

**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, 2012**

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, 2010 through June 30, 2011.



CHIEF FINANCIAL OFFICER  
JEFF ATWATER  
STATE OF FLORIDA

January 1, 2012

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

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

Dear President Haridopolos and Speaker Cannon:

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, 2010 – June 30, 2011.

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

Sincerely,

Handwritten signature of Tanner Holloman in black ink.

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

Sincerely,

Handwritten signature of Geoff Branch in black ink.

Geoff Branch, Bureau Chief  
Division of Insurance Fraud  
Bureau of Workers Compensation Fraud  
(954) 321-2963



Florida Department of Financial Services

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



**JOINT ANNUAL REPORT  
FISCAL YEAR 2010/2011**



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, 2010 through June 30, 2011.

The Florida Division of Insurance Fraud continues to be a perennial leader in the fight against insurance fraud. During Fiscal Year 2010/2011, investigative efforts by the Division of Insurance Fraud resulted in 1,214 cases presented for prosecution, 997 arrests, and 840 convictions. During this time period, the Division received and reviewed 13,452 referrals of suspected insurance fraud. Court ordered restitution during the same time period was \$156,258,674.74.

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

- **11% increase** in Workers' Compensation Fraud related **presentations for prosecution** (335 up from 303).
- **3% decrease** in Workers' Compensation Fraud related **arrests** (280 to 271 arrests).
- **22% increase** Workers' Compensation Fraud related **convictions** (242 up from 199).



The Bureau expects increases in those areas again for Fiscal Year 2011/2012 as we continue to develop strategic plans aimed at increasing efficiency and effectiveness of all Bureau operations.



Due to a shift in crime trends and conditions, the Bureau of Workers' Compensation Fraud was reduced in Fiscal Year 2010-2011 to 30 Division members, 23 sworn personnel, and 7 support staff (down from 37 sworn two years ago), as Division resources needed to be allocated to



other critical areas. As trends and conditions change, it is anticipated that some resources will be shifted back to the Bureau. In spite of the reduction in dedicated workers' compensation fraud resources, the Division of Insurance Fraud nearly matched last year's workers' com-

penetration fraud related arrests (271 compared to 280 for Fiscal Year 2009-2010). The Bureau now consists of four dedicated squads located in Miami, West Palm Beach, Orlando, and Tampa, with Lt. Doreen Rivera-Rapp's Tampa squad leading the Bureau this fiscal year with 63 arrests.

The prevailing trend in the Workers' Compensation Premium Fraud arena, identified in previous reports and years, continues to be the illegal sale and brokering of certificates of workers' compensation coverage throughout the construction industry. That is, the "renting" of insurance certificates for a fee to uninsured subcontractors who subsequently present themselves as representatives of the named insured on the certificate of insurance for the purposes of securing work. As also discussed in previous reports is the inclusion of non-traditional Money Service Businesses (MSB's), or check cashing stores, to facilitate the "rental" of certificates of insurance. Investigations during the past Fiscal Year revealed that the owners and operators of some of these MSB's are actually setting up shell companies, obtaining a minimal Workers' Compensation insurance policy, and then renting the certificates of insurance right over the counter at the MSB.

Due to the scope and magnitude of this continuing problem, efforts during the last Fiscal Year led to the creation of two significant entities. The first, a Money Service Business facilitated workers' compensation premium fraud working group comprised of interested / affected parties, created by CFO Jeff Atwater and tasked with developing some recommendations / solutions which will be presented to the Financial Services Commission in the Fall of 2011. The second, a first of its kind Division of Insurance Fraud Investigative Task Force comprised of one Division Detective and one Broward Sheriff's Office Detective, supervised by a Division Lieutenant Deborah de la Paz-Boxer. The Task Force is run out of the Plantation DIF Office and is tasked with the investigation of Money Service Business facilitated Workers' Compensation Fraud. Significant enforcement activity has already taken place. As a result of the increased involvement of the MSB's in large scale Workers' Compensation Premium Fraud schemes, the BWCF has continued to work closely with the Florida Office of Financial Regulation, Bureau of Financial Investigations.

2012 will mark the 20<sup>th</sup> year for The Florida Workers' Compensation Fraud Task Force has been in existence. This long-running collaborative effort between government and industry representatives, chaired by the Bureau Chief of Workers' Compensation Fraud, continues to be one of the largest and most effective information exchanges currently available in the workers' compensation fraud arena. Attendance remains strong at the quarterly meetings and, starting this year, the meetings are being held in conjunction with the newly formed Property & Casualty Insurance Fraud Task Force which allows further interaction across responsibilities and lines of insurance.

Another significant achievement during the past fiscal year was the creation of a quarterly Workers' Comp Insider newsletter, published by the Bureau of Workers' Compensation Fraud, which contains informational articles, work-



ers' compensation fraud related updates, significant arrests, and Division contacts which is distributed at the end of each quarter and in conjunction with the quarterly Workers' Compensation Fraud Task Force meeting.

The BWCF continued its proactive approach to addressing fraudulent practices in the workers' compensation system, and continued to work closely with the Division of Workers' Compensation, Bureau of Compliance, receiving and acting on 155 referrals from them during the Fiscal Year. Thankfully, the State experienced another quiet hurricane season resulting in less instances of unlicensed contracting, however Bureau members communicated regularly with the Department of Business and Professional Regulation (DBPR) by sharing information and participating in joint enforcement operations throughout the state.

Referrals focusing on employee / claimant fraud continue to be the largest percentage of referrals to the Bureau. A separate category of referrals involving the fraudulent use of personal identification, either in support of employment or a W/C claim, represents the second highest percentage of referrals to the Bureau. Bureau Detectives have discovered thousands of individuals who have used either stolen personal identification, or simply fictitious identification, to gain employment in the State of Florida. This translates into an increase in workers' compensation claims being supported by fraudulent identification, which makes properly adjusting these claims impossible. The Division has conducted several large enforcement operations and more are planned for the beginning of 2012 to focus specifically on this emerging trend.





## Significant WC Bureau Case Activity

### Case #1

In a case which was concluded just prior to the end of the Fiscal Year, Detective Jordon Cox with the Bureau of Workers' Compensation Fraud's Orlando Squad arrested the owner of Aqua Marines Waterfronts, LLC, Jeffrey Parker for failing to secure Workers' Compensation coverage for employees of his company. The case was brought to the Bureau's attention after a work related injury resulted in the death of one of his employees. Robert Walker, while employed and performing work for Aqua Marines Waterfronts, LLC, fell from a boat dock and suffered injuries which ultimately resulted in his death.

The tragic event for Mr. Walker's family was compounded by the fact that, since Aqua Marine Waterfronts, LLC was uninsured at the time of the accident the family was forced to bear the costs associated with his funeral, contrary to the design and intent of Florida's Workers' Compensation laws. "Businesses that cheat the system not only have an unfair competitive advantage, but when tragedies like this occur, it comes as a double blow to a mourning family who is also left with no financial relief," said CFO Jeff Atwater. "This is contrary to the true intent of Florida's Workers' Compensation laws and will not be tolerated."



### Case #2

In a case which illustrates the close working relationship between the Bureau of Workers' Compensation Fraud and the Division of Workers' Compensation, Bureau of Compliance, Jeffrey Young, the owner and president of Southern Masonry Services was arrested by Detective Tom Flannery with the Bureau of Workers' Compensation Fraud's West Palm Beach squad for repeatedly violating a Stop Work Order. Mr. Young was issued a Stop Work Order on 7/21/2010 by the Division of Workers' Compensation, Bureau of Compliance and subsequently a Business Records Request after his nine-person construction crew was discovered performing work in St. Lucie County in May of 2010. It was discovered that only two of the nine employees had been reported to his leasing company.

