

**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, 2024



The Florida Department of Financial Services, Division of Workers' Compensation (DWC) and Division of Investigative and Forensic Services (DIFS) / Bureau of Workers' Compensation Fraud (BWCF) submit this joint report to the President of the Florida Senate and the Speaker of the Florida House of Representatives, pursuant to subsection 626.989(9), Florida Statutes (F.S.) 2003. The joint report addresses the areas identified in subsection 626.989(9), F.S., for the period of July 1, 2022, through June 30, 2023.

January 15, 2024

The Honorable Kathleen Passidomo
President of the Senate

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

The Honorable Paul Renner
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, 2022– June 30, 2023.

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 (DIFS), Bureau of Workers' Compensation Fraud (BWCF) is comprised of twenty-one detectives, two intelligence analysts, and four 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 BWCF currently has four dedicated prosecutors located in Miami-Dade, Hillsborough, Broward, and Palm Beach Counties. These resources allow investigators to obtain timely arrest warrants and a more cohesive prosecution of individuals charged with violating the workers' compensation fraud statutes and related criminal acts.

The BWCF has continued to prioritize investigative resources in the areas of employee/claimant fraud, premium fraud, and joint operations concerning construction sites working without appropriate coverage, with our partners in the Division of Workers' Compensation (Division), Bureau of Compliance. The BWCF will continue to enforce criminal statutes regarding "working without coverage" and the violation of Stop-Work Orders as issued through the Bureau of Compliance.

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

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

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, DIFS personnel, and interested citizens.

The mission of the task force is to explore ways to combat insurance fraud through enhanced legislation, administrative rules, and public education.

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

The BWCF actively participates in the Florida Insurance Fraud Education Committee (FIFEC) annual conference in Orlando, Florida, to teach and conduct panel discussions related to workers' compensation fraud. Additionally, throughout the year, BWCF members were provided training in topics related to workers' compensation fraud, healthcare fraud, financial fraud, as well as other types of insurance fraud.



CASE HIGHLIGHTS

FIELD OFFICE: MIAMI WORKERS' COMPENSATION SQUAD

Case 22-715

An investigation was conducted by the Department of Financial Services, Division of Investigative & Forensics, Bureau of Workers' Compensation Fraud, which revealed that an owner of a construction company actively concealed payroll to avoid paying a higher workers' compensation premium. In 2019, the suspect applied for workers' compensation coverage and provided an estimated annual remuneration of \$48,400.00. Based on the provided information, a traditional policy was issued with an estimate premium of \$4,475.00.

The investigation revealed that the suspect, on behalf of his company, failed to notify his insurance company of significant payroll changes. Detectives were able to determine during the policy period, he actually collected over \$2.6 million in labor costs paid from contractors to his company. Had the additional payroll been reported, the company would have been assessed an additional \$417,487.69 in premium charges.

On January 26, 2023, the suspect was arrested and booked in the Miami-Dade Jail where he was charged with Workers' Compensation Premium Fraud.

FIELD OFFICE: ORLANDO WORKERS' COMPENSATION SQUAD

Case 22-1443

This investigation was initiated based on a complaint filed by an insurance company claiming an employee had made false statements regarding the nature and severity of a reported workplace injury. The worker allegedly injured himself while lifting heavy boxes and reported this to his employer who sent him for evaluation. However, while receiving treatment as a result of his claim, detectives were able to show that he had unreported sources of income and participated in matches as a professional wrestler.

On May 31, 2023, the employee was arrested and charged with workers' compensation fraud as well as grand theft.

FIELD OFFICE: WEST PALM BEACH WORKERS' COMPENSATION SQUAD

Case 22-958

In May of 2021, a homeowner hired a contractor to perform a large renovation at a home in Boca Raton. Over the next few months, deposits for work to be done and other payments were paid to the contractor which totaled \$217,000.

After many promises, little work had been performed and growing suspicious, the homeowner discovered the hired contractor was not properly licensed. Investigation into this incident also revealed the contractor had employees working at the home but lacked the necessary workers' compensation insurance.

On December 5, 2022, the contractor was arrested and charged with grand theft, working without coverage, and contracting without a license.

