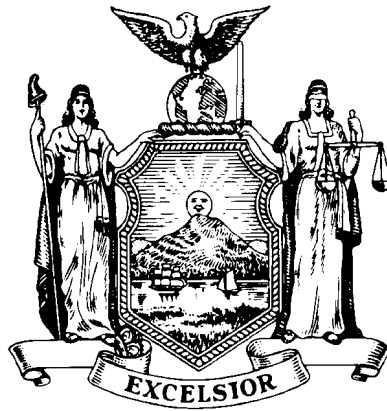


State of New York
Office of the Workers' Compensation Fraud
Inspector General



2016 Annual Report

Andrew M. Cuomo
Governor

Catherine Leahy Scott
Inspector General

EXECUTIVE SUMMARY

The mission of the Office of the Workers' Compensation Fraud Inspector General (WCFIG) is to conduct and supervise investigations within New York State and elsewhere of possible fraud and other violations of laws, rules and regulations pertaining to the operation of the workers' compensation system. Through its investigations, audits, and reports, WCFIG focuses on reducing costs to the workers' compensation system by eliminating fraud and acting to improve the efficiency and effectiveness of the system. WCFIG's investigations are complex and often involve detailed analysis of records and taking of testimony from employers, attorneys, employees, health care providers, and insurance carriers, among others. These investigations result in criminal referrals, arrests, and prosecutions, as well as recoveries for overpayments made as a result of the fraud identified.

On February 4, 2015, Governor Andrew M. Cuomo appointed Catherine Leahy Scott as the New York State Workers' Compensation Fraud Inspector General. Leahy Scott also serves as the New York State Inspector General and the acting New York State Welfare Inspector General. In 2016, WCFIG's investigations uncovered over one million dollars in fraud which related to 36 criminal prosecutions, including 28 arrests -- nearly double the number of arrests in 2015.

In 2016, Inspector General Leahy Scott continued her extensive training and outreach which began in 2015 for the numerous stakeholders in the workers' compensation system. The goals of these efforts are to raise awareness of vulnerabilities in the workers' compensation system among employers and insurance carriers and to generate increased detection and reporting of fraud by the public at large.

PURPOSE AND SCOPE OF ANNUAL REPORT

New York State Workers' Compensation Law section 136 mandates that the workers' compensation fraud inspector general submit a report to the governor and the chair of the Workers' Compensation Board that summarizes the activities of the office for each calendar year. Consistent with this statutory mandate, this report outlines the mission of WCFIG, describes the operational and administrative actions implemented by the office, and provides an overview and summary of significant prosecutions that resulted from the office's investigations.

This Annual Report also provides information about continued and strengthened partnerships and outreach to insurance carriers, law enforcement, and employers, as well as training conducted by WCFIG during 2016.

INTRODUCTION AND BACKGROUND

The WCFIG is responsible for protecting and promoting the integrity of the New York State workers' compensation system, which provides cash benefits, medical care, or both, for workers who are injured or become ill as a direct result of their employment. Claims for compensation are adjudicated by the New York State Workers' Compensation Board.

Pursuant to New York State Workers' Compensation Law section 136, WCFIG is invested with the authority to investigate fraud and other violations of the laws, rules, and regulations relating to the workers' compensation system, and to refer matters to federal, state and local prosecutors or other appropriate law enforcement agencies for further investigation and criminal prosecution. In addition, WCFIG may refer matters to administrative entities, the New York State Insurance Fund and other insurance carriers for investigation and/or audit. As part of its mission, WCFIG may also recommend legislative and regulatory changes to strengthen the workers' compensation system.

OVERVIEW AND SUMMARY

Investigations in Response to Complaints

Following Inspector General Leahy Scott's 2015 appointment as the New York State Workers' Compensation Fraud Inspector General, significant procedural reforms were implemented to ensure a robust process for identifying, investigating, and deterring fraud. These actions carried through to 2016, and resulted in a number of arrests, cases referred to prosecutors, and successful dispositions.

Most WCFIG investigations begin with the lodging of a complaint alleging workers' compensation fraud. Allegations received by WCFIG are generally of three types: (1) fraud involving claimants receiving benefits to which they are not entitled; (2) fraud by employers who are required to maintain workers' compensation insurance coverage for their employees but either fail to maintain insurance coverage or have inadequate coverage; and (3) fraud by medical providers and/or other professionals, including but not limited to physicians, physician assistants,

attorneys, and insurance brokers. Additionally, WCFIG may open investigations based on the Inspector General's own initiative.

WCFIG's complaint review process is consistent with that of the Office of the State Inspector General and Office of the Welfare Inspector General's process. Under this process, every telephone, online, email, mail, and personally delivered complaint is initially received and reviewed by the Case Management Unit. The Case Management Unit, in consultation with executive and senior management, assesses the complaint and either assigns it for WCFIG investigation or refers it to the appropriate agency or insurance carrier for further action, with monitoring and assistance by WCFIG.

In 2016, WCFIG received 1,556 complaints. Upon receipt of each complaint, WCFIG reviewed, referred or opened an investigation. WCFIG closed 446 complaints for their failure to allege actionable wrongdoing or where WCFIG lacked jurisdiction to investigate. Thereafter, WCFIG conducted an investigation of 1,110 matters. WCFIG referred 745 complaints for further action to the appropriate agency or insurance carrier, including the New York State Insurance Fund, the New York State Workers' Compensation Board, and the Board's Advocate for Injured Workers. WCFIG closed 110 matters as unsubstantiated. The remaining 255 complaints were opened for an investigation.