Mr. Young not only did not comply with the Business Records Request in a timely and complete fashion, but continued to work through the Stop Work Order, a felony of the 3rd degree. During follow-up to the Compliance investigation, and in reviewing the records they provided, Detective Flannery was able to determine that Southern Masonry Services was working through the Stop Work Order at construction sites all across the State of Florida from 7/21/2010 through 3/28/2011. During the month of April, the State Attorney's Office in 19th Judicial Circuit charged Young with seven separate workers' compensation fraud violations for five locations in St. Lucie County where he was found to be working while under the Stop Work Order, and two locations in Martin County where he was found to be working while under the Stop Work Order.



### **Case #3**

In a case which highlights the innovative approaches being taken to support the Division's Personal Injury Protection fraud initiative, Bureau of Workers' Compensation Fraud Detectives Timothy Burkee and Gloria Fribley-Lykes from the Tampa office looked into potential violations of FS 440.105 involving several chiropractic and pain clinics in Hillsborough County during the month of February. In conjunction with the Division of Workers' Compensation, Bureau of Compliance, Detectives Burkee and Fribley-Lykes visited several chiropractic and pain clinics in Hillsborough County and found three to be in violation of Florida Statute 440.105 for failing to secure compensation for their employees should they be injured on the job. Not only were the businesses fined by the Bureau of Compliance and ordered to cease operations until they came into compliance, but arrest warrants for the owners of the three clinics were issued by the Hillsborough County State Attorney's Office.

On March 3<sup>rd</sup>, 2011, Dean Palestra, owner of Long Chiropractic Rehabilitation, Hector Vasquez, owner of West Coast Chiropractic & Medical Center, and Leticia Leon, owner of Town Medical and Rehabilitation were arrested and booked into the Hillsborough County Jail. Efforts such as this are an example of the Division's continued scrutiny of these types of businesses both in Hillsborough County and across the State and the Bureau of Workers' Compensation Fraud plans more initiatives of this kind during the current Fiscal Year.

The Bureau of Workers' Compensation Fraud will continue to look for innovative ways to identify, investigate, and prosecute individuals and groups engaged in various types of workers' compensation fraud schemes, working closely with our industry, law enforcement, and regulatory partners.

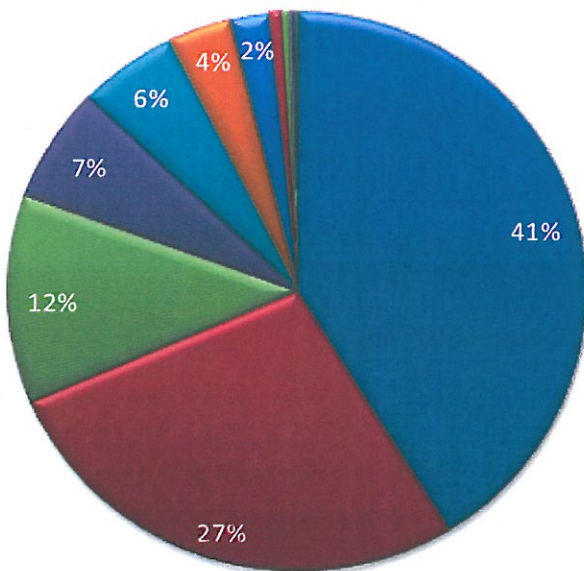




## Types of Workers' Compensation Referrals

| WORKERS' COMPENSATION FRAUD         | # of Referrals |
|-------------------------------------|----------------|
| BY EMPLOYEE CLAIMANT                | 617            |
| ID THEFT OF NUMBER OR NAME          | 408            |
| WORKING WITHOUT COVERAGE            | 179            |
| VIOLATION OF STOP WORK ORDER        | 100            |
| BY EMPLOYER                         | 82             |
| EMPLOYER PREMIUM                    | 52             |
| FICTITIOUS CERTIFICATE OF INSURANCE | 33             |
| FICTITIOUS CERTIFICATE OF EXEMPTION | 11             |
| BY PROVIDER                         | 6              |
| BY ATTORNEY                         | 4              |
| AGENT PREMIUM                       | 2              |
| EMPLOYEE PAYROLL DEDUCTION          | 1              |
| LEASING COMPANY                     | 0              |

### REFERRALS



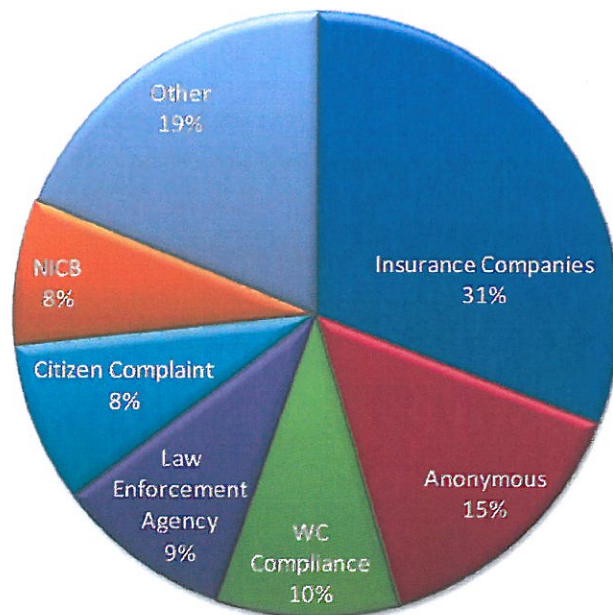
- BY EMPLOYEE CLAIMANT
- ID THEFT OF NUMBER OR NAME
- WORKING WITHOUT COVERAGE
- VIOLATION OF STOP WORK ORDER
- BY EMPLOYER
- EMPLOYER PREMIUM
- FICTITIOUS CERTIFICATE OF INSURANCE
- FICTITIOUS CERTIFICATE OF EXEMPTION
- BY PROVIDER
- BY ATTORNEY
- AGENT PREMIUM
- EMPLOYEE PAYROLL DEDUCTION
- LEASING COMPANY

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

| Source                 | Number of Referrals Received | Number of Cases Initiated |
|------------------------|------------------------------|---------------------------|
| INSURANCE COMPANIES    | 461                          | 380                       |
| ANONYMOUS              | 220                          | 168                       |
| WC COMPLIANCE          | 155                          | 120                       |
| LAW ENFORCEMENT AGENCY | 140                          | 140                       |
| CITIZEN COMPLAINT      | 129                          | 108                       |
| NICB                   | 117                          | 93                        |
| OTHER                  | 273                          | 277                       |

The Division of Insurance Fraud received 1,495 suspected fraud referrals for Workers' Compensation Fraud and opened 1,286 cases for investigation.