FIELD OFFICE: TAMPA WORKERS' COMPENSATION SQUAD

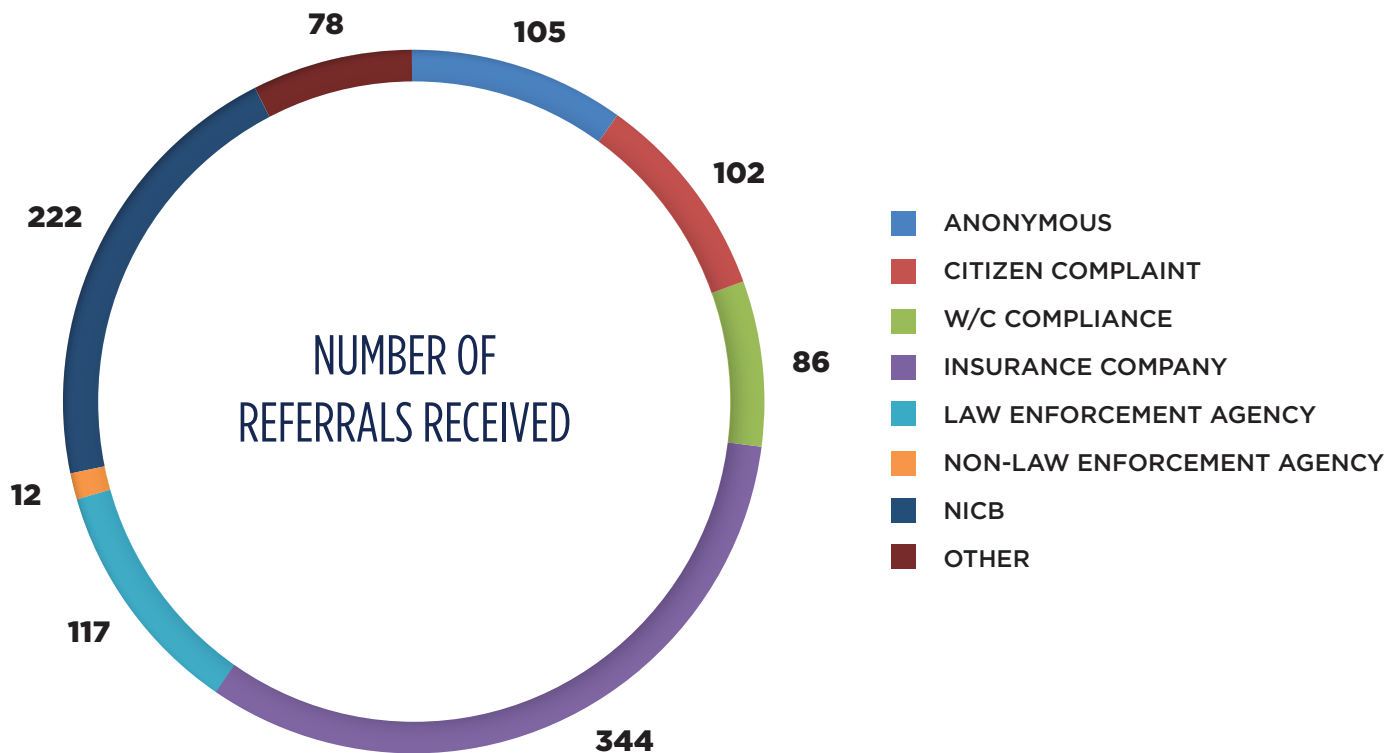
Workers' Comp Fraud / Unlicensed Contractor Sting

In January, the Department of Financial Services, Division of Investigative and Forensic Services along with the Manatee County Sheriff's Office and the Department of Business & Professional Regulation conducted a joint Workers' Compensation Fraud/ Unlicensed Contractor Sting in Manatee County. The purpose of the sting was to address unlicensed contractors who were both working without the required contractor's license as well as performing construction work without the required workers' compensation insurance.

The joint operation lasted two days and resulted in the arrest of eight individuals.

