

Florida Department of Financial Services

Workers' Compensation Annual Report
Fiscal Year 2013/2014



**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, 2015

The Florida Department of Financial Services, Division of Workers Compensation Fraud and Division of Insurance Fraud jointly present this report to the President of the Florida Senate and the Speaker of the Florida House.

This report is presented pursuant to §626.989(9), Florida Statutes 2003, to address the areas identified in §626.989(9), for the period of July 1, 2013 through June 20, 2014.



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

January 1, 2015

The Honorable Andy Gardiner
President of the Senate

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

The Honorable Steve Crisafulli
Speaker of the House

The Capitol – Suite 420
Tallahassee, Florida 32399-1300

Dear President Gardiner and Speaker Crisafulli:

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, 2013 – June 30, 2014.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "T. Holloman".

Tanner Holloman, Director

Sincerely,

A handwritten signature in blue ink, appearing to read "S. Blank".

Simon Blank, Director

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, 2013 through June 30, 2014.

The Florida Division of Insurance Fraud continues to be a perennial leader in the fight against insurance fraud. During Fiscal Year 2013/2014, investigative efforts by the Division of Insurance Fraud resulted in 1,575 cases presented for prosecution, 1,465 arrests, and 1,249 convictions. During this time period, the Division received and reviewed 16,063 referrals of suspected insurance fraud.

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

- **12% increase** in Workers' Compensation Fraud related **presentations for prosecution** (530 up from 475).
- **15% increase** in Workers' Compensation Fraud related **arrests** (480 up from 418).
- **39% increase** in Workers' Compensation Fraud related **convictions** (360 up from 259).

The Bureau expects increases in those areas again for Fiscal Year 2014/2015 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 2013-2014. The Bureau maintains five dedicated workers' compensation squads in Miami, West Palm Beach, Orlando, and Tampa. In addition to these investigative resources, the Division works with four (4) dedicated prosecutors located in Miami-Dade, Hillsborough, Broward and Palm Beach counties. These combined resources facilitate the receipt of arrest warrants in a timely manner, and a more cohesive prosecution of individuals charged with violations of worker's compensation fraud and related criminal acts.

Because individuals continue to 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, workers' compensation premium fraud continues to be a Bureau priority. These sub-contractors use these "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. The BWCF is working with members of the construction industry, regulatory agencies, and other law enforcement agencies to combat this crime trend.

The BWCF will continue to prioritize and investigate employee/claimant fraud in the coming year. Referrals continue to reflect the fraudulent use of personal identification, either in support of employment or a w/c claim. The BWCF completed several enforcement operations in combating this emerging trend.

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.

Florida WORKERS' COMPENSATION FRAUD TASK FORCE

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 share information with the insurance industry and government agencies to facilitate a strong working relationship with the task force members in combating insurance fraud. Quarterly meetings are held to discuss trends and current issues related to workers' compensation fraud.

Additionally, the BWCF actively participates in the Florida Insurance Fraud Education Committee (FIFEC) annual conference in Orlando Florida to teach and hold panel discussions in issues regarding workers' compensation fraud.

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 due to individuals using either stolen personal identification, or 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 orders" 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 led to multiple arrests and non-compliance violations of individuals who fail to obtain or maintain the proper workers' compensation coverage.

To report workers' compensation fraud, 1-800-378-0445 or visit www.myfloridacfo.com/division/fraud/

Case Highlights

WEST PALM BEACH – MSB

From October 9, 2013 through April 10, 2014, Victor Manuel Figueroa Martinez and his company, VF Construction Inc., with Jose Mardem Lopez, in conjunction with uninsured subcontractors, engaged in an organized scheme to defraud during which the defendants committed crimes including workers' compensation fraud, conspiracy to commit workers' compensation fraud, and grand theft. These crimes, in part, were facilitated by Victor Manuel Figueroa Martinez when he fraudulently obtained minimal workers' compensation insurance policy for VF Construction Inc., by falsely claiming the company was a small construction related business. Victor Manuel Figueroa Martinez caused certificates of insurance (COI) reflecting workers' compensation insurance coverage to be issued, for a fee, which were subsequently used by uninsured subcontractors performing a variety of construction related trades across South Florida. General contractors for whom the uninsured subcontractors were working were led to believe that they were somehow related to VF Construction Inc., when in reality they were merely renting the companies COI to obtain construction jobs. When the jobs were completed, the payments to the uninsured subcontractors were made in the form of business-to-business checks drawn on the general contractors bank account payable to the "shell company", which were subsequently cashed at various money service businesses or check cashing stores in South Florida. The scheme is driven by the fact that workers' compensation insurance policy premiums are determined by the amount of payroll exposure reported by an insured, and then verified at a year-end audit. In all of these cases, a very small amount of payroll exposure is reported at the inception of the policy, millions of dollars of payroll is then funneled through the company, and then, because the company is a "shell," no one can be located and thus no audit to capture the actual payroll figures is ever completed. To perfect this scheme, the trail of money from the primary contractor through the sub-contractor and ultimately to the cash paid laborers must be hidden to avoid detection by the authorities. Therefore, subcontractors who use cash paid laborers in conjunction with a "shell company" typically use a series of MSBs also known as check cashing stores. The "shell" companies are utilizing MSBs to cash large business-to-business checks for sub-contractors that are employing cash paid laborers. Jose Mardem Lopez who acted as the facilitator of the "shell" corporation makes the COI available to laborers not listed on the workers' compensation insurance policy for a "fee." The fees range from three to five percent and are collected at the time the business-to-business checks are cashed at MSBs involved in this scheme. Several MSBs have been identified as potential future targets.

The Florida Department of State, Division of Corporations records indicate that the director/president and registered agent for VF Construction, Incorporated is Victor Manuel Figueroa Martinez who reflects the mailing and principal address for the business as 3550 Northwest 8th Avenue, #402 in Pompano Beach, Florida 33064. This is a dwelling, located in a residential neighborhood in Coral Springs, Florida. The business was incorporated on September 18, 2013. A review of the State of Florida, Division of Unemployment Compensation failed to produce any records of employees or earned wages during the life of VF Construction, Incorporated.