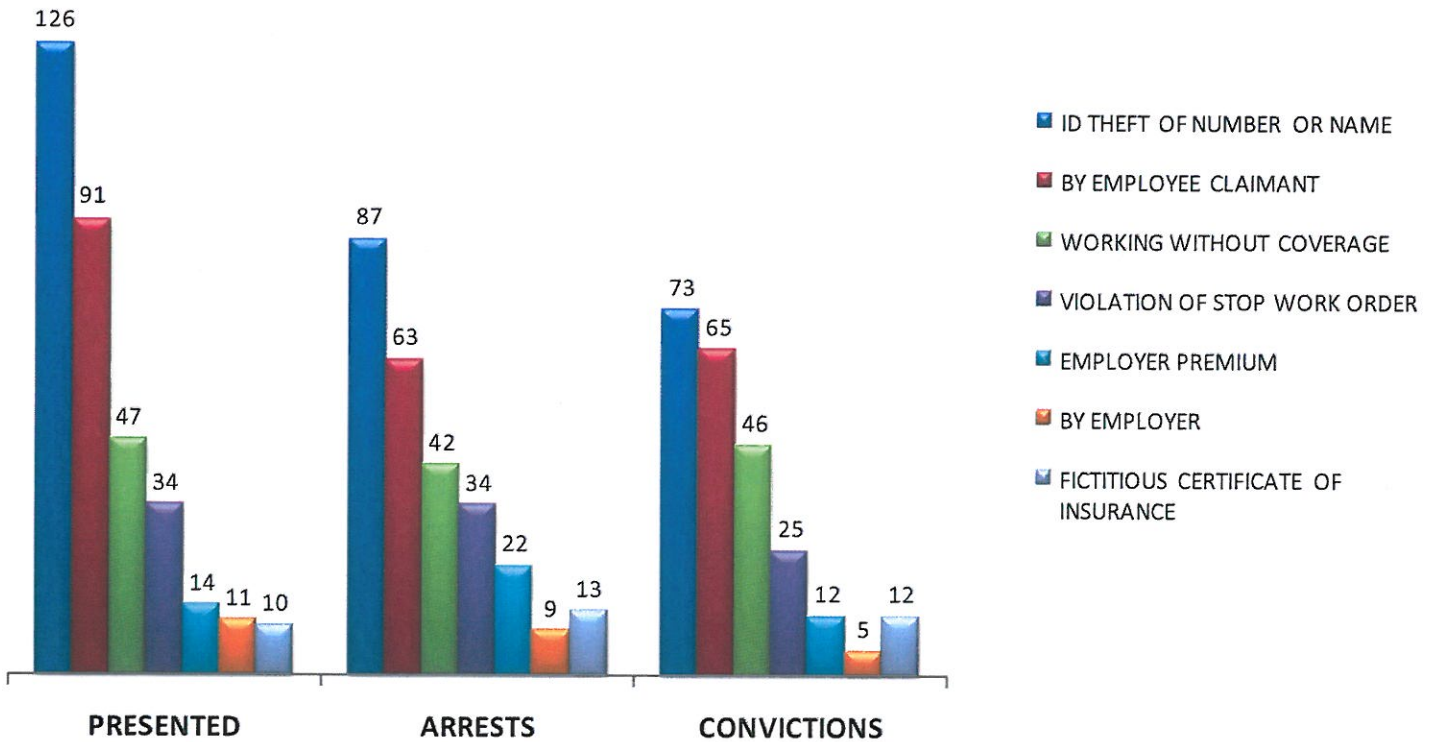
### Percentage of Workers Compensation Referrals Received from Various Sources





## Types of Presentations, Arrests and Convictions

| WORKERS' COMPENSATION FRAUD         | PRESENTED  | ARRESTS    | CONVICTIONS |
|-------------------------------------|------------|------------|-------------|
| ID THEFT OF NUMBER OR NAME          | 126        | 87         | 73          |
| BY EMPLOYEE CLAIMANT                | 91         | 63         | 65          |
| WORKING WITHOUT COVERAGE            | 47         | 42         | 46          |
| VIOLATION OF STOP WORK ORDER        | 34         | 34         | 25          |
| EMPLOYER PREMIUM                    | 14         | 22         | 12          |
| BY EMPLOYER                         | 11         | 9          | 5           |
| FICTITIOUS CERTIFICATE OF INSURANCE | 10         | 13         | 12          |
| FICTITIOUS CERTIFICATE OF EXEMPTION | 2          | 1          | 2           |
| BY PROVIDER                         | 0          | 0          | 1           |
| BY ATTORNEY                         | 0          | 0          | 0           |
| AGENT PREMIUM                       | 0          | 0          | 0           |
| EMPLOYEE PAYROLL DEDUCTION          | 0          | 0          | 0           |
| LEASING COMPANY                     | 0          | 0          | 1           |
| <b>TOTAL</b>                        | <b>335</b> | <b>271</b> | <b>242</b>  |



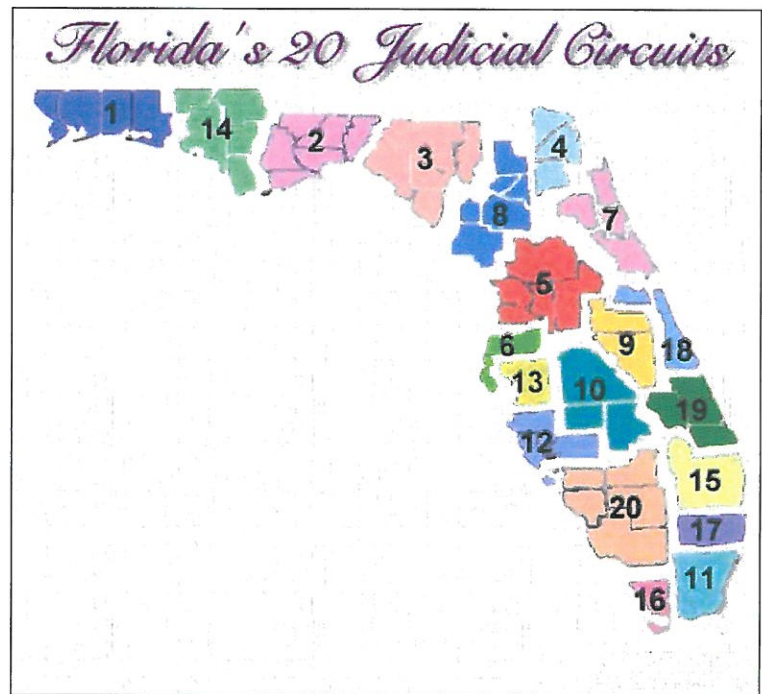
## Number of Cases Presented for Prosecution that were Declined

| Judicial Circuit | Number of Prosecutions Declined | Reason for Declined                                |
|------------------|---------------------------------|--|
| 1st              | 0                               |  |
| 2nd              | 0                               |  |
| 3 <sup>rd</sup>  | 0                               |  |
| 4 <sup>th</sup>  | 3                               | 1-Declined to prosecute                            |
|                  |                                 | 1-Prosecution Unlikely                             |
|                  |                                 | 1-Insufficient Evidence                            |
| 5 <sup>th</sup>  | 4                               | 1-Civil Settlement                                 |
|                  |                                 | 2-Declined to prosecute                            |
|                  |                                 | 1- Prosecution Unlikely                            |
| 6 <sup>th</sup>  | 2                               | 2- Decline to Prosecute                            |
| 7 <sup>th</sup>  | 4                               | 1- Civil Settlement                                |
|                  |                                 | 2-Prosecution Decline                              |
|                  |                                 | 1- Prosecution Unlikely                            |
| 8 <sup>th</sup>  | 2                               | 1-Insufficient Evidence                            |
|                  |                                 | 1- Prosecution Unlikely                            |
| 9 <sup>th</sup>  | 9                               | 1-Prosecution Unlikely<br>8- Insufficient Evidence |
| 10 <sup>th</sup> | 1                               | 1-Prosecution Unlikely                             |
| 11 <sup>th</sup> | 1                               | 1-Insufficient Evidence                            |
| 12 <sup>th</sup> | 1                               | 1-Insufficient Evidence                            |
| 13 <sup>th</sup> | 5                               | 1-Lack of Monetary Loss                            |
|                  |                                 | 2-Prosecution Unlikely                             |
|                  |                                 | 1-Suspect already in prison                        |
|                  |                                 | 1- Witness refused to Cooperate                    |
| 14 <sup>th</sup> | 0                               |  |
| 15 <sup>th</sup> | 3                               | 2-Insufficient Evidence                            |
|                  |                                 | 1-Prosecution Unlikely                             |
| 16 <sup>th</sup> | 0                               |  |
| 17 <sup>th</sup> | 4                               | 2-Prosecution Unlikely                             |
|                  |                                 | 1-Unable to locate Suspect                         |
|                  |                                 | 1-Unable to locate victim                          |
| 18 <sup>th</sup> | 5                               | 1- Insufficient Evidence                           |
|                  |                                 | 4-Prosecution Unlikely                             |
| 19 <sup>th</sup> | 0                               |  |
| 20 <sup>th</sup> | 7                               | 6-Insufficient Evidence                            |
|                  |                                 | 1-Statute of Limitations                           |