NUMBER OF SUSPECTED FRAUD REFERRALS & NUMBER OF CASES INITIATED

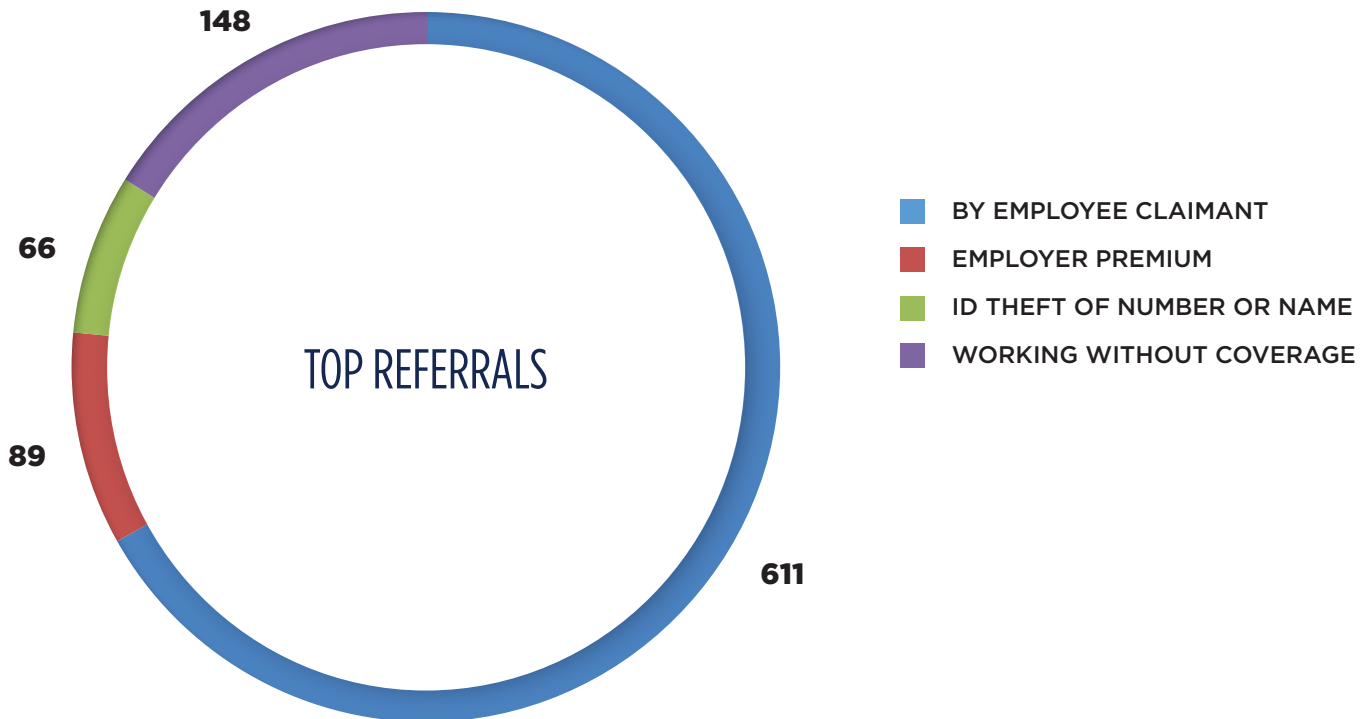
SOURCE	NUMBER OF REFERRALS RECEIVED	CLOSED: CASE INITIATED
ANONYMOUS	105	1
CITIZEN COMPLAINT	102	7
W/C COMPLIANCE	86	28
INSURANCE COMPANY	344	79
LAW ENFORCEMENT AGENCY	117	99
NON-LAW ENFORCEMENT AGENCY	12	5
NICB	222	11
OTHER	78	6
GRAND TOTAL	1,066	236