Complaints investigated by WCFIG are assigned to multi-disciplinary teams comprised of an investigative counsel, investigators, investigative auditors and computer forensic specialists. Acting under the authority provided by statute, the investigative teams may subpoena witnesses, take sworn testimony, and compel the production of relevant records. WCFIG may refer its investigative findings for criminal prosecution to the United States Department of Justice, the New York State Attorney General's Office, or local district attorney offices. In cases where criminal prosecution is not warranted, findings may be referred for administrative action, including the revocation by the Workers' Compensation Board of a medical provider's authorization to treat workers' compensation patients and/or the issuing of "stop work" orders against non-compliant businesses for failure to secure appropriate workers' compensation insurance.

Cases Resulting in Criminal Prosecutions

WCFIG's investigations in 2016 uncovered \$1,080,144 in fraud and led to 36 criminal prosecutions, including 28 arrests, which are summarized below.¹ Where applicable, all defendants are innocent until proven guilty in a court of law.

Cases Involving Fraud by Medical Providers and Other Professionals

1. On April 26, 2016, following an investigation by the Federal Bureau of Investigation's Western New York Healthcare Task Force, U.S. Department of Health and Human Services Office of the Inspector General, New York National Guard Counterdrug Task Force, and the New York State Bureau of Narcotics Enforcement, which included WCFIG and the New York State Department of Financial Services, Dr. Eugene Gosy, of Clarence, was indicted by a federal grand jury on 114 counts, including conspiracy to distribute controlled substances, unlawful distribution of narcotics, conspiracy to commit health care fraud, and health care fraud, among other charges. The investigation found that Gosy supplied his patients with controlled substances—addictive prescription opioids—without legitimate medical purposes, falsified required medical training records and wrongfully directed staff to authorize prescriptions, among other things. WCFIG found that Gosy defrauded insurance companies, including the New York State Insurance Fund, which paid approximately \$223,310 in workers' compensation claims for treatment Gosy claimed to administer but, in fact, did not. This matter is being prosecuted by the United States Attorney, Western District of New York.²
2. In April 2016, Kimberly Graziano, of Coram, and K.A.G. Insurance Brokerage, Inc., were indicted on 174 charges, including charges of Insurance Fraud and Grand Larceny. A joint investigation between WCFIG and Workers' Compensation Board's Division of Operations and Compliance Enforcement Unit initially found that Graziano was accepting payment from clients for workers' compensation insurance while not securing the coverage. These findings were referred to the Suffolk County District Attorney's Office, which continued a larger investigation. On December 23, 2016, Graziano and K.A.G. Insurance Brokerage, Inc. pled

¹ One of the 28 arrests is not summarized in this report as that investigation is ongoing.

² The defendant is presumed innocent until and unless proven guilty in a court of law.

guilty to fourteen of the 174 counts and were ordered to pay over \$1.7 million in restitution. This matter was prosecuted by the Suffolk County District Attorney's Office.

Cases Involving Fraud by Employers

1. On February 3, 2016, Scott Duffie, of Newburgh, the owner of Duffie Electric, was sentenced to probation and restitution of \$59,319 to The Hartford and \$34,744 to the New York State Department of Taxation and Finance. After an earlier investigation found that Duffie failed to file personal income tax returns from 2011 through 2013 and understated his payroll to his workers' compensation insurance carriers, Duffie pled guilty on November 23, 2015, to Repeated Failure to File Personal Income Tax Returns, in violation of Tax Law, and Fraudulent Practices, in violation of Workers' Compensation Law, all felonies. This matter was prosecuted by the Orange County District Attorney's Office.
2. On March 8, 2016, Michael Bordes, of Rye Brook, the owner of Jedson Company LLC and AA Jedson Company LLC, both construction companies, was arrested for filing falsified documents with the New York State Insurance Fund. A joint investigation between WCFIG and the State Insurance Fund found that Bordes obtained workers' compensation insurance from the New York State Insurance Fund for Jedson Company LLC, but allowed it to lapse for nonpayment of \$21,784.87 in past premiums. Subsequently, Bordes obtained a new workers' compensation policy from the State Insurance Fund for a newly formed construction company called AA Jedson Company LLC. In order to avoid paying the past due premiums, Bordes declared on the application for the new policy that he never had a prior insurance policy with the State Insurance Fund. On May 17, 2016, Bordes pled guilty to Offering a False Instrument for Filing in the Second Degree, a misdemeanor, and was ordered to pay a \$500 fine as well as restitution in the amount of \$21,784.87 to the New York State Insurance Fund. This matter was prosecuted by the Westchester County District Attorney's Office.
3. On May 26, 2016, James Provost, Jr., of Schenectady, a home improvement contractor, was charged with Offering a False Instrument for Filing in the First Degree, a felony, for filing falsified documents to give the appearance that he had workers' compensation insurance for

a roofing project, when in fact he did not. The WCFIG investigation found that Provost submitted a building permit application for a \$3,800 roof replacement job in the City of Schenectady in September 2014. The permit application required proof of workers' compensation insurance and Provost submitted a certificate purportedly indicating insurance coverage for the work. That certificate, however, belonged to another contracting company which had never employed Provost or given him authorization to use the certificate, and was not associated with the roofing job. On September 14, 2016, Provost pled guilty to Offering a False Instrument for Filing in the Second Degree, a misdemeanor, and was sentenced to a fine of \$250. The matter was prosecuted by the Schenectady County District Attorney.

