

**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, 2019



The Florida Department of Financial Services, Division of Workers' Compensation (DWC) and Division of Investigative and Forensic Services (DIFS) / Bureau of Workers' Compensation Fraud (BWCF) submit this joint report to the President of the Florida Senate and the Speaker of the Florida House of Representatives, pursuant to §626.989(9), Florida Statutes 2003. The joint report addresses the areas identified in §626.989(9), for the period of July 1, 2017 through June 30, 2018.

January 15, 2019

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, 2017 – June 30, 2018.

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

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

The Division of Investigative and Forensic Services, Bureau of Workers' Compensation Fraud (BWCF) has maintained twenty-one (21) detectives, 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 detectives 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 fraud, 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 violations of Stop-Work Orders as issued by the Bureau of Compliance.

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

In FY 2017-2018, the BWCF participated in several contractor stings and job site inspection stings which resulted in eighty-three (83) arrests for unlicensed contracting and working without workers' compensation insurance.

The BWCF engages in pro-active field investigations concentrating on companies engaged in premium fraud and operating without workers' compensation insurance. The Check Cashing Database (CCDB), developed and activated in September 2015 by the

Office of Financial Regulation, continues to be of great value when identifying the underreporting of payroll by companies throughout the State.

In FY 2017-18, fifty-six (56) shell companies were investigated for worker' compensation premium fraud in which \$120 million worth of fraudulent transactions were identified. Twenty (20) facilitators and thirty-eight (38) shell company owners were criminally charged.

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 Workers' Compensation 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 to pursue criminal investigations and have helped the insurance carriers prevent fraud from taking place.

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



Case Highlights

Field Office: Miami Workers' Compensation Squad

Case 16-1827

The suspect, owner/operator of an LLC company, provided false and misleading information on two applications for workers' compensation insurance coverage for the purpose of lowering premium costs.

The suspect obtained a minimal workers' compensation policy through the insurance company for his company. The company was charged a premium of \$4,203.92 for an estimated payroll of \$26,160. The policy was canceled approximately eight (8) months later. During the investigation, it was discovered that \$4,158,533.40 in checks were cashed on behalf of the company at multiple check cashing stores in Miami-Dade and Broward Counties.

According to the insurance company, if the suspect had provided accurate information about his payroll, the amount of remuneration would have been estimated at \$2,544,444 and the premium amount would have been \$408,885.

Further investigation revealed that another policy was obtained by the suspect in September 2016, with a personnel leasing company. During the investigation, it was also determined that \$19,118,800.32 in checks were cashed on behalf of the company at multiple check cashing stores in Miami-Dade and Broward Counties.

According to the personnel leasing company, if the suspect had provided accurate information about employee wages, the premium amount would have been \$180,809.32.

The suspect was charged with: Workers' Compensation Fraud, Grand Theft, 1st Degree, and Organized Scheme to Defraud.

Case 17-98

The suspect who is the owner of the company provided false and misleading information on his applications for workers' compensation to lower his workers' compensation premium cost. According to the application with Florida United Businesses Association (FUBA) Workers' Compensation Insurance, the suspect indicated that his annual estimated remuneration for the policy year would be \$185,200. Based on the

information submitted to FUBA, a policy was issued to the company with a premium of \$21,448. During the investigation, it was discovered that the company cashed a total of \$881,151 at two check cashing stores located in Miami Dade County during the period of June 2016 through October 2016.

The suspect again provided false and misleading information on his application for workers' compensation to another insurance company by indicating on his application that his annual remuneration for the policy would be \$164,000. Based on the information submitted to the insurance company, a workers' compensation policy was issued to the same company with a premium of \$19,426. During the investigation, it was discovered that the company cashed an additional \$3,018,273 at check cashing stores.

The action by the owner of the company and his business partner caused a loss of \$607,126.94 to both FUBA and Madison Insurance Company for failure to accurately disclose their payroll. The suspects were both charged with: Workers' Compensation Fraud, Grand Theft, 1st degree, Organized Scheme to Defraud, and Conspiracy to commit Workers' Compensation Fraud.

Case 16-1694

The owner of a corporation provided false and misleading information on her application for workers' compensation insurance coverage for the sole purpose of lowering her workers' compensation premium cost. According to the application with the insurance company, the suspect indicated that her annual estimated remuneration for the policy year would be \$1,560,000 for clerical employees.

During the investigation, it was discovered that the company was a staffing company that provided workers for warehouse labor to numerous companies. Furthermore, it was revealed that a total of \$1,302,475.06 in remuneration was paid to the company from the hired companies.

According to the insurance company, if the company had properly reported the correct classification code for stage warehouse workers, the total premium would have been \$114,979. Instead the company's workers' compensation policy was described as an accounting and auditing firm with clerical employees using a clerical classification code. Due to the misrepresentation of the classification code by the company, the insurance company was underpaid \$112,598.

The the suspect was arrested in Miami-Dade County and charged with: Workers' Compensation Premium Fraud, Workers' Compensation Application Fraud, and Organized Scheme to Defraud.

Field Office: Orlando Workers' Compensation Squad

17-1695

The president of two companies systematically underreported his payroll and staffing to his employee leasing provider during the period of 2016 & 2017. This allowed the suspect to underpay his premiums and thereby deprived the leasing company of its rightful payment. The suspect along with his bookkeeper, who was responsible for payroll and employee applications, filed false wage forms for certified payroll. The suspects listed individuals who were not employees and provided fictitious pay rate information for the alleged individuals. They submitted payroll invoices to the leasing company, failing to truthfully report the actual payroll, as employees were either paid additional sums than reported or were paid by check from company accounts. This action circumvented the payroll system and resulted in a lower premium calculation.

Based upon the investigation by the BWCF in cooperation with the NASA Office of Inspector General (OIG), it was determined that the suspect committed a violation of Failure to Secure Workers' Compensation Coverage, Organized Scheme to Defraud, Workers' Compensation Premium Fraud Conceal Payroll, and Workers' Compensation Application Fraud.

15-353

The case evolved following a referral by the Florida Carpenters Union and as the investigation unfolded it proved to be a highly complex combination of underreporting payroll and related fraud. The scheme involved using an employee leasing company to provide basic coverage, insurance certificates and supplementing the income of existing employees. Concealment of employees by failing to declare their existence to the leasing company or paying them as subcontractors while still employed by the leasing company was also a critical element of the fraud.

The time reviewed was from August 2014 through May 2015. Using the information received, from bank documents related to the account belonging to the construction company, a systematic review of the cancelled checks was conducted and determined a

substantial number of checks written to individuals on a weekly basis. Annotations on the checks were for Drywall, DW, and Labor. It became apparent that the suspect was far exceeding what was being reported to the insurance company. The total amount of checks written to individuals for the examination period was \$2,130,299.60.

The suspect consistently and systematically sent payroll records to the employee leasing company on a weekly basis, as a part of the payroll request process for listed employees. The suspect failed to be truthful with the leasing company which subsequently caused the company to under-calculate his premiums for workers' compensation insurance. The suspect paid workers without updating the employee list to reflect current employees. This violated the terms of the contract. Additionally, the suspect failed to secure workers' compensation insurance coverage after he was cancelled by the employee leasing company. Based upon the information provided, it was determined that the suspect owed the leasing company a total of \$162,703.96 in premiums.

In May 2017, the suspect was charged with Failure to Secure Workers' Compensation Coverage, Workers' Compensation Fraud- False Document as Proof of Coverage, Workers' Compensation Premium Fraud, Workers' Compensation Application Fraud, Organized Scheme to Defraud, False Submission of Workers' Compensation Insurance Coverage, and Grand Theft.

17-1146

The suspect, owner/operator of construction company, provided false employee class codes and concealed payroll information from January 2017 to August 2017, to avoid or lower his workers' compensation insurance premium cost. The suspect reported employee class codes and declared a payroll of \$273,786.00 to NorGuard who determined the workers' compensation insurance premium for the coverage period to be \$25,311.00.