A review of confidential law enforcement financial records associated with VF Construction, Incorporated revealed that between October 9, 2013 through April 10, 2014, approximately \$12,363,392.00 was reported to the IRS by way of Currency Transaction Reports (CTR), in the name of VF Construction, Inc., and/or Victor Manuel Figueroa Martinez and/or Jose Mardem Lopez. There has been at least 221 CTRs filed on VF Construction, Inc. during October 9, 2013 through April 10, 2014. The case is currently pending trial.

TAMPA SQUAD 2

This matter was referred to the Division of Insurance Fraud by Brumell Investigations, Inc., who was hired by the victim in this case, Blue Cross/Blue Shield Opta Comp. The information received indicated that the claimant, Mr. Joseph Leo, worked for the Sarasota County School Board as a plumber. Mr. Leo alleged that on April 13, 2011, he was fixing a clogged drain at a school when he slipped on the floor causing him to twist his left knee. And then, on May 11, 2011, he was working at another school when he stepped in a hole in the ground causing injury or exacerbation to his left knee. The above injury dates were consolidated into one claim: May 11, 2011 was used as the date of injury.

During the course of the claim, video surveillance of Mr. Leo was conducted. The surveillance showed Mr. Leo performing landscaping type work. He was also observed standing, walking, bending, using gas and electric powered landscape tools, operating a riding lawnmower and using hand tools. On December 1, 2011, Mr. Leo was deposed in Charlotte County. During the deposition, Mr. Leo denied being able to do the activities that he was captured on videotape doing.

In addition, it was also discovered that Mr. Leo was untruthful about his prior medical history. When Mr. Leo's workers' compensation doctor learned of his actual medical history, the doctor provided a statement indicating that Mr. Leo's current medical condition was not related to his workers' compensation claim. Mr. Leo was provided with \$62,900 in workers' compensation benefits as a result of his misrepresentations.

On July 24, 2013, Mr. Leo was arrested in Charlotte County and charged with a second degree felony count of workers' compensation fraud and perjury in an official proceeding. On May 8, 2014, Mr. Leo pled nolo contendere to workers' compensation fraud and perjury. He was placed on probation for five years and ordered to pay restitution in the amount of \$62,900.

ORLANDO SQUAD

The Florida Division of Insurance Fraud completed an investigation concerning Smart Touch Services Inc. and related subsidiaries avoided paying full workers' compensation premiums by misrepresenting the wages and the number of employees. The investigation by revealed that Smart Touch was paid approximately a total \$20.6 million dollars in wages from West Gate Resorts for janitorial services from 2009-2011, but reported only \$6,860,000 in wages.

Through the investigation, it was revealed that Ada Schoenbohm and her mother Ada Urdaneta were owners of Smart Touch Services, Inc and related shell corporations. They used the shell corporations to hide wages and avoid paying full premiums. Also during the investigation, it was discovered that a person associated with owners of Smart Touch Service, Inc., Sergio Jose Villalobos opened several business checking accounts for several shell corporations in the name of an individual who was deported in 2008. The investigation additionally revealed that Andreina Urdaneta, wife of Villalobos, assumed the managerial duties of one of the major shell company used to hide wages.

Further investigation revealed that Smart Touch Services Inc. deprived the insurance company of collecting premiums totaling \$822,000. On January 28, 2014, Ada Schoenbohm, Ada Urdaneta, Sergio Villalobos and Andreina Urdaneta were arrested and charged with R.I.C.O., workers' compensation fraud and scheme to defraud. Case is currently pending trial.

WEST PALM BEACH – MSB

On or about 09/13/2013 through 09/20/2013, the Defendant, Beverli Simisterra Garcia, did in fact perform the services defined in Florida State Statute 560.125 (1) which reads, “A person may not engage in the business of a money services business or deferred presentment provided in this State unless the person is licensed or exempted from licensure under this Chapter.” The Florida Office of Financial Regulation has no record in its licensure database reflecting Garcia as a licensed money service business, nor does he fit the criteria to be exempt from licensure. Garcia is a construction company owner. Garcia cashed numerous checks at various Money Service Businesses to avoid Workers' Compensation Premiums and avoid money reporting requirements.

Specifically, on 09/19/2013, while under surveillance, Garcia did in fact arrive and collect thirty-seven (37) third party business to business checks totaling \$110,248.00 from a storefront located in Palm Beach County, Florida. Subsequently on 09/19/2013 and 09/20/2013, Garcia transmitted these payment instruments on his person via automobile to a money service business in Broward County, with the intent to cash them at a money service business and then transport the currency back into Palm Beach County intending to deliver it back to the storefront located there. Garcia was also collecting fees which he shared with his co-conspirators.

Garcia was under surveillance during his return trip and stopped by the Workers' Compensation Task Force at a restaurant in Palm Beach County for engaging in the business of a money service business. When stopped, Garcia had in his possession \$79,635.00 in US Currency.

On 07/11/14, Garcia plead guilty to workers' compensation insurance fraud, engaging in the business on a money service business, and violation of the Florida Money Laundering Act. Garcia disgorged \$104,662.00 (combined sum with a previous case) to the Workers' Compensation Fraud Taskforce and Broward Sheriff's Office. Garcia was picked up by immigration and is currently awaiting deportation due to the above charges.

MIAMI DADE SQUAD

The Division of Insurance Fraud, and the Miami-Dade County Office of Inspector General (OIG), conducted a joint investigation into the actions of subject Anthony Dorta. Dorta was employed by the Miami-Dade County Fire Department as a fire inspector. On January 28, 2011, Dorta filed a workers' compensation claim for an on-the-job injury to his left knee sustained on January 19, 2011. From this date until November 14, 2013, Dorta completed Florida Department of Financial Services' Division of Workers' Compensation Employee Earnings Reports (also known as DWC-19s) on a monthly basis.