4. On June 27, 2016, Christina Prasad (also known as Christina St. Andrews), the owner of CK Construction and Remodeling LLC, a Schenectady-based home improvement business, was charged with two counts of Offering a False Instrument for Filing in the First Degree, felonies. These additional charges follow Prasad's December 16, 2015 arrest, when she was charged with three counts of Offering a False Instrument for Filing in the First Degree, all felonies. The WCFIG investigation found that Prasad certified to the Schenectady Office of Code Enforcement on five separate occasions in 2015 that she had valid workers' compensation insurance coverage for her employees when she did not. Prasad's insurance coverage had been canceled in January 2015 for non-payment of premiums. On November 1, 2016, Prasad pled guilty to Offering a False Instrument for Filing in the Second Degree, a misdemeanor, and was sentenced to a fine of \$1,000 with a \$205 surcharge. The matter was prosecuted by the Schenectady County District Attorney.
5. On September 30, 2016, David Benedek, the owner of BSD Inc. NY, was charged with three counts of Offering a False Instrument for Filing in the First Degree, and one count of the Workers' Compensation Law crime of Fraudulent Practices, all felonies. A joint investigation with the New York State Insurance Fund and WCFIG found that Benedek falsely reported the payroll of BSD Inc. NY to the New York State Insurance Fund between 2012 and 2014 in order to obtain required workers' compensation insurance coverage for a lower premium. On November 4, 2016, Benedek pled guilty to all of the charges. As part of

his plea, Benedek will pay restitution in the amount of \$85,709.35 to the State Insurance Fund. This matter was prosecuted by the New York County District Attorney's Office.

6. On November 30, 2016, Alan Jon Squires and Bonnie Jean Squires, of Gloversville, the owners of AB Construction and Environmental, LLC, were both indicted and arraigned on felony charges alleging various crimes as part of a scheme to defraud the workers' compensation system in their bid to rehabilitate mixed-use commercial and residential buildings in the City of Amsterdam. Alan Jon Squires was indicted on charges including three counts of Criminal Possession of a Forged Instrument in the Second Degree and three counts of Offering a False Instrument for Filing in the First Degree, all felonies. Bonnie Jean Squires was indicted on the charge of Forgery in the Second Degree, a felony. The WCFIG investigation found that in 2013, the husband and wife team submitted a successful \$341,400 bid to the City of Amsterdam Industrial Development Agency (IDA) to rehabilitate mixed-use commercial and residential buildings in the City. The Squires then applied for building permits for the work, and allegedly filed altered documents with the City of Amsterdam and the IDA falsely attesting they were exempt from having workers' compensation insurance coverage for the project. This matter is being prosecuted by the Montgomery County District Attorney's Office.³

7. On December 7, 2016, Joseph Kellogg Sr., an Amsterdam-based residential roofing contractor, was charged with four counts each of Offering a False Instrument for Filing in the First Degree and the Workers' Compensation Law crime of Fraudulent Practices, and one count of the Workers' Compensation Law crime of Failure to Secure Compensation, all felonies. The WCFIG investigation found that in 2015, Kellogg filed four separate building permit applications with the City of Amsterdam that included fraudulent certifications that he had no employees and as such, was exempt from obtaining workers' compensation insurance. However, the investigation found that Kellogg employed several people on his roofing job contracts and at one point, employed 11 individuals on two simultaneous projects. Indeed, in a trial where Kellogg was sued by a homeowner over the quality of one of the roofing jobs, Kellogg testified in court that he had at least ten employees working for him on the project.

³ The defendant is presumed innocent until and unless proven guilty in a court of law.

Notably, in 2013, Kellogg pled guilty to misdemeanor Offering a False Instrument for Filing in the Second Degree for filing a similar fraudulent certification. The matter is being prosecuted by the Montgomery County District Attorney's Office.⁴

8. On December 7, 2016, Thomas J. Kelly, an Amsterdam-based residential roofing contractor, was charged with two counts each of Offering a False Instrument for Filing in the First Degree and the Workers' Compensation Law crime of Fraudulent Practices, and one count of the Workers' Compensation Law crime of Failure to Secure Compensation, all felonies. The WCFIG investigation found that Kelly, while working on roofing projects in the City of Amsterdam in 2016, certified in building permit applications he filed with the City that he had no employees and was therefore exempt from obtaining workers' compensation insurance coverage. Nonetheless, investigators for the Inspector General and Amsterdam city officials observed at least four workers on Kelly's job site. The matter is being prosecuted by the Montgomery County District Attorney's Office.⁴

9. On December 7, 2016, Kurt B. LaFata, an Amsterdam-based contractor, was charged with Offering a False Instrument for Filing in the First Degree and the Workers' Compensation Law crime of Fraudulent Practices, felonies, and the Workers' Compensation Law crime of Failure to Secure Compensation, a misdemeanor. The WCFIG investigation found that LaFata utilized at least three workers on a job site in the City of Amsterdam during July 2016, yet had earlier certified in building permit applications filed with the City that he had no employees and was therefore exempt from obtaining workers' compensation insurance coverage. Indeed, when the three employees were approached by investigators from the Inspector General's Office, the employees stated that LaFata told them that he had workers' compensation coverage for them, when, in fact, he did not. The matter is being prosecuted by the Montgomery County District Attorney's Office.⁴