During the investigation, it was revealed that the suspect had received and cashed 620 checks issued to him by contractors in the amount of \$6,699,839.44. Those contractors confirmed that the checks they issued were to cover labor costs only and did not include any type of materials. The construction company reported false employee class codes and informed the insurance carrier that its payroll was \$273,786.00 resulting in a premium of \$25,311.00. The investigation determined had the suspect reported

the proper employee class codes and actual payroll based on an income of \$6,699,839.44, the workers' compensation insurance premium would have been \$1,217,161.08. The suspect's failure to accurately report payroll and class codes to his insurer resulted in a gross underpayment of \$1,208,117.40.

The suspect was charged with Organized Scheme to Defraud and Workers' Compensation Premium Fraud.

17-100

The suspect misrepresented herself when she provided false information during a sworn deposition to continue to receive workers' compensation benefits. This workers' compensation claim arose from an alleged incident which occurred in April 2016, at the Spaceport USA Bus Board at the Kennedy Space Center, Orlando, Florida. The suspect alleged she sustained multiple injuries when the doors of a tour bus closed on her neck, head, shoulder and back. The suspect alleged symptoms included neck pain, low back pain, right shoulder pain, left leg pain, and headaches. The suspect advised she could no longer conduct tasks such as lawn work since the accident, but surveillance video documented the suspect conducting herself in a manner in which she indicated she was incapable due to her injury.

The suspect was charged with: Workers' Compensation Fraud, Perjury in Official Proceedings, and Grand Theft.

Field Office: West Palm Beach Workers' Compensation Squad

16-2357

In May of 2016, an investigation was initiated regarding a suspect and his company. The suspect was subsequently arrested in July 2016 and charged with Workers' Compensation Premium Fraud in Miami-Dade County. Later in the year, the Division of Workers' Compensation and detectives from the BWCF - West Palm Beach Office were conducting compliance checks at several construction sites in Palm Beach and Martin Counties, when they encountered workers who indicated they were employed by the same company associated with the 2016 case.

In April 2017, detectives conducted an investigation which determined \$2,496,784.58 in payroll had been cashed. The activity occurred while the subject was on probation for the 2016 premium fraud arrest.

The suspect was charged with Failure to Secure Workers' Compensation Coverage.

Field Office: Tampa Workers' Compensation Squad

16-1673

This investigation was predicated on a referral from the Division of Workers' Compensation, Bureau of Compliance. Between May 2014 to April 2016, DWCBC learned that the suspect underreported his company's true payroll to reduce his workers' compensation premiums. During the investigation of the construction company a total of \$10,258,923.57 of undisclosed payroll was identified from checks being cashed at various check cashing stores. Because of the suspect's misrepresentation of his payroll at the time of application and subsequent premium audit, he avoided paying \$1,013,164 in premiums.

In June 2018, the suspect was charged with Workers' Compensation Premium Fraud and is currently pending trial.

17-600

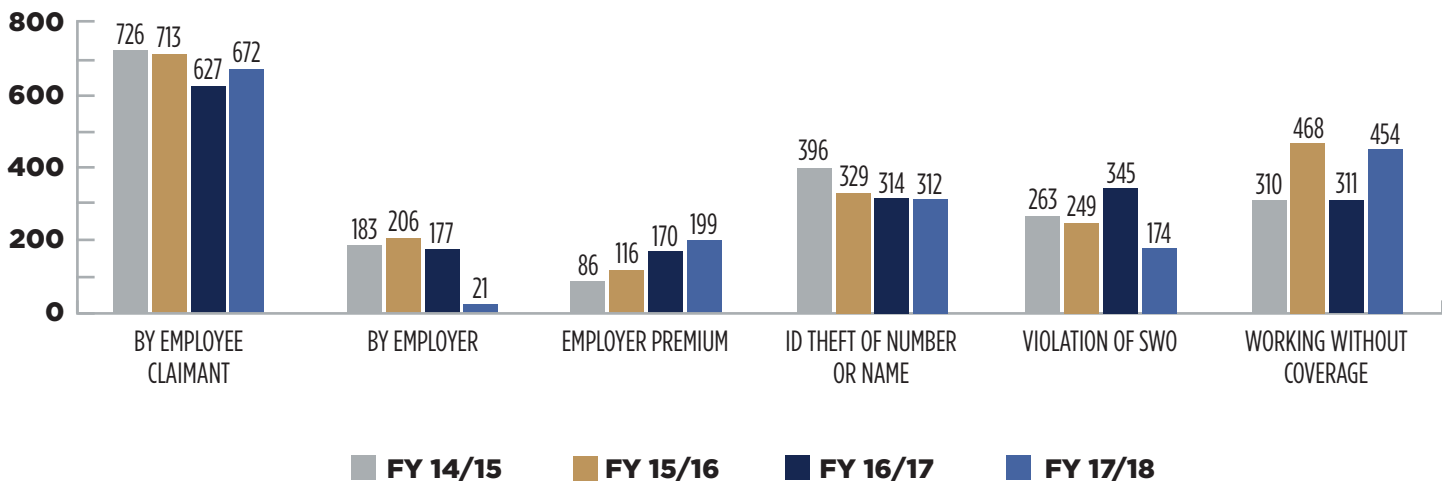
The suspect was employed with the City of Clearwater as a Water Distribution Operator Trainee in the Public Utilities Department. On January 2017, the suspect suffered a right lower back injury when he was lifting a section of PVC pipe. The City alleges that during the handling of this claim it was revealed that the suspect had misrepresented the extent of his workplace injury during the process of his claim to obtain workers' compensation benefits that he was not entitled to. Fifteen days of surveillance was conducted which captured the suspect doing physical activity that contradicted his original statements. The suspect's treating physician viewed the video surveillance and opined that the claimant was malingering. The suspect was charged with Workers' Compensation Fraud.

TYPES OF WORKERS' COMPENSATION REFERRALS

SUB TYPE	# OF REFERRALS
AGENT PREMIUM	2
BY ATTORNEY	3
BY EMPLOYEE CLAIMANT	672
BY EMPLOYER	21
BY PROVIDER	26
EMPLOYEE PAYROLL DEDUCTION	36
EMPLOYER PREMIUM	199
FICTITIOUS CERTIFICATE OF EXEMPTION	5
FICTITIOUS CERTIFICATE OF INSURANCE	33
ID THEFT OF NUMBER OR NAME	312
MONEY SERVICE BUSINESS	11
VIOLATION OF STOP WORK ORDER (SWO)	174
WORKING WITHOUT COVERAGE	454