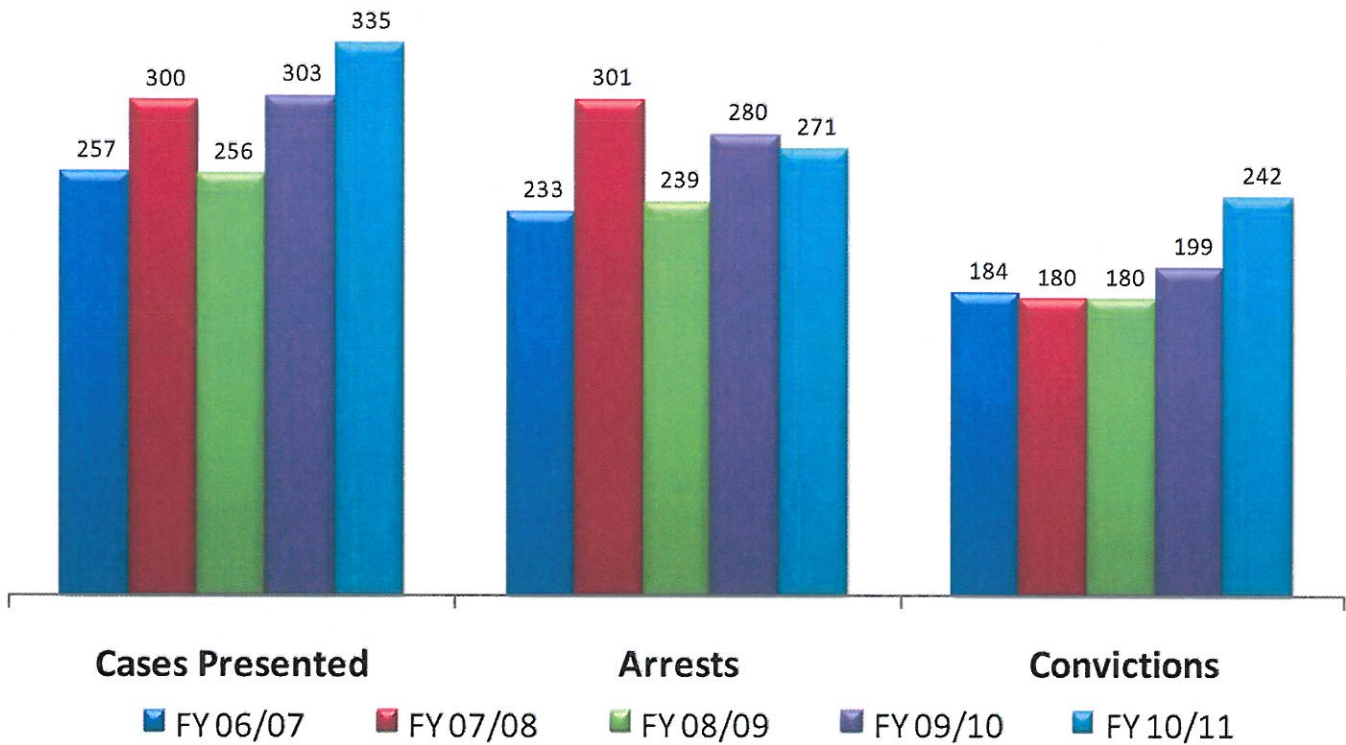
## Number of Convictions by Judicial Circuit

| Judicial Circuit | Convictions |
|------------------|-------------|
| 1st              | 32          |
| 2nd              | 15          |
| 3rd              | 1           |
| 4th              | 14          |
| 5th              | 5           |
| 6th              | 16          |
| 7th              | 11          |
| 8th              | 6           |
| 9th              | 12          |
| 10th             | 3           |
| 11th             | 28          |
| 12th             | 12          |
| 13th             | 22          |
| 14th             | 8           |
| 15th             | 26          |
| 16th             | 0           |
| 17th             | 10          |
| 18th             | 6           |
| 19th             | 8           |
| 20th             | 7           |



## Five Year Statistical Data

| Measurement     | FY 06/07 | FY 07/08 | FY 08/09 | FY 09/10 | FY 10/11 |
|-----------------|----------|----------|----------|----------|----------|
| Cases Opened    | 660      | 629      | 568      | 1597     | 1286     |
| Cases Closed    | 609      | 612      | 621      | 1380     | 1293     |
| Cases Presented | 257      | 300      | 256      | 303      | 335      |
| Arrests         | 233      | 301      | 239      | 280      | 271      |
| Convictions     | 184      | 180      | 180      | 199      | 242      |





## Funded Detective Positions

| Office Location       | Workers' Compensation Funded Detectives | Vacant during Fiscal Year 2010/2011               |
|-----------------------|---|---|
| PENSACOLA             | 0                                       |   |
| TALLAHASSEE           | 0                                       |   |
| JACKSONVILLE          | 0                                       |   |
| TAMPA                 | 5                                       |   |
| ST. PETERSBURG        | 0                                       |   |
| ORLANDO               | 3                                       | 1*  |
| WEST PALM BEACH SQUAD | 4                                       |   |
| FT. MYERS             | 0                                       |   |
| BROWARD SQUAD 3       | 0                                       |   |
| MIAMI SQUAD 3         | 4                                       |   |
| <b>TOTALS</b>         | <b>16</b>                               | <b>1 out of 17 vacant</b>                         |
|                       |   | <b>* Vacancy incurred due to normal attrition</b> |

**The Mission of the Division of Workers' Compensation is to actively ensure the self-execution of the workers' compensation system through educating and informing all stakeholders in the system 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. Compliance enforcement actions ensure that employers adhere to workers' compensation coverage requirements and that all employees covered under Chapter 440, F.S., have insurance coverage for work related injuries so they can receive all statutorily required benefits if they do sustain a work-related injury. Requiring that employers actually have workers' compensation coverage 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 accomplishes its mission through enforcement investigations, enforcement actions, processing exemption applications and education of employers. 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.

**Referrals to the Division of Insurance Fraud**— The Division of Workers' Compensation and the Division of Insurance Fraud maintain a close working relationship to carry out our respective statutory duties. The 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 suspected violations of the law and are considered a priority to be acted upon immediately.

The Bureau of Compliance uses the referral process to notify the Division of Insurance Fraud of employers who are possibly committing criminal acts or omissions.

One of the benefits of the divisions working together has been the development of a format for greater communication. 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, 2010 through June 30, 2011, the Bureau of Compliance and Division of Insurance Fraud made the following referrals:***

*The Division of Workers' Compensation referred 155 employers to the Division of Insurance Fraud for possible criminal investigation.*

*The Division of Workers' Compensation received 11 referrals from the Division of Insurance Fraud for civil violations under Chapter 440, F. S.*

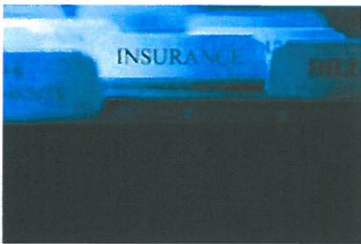


## Referrals to Other Agencies

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

In addition to the referrals for workers' compensation fraud, 66 employers were referred to other agencies where the employers were suspected of violating the laws regulated by those entities. Seventy-nine percent of those referrals were made to the Department of Business and Professional Regulation. The two primary reasons for the referrals continue to be unlicensed activity for failure to be licensed to work in the trade in which the employer was working and failure to provide workers' compensation insurance to its employees, which is a violation of the condition for licensure. The Division also referred five employers to the Department of Homeland Security, Immigration and Customs Enforcement for hiring undocumented workers.

