

**THE PRESIDENT OF THE FLORIDA SENATE**

**AND**

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

**BY**

**THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES**

**DIVISION OF INSURANCE FRAUD/BUREAU OF WORKERS' COMPENSATION FRAUD**

**AND**

**DIVISION OF WORKERS' COMPENSATION**

**JANUARY 1, 2014**

The Florida Department of Financial Services, Division of Workers' Compensation (DWC) and Division of Insurance Fraud / 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, 2012 through June 30, 2013.



CHIEF FINANCIAL OFFICER  
JEFF ATWATER  
STATE OF FLORIDA

January 1, 2014

The Honorable Don Gaetz  
President of the Senate  
Room 400-Senate Office Building  
Tallahassee, Florida 32399-1100

The Honorable Will Weatherford  
Speaker of the House  
The Capitol – Suite 420  
Tallahassee, Florida 32399-1300

Dear President Gaetz and Speaker Weatherford:

The Division of Insurance Fraud and the Division of Workers' Compensation appreciate the opportunity to provide you with this joint report regarding workers' compensation fraud, pursuant to section 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, 2012 – June 30, 2013.

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

Sincerely,

Handwritten signature of Tanner Holloman in blue ink.

Tanner Holloman, Director  
Division of Workers' Compensation  
(850) 413-1600

Sincerely,

Handwritten signature of Simon Blank in blue ink.

Simon Blank, Director  
Division of Insurance Fraud  
(850) 413-3115

**T**he Florida Department of Financial Services, Division of Workers' Compensation (DWC) and Division of Insurance Fraud / 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, 2012 through June 30, 2013.

The Florida Division of Insurance Fraud continues to be a perennial leader in the fight against insurance fraud. During Fiscal Year 2012/2013, investigative efforts by the Division of Insurance Fraud resulted in 1,670 cases presented for prosecution, 1,571 arrests, and 1,080 convictions. During this time period, the Division received and reviewed 15,447 referrals of suspected insurance fraud. Court ordered restitution during the same time period was \$112,115,575.53.

The Division of Insurance Fraud recognized the following increases in the following areas:

- **35% increase** in Workers' Compensation Fraud related **presentations for prosecution** (475 up from 353).
- **53% increase** in Workers' Compensation Fraud related **arrests** (418 up from 274).
- **25% increase** in Workers' Compensation Fraud related **convictions** (259 up from 208).

The Bureau expects increases in those areas again for Fiscal Year 2013/2014 as we continue to develop strategic plans aimed at increasing efficiency and effectiveness of all Bureau operations.



## Division of Insurance Fraud, Bureau of Workers' Compensation Fraud

The Division of Insurance Fraud, Bureau of Workers' Compensation Fraud (BWCF) has not increased the number of personnel and has maintained 30 Bureau members, with 26 sworn and 4 non-sworn during the Fiscal Year 2012-2013. The Bureau maintains five dedicated workers' compensation squads in Miami, West Palm Beach, Orlando, Ft. Lauderdale, and Tampa.

During the 2013 Legislative session two additional designated prosecutors were funded, which brought the total number of designated workers' compensation prosecutors to four. These prosecutors are assigned to the State Attorney Offices' in Hillsborough, Dade, Palm Beach and, Broward counties. The additional prosecutors has lead to the ability of the Bureau to obtain arrest warrants in a timely manner and the successful prosecution of those who have been charged with workers compensation fraud and other related crimes.

Workers' Compensation Premium Fraud continues to be a priority for the Bureau. Because of the ongoing trend of individuals who incorporate shell companies and purchase a minimal workers' compensation insurance policies for the purpose of illegally renting their "name" and "certificates of insurance" to un-insured construction sub-contractors. These sub-contractors who use the "shells" to gain work from general contractors (GC's) in order to avoid the requirements of obtaining and maintaining workers' compensation coverage for their employees.

GC's issue checks in the name of the shell companies, which are negotiated at a Money Service Business (MSB) where a fee is taken out for both the MSB and the unidentified "shell company owner" for the use of the shell company name and workers' compensation insurance policy. Once the checks are cashed these un-insured contractors pay their employees in cash thus avoiding any applicable payroll burdens, to include workers' compensation coverage, and applicable State and Federal taxes.

This scheme allows these un-insured contractors an unfair advantage when competing with legitimate companies who abide by state statute and obtain and maintain workers' compensation coverage on all their employees.

Due to the scope and magnitude of the problem, a first-of-its kind task force was formed in 2011 by the Division of Insurance Fraud, Bureau of Workers' Compensation Fraud, the Palm Beach County Sheriff's Office and the Broward County Sheriff's Office. The success of this task force has led to the arrest of contractors, MSB owners and operators, and the seizure of millions of dollars. Additionally, it has shown that this type of activity is occurring in other geographical regions of the State.

The Division of Insurance Fraud, Bureau of Workers' Compensation Fraud is now evaluating its resources and working with other local, county, and state agencies, like the Florida Office of Financial Regulation, Bureau of Financial Investigations, in an attempt to create additional task forces in these geographical regions to combat this continuing criminal activity.

Referrals that focus on employee / claimant fraud continued to be the largest percentage of referrals to the Bureau. Referrals involving the fraudulent use of personal identification, either in support of employment or a W/C claim, are the second highest percentage of referrals to the Bureau because individuals who have used either stolen personal identification, or simply used fictitious identification, to gain employment in the State of Florida. The Division conducted several large enforcement operations to focus on this emerging trend.

The BWCF's third and fourth largest referrals are working "without workers' compensation coverage" and the "violation of stop work order" issued by the Division of Workers' Compensation, Bureau of Compliance. BWCF and the Bureau of Compliance continue to work closely to identify businesses that fail to obtain and maintain the necessary workers compensation coverage required by s. 440, F.S. Collaborated efforts between the Divisions has lead to multiple arrests and non-compliance violations of individuals who fail to obtain or maintain the proper workers' compensation coverage.

The BWCF also works with the Department of Business and Professional Regulation (DBPR) as well as local licensing and permitting departments by sharing information and participating in joint enforcement operations to ensure proper business licensing and the proper workers compensation coverage.

Referrals that focus on employee / claimant fraud continued to be the largest percentage of referrals to the Bureau. However, referrals involving the fraudulent use of personal identification, either in support of employment or a W/C claim, are the second highest percentage of referrals to the Bureau because individuals who have used either stolen personal identification, or simply used fictitious identification, to gain employment in the State of Florida. The Division conducted several large enforcement operations to focus on this emerging trend.



**As part of the Florida Workers' Compensation Fraud Task Force,**

which is chaired by the Bureau Chief of Workers' Compensation Fraud, the BWCF continues to communicate and share information with the insurance industry and government agencies to facilitate a strong working relationship with the task force members to combat insurance fraud. The task force holds quarterly meetings to discuss trends and current issues related to the workers compensation insurance industry.