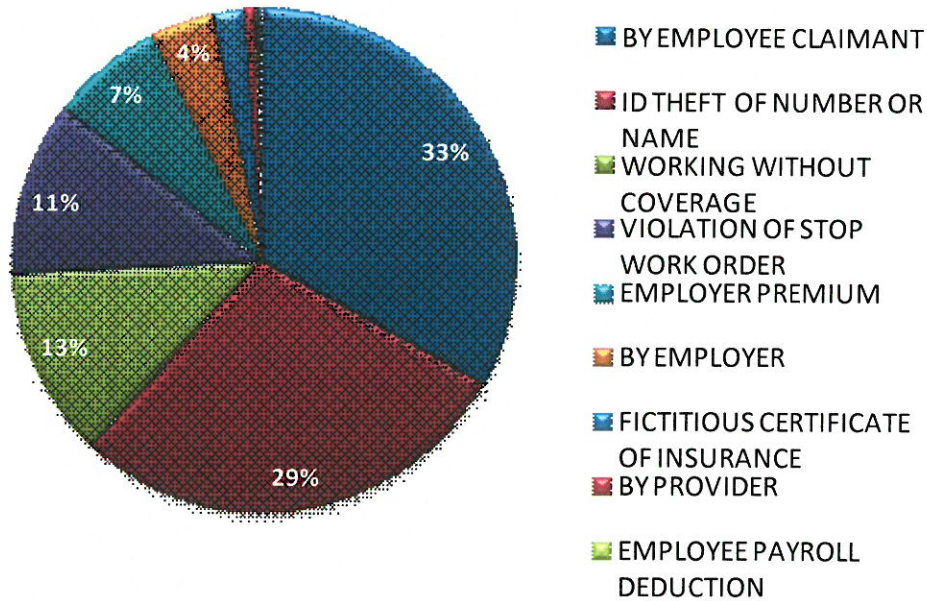
OIG Investigator Felix Jimenez, while investigating another individual, learned that Dorta, while receiving workers' compensation benefits, was also being paid by this individual as an employee. As per Florida law, all earnings of any nature must be reported to the employer through whom benefits are being received, in this case the employer being the Miami-Dade County Fire Department. Dorta's DWC-19s were obtained, and a review of the forms revealed that no other income other than from the fire department was declared.

An arrest warrant was obtained and Dorta surrendered on April 10, 2014. Dorta was charged with making false/fraudulent insurance claims, a third degree felony. Dorta was convicted on July 17, 2014, and sentenced to two years of pre-trial intervention. Dorta was ordered to pay \$2,017.13 to the OIG for investigative costs, and was also required to terminate his employment with the Miami-Dade County Fire Department, and terminate any claim for benefits from the Miami-Dade County employee workers' compensation insurance policy.

Types of Workers' Compensation Referrals

WORKERS' COMPENSATION REFERRALS	#
BY EMPLOYEE CLAIMANT	713
ID THEFT OF NUMBER OR NAME	623
WORKING WITHOUT COVERAGE	266
VIOLATION OF STOP WORK ORDER	240
EMPLOYER PREMIUM	158
BY EMPLOYER	90
FICTITIOUS CERTIFICATE OF INSURANCE	43
BY PROVIDER	14
EMPLOYEE PAYROLL DEDUCTION	4
FICTITIOUS CERTIFICATE OF EXEMPTION	3
BY ATTORNEY	3
AGENT PREMIUM	2
LEASING COMPANY	1

Types of WC Referrals Received

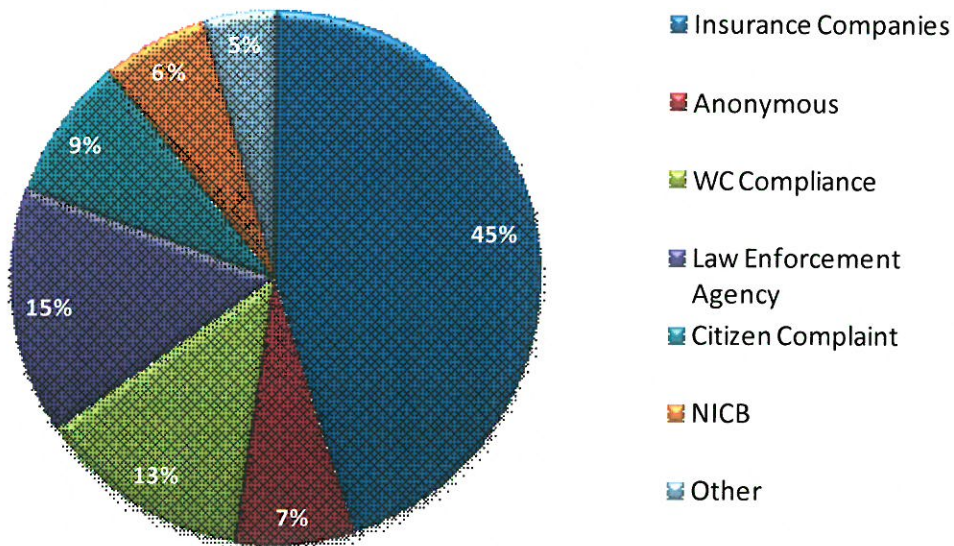


Number of Suspected Fraud Referrals and Number of Cases Initiated

SOURCE	# REFERRALS RECEIVED	# CASES INITIATED
INSURANCE COMPANIES	975	204
ANONYMOUS	156	13
WC COMPLIANCE	283	139
LAW ENFORCEMENT AGENCY	325	294
CITIZEN COMPLAINT	186	35
NICB	149	21
OTHER	97	50