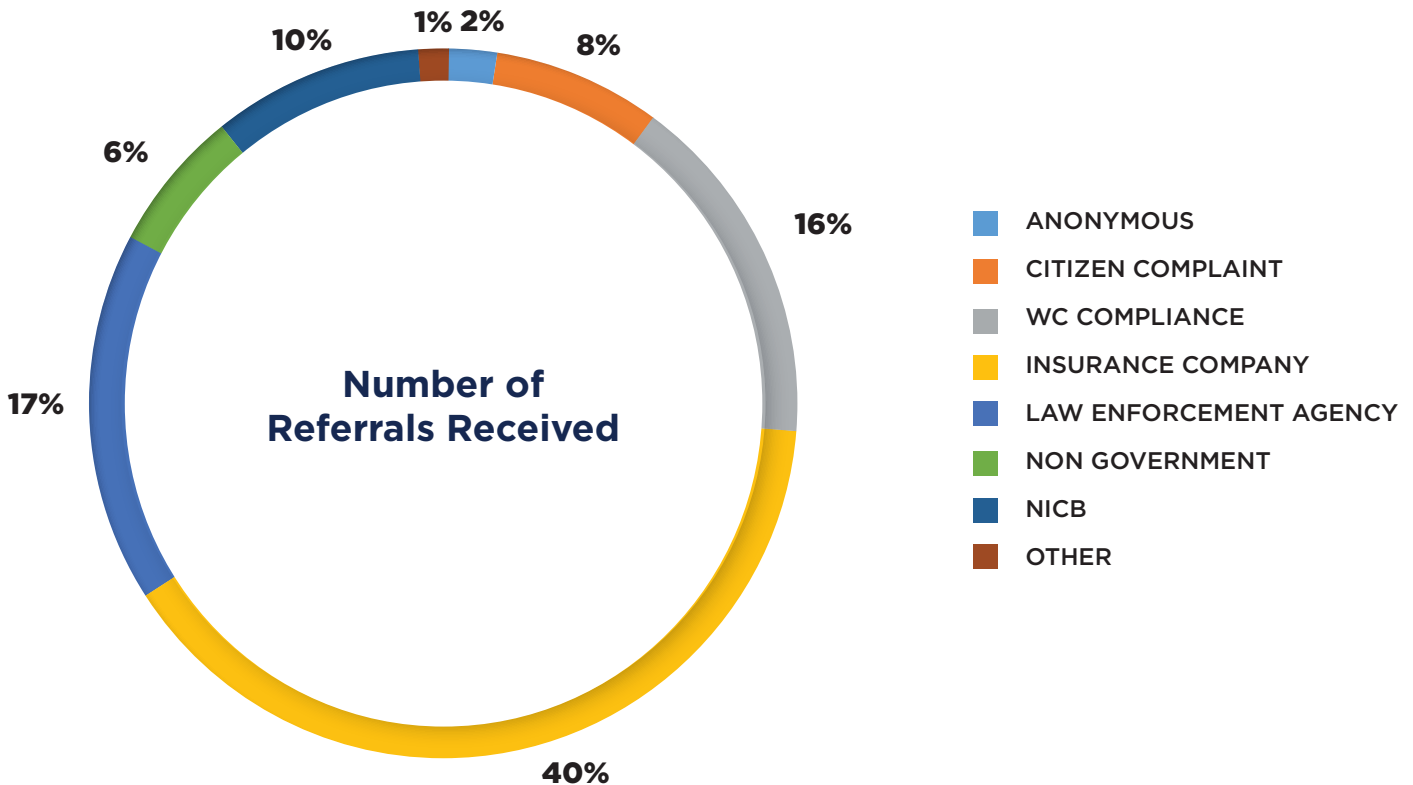
1,999

WC Referrals



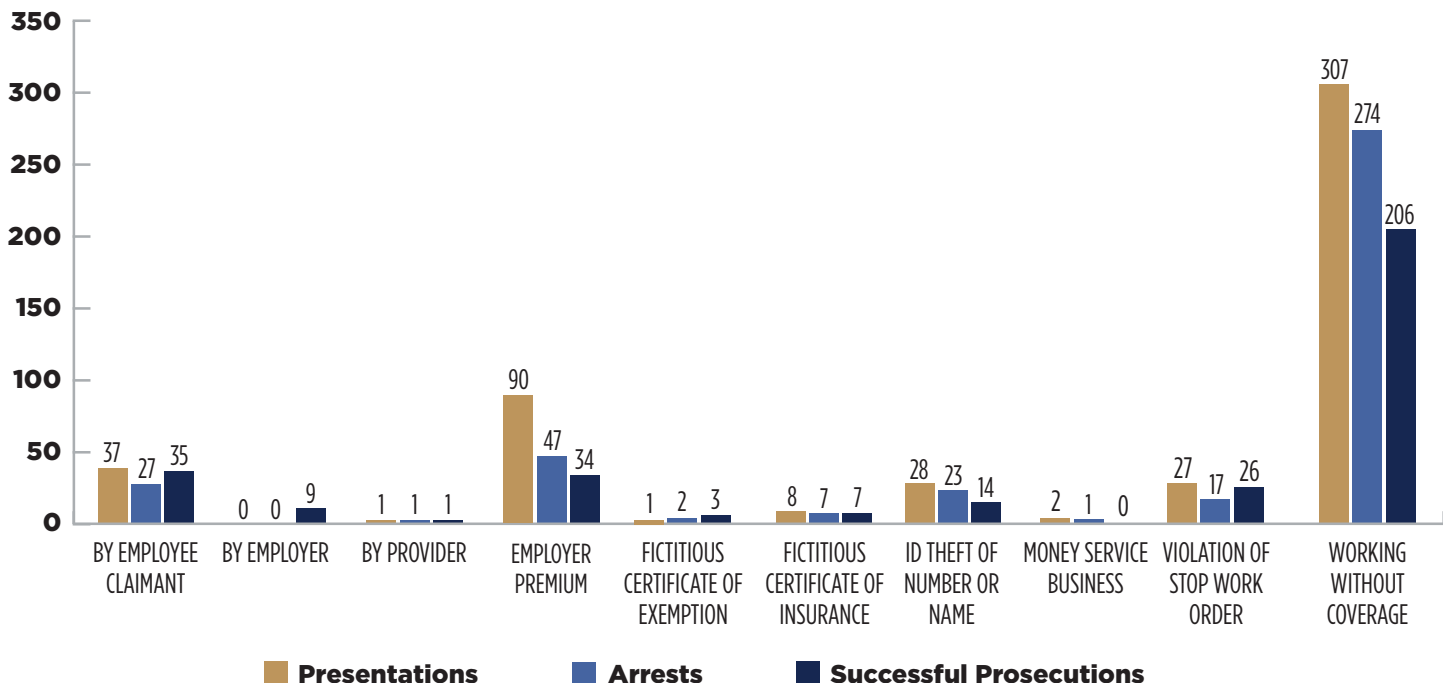
NUMBER OF SUSPECTED FRAUD REFERRALS & NUMBER OF CASES INITIATED

SOURCE	NUMBER OF REFERRALS RECEIVED	CLOSED: CASE INITIATED
ANONYMOUS	49	3
CITIZEN COMPLAINT	153	23
WC COMPLIANCE	322	116
INSURANCE COMPANY	795	114
LAW ENFORCEMENT AGENCY	337	299
NON GOVERNMENT	129	118
NICB	191	12
OTHER	23	11
GRAND TOTAL	1,999	696