In addition, the BWCF actively participates in the Florida Insurance Fraud Education Committees (FIFEC) annual conference in Orlando Florida to teach and hold panel discussions on issues concerning workers' compensation.

To report Workers' Compensation Fraud, call 1-800-378-0445 or visit [www.myfloridacfo.com/division/fraud/](http://www.myfloridacfo.com/division/fraud/)

## Significant WC Bureau Case Activity

### Case #1 MSB Squad Broward County

As a continued enforcement operation dubbed "Dirty Money," conducted by the Workers' Compensation Fraud Task Force, the Owners and/or Compliance Officers and Manager of three (3) Money Service Businesses were investigated for their participation in a scheme to cash business-to-business checks made payable to various known "shell companies". The various "shell companies" in conjunction with uninsured subcontractors, engaged in a Scheme to Defraud during which the participants committed crimes including Workers' Compensation Fraud, Conspiracy to Commit Workers' Compensation Fraud, and Grand Theft.

Investigation revealed that the Money Service Businesses cashed hundreds of business-to-business checks for the various "shell" companies, as these individuals would enter their store to cash the "shell" company checks throughout the course of the week. The checks were made out in the name of the "shell" company for uninsured subcontractors who were renting the "shell" Certificate of Insurance (COI). Masoom Ali, Raza Ali, Mansoor Hussain and Jawad Ahmed would collect their portion of the fees, from cashing the checks and set aside a portion of the fees for the "shell" company facilitator. The Currency Transaction Report (CTR) documentation post the transactions were filed with the name of the "shell company's" owner (principal) as the person who conducted the transaction, even though that person rarely, and in some instances was never present at the time of the transaction. On many instances the above mentioned Money Service Businesses conspired to commit workers' compensation fraud, by knowingly soliciting and conducting insurance transactions for "shell" companies, to include faxing and supplying COI's to customers and to General Contractors to assist the "shell" companies facilitation.

The Florida Office of Financial Regulation records reflect AJ's Check Cashing LLC, Manny's Check Cashing LLC and The Check Cashing LLC are licensed Money Service Businesses. The three MSB's listed above have shared addresses as they have evolved and all four of the above indicated individuals above have been identified and associated with each MSB as the owner and/or compliance officer, manager and independent reviewer and/or MSB business bank account owner/transactor. While in operation, the above subjects associated to the Money Service Busi-

nesses either prepared or caused to be prepared hundreds of documents detailing millions of dollars worth of financial transactions that all or in part contain material misrepresentations.

On 10/11/13, Mansoor Hussain, 47, Owner and Compliance Officer of Manny's Check Cashing LLC, was arrested for Failure to Comply with the Florida Control of Money Laundering in Financial Institutions Act, Workers Compensation Insurance Fraud, Conspiracy to Commit Workers Compensation Insurance Fraud, Organized Scheme to Defraud, and Money Laundering, all of which were First Degree Felonies. On 12/5/13, Masoom Ali, 37, Owner and Compliance Officer of AJ's Check Cashing LLC, was also arrested on the same charges. Both individuals were booked into the Broward County Jail at the time of their arrest and were held prior to posting a substantial bond.

A warrant exists for the arrest of Jawad Ahmed, 36, Manager of Manny's Check Cashing LLC, for the same charges. Ahmed is now a fugitive who has left the United States. The arrest of Raza Ali, 41, Owner and Compliance Officer of The Cashing Checks LLC, for the same charges is pending and scheduled to take place in the near future. If convicted on all charges, they each face up to 150 years in prison. The charges against all of the individuals will be prosecuted by the office of Broward County State Attorney Michael Satz.

## Case #2 Tampa WC

This case was discovered on September 16, 2012, when Catherine Benedict of the Pinellas County Construction Licensing Board (PCCLB), contacted the Department of Financial Services, Division of Insurance Fraud and requested verification on a Certificate of Insurance (COI) that appeared to be invalid for a company known as A+ Quality Roofing of Pinellas, Inc. According to Ms. Benedict, Lewis Fulk, the owner of A+ Quality Roofing, Inc. provided this COI to PCCLB in order to have his contractor license renewed. After interviewing Lewis Fulk, the owner of A+ Quality Roofing of Pinellas, Inc, the Division of Insurance Fraud ascertained that Mr. Fulk received the fraudulent certificate of insurance from his Insurance Agent, "Charlie Brown" and his PEO, Preferred Staffing of America, Inc. Mr. Fulk stated that he was making weekly premium payments to Preferred Staffing of America for workers' compensation insurance coverage.

Otto Biltres is the owner of a temporary staffing agency called Preferred Staffing of America, Inc. Mr. Biltres obtained an insurance policy via Lumbermen's Underwriting Alliance (LUA) and misrepresented the nature of his business to LUA by claiming that he was operating as a temporary staffing agency only. Investigation revealed that Otto Biltres was actually operating the agency as a PEO (Professional Employee Organization) that was not licensed. In addition, Mr. Biltres knowingly misled consumers into believing that his company, Biltres Staffing of Tampa Bay and later, Preferred Staffing of America, Inc. was a licensed PEO that could legally perform PEO services, such as processing employee payroll, handling payroll taxes, and providing workers' compensation insurance coverage to outside client companies. Otto Biltres was charging these client companies for PEO services, without ever providing the client companies with workers' compensation insurance, which put all the client companies at risk by operating without it. Otto Biltres formed a partnership with Insurance Agent, Charles "Charlie" Brown, where he paid Mr. Brown a 45% commission split for each client company that Charlie Brown & Associates referred to Preferred Staffing of America, Inc. for PEO services.

In an effort to mislead his client companies into thinking that they had workers' compensation insurance coverage, Otto Biltres falsified all of the certificates of insurance (COI's) that he was sending out to each client company of Preferred Staffing of America. During several interviews with Detective Ray, Otto Biltres admitted that he falsified the certificates of insurance that he provided his client companies by performing a "Google search" and finding a blank template for an Acord Certificate of Insurance. He then proceeded to type in all the required information, including the workers' compensation insurance policy number. Mr. Biltres also acknowledged to Detective Ray that he was aware that his workers' compensation insurance policy via LUA did not cover any co-employment or PEO arrangements with outside client companies and that he knew when he accepted weekly premium payments from the client companies, that his policy did not cover them for workers' compensation insurance.

Insurance Agent, Charlie Brown assisted Otto Biltres in creating the false certificates of insurance and was instrumental in perpetrating this scheme. Charlie Brown's wife, Kelly Walter-Brown along with two unlicensed insurance agents, Joseph "Joe" Jordan and Johnny "John" Lewis, who were working under Charlie Brown, were also instrumental in facilitating this organized scheme to defraud by steering client companies to Preferred Staffing of America, Inc. for a commission fee. The client companies who were the victims in this case are located across the nation: in Florida, Indiana, Mississippi, and California.