Cases Involving Fraud by Claimants

1. On January 8, 2016, James Reagle, of Niagara Falls, was arrested and charged with Grand Larceny in the Second Degree, Insurance Fraud in the Fourth Degree and the Workers'

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Compensation Law crime of Fraudulent Practices, all felonies. A joint investigation by the New York State Department of Financial Services and WCFIG found that Reagle began receiving workers' compensation benefits in 1990 after he sustained an injury while employed at a Lockport plastics company. The investigation further found that Reagle, while earning a total of \$369,513 as a self-employed recycler of wooden pallets from 2001 through 2014, repeatedly represented to the New York State Workers' Compensation Board that he was not employed in any capacity. During the same time period, Reagle received more than \$82,000 in workers' compensation benefits to which he was not entitled. Reagle pled guilty to the crime of Attempted Fraudulent Practices, a misdemeanor under Workers' Compensation Law section 114, as modified by section 110 of the Penal Law. At the time of plea, Reagle was required to pay \$8,000 in restitution, with the balance to be paid at the time of sentencing. Sentencing is scheduled for February 23, 2017. This matter was prosecuted by the Niagara County District Attorney's Office.

2. On February 1, 2016, Hugh Coogan was sentenced to a conditional discharge after paying restitution in the amount of \$23,200 to Liberty Mutual Insurance Company. An earlier joint investigation by WCFIG and the National Insurance Crime Bureau (NICB) found that Coogan was collecting workers' compensation benefits to which he was not entitled as he was gainfully employed. The investigation revealed that Coogan, without any physical limitations, was performing construction work on private homes and commercial businesses. Additionally, Coogan testified under oath at a Workers' Compensation Board hearing that he had not worked in any capacity since the date of his injury in 2004. Coogan previously pled guilty to attempted workers' compensation fraud on March 9, 2015. The matter was prosecuted by the Nassau County District Attorney's Office.
3. On April 15, 2016, Trent Mitchell, of West Haverstraw, pled guilty to Insurance Fraud in the Third Degree, a felony, and was thereafter sentenced on June 23, 2016, to five years' probation and ordered to pay \$27,468 in restitution to the insurance carrier. A WCFIG investigation found that Mitchell began collecting workers' compensation benefits when injured in early 2010 after slipping on a pipe while working as a laborer for a Somers lighting company. Thereafter, as part of his workers' compensation claim, Mitchell repeatedly

asserted to his insurance carrier that he was not working in any capacity. However, Mitchell maintained a full-time job in 2011 and 2012 as a loading dock supervisor at an Orange County trucking company, during which time he received a total of \$27,468 in workers' compensation insurance benefits to which he was not entitled. This matter was prosecuted by the Orange County District Attorney's Office.

4. On April 18, 2016, Surinder Kauer was indicted by a grand jury and arraigned on a 99 count indictment, including charges of Grand Larceny in the Second Degree and numerous counts of Forgery in the Second Degree, Criminal Possession of a Forged Instrument in the Second Degree and Falsifying Business Records in the First Degree. A joint investigation between WCFIG, the New York City Police Department and the New York County District Attorney's Office found that Kauer was paid over \$50,000 to which she was not entitled after claiming an on-the-job injury and submitting fraudulent medical invoices. This matter is being prosecuted by the New York County District Attorney's Office.⁵

5. On April 27, 2016, Giddel Feliciano, formerly of Seneca Falls and now living in North Carolina, was arrested and charged with two counts of Grand Larceny in the Third Degree and five counts of Offering a False Instrument for Filing in the First Degree, all felonies. A WCFIG investigation found that Feliciano purportedly injured his shoulder in March 2015 while employed with the New York State Department of Corrections and Community Supervision (DOCCS). In April 2015, Feliciano invoked his right to workers' compensation leave. Around this same time, Feliciano began submitting falsified medical reports to DOCCS indicating he was unable to work based upon fictitious medical examinations. Through his use of these falsified medical records and sick and personal leave accruals, Feliciano remained out of work at full salary through mid-December 2015, and received \$33,112 in wage replacement benefits to which he was not entitled. He also moved his residence to North Carolina in August 2015, violating a New York State residency requirement and making him ineligible to collect nearly \$5,000 in sick and personal leave accrual benefits he received. While residing in North Carolina, Feliciano utilized a Seneca Falls post office box with a forwarding address to have his mail delivered to North Carolina,

⁵ The defendant is presumed innocent until and unless proven guilty in a court of law.

where he had applied for a job as a correction officer in a county jail. During the period of Feliciano's deception and his filing of falsified medical records, he wrongfully received a total of \$38,112 in benefits to which he was not entitled. This matter is being prosecuted by the Seneca County District Attorney's Office.⁶

6. On April 28, 2016, John VanRensselaer, of Elmira, pled guilty to Petit Larceny and paid restitution in the amount of \$1,590.25 to the insurance carrier. An earlier WCFIG investigation found that VanRensselaer had been receiving workers' compensation benefits based on a work-related injury sustained in 1983. He falsely represented that he closed his auto repair business and had been unemployed since 2009, when in fact the investigation determined he was working as a self-employed mechanic from at least September 2013 to February 2014. During this time he received \$1,590.25 in workers' compensation benefits to which he was not entitled. The case was prosecuted by the Chemung County District Attorney's Office.