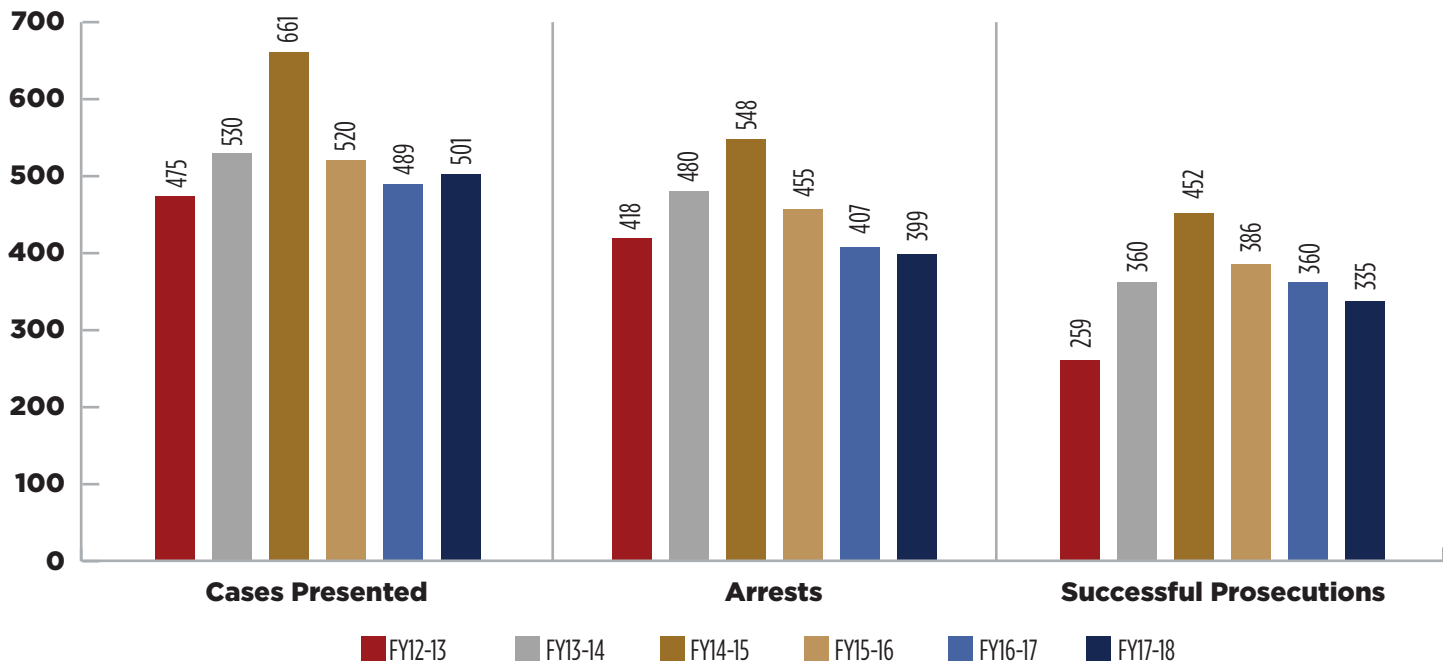


TYPES OF PRESENTATIONS, ARRESTS & SUCCESSFUL PROSECUTIONS

TYPE OF CASE	PRESENTATIONS	ARRESTS	SUCCESSFUL PROSECUTIONS
BY EMPLOYEE CLAIMANT	37	27	35
BY EMPLOYER	0	0	9
BY PROVIDER	1	1	1
EMPLOYER PREMIUM	90	47	34
FICTITIOUS CERTIFICATE OF EXEMPTION	1	2	3
FICTITIOUS CERTIFICATE OF INSURANCE	8	7	7
ID THEFT OF NUMBER OR NAME	28	23	14
MONEY SERVICE BUSINESS	2	1	0
VIOLATION OF STOP WORK ORDER	27	17	26
WORKING WITHOUT COVERAGE	307	274	206
Total	501	399	335

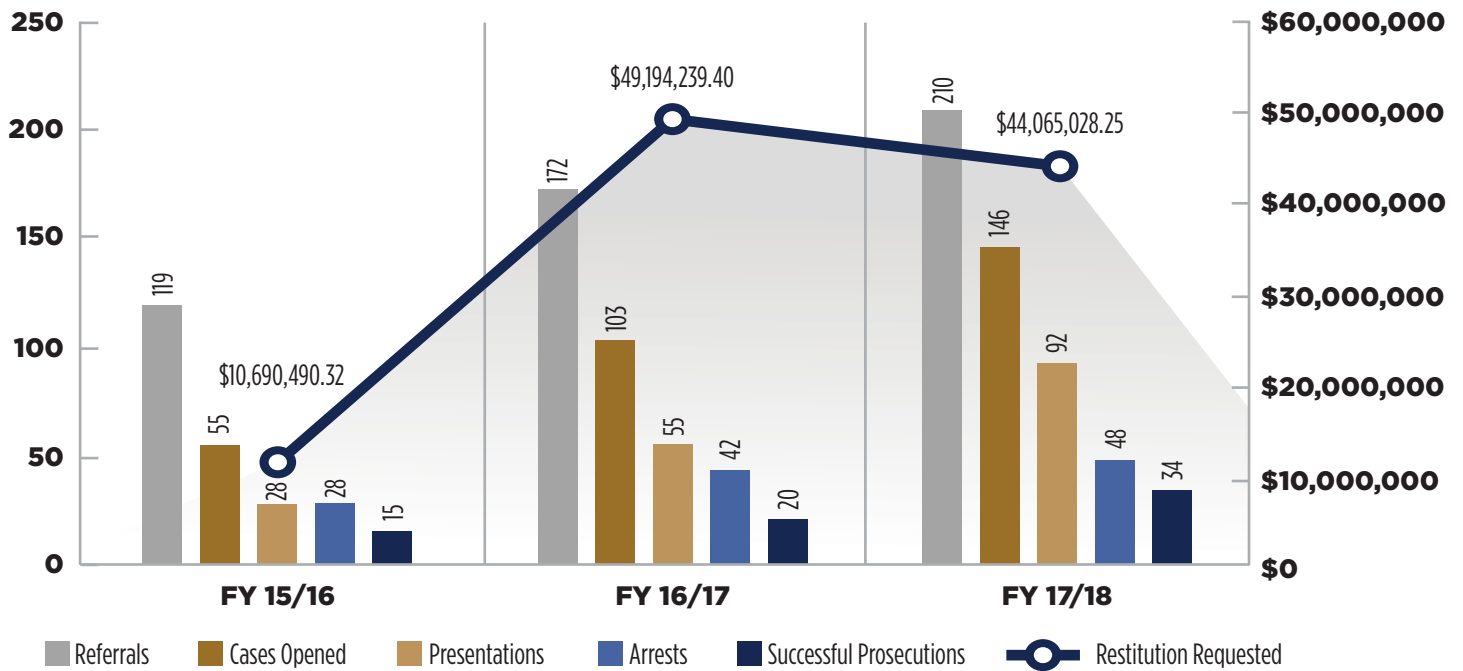


Measurement	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18
Cases Opened	891	785	723	824	698	746
Cases Closed	704	840	697	761	670	652
Cases Presented	475	530	661	520	489	501
Arrests	418	480	548	455	407	399
Successful Prosecutions	259	360	452	386	360	335



WORKERS COMPENSATION MSB/ PREMIUM CASES

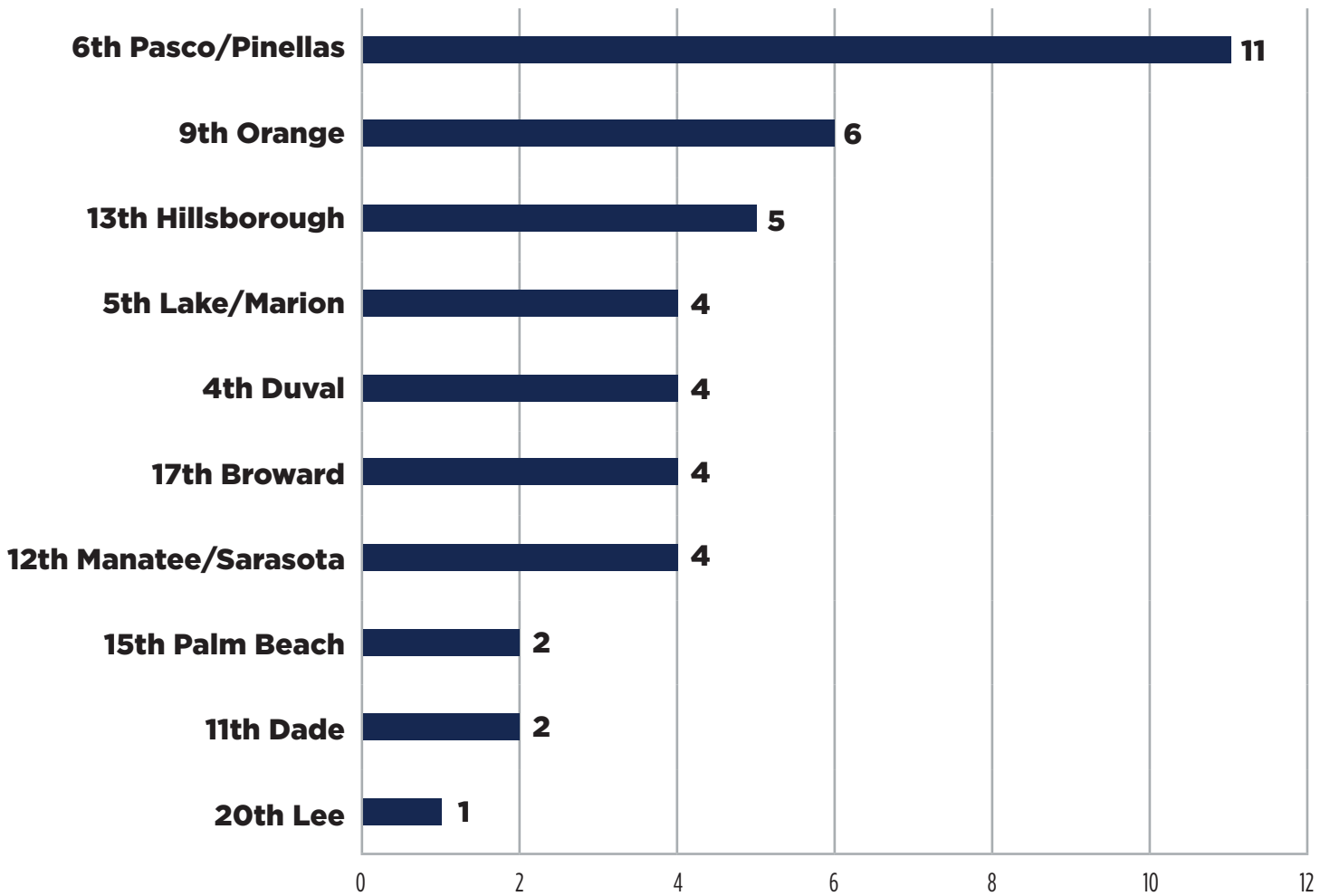
EMPLOYER PREMIUM/MSB	FY 15/16	FY 16/17	FY 17/18
REFERRALS	119	172	210
CASES OPENED	55	103	146
PRESENTATIONS	28	55	92
ARRESTS	28	42	48
SUCCESSFUL PROSECUTIONS	15	20	34
RESTITUTION REQUESTED	\$10,690,490.32	\$49,194,239.40	\$44,065,028.25