Between July 25 & 26, 2013, Otto Biltres, Charlie Brown, Kelly Walter-Brown, Joseph Jordan, and Johnny Lewis were arrested and booked into the Pinellas County Jail on charges ranging from workers' compensation fraud, organized scheme to defraud, selling insurance without a license. The total of amount of restitution that is being requested is \$130,089.08.

**Case #3 Orlando WC**

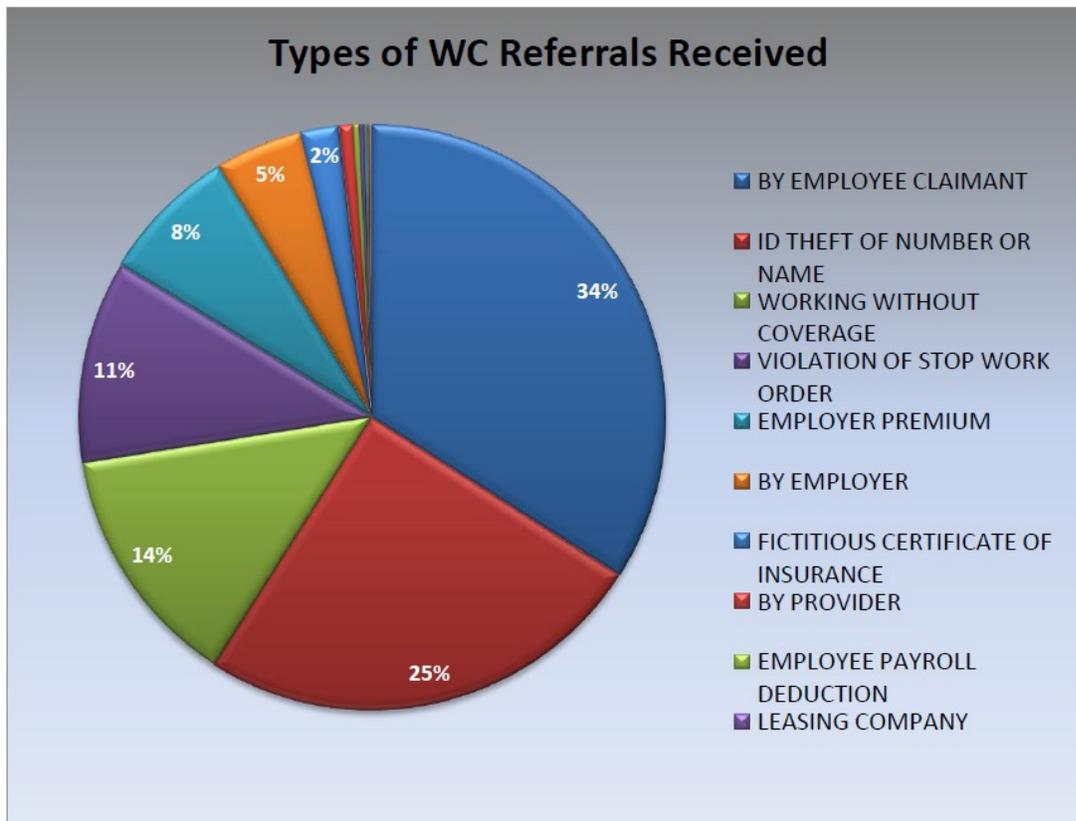
Angela C. Kleckner was a former Correctional officer with the Brevard County Sheriff's Department who filed a workers compensation claim in October 2007. Kleckner while employed allegedly acquired external Methicillin-Resistant Staphylococcus Aureus (MRSA). Kleckner treated medically and was cleared after treatment. According to documentation, she began coughing and it was determined that the infection had transferred to her lungs. Kleckner continued treatment until it was believed the infection had been cured. Shortly later, the infection reappeared. As a result in 2009, pursuant to a court order, the insurance claim administrator was required to pay full disability benefits to Kleckner which included paying for multiple medications, oxygen for home use, and a carry/travel oxygen pack when she was out of the residence. A sworn deposition was taken of Kleckner and she stated during the deposition that she could not do anything including care for herself at her residence, go out or eat out with her husband, sit at the dinner table, and had shortness of breath. Surveillance was conducted of Kleckner's various behaviors from March of 2012 to July of 2012. After two (2) treating physicians viewed the surveillance video, they both concluded that in their professional opinion, the behaviors displayed by Kleckner during her day-to-day activities contradicts those statements regarding her physical capabilities she repeatedly made during her workers compensation claim processing.

Investigation by the Division of Insurance Fraud determined that Angela C. Kleckner failed to be truthful and intentionally gave false and/or misleading statements of fact to her treating Workers' Compensation physicians, independent medical evaluation (IME) physician, and case manager. Additionally, Kleckner provided false and/or misleading statements of fact in a sworn evidentiary hearing before Division of Administrative Hearings, Office of the Judges of Compensation Claims, and to the claims adjuster for the purpose of obtaining and continuing to receive Workers' Compensation benefits. Because of Kleckner's misleading statements and misrepresentations about her physical condition for the purpose of obtaining benefits to which she would otherwise not be entitled Brevard County estimated their loss at \$664,880.13.

On March 20, 2013, Kleckner was arrested and booked in the Brevard County Jail with bail set at \$26,000.00.