## Non-Compliance Referral Database



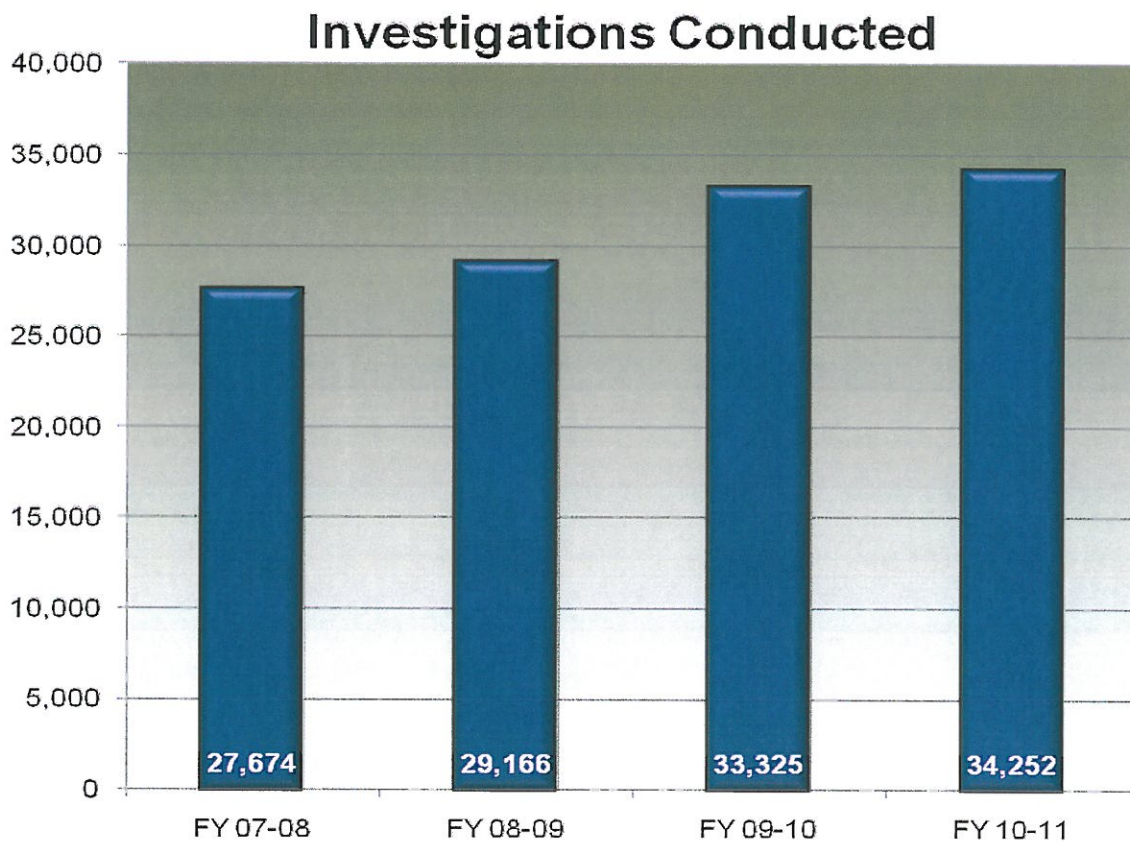
The Division's online Non-Compliance Referral Database enables the Division to receive referrals regarding employers who are suspected of failing to adhere to the workers' compensation coverage requirements. The database streamlines the process to initiate investigations promptly and provides real-time feedback to the person who made the referral. The Division investigated 2,044 referrals submitted via the Non-Compliance Referral Database during FY 2010-2011. The investigations initiated by the referrals resulted in the issuance of 309 Stop-Work Orders and \$4.2 million dollars in assessed penalties against non-compliant employers.

**Enforcement Activities and Workers' Compensation Exemption Statistics** — During the period of July 1, 2010 through June 30, 2011, through its enforcement and investigative efforts, the Division:

**Conducted 34,252 investigations**, which represents an annual increase of 3%. The graphic below shows the total number of investigations conducted during the last four fiscal years. Investigations are physical on-site inspections of an employer's job-site or business location conducted to determine employer compliance with the workers' compensation coverage requirements.

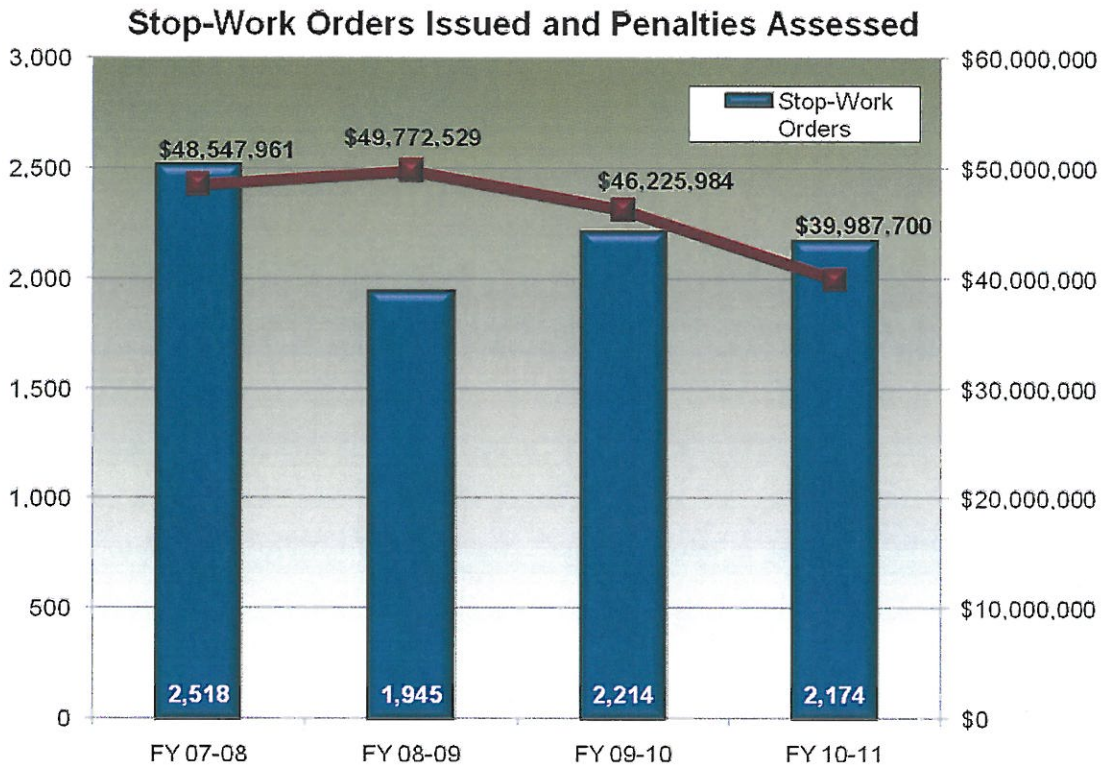
**Issued 2,174 Stop-Work Orders** for the following violations: failure to obtain workers' compensation insurance, materially understating or concealing payroll, materially misrepresenting or concealing employee duties to avoid paying the proper premium, materially concealing information pertinent to 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 \$39,987,700 in penalties** to employers who failed to adhere to the workers' compensation coverage requirements, a penalty assessed based upon the methodology required by the Workers' Compensation Law. Assessed