DECLINATIONS

There were 43 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), Florida Statutes, the Division provides the following report of workers' compensation enforcement and compliance activities and performance during FY 2017-18.

I. REFERRALS

Division of Investigative and Forensic Services (DIFS)

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

Not only do the divisions communicate with each other upon receipt of a referral, but the Division 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, 2017 through June 30, 2018, the Division's Bureau of Compliance and DIFS made the following referrals:

- The Division referred 322 employers to DIFS for possible criminal investigation.
- The Division received 10 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, 6,231 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.

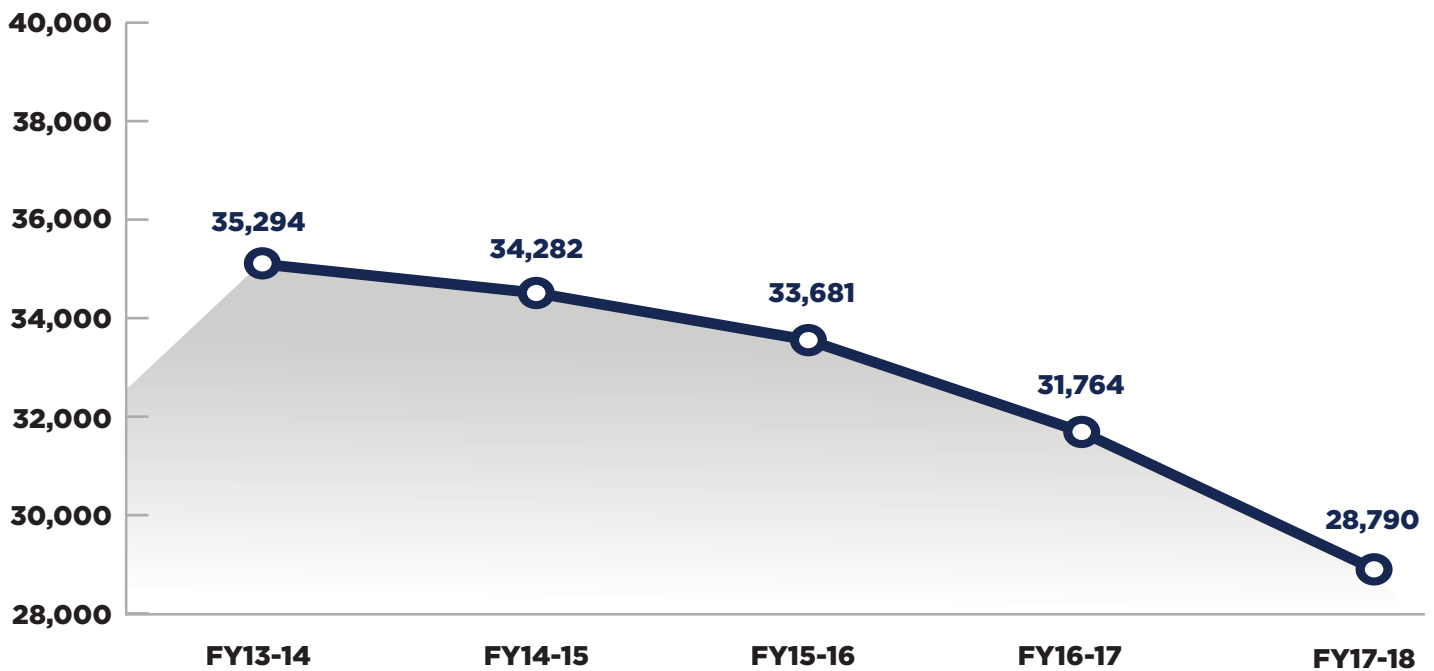
The Division investigated 1,509 referrals submitted via the Non-Compliance Referral Database during FY 2017-18. The investigations initiated by the referrals resulted in the issuance of 605 enforcement actions and \$16.9 million in assessed penalties against non-compliant employers.

II. ENFORCEMENT ACTIVITIES & WORKERS' COMPENSATION EXEMPTION STATISTICS

During the period of July 1, 2017 through June 30, 2018, through its enforcement and investigative efforts the Division:

- Conducted 28,790 investigations. 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. The graphic below shows the total number of investigations conducted during the last five fiscal years. Over the past two fiscal years, the number of investigations conducted has decreased due to the Bureau of Compliance's immediate focus on property owner and contractor outreach efforts in hurricane-damaged areas.