TYPES OF WORKERS' COMPENSATION REFERRALS

SUB TYPE

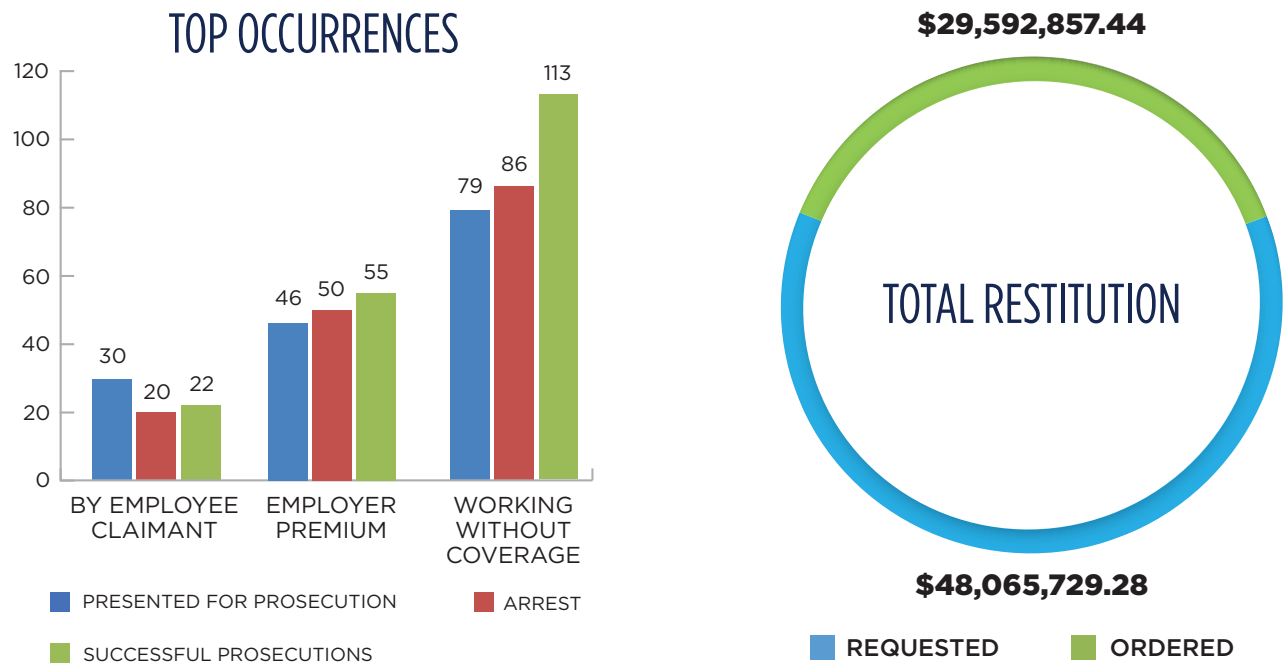
AGENT PREMIUM	2
APPLICATION	10
BY EMPLOYEE CLAIMANT	611
BY EMPLOYER	51
BY PROVIDER	5
EMPLOYER PREMIUM	89
FAILURE TO PAY PENALTY	12
FICTITIOUS CERTIFICATE OF EXEMPTION	4
FICTITIOUS CERTIFICATE OF INSURANCE	11
ID THEFT OF NUMBER OR NAME	66
MONEY SERVICE BUSINESS	2
VIOLATION OF STOP-WORK ORDER	48
WORKING WITHOUT COVERAGE	147
GRAND TOTAL	1,060