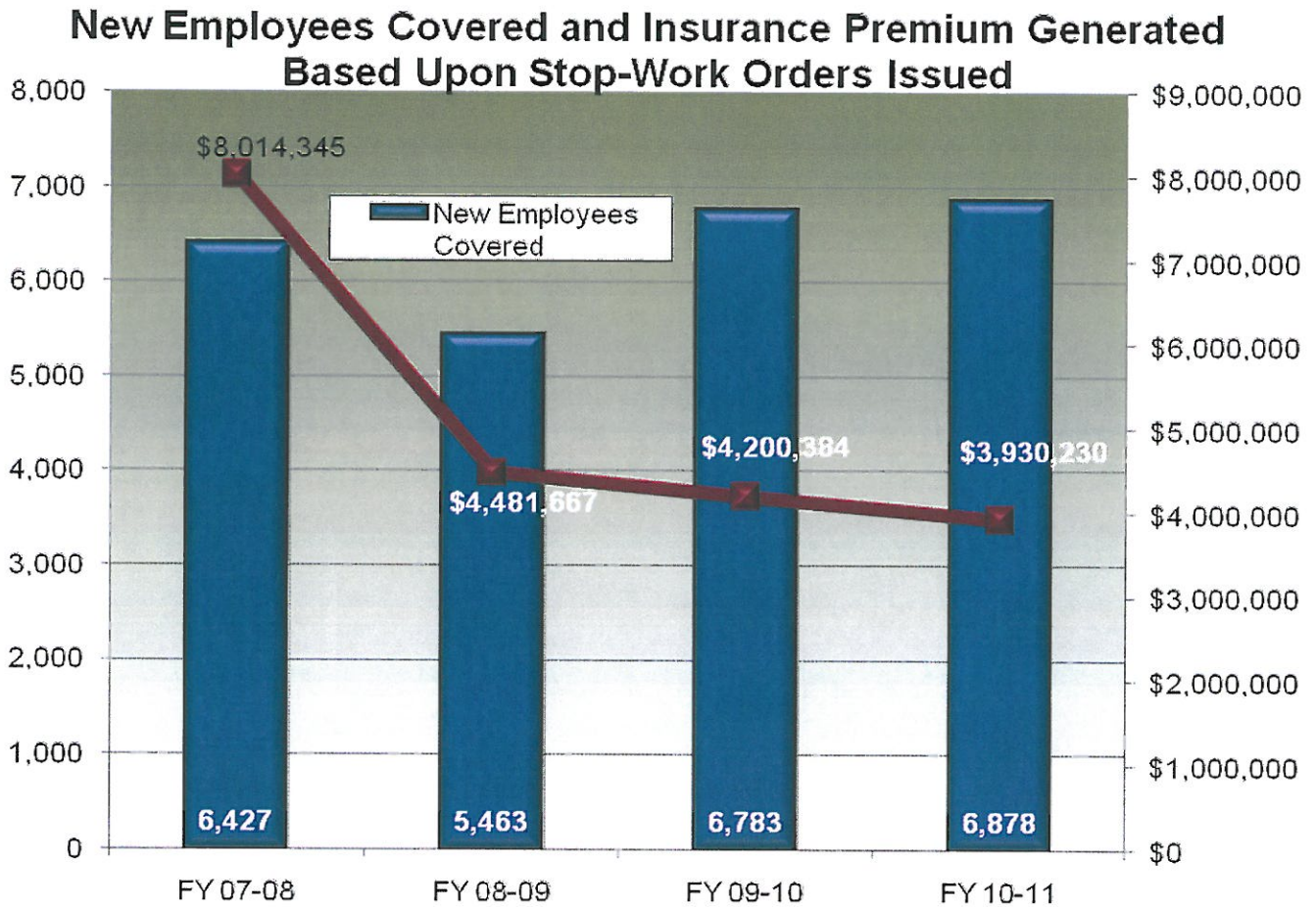




penalties are equal to 1.5 times what the employer would have paid in workers' compensation insurance premiums for all periods of non-compliance during the preceding three-year period, or \$1,000, whichever is greater. Penalty amounts vary and are dependent on the employer's payroll, risk classification, and period of non-compliance. The graph below represents the number of Stop-Work Orders issued and the amount of penalties assessed over the past four fiscal years.



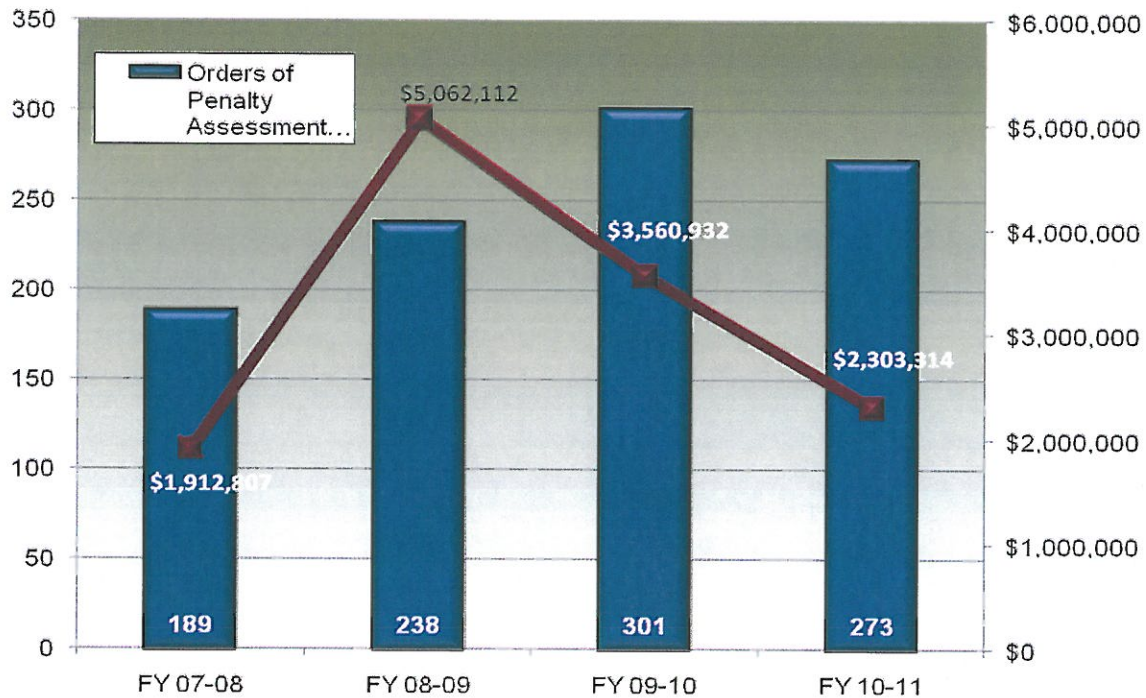
The following graphic reflects the number of employees covered as a direct result of the Bureau's enforcement efforts and issuance of Stop-Work Orders and the monies added to the workers' compensation premium base that had previously been evaded.





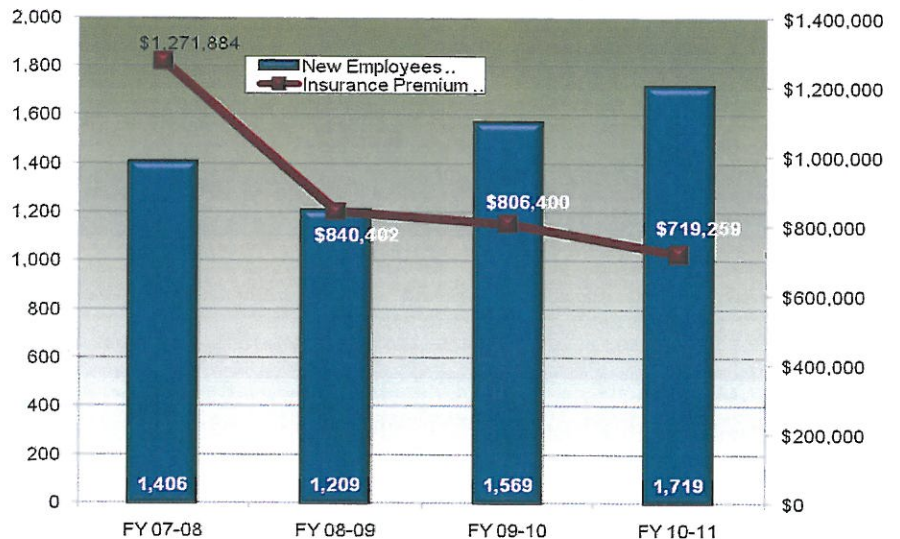
The next two graphics pertain to Orders of Penalty Assessment. In cases where the employer obtains coverage subsequent to the commencement of an investigation, an Order of Penalty Assessment for the failure to maintain coverage is issued in lieu of a Stop-Work Order. During FY 2010-11, 273 employers were issued an Order of Penalty Assessment with assessed penalties totaling \$2,303,314.