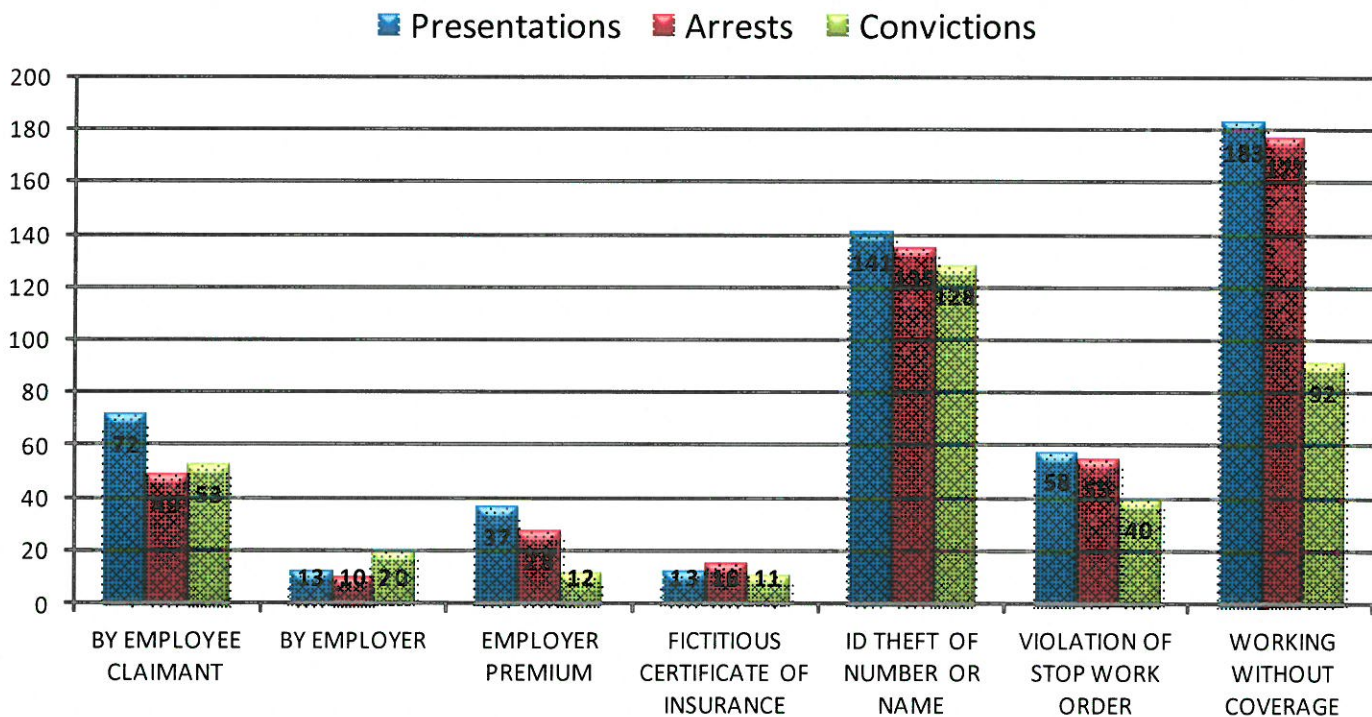
The Division of Insurance Fraud received 2,162 suspected fraud referrals for workers' compensation fraud.

Percentage of Referrals Received from Various Sources



Types of Presentations, Arrests and Convictions

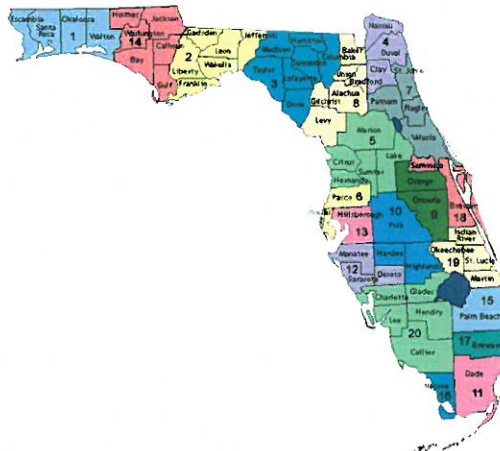
WORKERS' COMPENSATION FRAUD	PRESENTATIONS	ARRESTS	CONVICTIONS
AGENT PREMIUM	0	0	2
BY EMPLOYEE CLAIMANT	72	49	53
BY EMPLOYER	13	10	20
EMPLOYER PREMIUM	37	28	12
FICTITIOUS CERTIFICATE OF EXEMPTION	1	1	1
FICTITIOUS CERTIFICATE OF INSURANCE	13	16	11
ID THEFT OF NUMBER OR NAME	141	135	128
MONEY SERVICE BUSINESS	10	9	1
VIOLATION OF STOP WORK ORDER	58	55	40
WORKING WITHOUT COVERAGE	183	177	92