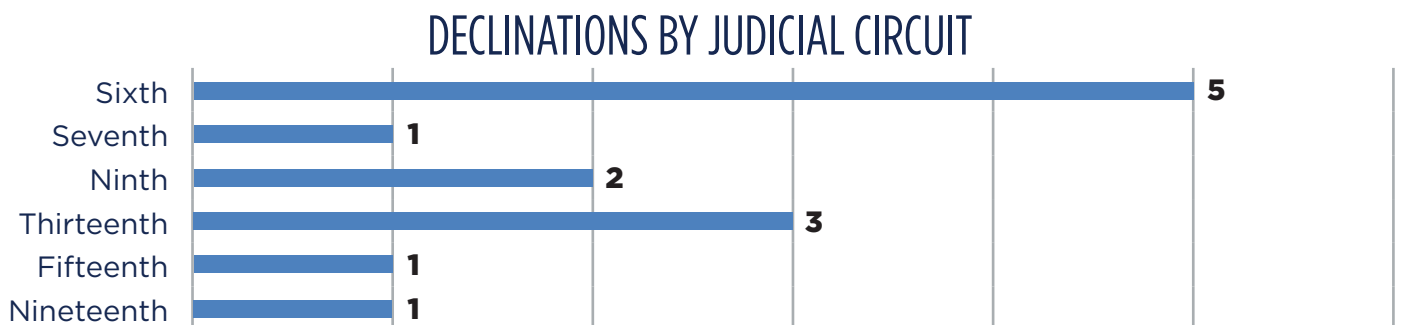
ENFORCEMENT ACTIVITY

TYPE OF CASE	PRESENTATIONS	ARRESTS	SUCCESSFUL PROSECUTIONS*
APPLICATION	1	1	2
BY EMPLOYEE CLAIMANT	30	20	22
BY EMPLOYER	2	3	2
EMPLOYER PREMIUM	46	50	55
FICTITIOUS CERTIFICATE OF EXEMPTION	1	1	1
FICTITIOUS CERTIFICATE OF INSURANCE	4	4	8
ID THEFT OF NUMBER OR NAME	14	10	8
MONEY SERVICE BUSINESS	0	0	1
VIOLATION OF STOP-WORK ORDER	7	7	6
WORKING WITHOUT COVERAGE	79	86	113
GRAND TOTALS	184	182	218

* Successful Prosecution numbers are higher than Arrest numbers due to the original Arrest occurring in a prior fiscal year.



A total of thirteen presentations were declined prosecution by the respective state attorney's office.



DIVISION OF WORKERS' COMPENSATION (DIVISION, DWC)

The Division is responsible for ensuring employers are in compliance 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 the required coverage; 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 adhere to the coverage requirements in Chapter 440, Florida Statutes (F.S.) The Division uses various tools to focus its investigative efforts on identifying non-compliant employers and combating premium fraud in the workers' compensation system.

Effective January 1, 2023, the Division completed implementation of HB 959, which passed during the 2022 legislative session. One change in HB 959 places emphasis on educating employers about Florida's coverage requirements. Therefore, the Division created two online workers' compensation coverage and compliance tutorials. The tutorials include information on coverage requirements, exemption eligibility and compliance with enforcement actions. One tutorial is required prior to completing an application for a workers' compensation exemption. The other tutorial is offered to eligible employers after an enforcement action is issued.

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 as well as industry-related associations and organizations to make the best use of resources, leverage data, and increase employer compliance.

Pursuant to subsection 626.989(9), F.S., the Division provides the following report of workers' compensation enforcement, compliance activities, and performance during FY 2022-23.

I. REFERRALS

Division of Investigative and Forensic Services (DIFS)

The Division and DIFS maintain a cooperative working relationship to carry out our respective statutory duties.

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

Not only do the divisions communicate with each other upon receipt of a referral, but the Division often works jointly with DIFS on compliance sweeps seeking out employers that are not in compliance with the workers' compensation law.

During the period of July 1, 2022, through June 30, 2023, the Division's Bureau of Compliance referred 86 employers to DIFS for possible criminal investigation.

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, 4,496 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.

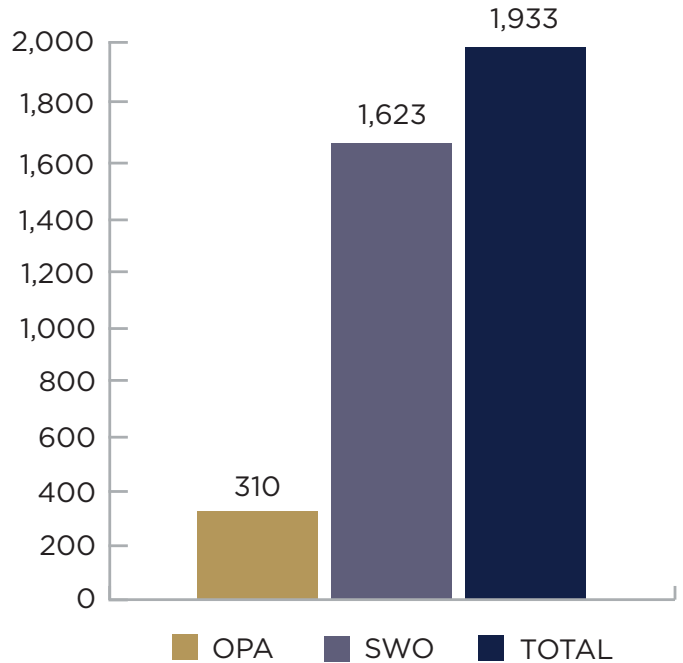
The Division investigated 826 referrals submitted via the Non-Compliance Referral Database during FY 2022-23. The investigations initiated by the referrals resulted in the issuance of 111 enforcement actions and \$2.1 million in assessed penalties against non-compliant employers.