### Orders of Penalty Assessment and Penalties Assessed



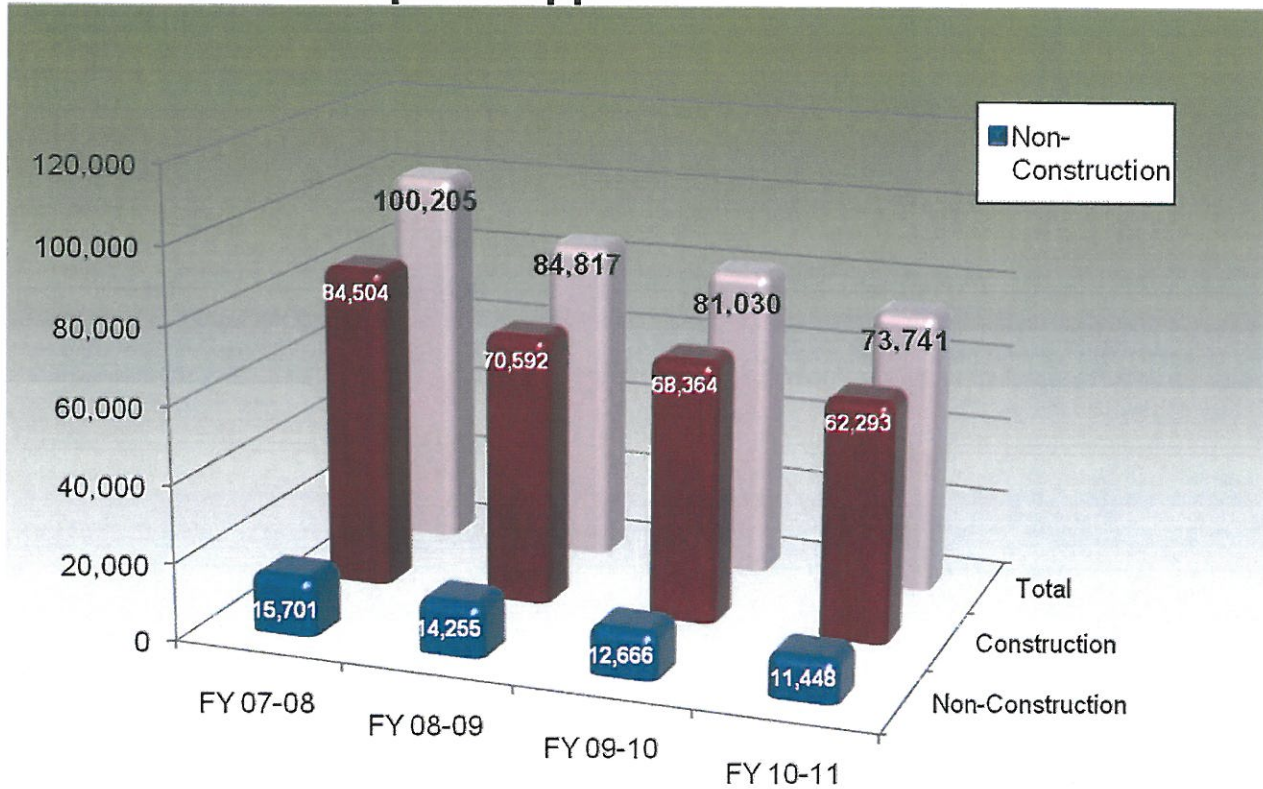
The following graphic reflects the number of employees covered as a direct result of the Division's enforcement efforts through the issuance of Orders of Penalty Assessment and the monies added to the workers' compensation premium base that had previously been evaded.

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



**Exemption Statistics** — The Division processed 62,293 construction industry exemption applications and 11,448 non-construction industry exemption applications. As of June 30, 2011 there were 1,123,275 active exemptions. The Division processes an average of 98% of all exemption applications within 10 business days of receipt.

### Exemption Applications Processed





## **Enforcement Case Summaries**

The following case summaries taken from actual FY 2010-2011 cases are examples of the types of investigations and enforcement efforts conducted by the Division of Workers' Compensation.

### **Case 1**

In response to a public complaint on the Division's Non-Compliance Referral Website, an Investigator conducted a site visit at an RV Sales & Service business in Duval County. Upon arrival at the business, he witnessed five employees engaged in various tasks and conducted interviews. The employees stated they were paid through a Professional Employer Organization (PEO), but couldn't state which one. The employer identified the PEO which was contacted by the investigator who then determined that the PEO had terminated the employer's contract two months prior to the site visit. The Investigator also determined no other coverage had been secured and served a Stop-Work Order on the employer. The employer provided business records and the investigator discovered payroll for the parent company and four other businesses all operating under the same corporation. A \$38,296 penalty was assessed. The employer returned to compliance by renewing the PEO agreement, which covered 12 employees and generated \$14,000 in premium. The employer paid a 10% penalty down payment, entered into a Periodic Payment Plan (PPA), and was conditionally released from the Stop-Work Order.

### **Case 2**

While conducting routine investigations in Ft. Myers in 2007, an Investigator observed two trucks belonging to a tree service and six men performing landscaping duties at a nearby country club. The employer was present and informed the Investigator that the employees were covered under an employee leasing arrangement (PEO). Upon fur-

ther investigation, it was determined that several of the workers present were not covered by the employee leasing arrangement. A Stop-Work Order was issued to the employer for failing to secure coverage for all of its employees and a \$147,419 penalty was assessed. The employer came into compliance by adding six additional employees to his WC coverage through the PEO and entering into a Periodic Payment Agreement. However, after the initial down payment, the employer failed to make any further penalty payments and the Stop-Work Order was reinstated. Subsequently, in 2009, the employer was found working in violation of the reinstated Stop-Work Order and assessed an additional \$381,000 penalty. The employer filed a Petition for Hearing. In 2011, the Judge ruled in favor of the Department and ordered the employer to pay the additional \$381,000 penalty for working in violation of the reinstated Stop-Work Order.

### **Case 3**

The Bureau received a phone tip that a contractor providing housekeeping and maintenance employees to large resort hotel in the Orlando area was underreporting payroll to their insurer. After extensive research and investigation into this allegation, the business was found to be underreporting its payroll and a Stop-Work Order was served. The payroll was determined to be \$5.6 million but the employer had reported only \$700,000 to his workers' compensation insurer. A \$233,939 penalty was assessed. The employer came into compliance by entering into a periodic penalty payment agreement, after making a down payment of \$24,000, and purchasing insurance coverage for 200 employees which generated a \$65,511 premium.



## Division Initiatives

**Employer Education** — The Division provides free educational seminars statewide that address workers' compensation and workplace safety issues to educate employers, contractors, and other stakeholders. The Division continued its emphasis on educating employers and helping them understand their statutory obligations under the Workers' Compensation Law by partnering with the U.S. Department of Labor, Office of Safety and Health Administration (OSHA), and the USF SafetyFlorida Consultation Program to provide employers with information related to both workers' compensation and workplace safety during FY 2010-2011. 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, the Department of Financial Services, Bureau of Fire Prevention and the Florida Water Well Administration.