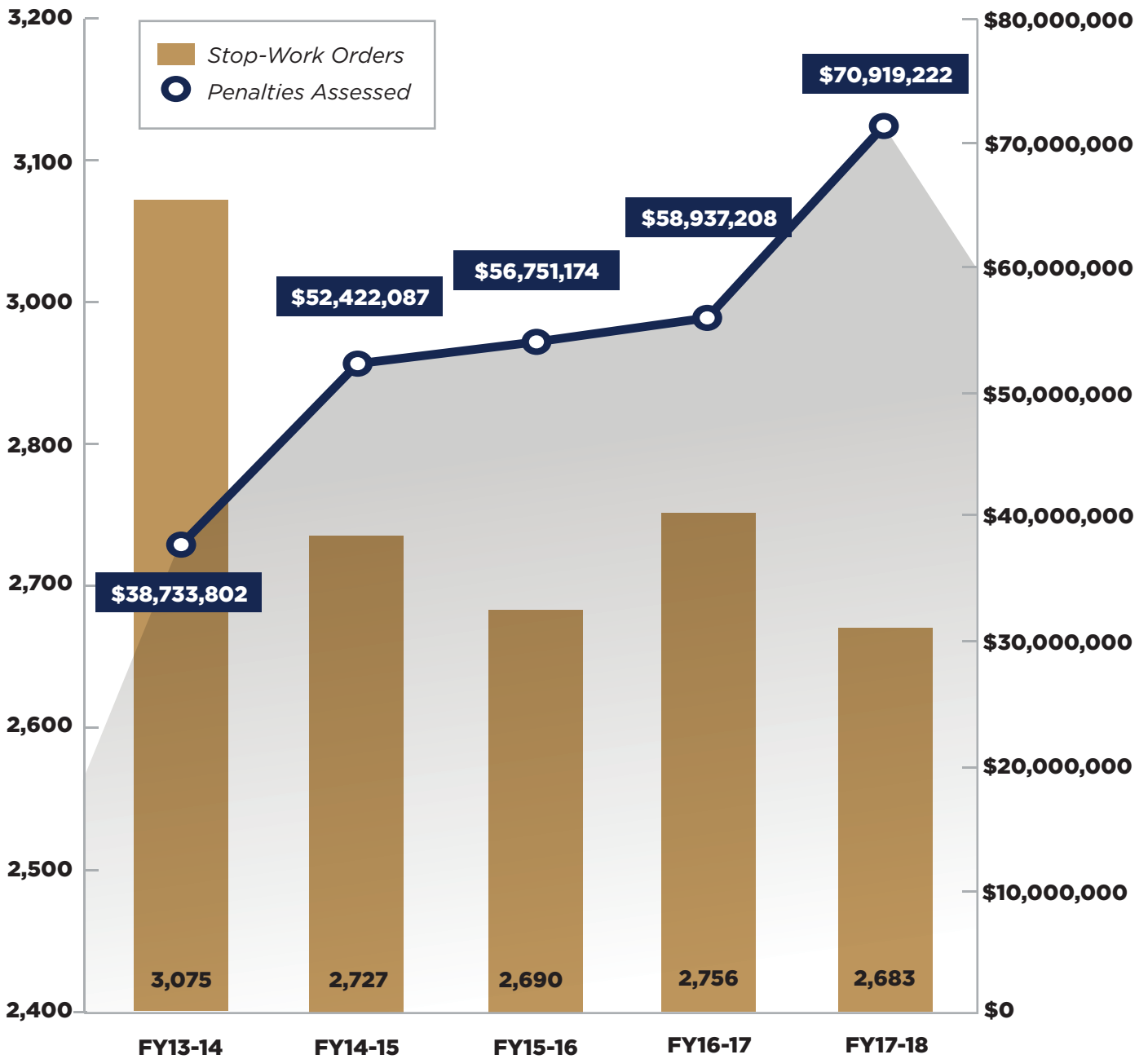
Investigations Conducted



- Issued 2,683 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 \$70,919,221.83 in penalties. An employer who has failed to comply with the workers' compensation coverage requirements is assessed a penalty based upon the methodology required by the workers' compensation law. Assessed penalties are equal to 2 times what the employer would have paid in workers' compensation insurance premiums for all periods of non-compliance during the preceding two-year period, or \$1,000, whichever is greater. Penalty amounts vary and are dependent on the employer's payroll, risk classification, and period of non-compliance. The following graph represents the number of Stop-Work Orders issued and the amount of penalties assessed over the past five fiscal years.

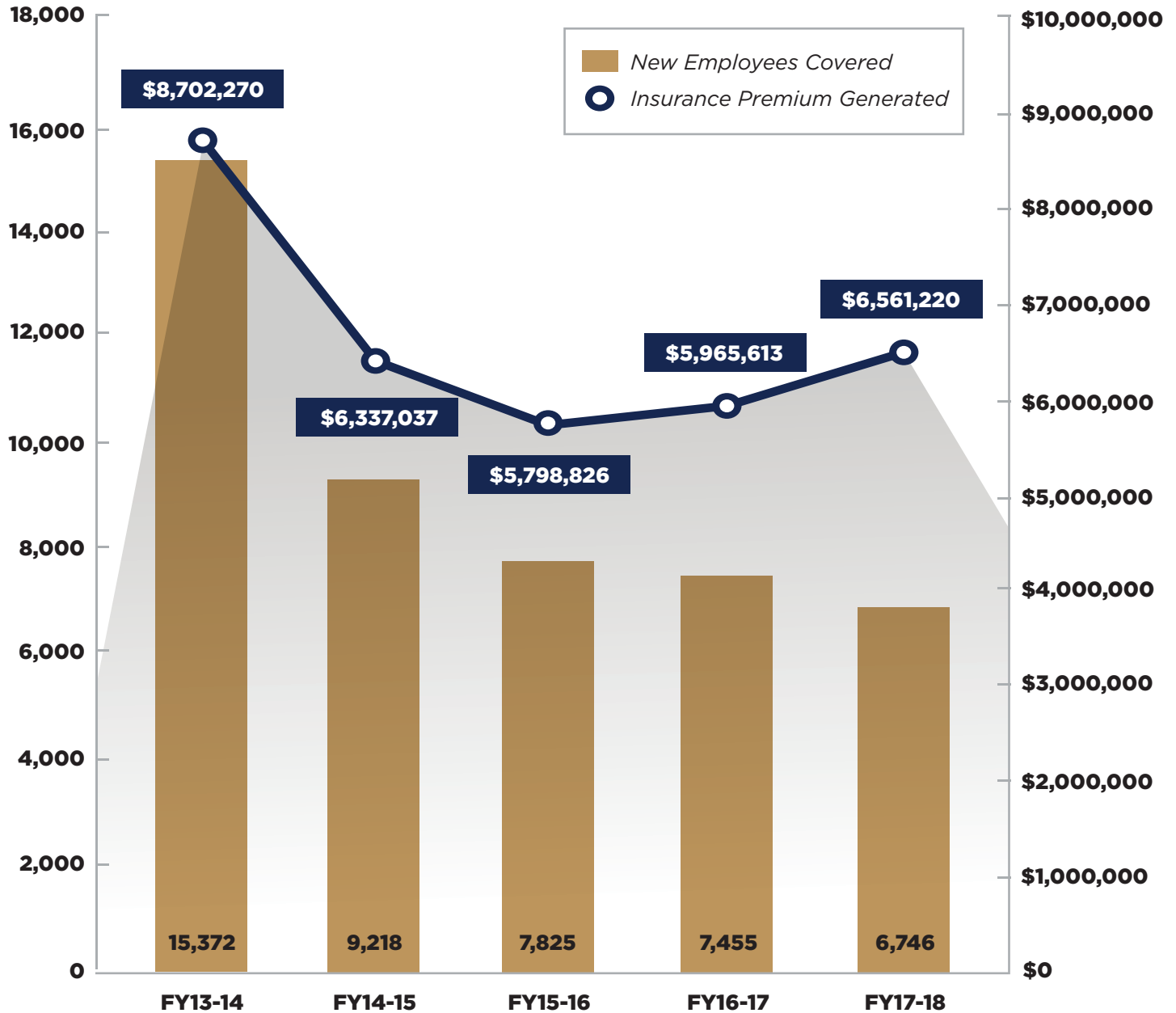
The growth in the assessed penalty amount since FY13-14 is due to the increase in the number of employers who fail to give the Division business records to calculate the penalty. Consequently, the Division is legally required to impute the employer’s payroll for each employee equal to 1.5 times the state-average weekly wage. If employers 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 a Stop-Work Order or Order of Penalty Assessment.