II. ENFORCEMENT ACTIVITIES & WC EXEMPTION STATISTICS

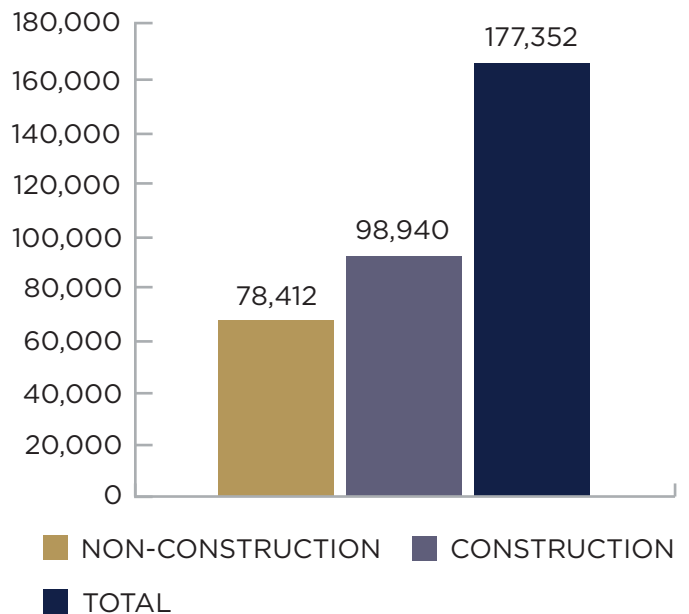
During FY 2022-23, the Division:

- Conducted 24,703 investigations. Investigations are virtual and physical onsite inspections of an employer’s jobsite or business location conducted to determine employer compliance with the workers’ compensation coverage requirements.
- Issued 1,933 enforcement actions. Enforcement actions are Stop-Work Orders and Orders of Penalty Assessment. Stop-Work Orders (SWOs) are issued for the following violations: failure to obtain workers’ compensation insurance, materially understating or concealing payroll, materially misrepresenting or concealing employee duties to avoid paying the proper premium, materially concealing information pertinent to the calculation of an experience modification factor, and failure to produce business records in a timely manner. Orders of Penalty Assessment (OPAs) are issued in cases where the employer obtains coverage prior to the issuance of the enforcement action, but after the investigation is initiated.
- Collected \$2,352,722 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 up to two-years, or \$1,000, whichever is greater. Penalty amounts vary and are dependent on the employer’s payroll, risk classification, and period of non-compliance.
- Increased workers’ compensation coverage for 8,020 new employees, which generated \$5,532,616.92 in insurance premium.
- Issued 98,940 construction industry certificates and 78,412 non-construction certificates.

ENFORCEMENT ACTIONS ISSUED



EXEMPTION APPLICATIONS PROCESSED



CASE STUDIES

Case One

In August 2022, the Division initiated an investigation due to a death at a construction jobsite. The property was owned by a private investment company out of California. During the investigation, the investment company provided the information for their General Contractor on the project. The General Contractor had hired an individual to conduct various construction activities on the project. The individual had been working on the project for approximately one month. The General Contractor was issued a Stop-Work Order for failure to provide coverage for employees as well as for hiring uninsured subcontractors. The General Contractor was assessed a penalty of \$7,489.62 and has entered a periodic payment plan to pay the assessed penalty.

Case Two

In September 2022, the Division initiated an investigation into a medical office based on a report of their workers' compensation policy cancellation. During the investigation eleven locations were identified with 74 employees across the locations. Due to the non-compliance, the employer was issued a Stop-Work Order for failure to secure workers' compensation insurance for its employees. As a result of the investigation, a policy covering the eleven locations and 74 employees was purchased adding \$36,196 in premium to the workers' compensation system. The employer was assessed and paid a penalty of \$8,398.28.

Case Three

In August 2022, a routine investigation was commenced at a new residential home under construction. The contractor had two employees onsite installing cabinetry in the home and the investigation determined that the employer's contract with their leasing company had been terminated. The contractor was issued their third Stop-Work Order for failure to obtain workers' compensation insurance. The contractor cited was under investigation for stealing over \$5 million in payments from over 150 clients and failing to perform construction services. A referral was submitted to the Bureau of Investigative and Forensic Services due to the contractor having multiple Stop-Work Order violations. As a result of the combined efforts of the Bureau of Compliance and the Division of Investigative and Forensic Services, Bureau of Insurance Fraud, the workers' compensation violation was determined to be a violation of the contractor's pretrial release and the contractor's bond was revoked and the contractor is awaiting his trial in jail. Additionally, the employer was assessed a penalty of \$2,641.84.

