



Fraud Prevention and Compliance

Second Quarter, Fiscal Year 2009

Workers' Compensation Fraud Report

Statistics at a Glance

Number of cases referred of prosecution	2
Number of administrative (civil) fraud orders issued.....	24
All dollars collected and avoided.....	\$33,456,525

Prevention Highlights

Three key components of a fraud prevention program are:

- Creating an informed public that helps identify noncompliant employers.
- Helping those who use the workers' compensation system to follow the law.
- Building public awareness of compliance actions taken.

In the 2nd quarter of FY 2009, fraud prevention staff held training sessions on independent contractors and premium liability issues to contractors and workers' compensation basics in Tumwater and Seattle.

During the 2nd the quarter of FY 2009, L&I received over 1608 referrals related to employer and worker fraud.

Compliance Highlights

Provider

Auditors and Investigators from the Provider Fraud Program have completed investigation of a Pierce County Hearing Aid Provider, which led to filing of criminal charges in Pierce County Superior Court for Theft 1st degree RCW 9A.36.020 and 26 counts of Making False Statements RCW 51.48.270. The identified loss was \$35,000 dollars.

A Yakima Interpreter and partner have fled the country after arrest warrants were issued out of Yakima County for two counts of Theft in the 1st Degree and two counts of Making False Statements, one count of Identify Theft in the 1st degree. The identified loss was 1.1 million dollars.

Four additional criminal cases have been filed with the Attorney General's Office and are pending

Employer

A man pleads guilty in Benton County Superior Court to false reporting of employee hours. He was sentenced to 365 days in jail with 350 days suspended which will be served on work release. He was also sentenced to two years of supervision and was assessed \$1,200.00 in court cost and also paid the Agency \$12,500.00 in settlement.

This employer was discovered after an article in the Tri Cities Herald reported a fatality on August 7, 2006. The article indicated that an individual had died while driving a dump truck for a local excavation company. After review it was found that this firm had no current industrial insurance account at the time of the fatality. A letter documented by Labor and Industries from the company stated "I am requesting that you close my account as of December 31, 2004, as I have no employees".

The criminal case filed was submitted the Attorney General's office. The charges were made that the firm intentionally falsified information to the Agency with the intent to evade payment of premiums and knowingly failed to have an active LNI account and knowingly failed to report payroll or employee hours. The charges filed against the Owner were a Class C Felony for a violation of RCW 51.48.020 and a Gross Misdemeanor for a violation of RCW 51.48.103.

Worker Case

A Chehalis man who had been on time-loss since 1986 and on the Department's pension rolls since 1999 was issued a willful misrepresentation order in excess of \$312,000.00.

The 54 year old man was only 28 when he was injured working as a ranch-hand on his parent's farm in the 1980s. After several back surgeries and because of his limited education and singular work history, he was placed on pension. However, through the Department's investigation, it was revealed that he virtually never stopped working.

The man's undoing came when his elderly, widowed mother attempted to sell the family farm. He filed court papers against his mother indicating he was entitled to half of the farm's equity since he worked every day on the farm from 1975 through 2005. The claimant also had a business license and held a commercial driver's license with a hazardous materials permit.

In addition to his removal from pension, the claimant was found able to work, his claim was closed and criminal charges have been filed. Criminal proceedings are pending.

Program Administration

L&I spent \$4,339,435 on salaries, benefits, and other expenses for the Fraud Prevention and Compliance program. L&I recovered \$29,574,514 in delinquent premiums from employers and improper payments to providers and workers. Also, estimated avoided costs totaled \$3,882,011 (improper future benefits stopped by investigations)

Results: 7.7 to 1 return on investment – a cost of .13 cents for each dollar collected.

More Fraud Prevention Figures

These represent dollars collected from fraudulent activity due to misrepresentation, overpayments to workers, providers, and employers owing delinquent premiums.

WORKER

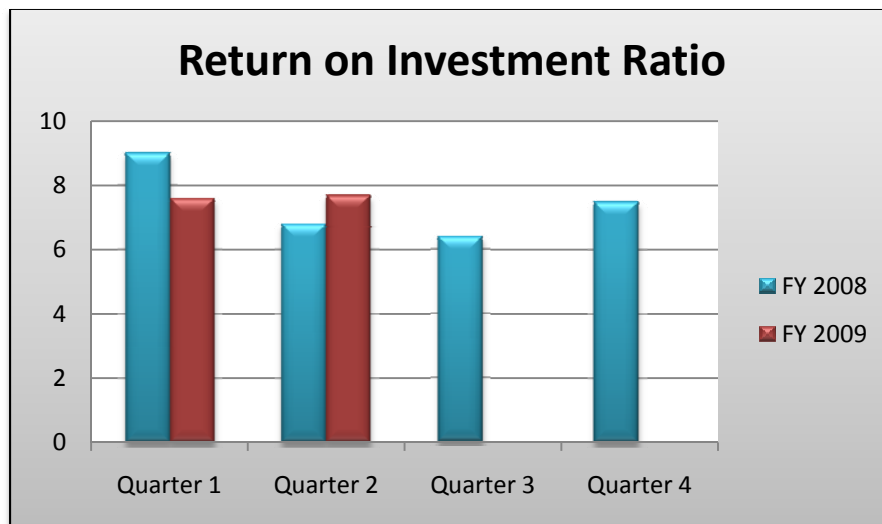
Assessments.....	\$1,462,790
Cost avoidance.....	\$3,468,254
Collections.....	\$1,538,979

EMPLOYER

Assessments.....	\$5,880,854
Collections.....	\$27,949,012

PROVIDER

Assessments.....	\$1,403,114
Collections.....	\$86,523
Cost avoidance.....	\$413,757



Need more information?

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