Stop-Work Orders Issued and Penalties Assessed



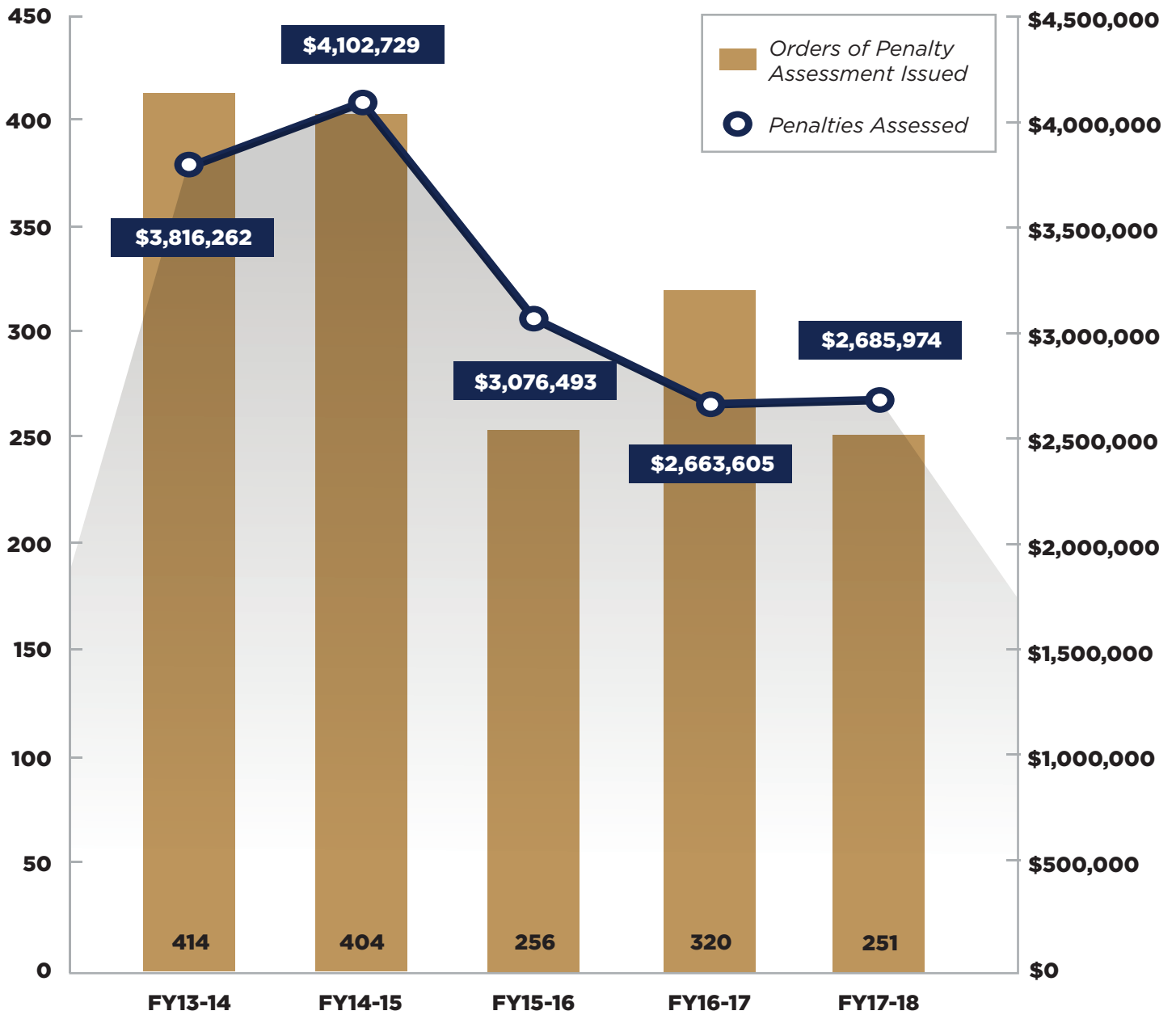
The following graphic reflects the number of employees covered as a direct result of the Division's enforcement efforts and issuance of Stop-Work Orders and the monies added to the workers' compensation premium base that had previously been evaded.

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



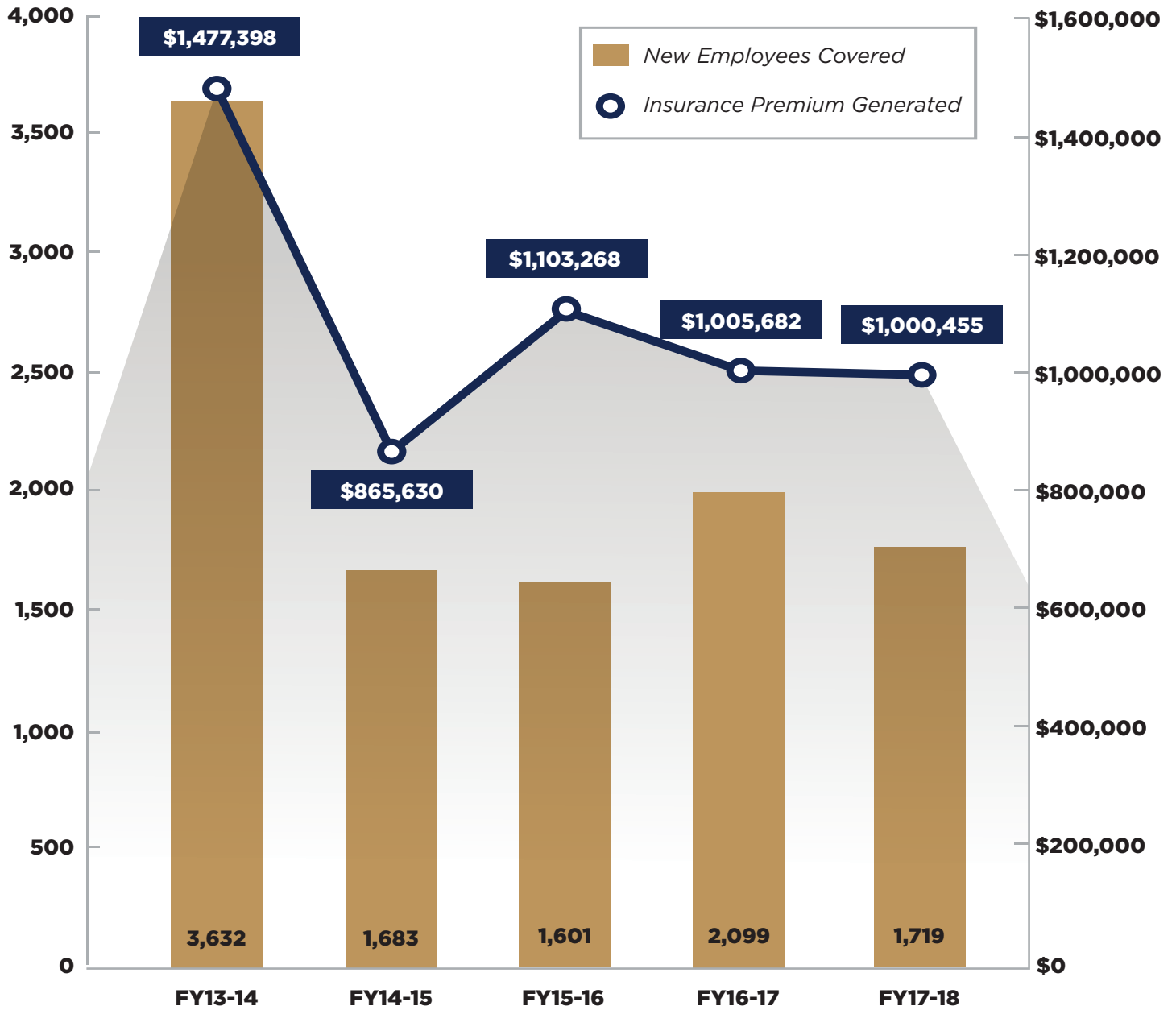
The next two graphics pertain to Orders of Penalty Assessment. In cases where the employer obtains coverage subsequent to the commencement of an investigation, an Order of Penalty Assessment for the failure to maintain coverage is issued in lieu of a Stop-Work Order. During FY 2017-18, 251 employers were issued an Order of Penalty Assessment with assessed penalties totaling \$2,685,974.

Orders of Penalty Assessment & Penalties Assessed



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

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



Sweep Operations

The Bureau of Compliance conducted three statewide workers' compensation construction sweeps during the fiscal year. Investigators conducted 2,503 employer investigations at 1,717 construction sites and issued 197 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