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

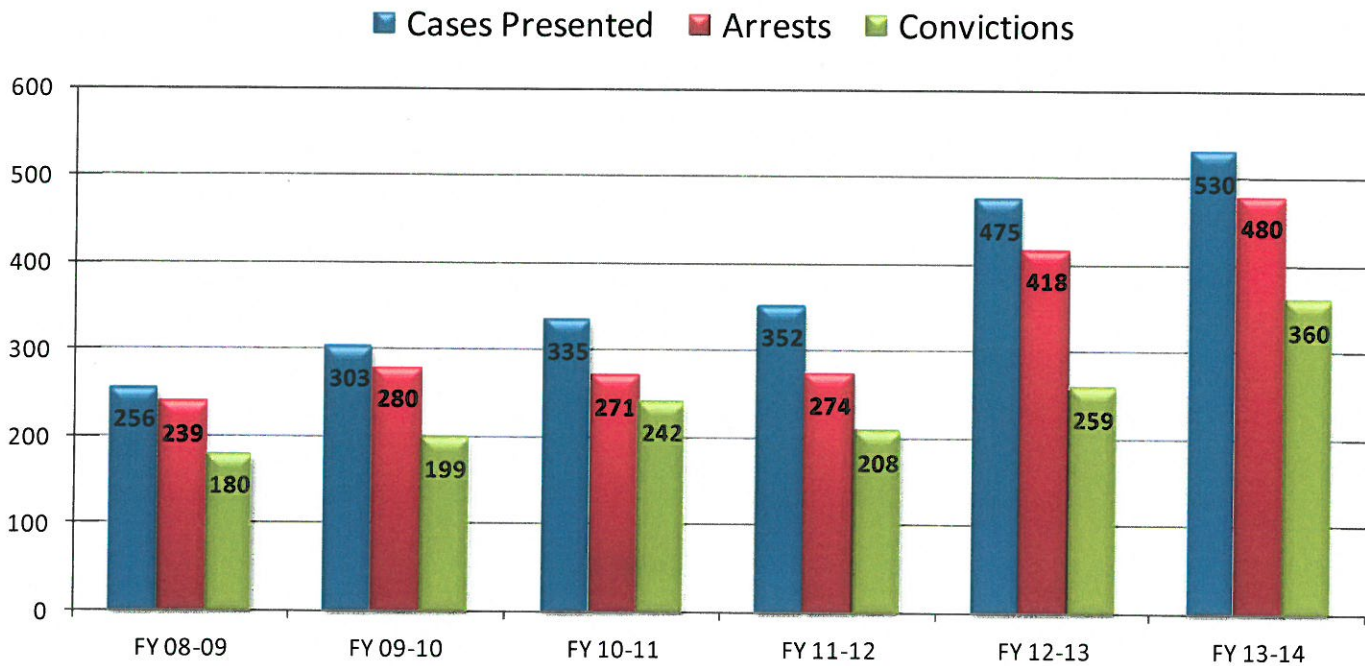
JUDICIAL	# OF CASES
1st	1
2nd	0
3rd	0
4th	0
5th	4
6th	5
7th	0
8th	0
9th	6
10th	3
11th	7
12th	2
13th	3
14th	2
15th	6
16th	0
17th	1
18th	10
19th	3
20th	6
GRAND TOTAL	59

JUDICIAL CIRCUIT	# OF CONVICTIONS
1st	24
2nd	11
3rd	1
4th	14
5th	4
6th	32
7th	6
8th	2
9th	23
10th	7
11th	29
12th	43
13th	14
14th	8
15th	48
16th	0
17th	11
18th	16
19th	38
20th	29
GRAND TOTAL	360



Six Year Statistical Data

MEASUREMENT	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
Cases Opened	568	1597	1286	531	891	785
Cases Closed	621	1380	1293	629	704	840
Cases Presented	256	303	335	352	475	530
Arrests	239	280	271	274	418	480
Convictions	180	199	242	208	259	360



DIVISION OF WORKERS' COMPENSATION (Division)

The Division of Workers Compensation aggressively pursues the identification of non-compliant employers to reduce worker's compensation premium fraud. The Division is currently utilizing various resources to combat fraud:

- *Permitting information is reviewed to identify new construction jobsites and conduct investigations.*
- *Tax and corporate information is researched to identify and target noncompliant employers. The Division is working with the Office of Financial Regulation in the development of a checking cashing database to identify employers facilitating workers compensation fraud through the use of money service businesses.*

In FY 2013-14, the Division increased enforcement actions by 25% over the prior year with no increase in staffing. Through the streamlining of work processes for efficiency and effectiveness, investigators have more time to focus on employer investigations.

The mission of the Division 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 2013-14.

I. Referrals

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, 2013 through June 30, 2014, the Bureau of Compliance and Division of Insurance Fraud made the following referrals:

The Division of Workers' Compensation referred 260 employers to the Division of Insurance Fraud for possible criminal investigation.

The Division of Workers' Compensation received 21 referrals from the Division of Insurance Fraud for civil violations under Chapter 440, F. S.

Referrals to Other Agencies

The Division works cooperatively with 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, 2,384 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.

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.

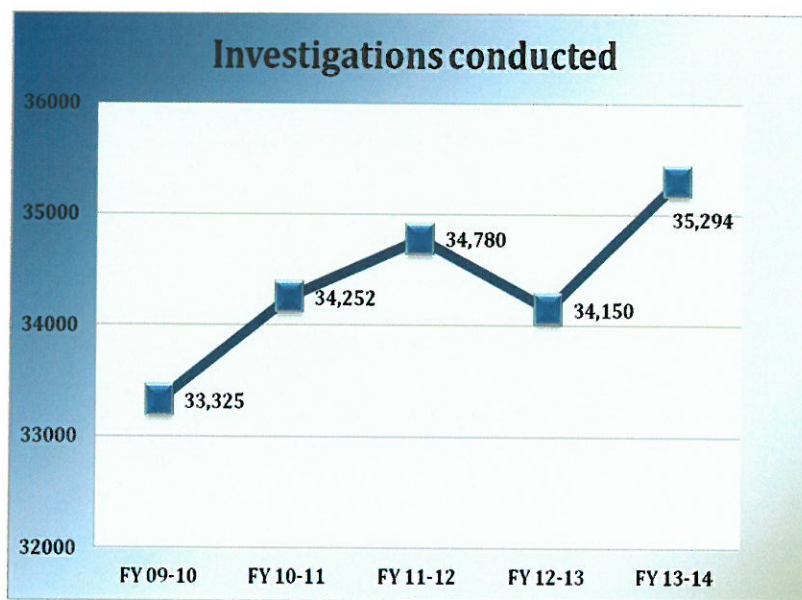
The Division investigated 1,862 referrals submitted via the Non-Compliance Referral Database during FY 2013-14. The investigations initiated by the referrals resulted in the issuance of 276 enforcement actions and \$4.0 million in assessed penalties against non-compliant employers.

