

# Fraud Prevention and Compliance Program

Program Budget (FY 09-11): \$37.4 million  
FTE's: 250

## Management Team:

### Program Manager

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### Investigations/ Provider Fraud

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### Significant Cases

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## What Do We Do?

Fraud Prevention and Compliance:

- Prevents abuse of the workers' compensation system
- Protects the economic vitality of Washington State
- Promotes the integrity of the industrial insurance system by ensuring employer compliance with industrial insurance laws, rules, and regulations
- Identifies workers and pensioners who fraudulently obtain benefits
- Identifies providers who have billed for illegitimate or exaggerated services
- Collects monies owed the Department through compliance and education activities in order to support the solvency of the Industrial Insurance and Specialty Compliance Funds

## What Do We Accomplish?

	FY 2007	FY 2008	FY 2009
<b>\$ Collected</b>	\$139.2 M	\$124.5M	\$128.2 M
<b>Employer Audits Completed</b>	4741	4203	5774
<b>Claimant Investigations Completed</b>	4900	4507	5185
<b>Cases Referred for Prosecution</b>	13	25	25

### FAIR TEAM RESULTS

- Contractor Infractions issued
  - To unlicensed contractors 200
- Referrals to collections 195
- Referrals to employer audit 436

### SUCCESSFUL AD CAMPAIGNED LAUNCHED

Labor & Industries launched an ad campaign to warn homeowners about using unregistered contractors and encourage the public and legitimate contractors to report unregistered contractors.

The campaign consisted of:

- A four-week radio campaign - 6,965 (30-second ads)
- Web Banners on television websites including KING 5 and KHQ and radio station websites
- Print advertising for two weeks
- Two electronic billboards on I-5 for one month

## **New Business Model Introduced**

**Future Industry Focus-**A new model, focused on voluntary compliance

- Education first – outreach directly to firms and through industry groups
- Opportunity offered to firms to amend reporting for 4 quarters and receive waiver of late penalties
- Follow with audits for firms that still appear out of compliance
- Partner with other agencies for targeting purposes (ex: DOL on Real Estate)
- Document contact and education opportunity, in case of future non-compliance on reporting

**New Employer Reviews-**A new effort aimed at instructing newer firms directly on reporting and recordkeeping rules

- Employers will have an open L&I account, and be reporting for two quarters
- Focus is on construction, wholesale/retail delivery, trucking, logging and janitorial industries
- Educational only – no debit audits will be issued
- Record of visit and instructions will be kept, in case of future non-compliance by firms

## **What We Are Working On**

### **Detecting Unregistered Employers (DUE) Budget Package**

- Budget package to develop a comprehensive employer misreporting/fraud detection computer system
- Team leader and business analysts on board
- Request for Proposal went out in mid-August, with goal to have vendor in place and developing by the end of October
- Internal IS team will lead efforts to fully integrate IRS data with our system

### **2009 Legislation**

The 2009, Washington State Legislature passed two important pieces of legislation to help Labor & Industries address the serious impacts of the underground construction economy, Public Works Release and Retainage and Stop Work Orders.

Public Works Release allows L&I to collect industrial insurance debt owed by contractors who are working on public works projects greater than \$35,000. We have the authority to collect the debt from the 5% of the contract that the public body retains. We will begin enforcement on or after October 1, 2009.

Stop Work Order legislation allows L&I to issue a stop work order on any employer in the construction industry that does not have industrial insurance coverage. The employer must stop operation immediately and cannot begin working again until a full or conditional release order is obtained.