## Types of Workers' Compensation Referrals

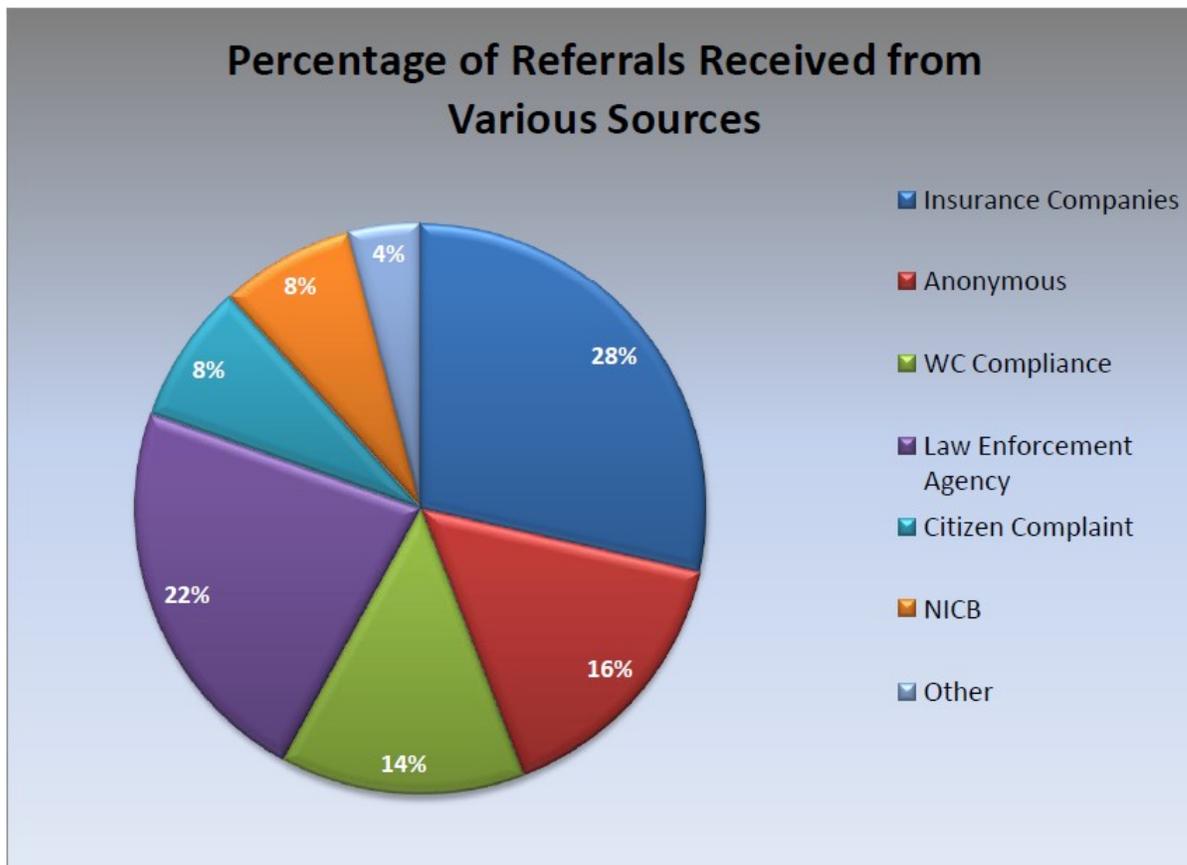
WORKERS' COMPENSATION REFERRALS	#
BY EMPLOYEE CLAIMANT	590
ID THEFT OF NUMBER OR NAME	433
WORKING WITHOUT COVERAGE	233
VIOLATION OF STOP WORK ORDER	194
EMPLOYER PREMIUM	132
BY EMPLOYER	84
FICTITIOUS CERTIFICATE OF INSURANCE	36
BY PROVIDER	14
EMPLOYEE PAYROLL DEDUCTION	6
LEASING COMPANY	4
FICTITIOUS CERTIFICATE OF EXEMPTION	3
AGENT PREMIUM	2
BY ATTORNEY	2



## Number of Suspected Fraud Referrals and Number of Cases Initiated

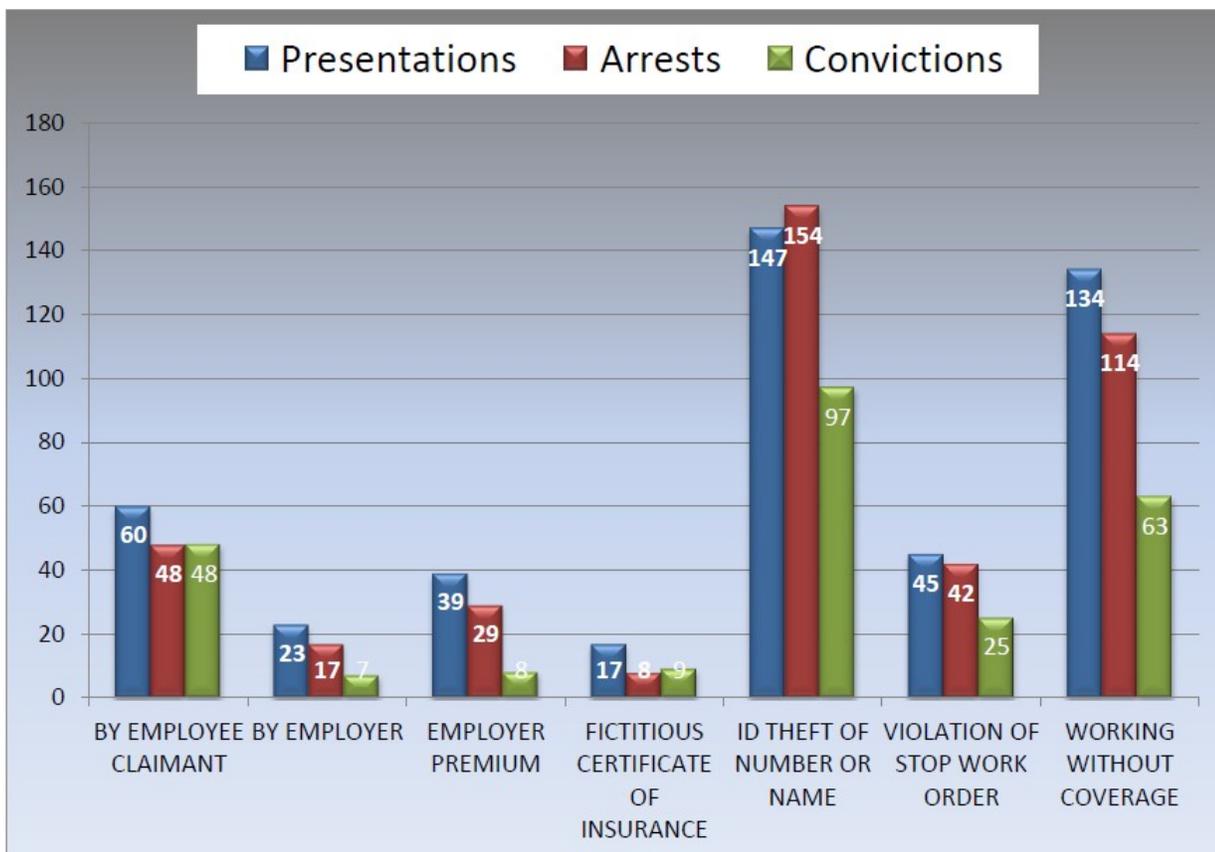
Source	Number of Referrals Received	Number of Cases Initiated
INSURANCE COMPANIES	495	198
ANONYMOUS	270	31
WC COMPLIANCE	240	124
LAW ENFORCEMENT AGENCY	388	357
CITIZEN COMPLAINT	137	53
NICB	132	33
OTHER	71	48

The Division of Insurance Fraud received 1,733 suspected fraud referrals for Workers' Compensation Fraud.