II. Enforcement Activities and Workers' Compensation Exemption Statistics

Stop-Work Orders

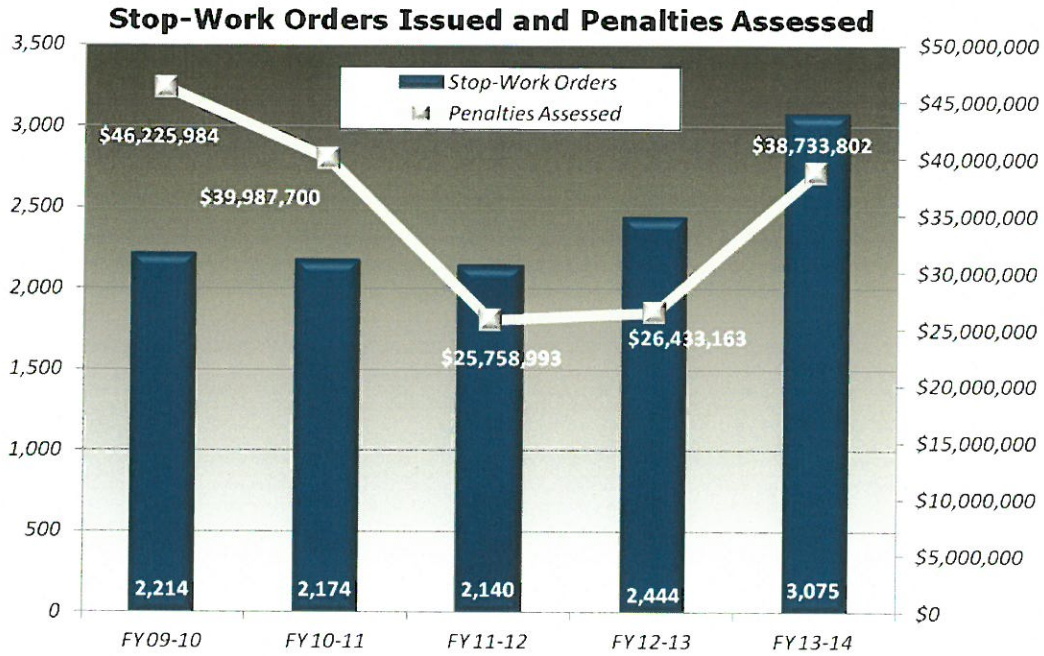
During the period of July 1, 2013 through June 30, 2014, through its enforcement and investigative efforts the Division:

Conducted 35,294 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.

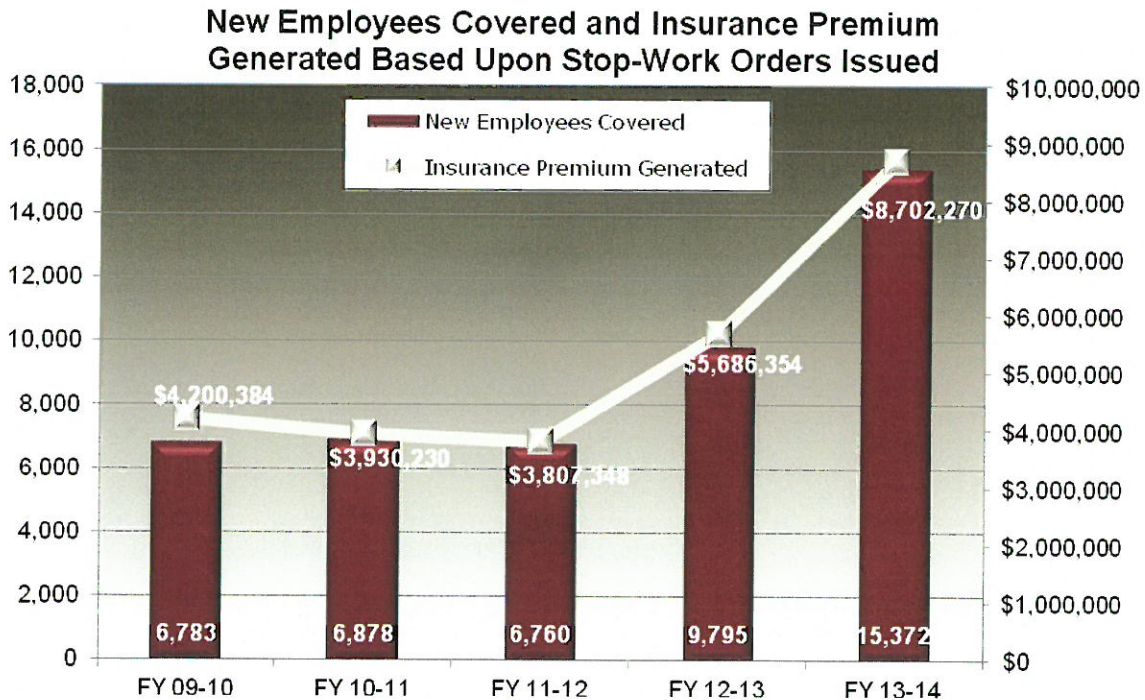


Issued 3,075 Stop-Work Orders. Stop-Work Orders are issued for the following violations: failure to obtain workers' compensation insurance, materially understating or concealing payroll, materially misrepresenting or concealing employee duties to avoid paying the proper premium, materially concealing 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.