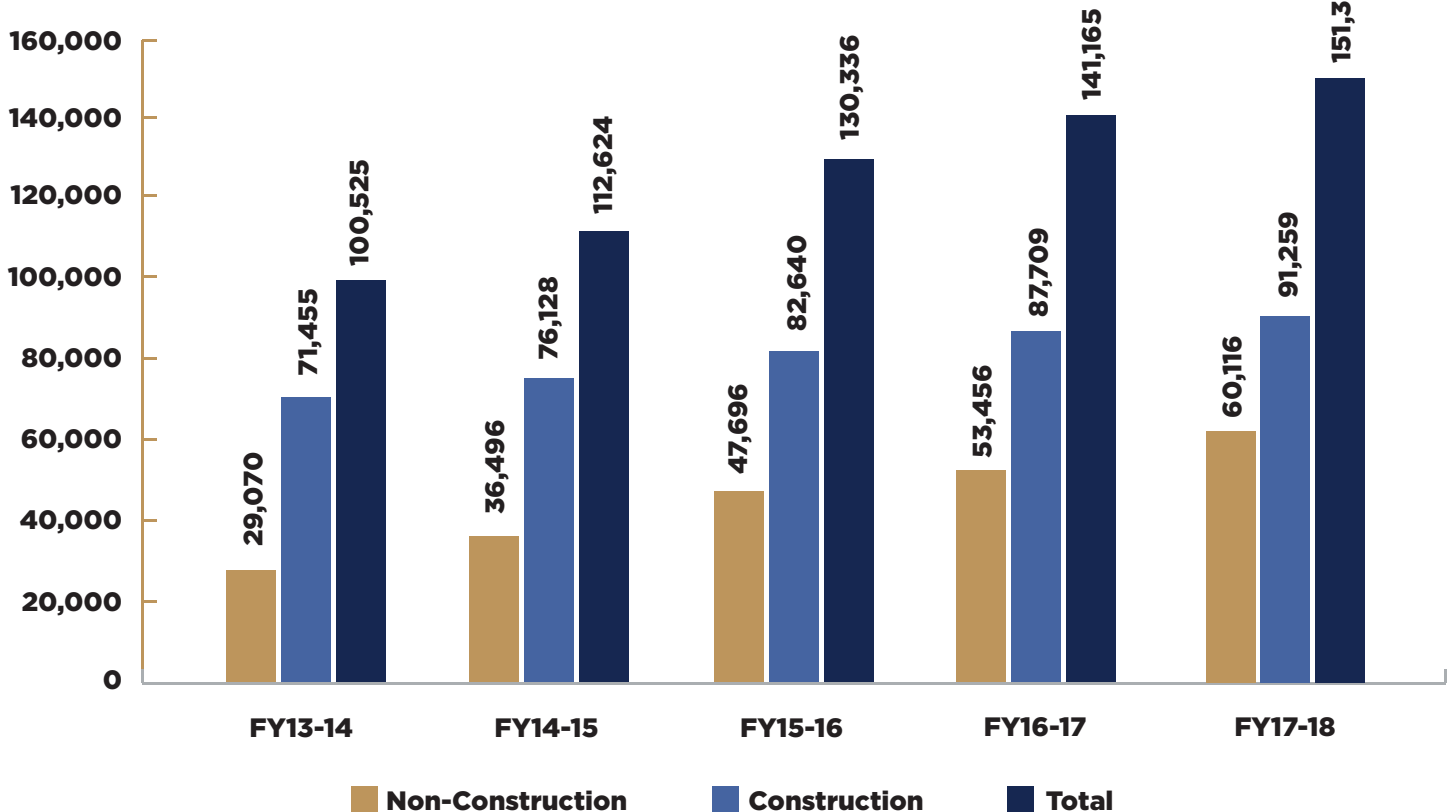
investigations and identify underreporting. They have investigated a total of 242 entities resulting in 35 enforcement actions. The issuance of these enforcement actions were due to the Division's discovery of hundreds of millions of dollars in unreported payroll to insurance carriers.

Exemption Statistics

The Division issued 91,259 construction industry certificates and 60,116 non-construction industry certificates in FY 2017-18. This represents a 7.2% increase in the number of exemptions processed over the prior year. At the end of FY 2017-18, there were 1,027,319 active exemptions. The Division processes an average of 98% of all exemption applications within 5 business days of receipt.

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

Exemption Applications Processed



Case Studies

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

Case One

While conducting routine compliance checks, an investigator observed several individuals on a residential roof. After interviewing the individuals, it was determined the contractor was a client company of a Professional Employer Organization (PEO). The PEO was contacted to confirm that all employees were signed under the agreement. After confirming the agreement, it was determined the contractor failed to report two of the employees on-site to the PEO. A Stop-Work Order was issued and the contractor was assessed a \$6,698.22 penalty for failure to secure coverage. The employer subsequently reported the additional employees to the PEO and paid the assessed penalty in full.

Case Two

In January 2018, the Division investigated a restaurant to determine compliance. After interviewing the owner of the business, it was determined that the owner had a total of three locations and employed 70 employees, but did not have workers' compensation insurance. A Stop-Work Order was issued for failure to secure coverage and the employer was assessed a \$28,204 penalty for the two-year non-compliant audit period. The employer subsequently secured a workers' compensation policy covering 70 employees which added \$16,501 in premium to the workers' compensation system.

Case Three

The Division investigated a framing contractor to determine if the contractor was underreporting its payroll. The initial investigation evidenced the contractor had an active workers' compensation policy covering five employees. The policy also reflected an estimated payroll of \$286,904. After reviewing additional data, it was determined the contractor employed more than five employees and cashed over \$4 million in checks. After verifying the checks cashed by the contractor was for labor only and not materials, the Division issued the contractor a Stop-Work Order for underreporting its payroll. The contractor was assessed a penalty of \$219,732.53 for the violation.

Case Four

The Division was notified that an employer's workers' compensation policy had cancelled; therefore, the Division investigated the business to determine if the employer had renewed its current workers' compensation policy or secured a new workers' compensation policy. The investigation revealed the business employed 25 employees and was operating without workers' compensation insurance. The business was issued a Stop-Work Order and assessed a \$10,934 penalty for operating without workers' compensation insurance. The business secured a workers' compensation policy to cover the 25 employees, resulting in \$2,450 in premium being added to the workers' compensation system.

Case Five

While participating in a compliance sweep, an investigator observed employees of a drywall contractor working at a newly constructed residence. After interviewing the employees, it was determined the business was an out of state contractor and was not currently providing workers' compensation insurance. A Stop-Work Order was issued and the contractor came into compliance by securing a workers' compensation policy. The policy covered 10 employees resulting in \$18,495.28 in premium being added to the workers' compensation system. The contractor was assessed a penalty of \$12,414.81 for the violation.

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 229 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 Woman in Construction
- Broward County Building Officials Association
- Florida Refrigeration & Air Conditioning Contractor's 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 2017, Hurricane Irma impacted the State of Florida. The storm caused significant damage to residential property and businesses which prompted a demand for contractors in the construction industry. During this time, the investigators reached out to property owners and contractors by providing insurance and reconstruction information. Investigators shared brochures that included information on reporting damage to the insurance agent and/or company, finding licensed contractors, entering a repair reconstruction contract, and cancelling a contract. For the contractors, the brochure included information on the coverage requirements on workers' compensation to out of state contractors as well as Florida contractors. In addition, the investigators provided contact information on other governmental agencies who could assist people with the recovery process.

Collection Activities

Employers have the option of paying their penalties in full or entering into a periodic payment agreement. Paragraph 440.107(7)a., F.S., permits employers to submit periodic penalty payments pursuant to a payment agreement schedule. In FY 2017-18, the Division entered into 1,049 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 2017-18, the Division reinstated 503 Stop-Work Orders for non-payment.

The Division filed liens against 740 employers to collect unpaid penalties associated with Stop-Work Orders and Orders of Penalty Assessment. Further, the Division referred 740 employers to collections vendors to collect unpaid penalties.

Investigative Leads Initiative through the Use of Data

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

- The Division utilizes payroll and employee information provided from the Department of Revenue to cross match with the Division's policy data; the Division is able to create lists of suspected non-compliant employers. Employers identified as potentially non-compliant are notified of the workers' compensation requirements and the penalties for failure to secure workers' compensation. Those employers that do not secure coverage following the notification are referred for investigation.
- The Division reviews policy cancellation information to identify employers whose policies have been canceled and no subsequent coverage has been obtained.
- County and city permitting information is obtained to identify new jobsites where construction activity may be occurring.
- A recent initiative involves the use of a check cashing database to identify employers facilitating workers' compensation fraud through the use of money service businesses which will be utilized in the coming year to identify workers' compensation fraud. The Division utilizes this information provided by the Office of Financial Regulation to identify underreporting of payroll and premium evasion. The use of the check cashing database has allowed the Division to issue 35 Stop-Work Orders to employers who have underreported payroll by \$336,885,205.96.

IV. INVESTIGATOR 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, 2017 through June 30, 2018, 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/.

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.

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.

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, 2018, a total of 10,608 Construction Policy Tracking Database registrants are tracking workers' compensation policies and/or exemptions associated with 42,357 subcontractors. The website is located at: 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/

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	9
District 3	Tampa	8
District 4	Orlando	8
District 5	Miami	9
District 7	Ft. Myers	7
Total		58

VII. AVERAGE CASELOAD

For the period of July 1, 2017 through June 30, 2018, a total of 28,790 employer investigation cases was initiated resulting in an average caseload of 496 cases per investigator per year.

