



Fraud Prevention and Compliance

Third Quarter, Fiscal Year 2010 (January – March 2010)

Workers' Compensation Fraud Report

Statistics at a Glance

| | |
|--|---------------|
| Number of cases referred to prosecution | 3 |
| Number of (civil) Administrative Fraud Orders issued | 46 |
| Number of employer audits completed | 1,403 |
| All dollars collected and avoided | \$ 34,595,549 |

Key Components of the Fraud Prevention and Compliance Program:

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

In the Third Quarter, the Detection and Tracking unit received 1,876 tips resulting in 1,732 referrals to Employer Audit, Claims Investigations and other areas within the agency.

Prevention Highlights

Outreach Opportunities in the 3rd Quarter

This quarter Employer Audit staff completed 235 penalty-free New Employer Review educational visits, the majority being in the construction industry.

The Specialty Compliance program, with direct support from Fraud Prevention, promoted our consumer protection tools through L&I presentations in 14 home shows throughout the state.

Significant Employer Cases coordinated with L&I's Employment Standards program and Central Washington regional staff to create an educational campaign on prime contractor liability issues specific to farm labor contractors for the Washington State Farm Bureau.

Fraud Prevention employees spoke to Washington School Business Officials, and also offered presentations on *Prime Contractor Liability* at Contractor Training Days in Tumwater and Bellingham.

Technology Update: Detecting Unregistered Employers (DUE) Project

During the Third Quarter, 2010, program staff continued work with SAS Corporation representatives to complete detailed system requirements development using the SAS Fraud Framework technology. SAS also invited program executives Carl Hammersburg and Doric Olson to speak at their annual nationwide users conference held this April in Seattle.

Compliance Highlights

A Class Act

In Southwest Washington, a yearlong audit of a leading supplier of multi-craft energy plant services resulted in a debit of \$696,946! The review was a collaboration between two programs, Employer Audit and Insurance Services, working together to correctly re-classify the firm. Furthermore, their combined educational efforts resulted in the employer identifying substantial underreporting that was also a factor in the size of the underpayment, all of which the firm has already paid to L&I.

Hard Time for a Hard Body

An Independent Medical Examiner noted that Frankie Day had an unusually toned upper body for a man with a debilitating back injury. Day received time-loss benefits starting in April 2001, after being injured carrying heavy steel at his job. He claimed to be so badly injured that he had to drag himself in and out of the RV he called home.

A picture, as they say, is worth a thousand words. L&I obtained video showing Day bending, lifting, pulling parts off cars, and even carrying a large tool chest. Upon review of the videotaped evidence, his own doctor agreed Day willfully misrepresented his condition.

Based on these facts, L&I forwarded the case to the Attorney General's office for prosecution. Day pled guilty to one count of theft and received a jail sentence of 30 days. At his restitution hearing in March, the judge reduced the 30 days to 5, adding 200 hours community service and restitution to L&I of \$10,747 (on top of the civil fraud order issued for \$ 26,601).

Tapped Out

On March 25, 2010, Revenue Agents from L&I's Northwest region, in cooperation with local police and Liquor Control agents, conducted one of the more sensational of L&I's compliance efforts: the *till tap*. After a pre-operation meeting and upon verification from police that business was 'pretty quiet', the till tap unit proceeded to *Just Moe's Steak and Spirits* shortly after Midnight.

Upon the team's arrival, the sole bartender tried without success to contact the business owner by phone. Agents set about the seizure of all unopened bottles of liquor along with the contents of the cash drawers. In all, they seized 153 bottles along with \$564 cash, which they transported and secured at the Mt. Vernon service location.

A few days later, the business owner presented herself at the Mt. Vernon service location to find out what had to be done to get the liquor back. Shortly thereafter, she returned with the \$5,116 cash payoff amount, a total reflecting the cash already recovered. Then, with L&I staff assisting, she loaded all 153 bottles then departed without, agents noted, doing her own inventory count.

Bottom line . . . the business is fully compliant for the first time in a long time.

Program Administration & Return on Investment (ROI)

L&I spent \$4,964,840 on salaries, benefits, and other expenses for the Fraud Prevention and Compliance program. L&I recovered \$33,230,356 in delinquent premiums from employers and improper payments to providers and workers. In addition, estimated avoided costs totaled \$1,365,193 (improper future benefits stopped by investigations).

Total ROI: 7.0 to 1

A cost of 14 cents for each dollar collected!

More Fraud Prevention Figures

Amounts recovered as the result of fraudulent activity due to misrepresentation, overpayments to workers and providers, and employers owing delinquent premiums.

Worker

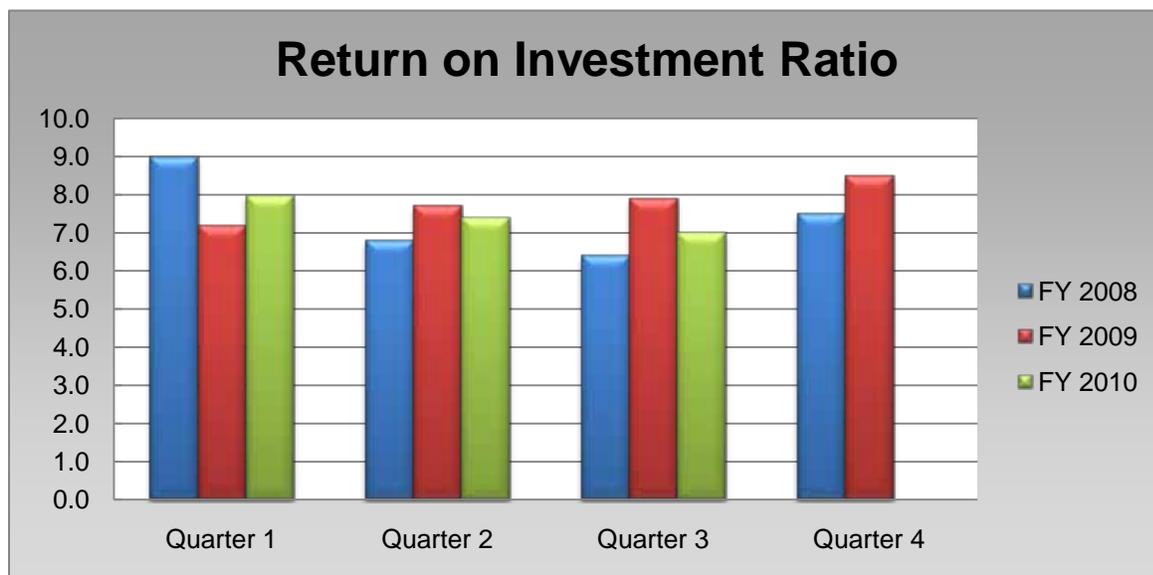
| | |
|----------------------|--------------|
| Assessments | \$ 1,365,424 |
| Cost avoidance | \$ 1,365,193 |

Employer

| | |
|-------------------|---------------|
| Assessments | \$ 7,205,996 |
| Collections | \$ 31,701,058 |

Provider

| | |
|----------------------|-----------|
| Assessments | \$ 22,292 |
| Cost avoidance | \$ 0 |



Need more information?

Please call Doric Olson, Fraud Detection/Operations Manager, at 360-902-6639 or e-mail olsd235@lni.wa.gov.