7. On May 18, 2016, Dawn Hunt, a former DOCCS correction officer at Sing Sing Correctional Facility and a New Jersey resident, was sentenced to 3 years' probation and ordered to pay \$58,000 in restitution to the Union County (New Jersey) Division of Social Services as well as the United States Department of Housing and Urban Development (HUD). The WCFIG investigation revealed that Hunt collected \$58,000 in welfare and housing assistance while concealing the fact that she was collecting workers' compensation benefits from New York State. Hunt failed to report the workers' compensation benefits as income as required when completing public benefit applications and re-certifications. A WCFIG investigation revealed that Hunt collected \$22,361.29 in benefits from the Union County Division of Social Services to which she was not entitled, including temporary aid to needy families, known as TANF benefits, and supplemental nutritional assistance program, known as SNAP benefits. The investigation further revealed that Hunt stole \$37,515 from HUD in benefits for Federal Housing Assistance. Hunt previously pled guilty to two counts of Theft by Deception in the Third Degree. Hunt was terminated from DOCCS in 2015 for living out of

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state while working for a New York State correctional facility. The case was prosecuted by the New Jersey Office of the Union County Prosecutor.

8. On May 25, 2016, Elizabeth McKeon, of Poughquag, was arrested and charged with Grand Larceny in the Second Degree, Insurance Fraud in the Second Degree and the Workers' Compensation Law crime of Fraudulent Practices, all felonies. A WCFIG investigation found that McKeon, who was classified as permanently partially disabled following a 2007 work-related injury while employed as a field technician for Verizon, Inc., operated a dog training business from late 2010 through spring of 2016. Throughout that period, McKeon reported to her workers' compensation insurance carrier that she was not employed or working in any capacity. Nonetheless, investigators observed her several times while she was conducting dog-training activities for her business, 4 The Love of Dogs and Pets LLC, and as a certified professional dog trainer and a member of the Association of Professional Dog Trainers. While operating her business, McKeon collected weekly workers' compensation benefits to which she was not entitled, totaling \$103,530. McKeon pled guilty on October 27, 2016, in the Town of Beekman Justice Court to Insurance Fraud in the Fifth Degree and was sentenced to a conditional discharge and court imposed surcharge and fee totaling \$255. The matter was prosecuted by the Dutchess County District Attorney's Office.
9. On July 12, 2016, Michelle Buggs, of Inwood, the owner of a Far Rockaway restaurant, was arrested and charged with Grand Larceny in the Second Degree, Insurance Fraud in the Second Degree, Grand Larceny in the Third Degree, Insurance Fraud in the Third Degree, Perjury in the First Degree, Offering a False Instrument for Filing in the First Degree, and the Workers' Compensation Law crime of Fraudulent Practices, all felonies. The WCFIG investigation found that Buggs claimed to have sustained an injury in 2006, while working as a baker and cake decorator for Waldbaum's Supermarket, and thereafter received disability and workers' compensation benefits. On December 16, 2014, Buggs attended an independent medical examination and attested that she had not worked since the date of the accident and that she was unable to work, and on February 26, 2015, she testified at a workers' compensation hearing that she did not own a business. However, the WCFIG investigation determined that Buggs opened a restaurant in Far Rockaway in 2012, and was

observed working at that restaurant in 2015. During her ownership of the restaurant, Buggs wrongfully received more than \$69,000 in disability payments. This matter is being prosecuted by the Nassau County District Attorney's Office.⁷

10. On July 13, 2016, Matthew Taylor, of Alexandria Bay, was arrested, and on July 14, 2016, arraigned and charged with Grand Larceny in the Third Degree, a felony. The WCFIG investigation found that Taylor suffered an injury on January 19, 2013, while training as a volunteer firefighter with the Alexandria Bay Fire Department, and thereafter received \$400 weekly in workers' compensation benefits as he was unable to work due to that injury. On June 10, 2013, after examination, Taylor's doctor returned him to work. However, Taylor advised no one that he had been cleared by his doctor to return to work and continued to receive workers' compensation benefits to which he was not entitled for the period June 10, 2013 through August 26, 2013, totaling \$4,800. Taylor subsequently pled guilty to Attempted Grand Larceny in the Fourth Degree, a misdemeanor, and on December 21, 2016, was sentenced to three years' probation and ordered to pay full restitution in the amount of \$4,800 plus a \$200 surcharge. This matter was prosecuted by the Jefferson County District Attorney's Office.

11. On July 18, 2016, James Hooks, Jr., of Elmira, pled guilty in Chemung County Court to Grand Larceny in the Third Degree, a felony. As part of his plea, he admitted collecting workers' compensation payments for which he was not eligible while also working as a bartender at a local tavern in Elmira. Hooks had been arrested on December 21, 2015, following an earlier WCFIG investigation that found that Hooks, who sustained injuries while working at a grocery store in 1994, repeatedly told his insurance benefits company that he was not employed in any capacity when in fact he was working since at least 2013 as a bartender at the local tavern. On September 12, 2016, Hooks was sentenced to pay nearly \$26,000 in restitution and surcharges and serve five years on probation. This case was prosecuted by the Chemung County District Attorney's Office.

⁷ The defendant is presumed innocent until and unless proven guilty in a court of law.