## Types of Presentations, Arrests and Convictions

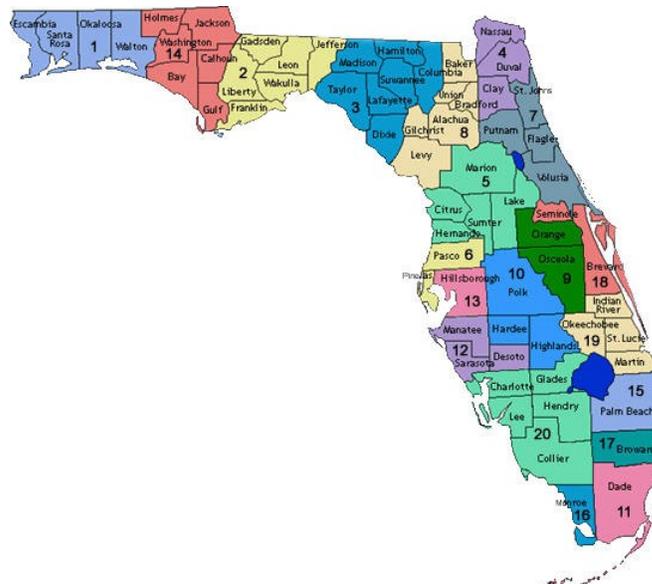
WORKERS' COMPENSATION FRAUD	Presentations	Arrests	Convictions
AGENT PREMIUM	1	1	0
BY EMPLOYEE CLAIMANT	60	48	48
BY EMPLOYER	23	17	7
COMMERCIAL	1	1	1
EMPLOYER PREMIUM	39	29	8
FICTITIOUS CERTIFICATE OF EXEMPTION	1	0	1
FICTITIOUS CERTIFICATE OF INSURANCE	17	8	9
ID THEFT OF NUMBER OR NAME	147	154	97
MONEY SERVICE BUSINESS	6	3	0
UNLICENSED CONTRACTOR	1	1	0
VIOLATION OF STOP WORK ORDER	45	42	25
WORKING WITHOUT COVERAGE	134	114	63



## Number of Cases Presented for Prosecution that were Declined & Number of Convictions

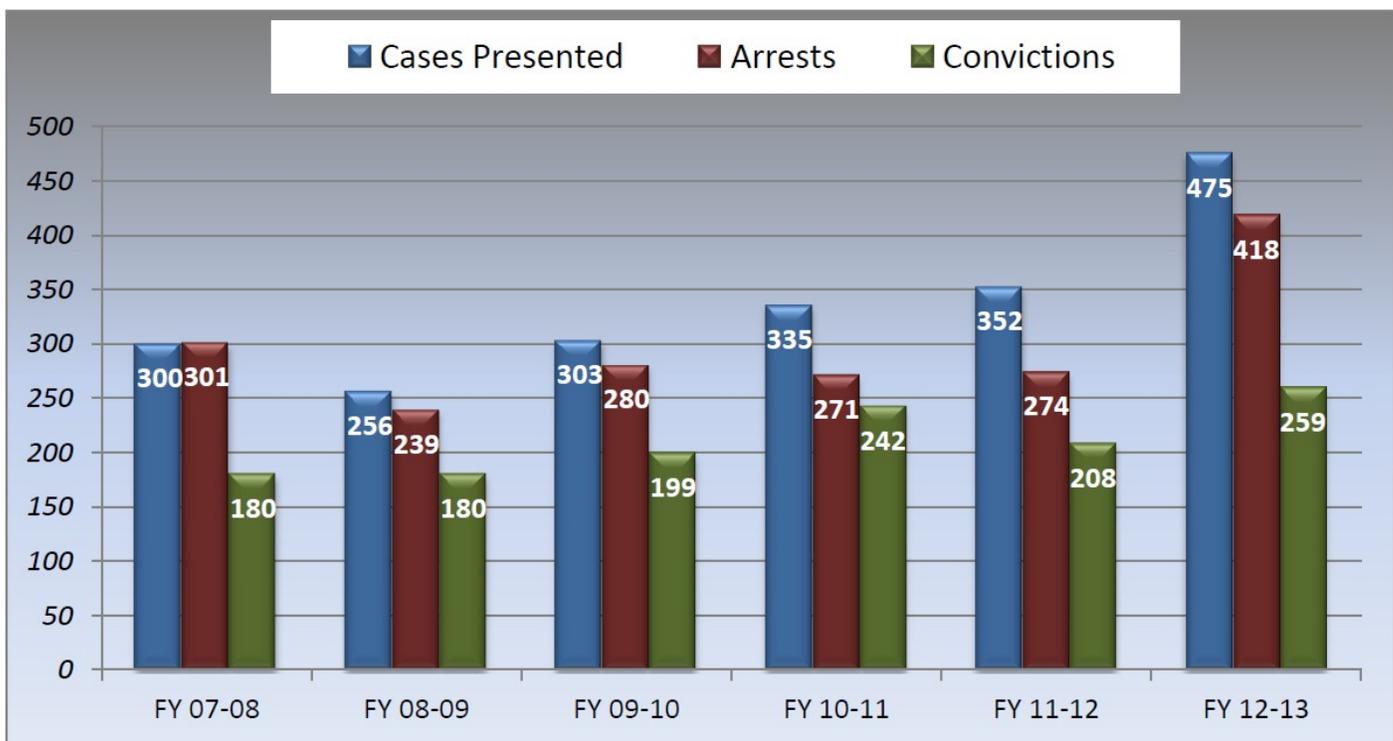
Judicial Circuit	# of Cases Declined
1st	0
2nd	0
3rd	1
4th	1
5th	4
6th	0
7th	3
8th	0
9th	2
10th	0
11th	1
12th	1
13th	4
14th	2
15th	4
16th	0
17th	3
18th	8
19th	1
20th	6
<b>Grand Total</b>	<b>41</b>

Judicial Circuit	# of Convictions
1st	11
2nd	11
3rd	0
4th	10
5th	5
6th	12
7th	2
8th	0
9th	11
10th	9
11th	33
12th	29
13th	12
14th	6
15th	38
16th	0
17th	7
18th	5
19th	45
20th	13
<b>Grand Total</b>	<b>259</b>



## Six Year Statistical Data

Measurement	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13
Cases Opened	629	568	1597	1286	531	891
Cases Closed	612	621	1380	1293	629	704
<b>Cases Presented</b>	<b>300</b>	<b>256</b>	<b>303</b>	<b>335</b>	<b>352</b>	<b>475</b>
<b>Arrests</b>	<b>301</b>	<b>239</b>	<b>280</b>	<b>271</b>	<b>274</b>	<b>418</b>
<b>Convictions</b>	<b>180</b>	<b>180</b>	<b>199</b>	<b>242</b>	<b>208</b>	<b>259</b>



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

The Division is responsible for ensuring that employers comply with their statutory obligations to obtain appropriate workers' compensation insurance coverage for their employees. Ensuring employers adhere to workers' compensation coverage requirements results in coverage for employees that were previously without coverage due to non-compliance; ensures that covered employees with work-related injuries receive all statutorily required benefits; levels the playing field for all employers who are bidding jobs; 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 Insurance Fraud. The Division also has 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 section 626.989(9), Florida Statutes, the Division provides the following report of workers' compensation enforcement and compliance activities and performance during FY 2012-2013.

### **Referrals to the Division of Insurance Fraud—**

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

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

During the period of July 1, 2012 through June 30, 2013, the Bureau of Compliance and Division of Insurance Fraud made the following referrals:

The Division of Workers' Compensation referred 187 employers to the Division of Insurance Fraud for possible criminal investigation.