The Division provided education to 1,970 business owners, licensed contractors, employers and stakeholders who attended 43 educational workshops throughout the state. Additionally, the Division participates in employer conferences and workshops with construction trade associations, licensing entities and small business groups to educate employers on workers' compensation coverage requirements. This includes conferences sponsored by the following:

- Aluminum Association of Central Florida
- Association of Safety Engineers
- Building Officials Association of Florida
- Capitol Roofing and Sheet Metal Association
- Charlotte County Chamber of Commerce
- City of Live Oak Building Officials
- City of Tallahassee, Division of Building Inspectors
- Coral Springs Electrical Contractors
- Florida CPA Association
- Florida Gulf Coast University – Entrepreneur's Law

### School

- Florida Society of Accountants
- Highlands County Business Development Center
- Hillsborough County Building Department
- International Association of Electrical Inspectors – Florida Chapter
- Madison Chamber of Commerce
- Malnove Companies
- Masonry Association of Florida
- Naples Business Association
- Orange County Electrical Contractors
- Palm Construction School
- Pinellas County Specialty Contractors Association
- Pinellas Work Net – Business Administration
- Roofing Association of South Florida
- Sarasota County Plumbing and Heating Contractor Association
- SCORE – Sarasota Chapter
- Seminole Community College
- Southern Association of Workers' Compensation Administrators
- Southeast Chapter of the FL Masonry Association
- Southeast Glass Association
- Southwest Florida Air Conditioning Contractors Association
- Tampa Area Premium Auditor's Meeting
- Turner Construction
- Underground Utility Contractors
- University of Florida
- 2010 Business Expo

Additionally, the Division participated in a Department of Financial Services training events in Panama City, Shalimar, and Pensacola educating business owners involved in the activities related to the oil spill cleanup along the Gulf Coast.



## 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 provides 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.

The Division enhanced the Proof of Coverage Database to allow users to view the total policy payroll in addition to the number of employees and the governing class code reported for each policy. At a minimum, this information will provide users with additional data to assist in verifying whether the employer has obtained appropriate coverage.

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 will allow 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 670 payment agreements, which represents 31% of employers that were issued Stop-Work Orders and assessed a penalty in Fiscal Year 2010-2011. As a new initiative, the Division enhanced the online payment options available to employers. The online payment services available for employers to pay assessed penalties via online payments from checking or savings accounts, was expanded to include the acceptance of credit cards as a method of payment. This additional payment option provides employers with increased payment flexibility, automated payment scheduling, and enables the Division to deposit payments expeditiously, realizing significant efficiencies in the fiscal business process.

The Division filed liens against 2,695 employers to collect unpaid penalties associated with Stop-Work Orders and Orders of Penalty Assessment. Further, the Division referred 711 employers to collections vendors to collect unpaid penalties.

## Money Service Business Workers' Compensation Fraud Work Group

The Division participated in the Money Service Business Workers' Compensation Fraud Work Group. The work group reviewed in depth the practices of the check cashing services industry that aid in workers' compensation premium fraud. Through research and hearings the work group identified the loopholes that allow "shell" construction companies to be established; evaluated the operation of check cashing services; identified any ambiguity related to enforcement of the laws governing these entities; and



identified potential revisions to the statutory framework to eliminate workers' compensation premium fraud. The work group provided a report of its review and recommendations to the CFO and the legislature.

## Investigator Training

The Division's training 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, 2010 and June 30, 2011, the Division conducted numerous workers' compensation training sessions. The primary focus of the training sessions was to give each staff member greater technical skills to enhance their enforcement efforts by reviewing and updating policies and procedures, comparing and analyzing data and identifying areas of improvement within the enforcement process. The training sessions are summarized below:

**40 on 440 Training Workshops** – This is a 40-minute WebEx training series developed to educate Compliance Investigators, Penalty Calculators 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 2010-2011.

**Penalty Pursuits Training Workshops** – This is a WebEx training series designed primarily for the Division's Penalty Calculators. 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 Calculators are required to attend these training workshops. The Division has held twelve training workshops.

## New Investigator Training Program

As new investigators are hired, the District Supervisors 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.

**The Division of Workers' Compensation Website is located at: [www.myfloridacfo.com/wc/](http://www.myfloridacfo.com/wc/) and 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, enabling them to access their own liability for providing coverage for unprotected workers, as required by section 440.10, F.S. This database is accessed more than 37,000 times per month.

### **Compliance Stop-Work Order Database**

The Compliance Stop-Work Order Database, which is accessed through the Division's website, lists employers that have been issued Stop-Work Orders for failing to comply with the coverage requirements of Chapter 440, F.S. The database contains each employer's name, the date the Stop-Work Order was issued, the date the Stop-Work Or-



der was released and the type of non-compliance violation.

### **Online Penalty Payment Service**

The Online Penalty Payment Service is available for employers to whom a Stop-Work Order or Order of Penalty Assessment has been issued. This free service allows employers to pay their penalty payment in full or submit monthly periodic payments as required in their Periodic Payment Agreement. The Penalty Payment Service is convenient, simple to set up and easy to use.

The Division also has an online Employer Instructional Manual available, which contains general information about the Online Penalty Payment Service and step-by-step instructions on setting up an online payment account. The Instructional Manual is provided to employers to whom a Stop-Work Order or Order of Penalty Assessment has been issued. In addition, employers can view and download the Instructional Manual from the Division's homepage. As of June 30, 2011, there were 670 employers that have entered into a Periodic Payment Agreement with the Division this year. That represents approximately 31% of employers that were issued penalties this fiscal year.

### **Construction Policy Tracking Database**

The Construction Policy Tracking Database continues to be helpful to 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, 2011, a total of 7,700 Construction Policy Tracking Database registrants are tracking 34,237 workers' compensation policies.

### **DWC e-alerts**

As newsworthy events or important announcements are available, subscribers are sent email alerts. Events such as the promulgation of rules, announcements regarding employer seminars, and changes to the laws are examples of how the e-alert system is used. This is very helpful to employers who need to remain current with the changes in regulations governing their businesses.

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

From an organizational perspective, the state is divided into an eastern and a western region. The eastern region consists of the following offices: Jacksonville, Ocala, St. Augustine, Orlando, Daytona Beach, Cocoa, Tavares, West Palm Beach, Plantation and Miami. The western region consists of the following offices: Pensacola, Tallahassee, Panama City, Ft. Walton Beach, Tampa, Sarasota, New Port Richey and Fort Myers. The enforcement staff consists of 68 Investigators, 7 District Supervisors, and 2 Investigation Managers strategically located in 18 cities throughout the state.

|                    | Office Locations                  | # of Investigators |
|--------------------|-----------------------------------|--------------------|
| <b>District 1</b>  | Jacksonville – District Office    | 6                  |
|                    | Ocala                             | 1                  |
|                    | St. Augustine                     | 2                  |
| <b>District 1A</b> | Pensacola – District Office       | 4                  |
|                    | Panama City                       | 2                  |
|                    | Ft. Walton Beach                  | 2                  |
|                    | Tallahassee                       | 3                  |
| <b>District 2</b>  | West Palm Beach – District Office | 6                  |
|                    | Plantation                        | 5                  |
| <b>District 3</b>  | Tampa – District Office           | 4                  |
|                    | Sarasota                          | 3                  |
|                    | New Port Richey                   | 2                  |
| <b>District 4</b>  | Orlando – District Office         | 6                  |
|                    | Daytona Beach                     | 1                  |
|                    | Cocoa                             | 1                  |
|                    | Tavares                           | 1                  |
| <b>District 5</b>  | Miami – District Office           | 9                  |
| <b>District 7</b>  | Ft. Myers – District Office       | 10                 |
| <b>Total</b>       |                                   | 68                 |

### **Average Caseload**

For the period of July 1, 2010 through June 30, 2011, a total of 34,252 investigation cases were initiated resulting in an average caseload of 42 cases per investigator per month.