12. On August 4, 2016, Christine Weipert, of Mount Morris, was charged with Grand Larceny in the Third Degree, Insurance Fraud in the Third Degree, Falsifying Business Records in the First Degree and the Workers' Compensation Law crime of Fraudulent Practices, all felonies. A WCFIG investigation found that Weipert reported she was injured in August 2013, while unpacking a printer at the Wayne Finger Lakes BOCES where she worked as a computer service assistant. Since then, Weipert received weekly workers' compensation benefits while repeatedly asserting to medical examiners that she was unable to work, sit or stand for prolonged periods, and that she needs a cane to walk. However, WCFIG's investigation found that she used a cane only when attending medical exams or a hearing before the New York State Workers' Compensation Board. At other times, Weipert engaged in activities without any apparent impairment. In the fall of 2015, Weipert filed documents with her employer's workers' compensation administrator attesting that she was unable to work and had difficulty driving and walking because of her injury and thereafter received more than \$27,000 in workers' compensation benefits to which she was not entitled. This matter is being prosecuted by the Livingston County District Attorney's Office.⁸
13. On August 12, 2016, Ramo Siljkovic, of Yonkers, pled guilty to the Workers' Compensation Law crime of Attempted Fraudulent Practices, a misdemeanor, and was ordered to pay \$18,744.66 restitution to the New York State Insurance Fund, which he paid in full on November 7, 2016. An earlier joint investigation by WCFIG and the New York State Insurance Fund found that Siljkovic, who claimed an injury in 2010, later submitted 24 false documents to the New York State Insurance Fund and testified falsely before the Workers' Compensation Board that he was unable to work, when in fact he was working. He was arrested on February 24, 2015, on charges that he was collecting workers' compensation benefits to which he was not entitled. The matter was prosecuted by the Westchester County District Attorney's Office.
14. On September 7, 2016, JoAnne Cardona, of Geneseo, was charged with Grand Larceny in the Third Degree, Insurance Fraud in the Third Degree, Perjury in the First Degree, two counts of the Workers' Compensation Law crime of Fraudulent Practices, and five counts of

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Offering a False Instrument for Filing in the First Degree, all felonies. A WCFIG investigation found that Cardona received workers' compensation benefits since 2003 when she allegedly suffered neck, shoulder and upper back injuries when a resident fell on her during her employment at an Amsterdam, New York, home for the elderly. In October, 2013, Cardona began working at the Center for Disability Rights, Inc. in Rochester, New York. In the subsequent months, Cardona repeatedly submitted documentation to the State Insurance Fund asserting she was not working in any capacity, and in September 2014, Cardona falsely testified at a New York State Workers' Compensation Board hearing, claiming she had not worked in any capacity before June 2014. Between October 2013 and June 2014, Cardona received \$5,888 in workers' compensation benefits to which she was not entitled. This matter is being prosecuted by the Albany County District Attorney's Office.⁹

15. On October 21, 2016, Valerie Everett, of Rochester, was charged with Grand Larceny in the Third Degree, Insurance Fraud in the Third Degree and the Workers' Compensation Law crime of Fraudulent Practices, all felonies. A WCFIG investigation found that Everett had received workers' compensation benefits since 2002 when she allegedly suffered knee and leg injuries after she slipped and fell off of a curb in the parking lot of the fast-food restaurant where she worked. The investigation found that in June 2008, Everett began working at Sutherland Global Services, Inc., in Rochester, New York. In November 2014, Everett left that job and began working at Time Warner Cable. Between 2009 and 2015, Everett falsely represented to her workers' compensation insurance carrier in writing on four separate occasions that she was not working in any capacity. She also verbally told the insurance company that she was not working in any capacity during that same time period. Between May 2009 and September 2015, Everett received \$34,604 in workers' compensation benefits, about \$211 every other week, to which she was not entitled. The matter is being prosecuted by the Monroe County District Attorney's Office.⁹

16. On November 15, 2016, Ronald Durand, of Lafargeville, was indicted and charged with Grand Larceny in the Third Degree, Criminal Possession of Stolen Property in the Third Degree, Insurance Fraud in the Third Degree and Offering a False Instrument for Filing in

⁹ The defendant is presumed innocent until and unless proven guilty in a court of law.

the First Degree, all felonies. A joint investigation by WCFIG and the New York State Department of Financial Services found that Durand began receiving workers' compensation benefits in March 2013 after claiming a back injury while working at a job delivering jugs of drinking water. Since that injury, he repeatedly claimed to medical providers, his employers' insurance carrier and the State Workers' Compensation Board that his disability made him unable to work or do almost anything except rest and heal. Repeated surveillance, however, found Durand at the Watertown YMCA within months of his reported injury bench pressing as much as 335 pounds, and performing military press-ups with 180 pounds of weight, among other heavy weight exercises. During this time, Durand received nearly \$3,200 in workers' compensation benefits to which he was not entitled. The matter is being prosecuted by the Jefferson County District Attorney's Office.¹⁰

17. On November 15, 2016, Marleen Ayen, of Antwerp, was indicted and charged with Grand Larceny in the Third Degree, Criminal Possession of Stolen Property in the Third Degree, Falsifying Business Records in the First Degree and the Workers' Compensation Law crime of Fraudulent Practices, all felonies. Also indicted and charged at this time was Anthony Hull, who Ayen described as her fiancé and who lives at the same address, for felony Offering a False Instrument for Filing in the First Degree and the Workers' Compensation Law crimes of Fraudulent Practices, a felony, and Failure to Secure the Payment of Compensation, a misdemeanor. A WCFIG investigation found Ayen had been receiving workers' compensation benefits since claiming a work-related injury in 2004. In 2015, she attested to her insurance company that she had not been working in any capacity, but an investigation found she was indeed working at Anthony Hull's hardware store, Robbins Hardware, located in Antwerp, and received nearly \$3,200 in benefits to which she was not entitled. Additionally, it was found that Hull had no workers' compensation coverage for his employees, and that he claimed he had no employees when he in fact did. The matter is being prosecuted by the Jefferson County District Attorney's Office.¹⁰

18. On December 6, 2016, David C. Sigl, an Auburn-based owner of a logging company, was indicted by a grand jury and arraigned on charges of Grand Larceny in the Second Degree,

¹⁰ The defendant is presumed innocent until and unless proven guilty in a court of law.