The Division of Workers' Compensation received 29 referrals from the Division of Insurance Fraud for civil violations under Chapter 440, F. S.

## Referrals to Other Agencies

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

In addition to the referrals for workers' compensation fraud, 1760 employers were referred to other agencies where the employers were suspected of violating the laws regulated by those entities. Ninety-nine percent (99%) of those referrals were made to the Department of Business and Professional Regulation. The primary reasons for the referrals are unlicensed activity for failure to be licensed to work 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.

The Division also referred one employer to the Department of Homeland Security, Immigration and Customs Enforcement for hiring undocumented workers.

## 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. The database streamlines the process to initiate investigations promptly and provides real-time feedback to the person who made the referral.

The Division investigated 1,731 referrals submitted via the Non-Compliance Referral Database during FY 2012-2013. The investigations initiated by the referrals resulted in the issuance of 251 enforcement actions and \$2.6 million dollars in assessed penalties against non-compliant employers.

## Enforcement Activities and Workers' Compensation Exemption Statistics

### Stop-Work Orders

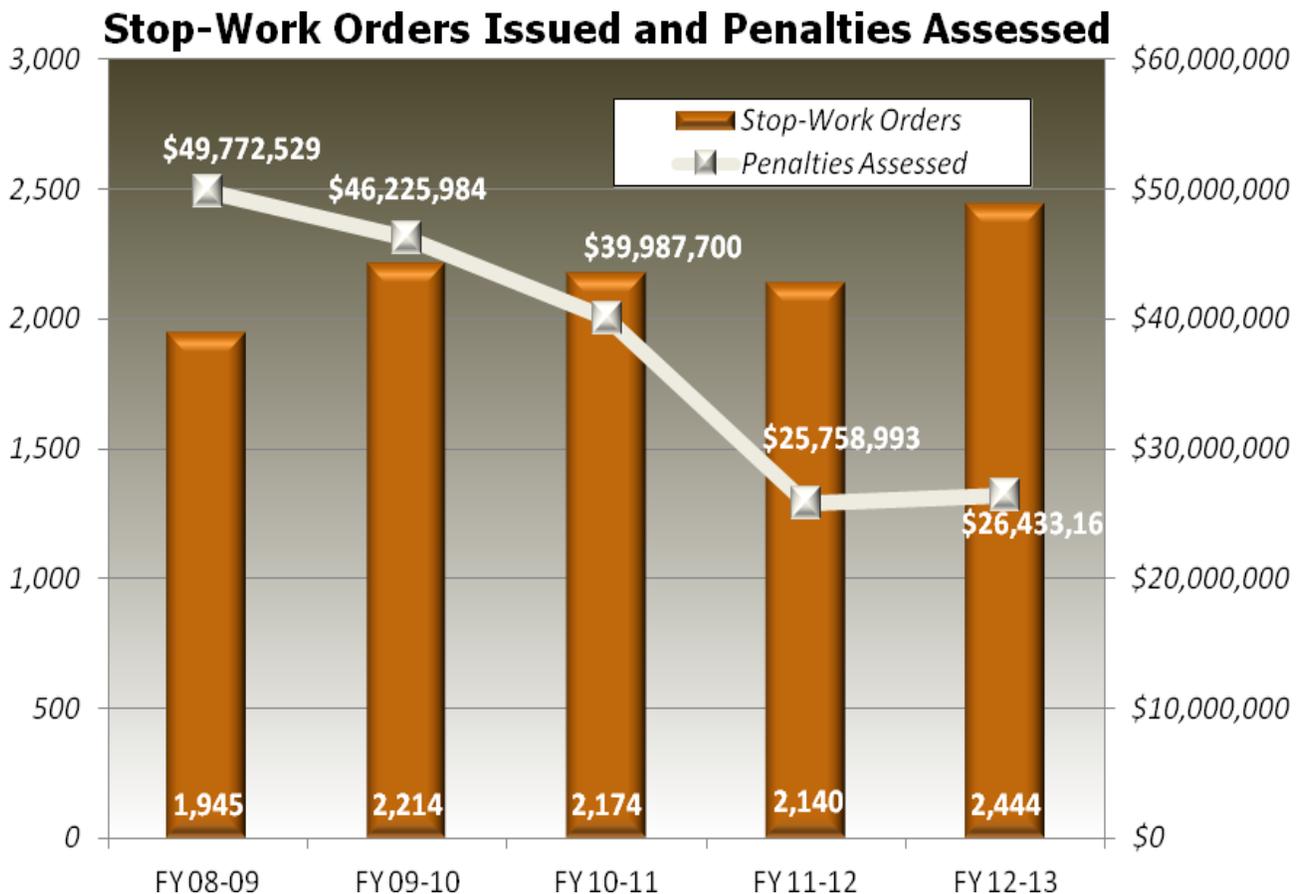
During the period of July 1, 2012 through June 30, 2013, through its enforcement and investigative efforts the Division:

Investigations Conducted	
FY 08-09	29,166
FY 09-10	33,235
FY 10-11	34,252
FY 11-12	34,780
FY 12-13	34,150

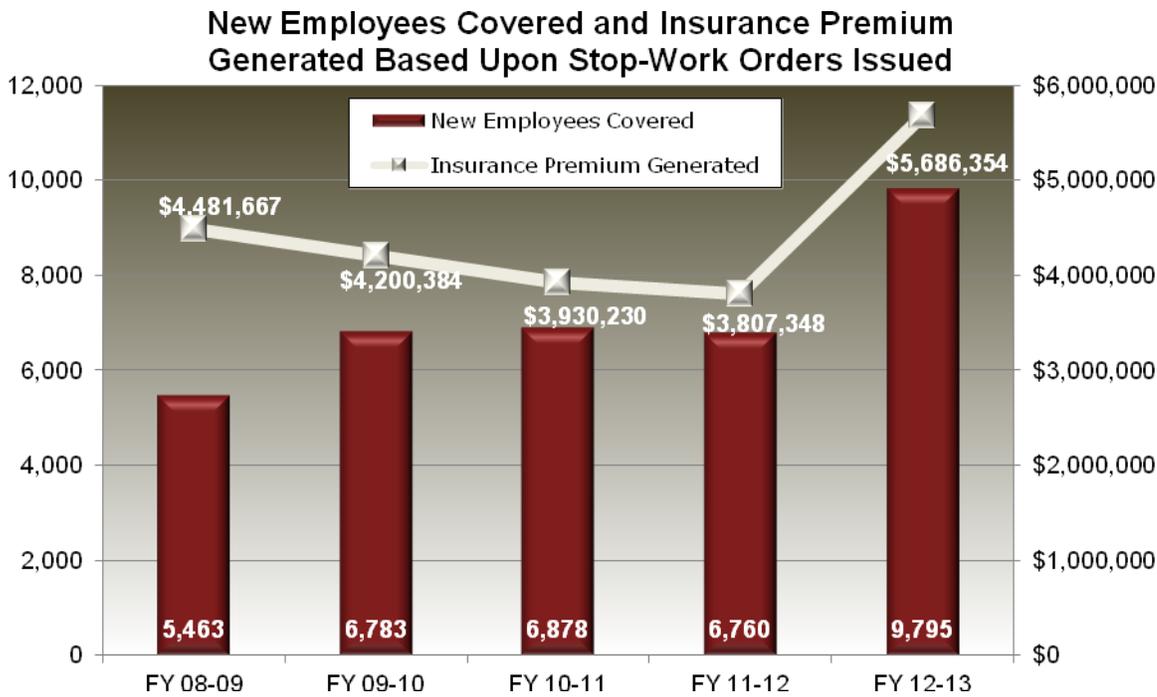
Conducted 34,150 investigations. The graphic below shows the total number of investigations conducted during the last five fiscal years. Investigations are physical on-site inspections of an employer's job-site or business location conducted to determine employer compliance with the workers' compensation coverage requirements.

