitting and licensing officials and insurers. As of June 30, 2019, a total of 10,795 Construction Policy Tracking Database registrants are tracking workers' compensation policies and/or exemptions associated with 43,651 subcontractors. The website is located at: [www.myfloridacfo.com/WCAPPs/Contractor/logon.asp](http://www.myfloridacfo.com/WCAPPs/Contractor/logon.asp)

### **Coverage Assistance Program**

The Division published the Coverage Assistance Program to assist employers in obtaining workers' compensation coverage for their employees. 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: [minimarket.fldfs.com/](http://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 district offices statewide. The regional offices are located in Jacksonville, Orlando, West Palm Beach, Miami, Pensacola, Tampa, and Fort Myers.

	District Office Locations	Number of Investigators
District 1	Jacksonville	8
District 1A	Pensacola	9
District 2	West Palm Beach	7
District 3	Tampa	8
District 4	Orlando	8
District 5	Miami	7
District 7	Ft. Myers	7
<b>Total</b>		<b>54</b>

## VII. AVERAGE CASELOAD

For the period of July 1, 2018 through June 30, 2019, a total of 30,029 employer investigation cases was initiated resulting in an average caseload of 556 cases per investigator per year.