Case Four

In March 2023, an investigation was commenced on a company due to potential underreporting of payroll to their insurance company. The employer had a workers' compensation insurance policy with \$32,000 estimated annual payroll for wallboard, sheetrock, and drywall operations. During the investigation, over \$643,000 in payments were identified through the Check Cashing Database. The investigation also uncovered over \$405,000 in payment from contractors for framing and drywall jobs. A Stop-Work Order was issued to the contractor for materially understating or concealing payroll as well as for materially misrepresenting or concealing employee duties so as to avoid proper classification for premium calculations. The employer was assessed a penalty of \$138,965.02 for the violations and has entered a periodic payment plan to pay the assessed penalty.

III. DIVISION INITIATIVES

Employer Education

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

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

The Division issued 46 Continuing Education Units (CEUs) to business owners, and licensed contractors who attended scheduled webinars.

Collection Activities

Employers have the option of paying their penalties in full or entering into a periodic payment agreement. Subparagraph 440.107(7)(a.), F.S., permits employers to submit periodic penalty payments pursuant to a payment agreement schedule. In FY 2022-23, the Division entered into 681 payment agreements.

Investigative Leads Initiative Through the Use of Data

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

- The Division utilizes payroll and employee information provided from the Department of Revenue to cross match with the Division's policy data; the Division is able to create lists of suspected non-compliant employers. Employers identified as potentially non-compliant are notified of the workers' compensation requirements and the penalties for failure to secure workers' compensation. Those employers that do not secure coverage following the notification are referred for investigation.
- The Division reviews policy cancellation information to identify employers whose policies have been canceled and no subsequent coverage has been obtained.
- County and city permitting information is obtained to identify new jobsites where construction activity may be occurring.
- The Division utilizes information from a check cashing store database operated by the Office of Financial Regulation to identify employers using money service businesses to underreport payroll, thus avoid paying the appropriate workers' compensation premium.
- The Division utilizes the Coverage and Compliance Automated System (CCAS), Daily Activity Report to obtain information documented by investigators as information for underwriters. This material is compared to policy data and provides a review of compliant employers with detailed information about the number of employees observed onsite and method and amount of salary payments to those employees.

IV. BUREAU OF COMPLIANCE TRAINING

THE OBJECTIVE

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. The Division conducted numerous workers' compensation training sessions during FY 2022-23.

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 here:

Inservice Training Workshops

Inservice training workshops are designed to educate compliance investigators, penalty auditors, facilitators and exemption staff members on the workers' compensation law, administrative rules, and new and existing policies and procedures.

Penalty Administration Training Workshops

This training series is designed primarily for the Division's penalty auditors. It 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 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: <https://dwcdataportal.fdfs.com/ProofOfCoverage.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.fdfs.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, 2023, a total of 3,033 Construction Policy Tracking Database registrants are tracking workers' compensation policies and/or exemptions associated with 47,847 subcontractors.

The website is located at: <https://contractor.fdfs.com/>

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 program also allows employers to estimate their policy premium based on the class codes for their business operation. The results are not the exact amounts that will be billed by the insurance companies since there are additional fees associated to obtain a workers' compensation insurance policy. This is simply an informational guide to forecast what your premium may be prior to additional fees.

The website is located at: <https://minimarket.fdfs.com/>

DWC e-alerts & Instructional Videos

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. Instructional videos on key workers' compensation subjects are available on the Division's website.

VI. DWC OFFICE LOCATIONS & STAFF

The Division maintains seven district offices statewide. The 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	8
District 2	West Palm Beach	9
District 3	Tampa	8
District 4	Orlando	8
District 5	Miami	9
District 7	Ft. Myers	7
Total	All District Offices	57

VII. AVERAGE CASELOAD

For the period of July 1, 2022, through June 30, 2023, a total of 24,703 employer investigation cases were initiated resulting in an average caseload of 433 cases per investigator.