Issued 2,444 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.

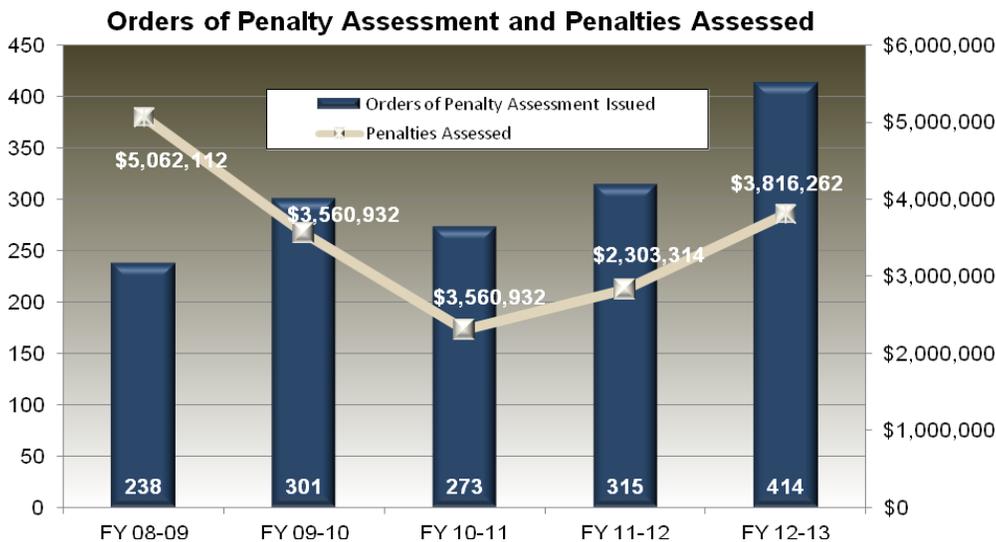
Assessed \$26,433,163 in penalties. An employer who has failed to adhere to the workers' compensation coverage requirements is assessed a penalty based upon the methodology required by the Workers' Compensation Law. Assessed penalties are equal to 1.5 times what the employer would have paid in workers' compensation insurance premiums for all periods of non-compliance during the preceding three-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.



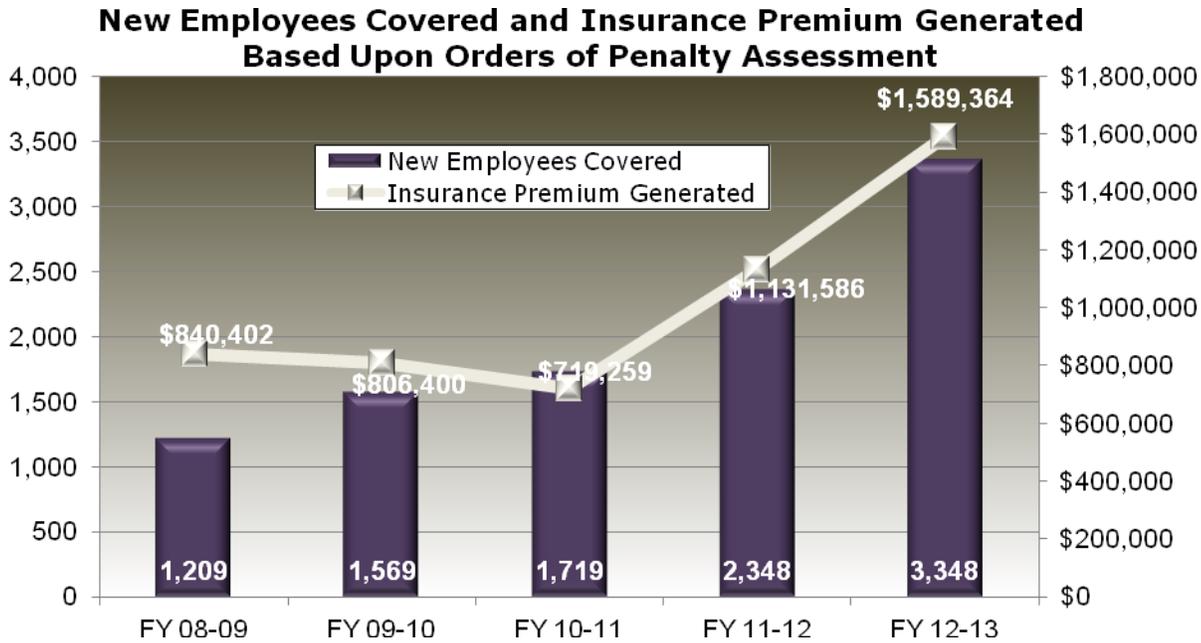
The following graphic reflects the number of employees covered as a direct result of the Bureau's enforcement efforts and issuance of Stop-Work Orders and the monies added to the workers' compensation premium base that had previously been evaded.



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 2012-13, 414 employers were issued an Order of Penalty Assessment with assessed penalties totaling \$3,816,262.



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.



### Sweep Operations

The Bureau of Compliance conducted two, two-day workers' compensation compliance sweeps. The first sweep took place in February of 2013 and consisted of teams working across the state. Investigators contacted more than 770 employers and issued 70 enforcement actions to construction companies that put their employees at risk by failing to carry the required workers' compensation coverage.

The second statewide sweep was conducted in May of 2013. 990 construction employers were investigated and 71 enforcement actions were issued.

