



Fraud Prevention and Compliance

Second Quarter, Fiscal Year 2010

Workers' Compensation Fraud Report

Statistics at a Glance

Number of cases referred to prosecution	5
Number of Administrative (civil) Fraud Orders Issued	61
Number of Employer Audits completed	1,398
All Dollars Collected and Avoided	\$ 35,920,122

Key Components of the Fraud Prevention and Compliance Program:

- 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.

This quarter the Detection and Tracking unit received 2,765 referrals resulting in 2,019 referrals to Employer Audit, Claims Investigations and other areas within the agency.

Prevention Highlights

Outreach Opportunities in the 2nd Quarter

In the 2nd quarter of FY 2010, Fraud Prevention employees spoke at the Public Risk Management Association, NW Local Contractors, Weyerhaeuser, and Contractor Training Days in Vancouver, Tacoma and Renton. Program Manager Carl Hammersburg spoke at the Quarterly Building Trades meeting where he reviewed fraud numbers, upcoming activities, Underground Economy legislation and highlights.

Technology Update: Detecting Unregistered Employers (DUE) Project

Early in fiscal 2010 L&I issued a Request for Proposal (RFP) to develop a comprehensive employer misreporting and fraud detection computer system that accesses IRS data and other information sources to identify unregistered and underreporting employers.

In Second Quarter, 2010, the SAS Corporation (Cary, North Carolina) emerged as the successful bidder. The project team from SAS was on-site in December to meet key L&I staff and begin detailed system requirement development.

Compliance Highlights

Physician, Heal Thyself

Dr. Roger C. Andersen of Ladysmith, British Columbia, pled guilty to three counts of third-degree theft, after illegally collecting workers' compensation benefits while working for a medical device development company in both Canada and Washington State. Dr. Andersen began receiving workers' compensation payments in 1999 after an injury sustained while moving office equipment. In May of 2004 he began working full-time as a consultant with a medical research company in Bothell. He was then hired full-time as a medical director from July 2005 through December 2007. Anderson was ordered to repay L&I \$232,790.

More Than a Touch-Up Job

Mark D. Standley, owner of Master's Touch Drywall, pled guilty to felony theft of sales tax and workers' compensation fraud, and agreed to pay more than \$2.1 million in restitution. The judge indicated that the length of Standley's prison sentence, up to 9½ years, will depend on how much restitution he makes before his sentencing in May 2010. The Marysville resident reported less than 0.5% of the sales tax he collected on drywall work between 2003 and 2008, and failed to pay workers' compensation premiums on employees he hired to do those jobs.

California Dreamin'

In a fine example of two units working well together, Region 5 Field Auditor Alma Engley accompanied Contractor Compliance Officer Steve Rushing, providing Spanish translation support on a compliance stop at an assisted living center. While on-site they came across 14 workers of E & E Acoustics performing drywall work.

Statements made to Alma by the workers revealed that they were from California and had been working for the firm for two-months. After a lot of investigative work and due diligence, the resulting audit identified 155 unreported workers and recorded a premium assessment and penalties totaling \$672,326.

Program Administration & Return on Investment (ROI)

L&I spent \$4,866,480 on salaries, benefits, and other expenses for the Fraud Prevention and Compliance program. L&I recovered \$34,118,593 in delinquent premiums from employers and improper payments to providers and workers. Also, estimated avoided costs totaled \$1,861,529 (improper future benefits stopped by investigations).

Total ROI: 7.4 to 1

*A cost of 14 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

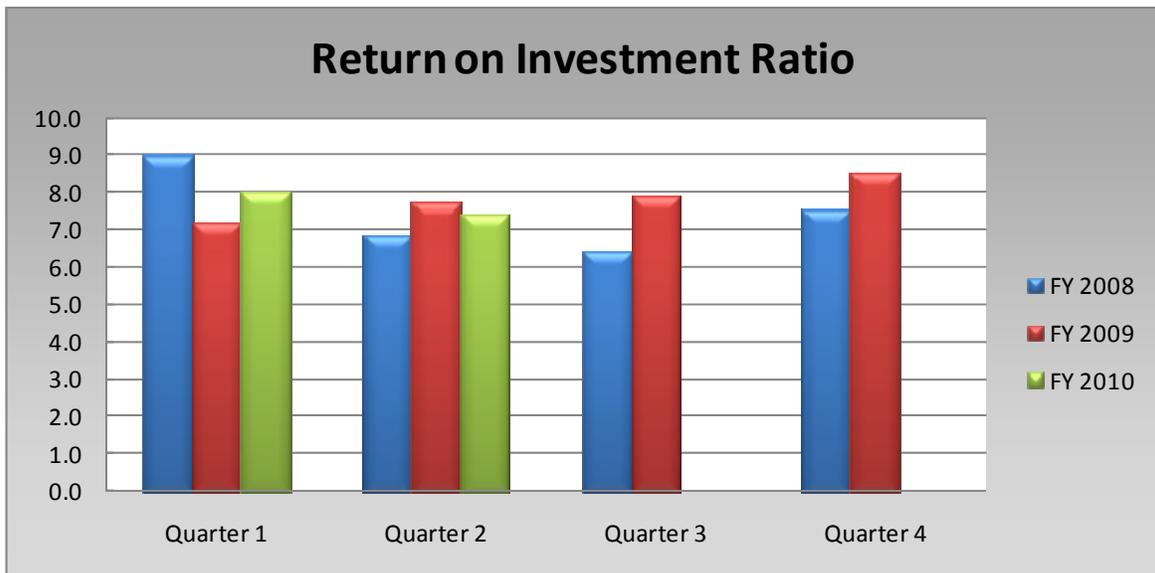
Assessments.....	\$2,211,235
Cost avoidance	\$1,699,538

Employer

Assessments.....	\$5,456,478
Collections.....	\$31,668,544

Provider

Cost avoidance	\$161,991
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Need more information?

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