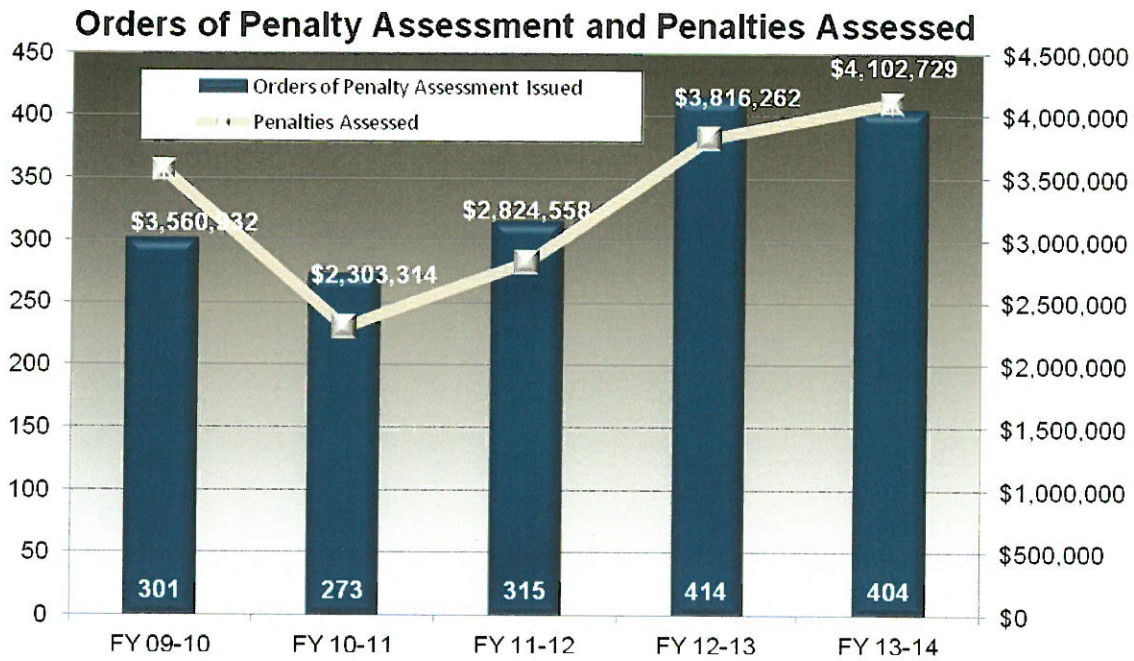
Assessed \$38,733,802 in penalties. An employer who has failed to adhere to the workers' compensation coverage requirements is assessed a penalty based upon the methodology required by the Workers' Compensation Law. Assessed penalties are equal to 2 times what the employer would have paid in workers' 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.



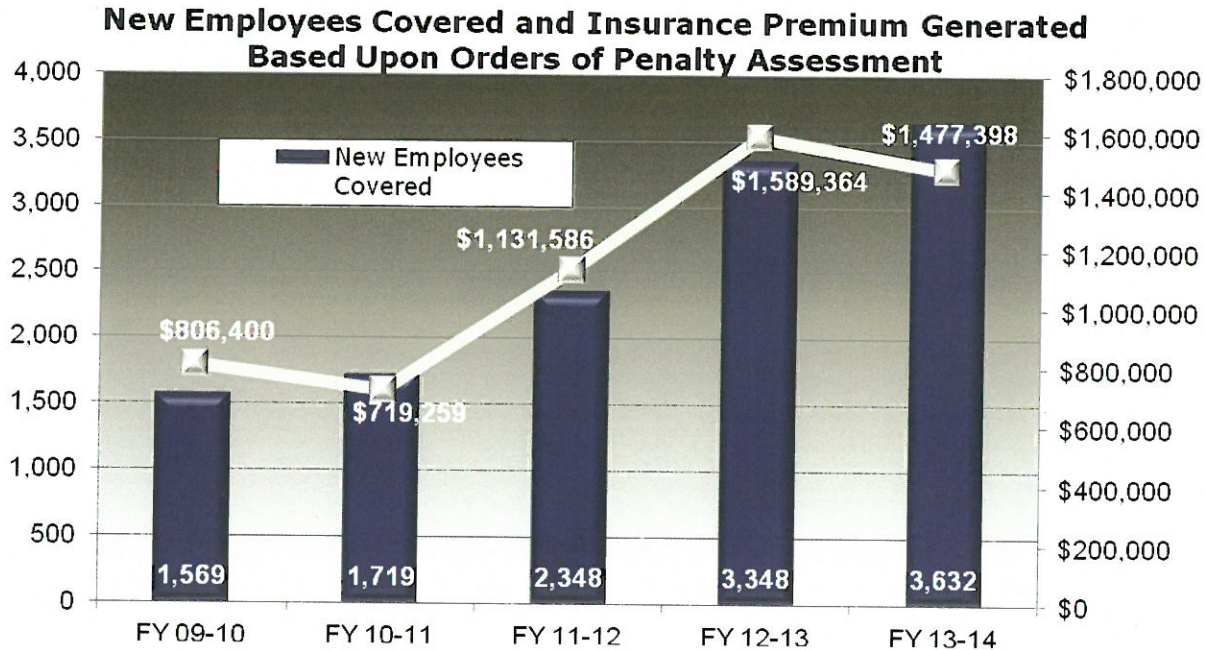
The following graphic reflects the number of employees covered as a direct result of the Bureau's enforcement efforts and issuance of Stop-Work Orders and the monies added to the workers' compensation premium base that had previously been evaded.



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 2013-14, 404 employers were issued an Order of Penalty Assessment with assessed penalties totaling \$4,102,729.



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 statewide workers' compensation compliance sweeps. The first sweep took place in March of 2014 and consisted of teams working across the state. Investigators contacted more than 518 employers and issued 37 enforcement actions to construction companies that put their employees at risk by failing to carry the required workers' compensation coverage.

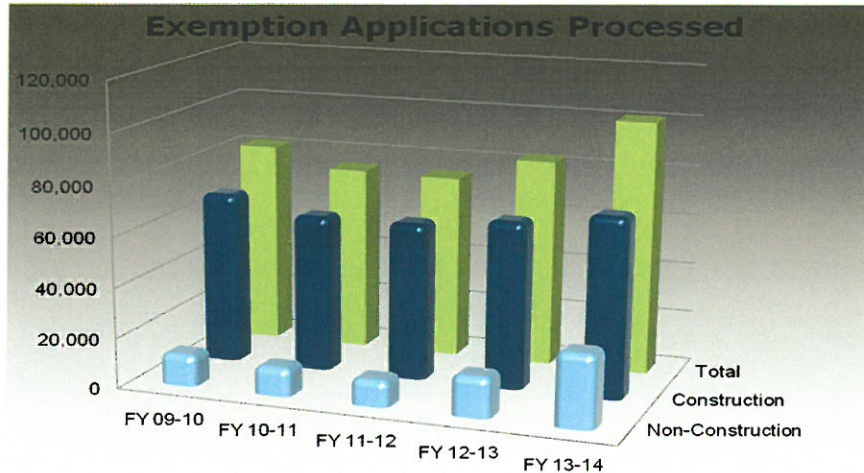
The second statewide sweep was conducted in May of 2014. 574 construction employers were investigated and 24 enforcement actions were issued.