Insurance Fraud in the Second Degree, and Offering a False Instrument for Filing in the First Degree, all felonies, and the Workers' Compensation Law crime of Failure to Secure Compensation, a misdemeanor. The WCFIG investigation found that Sigl had been collecting workers' compensation benefits since sustaining an injury in early 2013 as a heavy equipment operator for a Syracuse construction and engineering firm. In the years since, Sigl repeatedly filed documents with the New York State Workers' Compensation Board indicating he was not working in any capacity and 100% disabled, when in fact he was operating and working for his own logging business, where he climbed trees and wielded chainsaws. In doing so, Sigl collected more than \$83,000 in workers' compensation insurance benefits to which he was not entitled. The inspector general's investigation also found that Sigl's company, Lake Country Logging, employed two people, but did not provide workers' compensation insurance for those individuals as required by law. The matter is being prosecuted by the Cayuga County District Attorney's Office.¹¹

19. On December 8, 2016, William Forte was charged with one count each of Grand Larceny in the Third Degree and Insurance Fraud in the Third Degree, and four counts of the Workers' Compensation Law crime of Fraudulent Practices, all felonies. WCFIG's investigation found that Forte, who was injured while working for a trucking company, collected over \$22,000 in wage replacement benefits to which he was not entitled. The investigation found that Forte repeatedly asserted to his doctors and his insurance company that he was not working in any capacity. However, WCFIG found that Forte was employed as a seasonal maintenance worker by the City of Amsterdam and was observed using his purportedly injured arm lifting tools, painting and climbing ladders. The matter is being prosecuted by the Montgomery County District Attorney's Office.¹¹

20. On December 12, 2016, Diane Lares of Yonkers pled guilty to Petit Larceny, a misdemeanor. As part of her plea, Lares is expected to pay \$6,469 in restitution for workers' compensation benefits she received but to which she was not entitled. An investigation by WCFIG found Lares sustained an injury in late 2014 after falling down stairs at a clothing retailer where she worked and began receiving workers' compensation benefits. Lares testified at a Workers'

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Compensation Board hearing in March 2015 that she had not worked since November 2014. The investigation determined, however, that while she was receiving benefits she regularly worked as a bartender at a sports bar. In addition, on two occasions, Lares completed medical questionnaires in which she failed to mention her employment as a bartender and asserted that she was not working in any capacity. Lares is scheduled to be sentenced in March 2017. The matter was prosecuted by the Westchester County District Attorney's Office.

21. On December 20, 2016, Eugene Reems, a Staten Island telephone company lineman who was observed teaching kickboxing while claiming work-related injuries kept him from performing his job, was arrested, pled guilty to Petit Larceny, and paid \$37,500 in restitution for stealing workers' compensation benefits to which he was not entitled. Also as part of his plea, Reems waived all future wage replacement benefits. A WCFIG investigation found that Reems began receiving workers' compensation benefits based on job-related injuries suffered in 2007 while working for Verizon. In June 2012, Reems's wife and his cousin opened CKO Kickboxing of Westerleigh on Staten Island and Reems began instructing there. There he was observed performing punching and kicking moves as part of his role as an instructor. Reems taught at the school through May 2014. Throughout that time he repeatedly and falsely asserted to physicians examining him that he was not working and was incapacitated and was therefore able to continue receiving workers' compensation benefits to which he was not entitled. The matter was prosecuted by the Richmond County District Attorney's Office.

22. On December 19, 2016, Virginia Donohue of Rochester was charged with Grand Larceny in the Fourth Degree and five counts of Criminal Possession of a Forged Instrument in the Second Degree, all felonies. A WCFIG investigation found that Donohue's mother began receiving her deceased husband's workers' compensation benefits after his death in 1997, following an illness he suffered while working at Union Carbide Corporation. Donohue's mother subsequently passed away in October of 2014, but the workers' compensation benefits checks continued to be mailed to her address. Between December 2014 and January 2015, Donohue forged her deceased mother's name on the biweekly workers' compensation

checks and deposited them into her own account for her own use. In total, Donohue stole \$1,113 in benefits to which she was not entitled. The matter is being prosecuted by Niagara County District Attorney's Office.¹²

Initiatives and Task Force Actions

In 2016, WCFIG continued its participation in the Workers' Compensation Task Force that Governor Andrew M. Cuomo created in 2015 in an effort to reduce workers' compensation costs in the State of New York as well as prevent and mitigate accidents, create efficient and effective claims management, and reduce fraud and abuse in the workers' compensation system. The overall goal of the task force is to improve the health and safety of employees in New York State while reducing the cost of workers' compensation to taxpayers. WCFIG has been an active participant in this task force since its inception, and numerous investigations are ongoing.