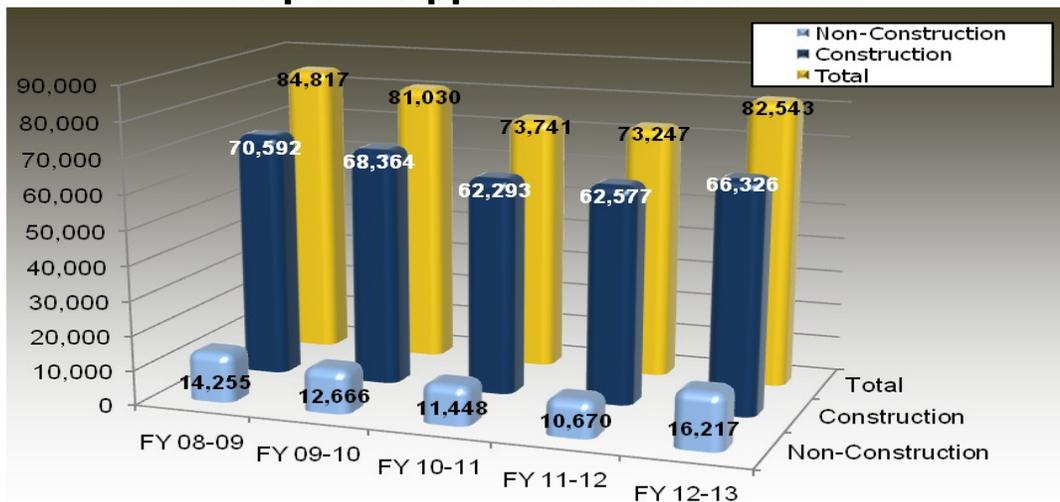
In addition to these efforts, several districts sweeps were conducted and coordinated with the Division of Insurance Fraud, DBPR, and local building and permitting agencies focusing on construction employers at residential and commercial jobsites.

## Exemption Statistics

The Division processed 66,326 construction industry exemption applications and 16,217 non-construction industry exemption applications. As of June 30, 2013 there were 936,635 active exemptions. The Division processes an average of 99% of all exemption applications within 5 business days of receipt.

To improve the efficiency and timeliness in issuing exemptions, the Division implemented the online exemption process July 1, 2012. Applicants apply for their exemption via a web-based system. A valid U.S. Driver's License or Florida Identification Card is utilized to verify the applicant's identity.

### Exemption Applications Processed



## 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 SafetyFlorida Consultation Program in providing these educational seminars.

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

The Division's webinars continue to be popular option for the educational seminars. This allows employers the convenience of attending classes when it is not feasible to travel to a classroom session. The Division conducted 34 webinars to 841 employers.

The Division provided education to over 2900 business owners, and licensed contractors who attended 100 educational workshops around the state. These workshops were sponsored by both the Division and the following groups:

- Barefoot Beach Community Association
- Business Tax Association
- Building Officials Association of Florida (BOAF)
- Construction Industry Trade Meeting, Tallahassee
- Florida Association of Plumbing, Gas, and Mechanical Inspectors
- Florida Fruit & Vegetable Association
- Funeral Home Association of the Tampa Bay Area
- Mike Holt Electrical Contractor School
- Palm Construction School
- Pasco Chapter – Electrical Contractors Association
- Pinellas Association of Plumbing, Gas and Mechanical Inspectors
- Pinellas Chapter – Electrical Contractors Association
- Qualified Service Pros, Ft. Myers
- Ridge Chapter – Electrical Contractors Association
- Santa Rosa County – FL Association of Plumbing, Gas and Mechanical Inspectors
- Short Term Property Managers Association – Statewide Convention
- Tampa Chapter Electrical Contractors Association
- USF Safety Florida Training institute – Nursing Home Administrators and Assisted Living Facilities

### **Public Databases**

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

Additionally, the Division has enhanced the Construction Policy Tracking Database to allow users to track certificates of exemption. The Construction Policy Tracking Database sends an automatic electronic notification to an employer concerning any changes to its subcontractors' workers' compensation policy. In addition to workers' compensation insurance, certificates of exemption from workers' compensation insurance represent proof of compliance with the workers' compensation law. The database allows users to track exemption records, including the renewal or revocation of certificates of exemptions. This new tracking feature creates a more comprehensive database which will provide users with a useful tool to monitor all coverage and exemption changes.

### Collection Activities

Employers have the option of paying their penalties in full or entering into a Periodic Payment Agreement. Section 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 985 payment agreements, which represents 42% of employers that were issued Stop-Work Orders and assessed a penalty.

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 fiscal year 2012-2013, the Division reinstated 192 Stop-Work Orders for non-payment.

The Division filed liens against 570 employers to collect unpaid penalties associated with Stop-Work Orders and Orders of Penalty Assessment. Further, the Division referred 570 employers to collections vendors to collect unpaid penalties.

### Investigative Leads Initiative Through Data Mining

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 available data sources to identify non-compliant employers. This effort includes the use of information and data from other state agencies. For example, by utilizing 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. The Division also reviews policy cancellation information to identify employers whose policies have been cancelled and no subsequent coverage has been obtained. Lastly, the Division acquires county and city permitting information to identify jobsites where construction activity may be occurring.

Employers identified as potentially non-compliant via our data sources listed above, 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.

### 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, 2012 and June 30, 2013, 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 and exemption staff members on the workers' compensation law, administrative rules, and new and existing procedures and policies. The Division held twelve training workshops during FY 2012-2013.

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

**New Investigator Training Program** – As new investigators 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. The investigator and the District Supervisor sign an acknowledgement form after each portion of the training program has been completed. The investigator is then assigned to accompany experienced investigators in the field prior to being assigned to perform enforcement action independently.

### **Division of Workers' Compensation Website & Databases**

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

#### **Proof of Coverage Database**

The Proof of Coverage Database is available to the public and is particularly helpful to employers in both the construction and non-construction industries. An employer can determine if a subcontractor, or other entity, has a Workers' Compensation insurance policy or certificate of exemption, enabling them to assess their own liability for providing coverage for unprotected workers, as required by section 440.10, F.S. This database is accessed more than 235,000 times per month.

#### **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.

#### **Online Penalty Payment Service**

The Online Penalty Payment Service is available for employers to whom a Stop-Work Order or Order of Penalty Assessment has been issued. This free 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, 2013, a total of 8,310 Construction Policy Tracking Database registrants are tracking 36,151 workers' compensation policies.

### **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.

### **DWC Office Locations and Staff**

The Division maintains seven districts offices statewide. The eastern regional offices are located in: Jacksonville, Orlando, West Palm Beach, and Miami. The western region consists of the following offices: Pensacola, Tallahassee, Tampa, and Fort Myers. The enforcement staff consists of 66 Investigators, 7 District Supervisors, and 2 Investigation Managers.

	<b>Office Locations</b>	<b>Number of Investigators</b>
<b>District 1</b>	Jacksonville – District Office	9
<b>District 1A</b>	Pensacola – District Office	10
<b>District 2</b>	West Palm Beach – District Office	12
<b>District 3</b>	Tampa – District Office	9
<b>District 4</b>	Orlando – District Office	10
<b>District 5</b>	Miami – District Office	8
<b>District 7</b>	Ft. Myers – District Office	8
<b>Total</b>		66

### **Average Caseload**

For the period of July 1, 2011 through June 30, 2012, a total of 34,780 investigation cases were initiated resulting in an average caseload of 44 cases per investigator per month.