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 71,455 construction industry exemption applications and 29,070 non-construction industry exemption applications. As of June 30, 2014 there were 962,276 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.



	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
Non-Construction	12,666	11,448	10,670	16,217	29,070
Construction	68,364	62,293	62,577	66,326	71,455
Total	81,030	73,741	73,247	82,543	100,525

Case Studies

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

Case One

As a result of a random jobsite visit in Winter Springs on February 5, 2014, an investigator came upon workers performing ground and site leveling operations. The contractor did have coverage through a leasing agreement; however, the employees identified on the jobsite were not covered by the leasing agreement. The business records were audited and a penalty of \$17,454 was issued. The employer came into compliance by entering into a periodic payment agreement and securing a workers' compensation policy for 37 employees, adding \$74,433 premium to the workers' compensation system.

Case Two

In November of 2013, based upon our analysis of information received from another state agency, it appeared a large auto parts recycling business in Bradenton did not have workers' compensation insurance for its employees. Our investigator conducted an investigation and determined the employer did not have coverage for its employees. An audit of the business records for the previously three year period resulted in a penalty \$99,571. The employer came into compliance by purchasing a workers' compensation policy, adding \$19,549 premium to the workers' compensation system.

Case Three

Based upon a public referral that a Miami building contractor was paying employees in cash and identifying employees as independent contractors, an investigation was conducted in November of 2013.

Upon review of the three years of business records, the employer was issued a penalty of \$115,626. The contractor entered into an employee leasing agreement for six employees, totaling \$14,500 in premium added to the workers' compensation system.

Case Four

In May of 2014, based upon a random investigation in Apopka, our investigator identified five employees installing a new roof on a building. It was determined the employer did not have workers' compensation insurance for his employees. Based upon an audit of the employer's business records, a penalty of \$53,697 was issued and \$45,000 in additional premium was added to the workers' compensation system.

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 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 a 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 25 webinars to 763 employers.

The Division provided classroom education to over 2,263 business owners, and licensed contractors who attended 59 educational workshops around the state. These workshops were sponsored by both the Division and the following groups:

- BOAF, Big Bend Chapter
- BOAF, Pasco County Chapter
- BOAF, Pinellas County Chapter
- BOAF, Suncoast Chapter
- Broward County Inspectors
- Charlotte County Society for Human Resource Management
- CLOAF
- Electrical Council of Florida – Crystal River
- Electrical Council of Florida – Ft. Myers

Electrical Council of Florida – Lakeland
 Electrical Council of Florida – Sarasota
 Electrical Council of Florida – Tampa
 Emerald Coast Medical Group Management Association
 Flagler Home Builders Association
 Florida Association of Plumbing Gas & Mechanical Inspectors (FAPGMI)
 Florida Safety Council – Annual Meeting, Orlando
 Florida Society of Accountants, Ft. Myers
 Jacksonville, REIA
 Madison County Workforce Board
 Mike Holt Electrical Contractor School
 North Florida Roofing Assn
 Palm Construction School
 Sarasota PHCC
 USF Safety Florida Training institute – SHARP Participants
 USF SHARP and SSSRA
 WorkNet Pinellas

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 1,256 payment agreements, which represents 53% 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 FY 2013-14, the Division reinstated 210 Stop-Work Orders for non-payment.

The Division filed liens against 611 employers to collect unpaid penalties associated with Stop-Work Orders and Orders of Penalty Assessment. Further, the Division referred 611 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.

IV. Investigator Training

The Division's training and continuing education programs are an integral component of activities to aid investigators in identifying and administering enforcement actions for employers that are not in compliance. During the period of July 1, 2013 and June 30, 2014, 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 2013-2014.

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 thirteen training workshops.

New Investigator 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. 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.

V. Division of Workers' Compensation Website & Databases

The Division of Workers' Compensation website is located at: <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 320,000 times per month. The website is located at: <https://apps8.fldfs.com/proofofcoverage/Search.aspx>.

Compliance Stop-Work Order Database

The Compliance Stop-Work Order Database, which is accessed through the Division's website, lists employers that have been issued Stop-Work Orders for failing to comply with the coverage requirements of Chapter 440, F.S. The database contains each employer's name, the date the Stop-Work Order was issued, the date the Stop-Work Order was released and the type of non-compliance violation. The website is located at: <http://www.myfloridacfo.com/WCAPPS/SWO/SWOquery.asp>.

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, 2014, a total of 9,299 Construction Policy Tracking Database registrants are tracking 39,788 workers' compensation policies of sub-contractors. The website is located at: <http://www.myfloridacfo.com/WCAPPS/Contractor/logon.asp>.

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 and Staff

The Division maintains seven districts offices statewide. The regional offices are located in Jacksonville, Orlando, West Palm Beach, Miami, Pensacola, Tampa, and Fort Myers. The enforcement staff consists of 2 Investigation Managers, 7 District Supervisors, 7 Assistant District Supervisors, and 58 Investigators.

DISTRICT	OFFICE LOCATIONS	NUMBER OF INVESTIGATORS
District 1	Jacksonville – District Office	8
District 1A	Pensacola – District Office	9
District 2	West Palm Beach – District Office	9
District 3	Tampa – District Office	8
District 4	Orlando – District Office	9
District 5	Miami – District Office	9
District 7	Ft. Myers – District Office	6
Total		58

VII. Average Caseload

For the period of July 1, 2013 through June 30, 2014, a total of 35,294 investigation cases were initiated resulting in an average caseload of 608 cases per investigator per month.