Additionally, WCFIG participated in the Joint Task Force on Employee Misclassification and Worker Exploitation (JTF), which was established via Executive Order by Governor Andrew M. Cuomo in July 2016. WCFIG had previously been a member of both the Joint Enforcement Task Force on Employee Misclassification, as well as the Task Force to Combat Worker Exploitation. In 2016, the two task forces were merged with the Nail Salon Task Force to create the JTF.

Employee misclassification adversely impacts the residents, businesses, and economy of New York State by denying employees of the protections of workers' compensation and unemployment compensation and placing honest employers on an uneven playing field with those competitors who do not provide their employees with legally required benefits. Therefore, the JTF was charged with coordinating the work of state agencies to ensure the enforcement of laws violated when employers misclassify workers, and developing legislative proposals and other tools to combat this problem, among others. WCFIG currently is investigating several cases involving employee misclassification.

WCFIG also continued its collaboration with the New York State Workers' Compensation Board's Division of Operations and Compliance Enforcement Unit, which monitors the workers' compensation insurance coverage of businesses and employers in New

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York in order to ensure coverage for all New York workers in the event of a work-related injury. WCFIG and the Workers' Compensation Board's Division of Operations and Compliance Enforcement Unit met regularly in 2016 to combine resources in investigating matters involving fraud perpetrated by employers in New York State. In cases where a criminal prosecution is not warranted, WCFIG referred matters to the Workers' Compensation Board's Division of Operations and Compliance Enforcement Unit for administrative or civil action, such as a "stop work" order against a non-compliant business and/or civil penalties for failure to secure appropriate workers' compensation insurance.

Additionally, WCFIG continued to work with the Workers' Compensation Board to combat fraud committed by healthcare providers complicit in enabling fraud against the workers' compensation system. Throughout 2016, WCFIG coordinated efforts with the Workers' Compensation Board's Office of General Counsel, which oversees healthcare provider discipline, in conjunction with the Office of the Medical Director within the Workers' Compensation Board. Healthcare providers and physicians must be authorized by the Workers' Compensation Board in order to treat workers' compensation patients. Similar to WCFIG's endeavors with the Workers' Compensation Board's Division of Operations and Compliance Enforcement Unit, if a WCFIG investigation involving a medical provider revealed misconduct that did not rise to the level of criminality sufficient for a referral to a prosecutor, WCFIG referred those matters to the Workers' Compensation Board for appropriate administrative action.

Training and Outreach

During 2016, Inspector General Leahy Scott and her executive staff continued outreach efforts and provided training and information on WCFIG's mission and various aspects of workers' compensation fraud to a number of stakeholders across the state. The Inspector General also conducted training to the Workers' Compensation Board's Administrative Review Division, including attorneys, claims examiners, team leaders and executive staff. Additionally, the Inspector General and her executive staff conducted training regarding the criminal aspects of workers' compensation fraud to the Commissioners of the Workers' Compensation Board, as well as all Workers' Compensation Board attorneys.

The Inspector General's executive staff also presented a Continuing Legal Education course to criminal prosecutors at the annual New York Prosecutors Training Institute's summer college at Syracuse University College of Law.

The Inspector General and her staff continued to provide training at numerous state agencies as well. As part of this initiative, the Inspector General provided training to every new recruit enrolled in the New York State Department of Corrections and Community Supervision law enforcement academy regarding the Inspector General's jurisdiction and issues relating to workers' compensation fraud and abuse. Since the inception of this initiative, the Inspector General has trained hundreds of correction officer recruits on these matters.

Additionally, the Inspector General's executive staff conducted training at the Public Employer Risk Management Association, Inc.'s (PERMA) 2016 Annual Conference in Bolton Landing. The Inspector General's executive staff also provided a presentation on workers' compensation fraud at the New York Claim Association's November 2016 workshop.

In May 2016, the Inspector General provided training regarding workers' compensation fraud to members of the New York State Association of Self-Insured Counties in Oswego. The Inspector General's WCFIG team also conducted a round table discussion and training at the 2016 Fall Conference of the New York State Association of Self-Insured Counties in Queensbury.

Inspector General Leahy Scott maintained key partnerships in her efforts to combat workers' compensation fraud. The Inspector General and her executive staff regularly met with representatives of the New York State Insurance Fund and the New York State Department of Financial Services to share information and coordinate resources to combat fraud and to improve the efficiency and effectiveness of the workers' compensation system. The Inspector General and her staff also met with many of the state's district attorneys, the United States Attorneys' Offices, and the Federal Bureau of Investigation to discuss WCFIG's enhanced oversight and enforcement efforts, as well as case referrals.

Inspector General Leahy Scott again addressed members of the National Insurance Crime Bureau at its regional meeting in Plainview in April 2016. Inspector General Leahy Scott also addressed members of the New York Alliance Against Insurance Fraud in March 2016.

Additionally, WCFIG staff met regularly with Albany, Buffalo and Syracuse chapters of the Joint Healthcare Task Force.

CONCLUSION

This 2016 WCFIG Annual Report summarizes the office's anti-fraud activities during the past year. In 2017, WCFIG will continue to promote the integrity of the New York State workers' compensation system through its investigations, collaborative efforts with other local, state and federal agencies, and training and outreach. Additionally, WCFIG will commence proactive initiatives that will strengthen the workers' compensation system and increase the detection, prevention, and prosecution of claimant, employer, and provider/professional fraud. In the years ahead, WCFIG's efforts will protect vulnerable workers, prevent fraud, and yield significant savings for New York State.