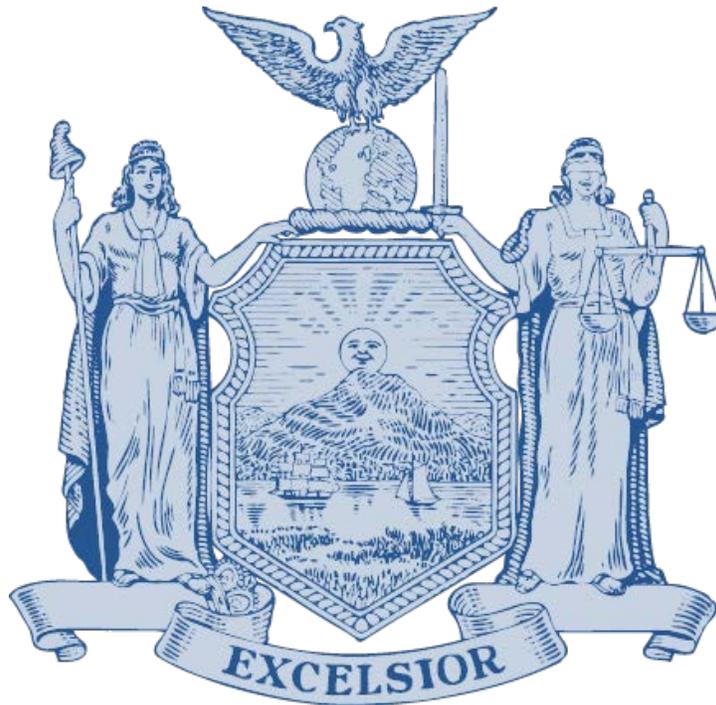


State of New York
Office of the Workers' Compensation Fraud Inspector General



2014 Annual Report

Andrew M. Cuomo
Governor

Catherine Leahy Scott
Inspector General

EXECUTIVE SUMMARY

On February 4, 2015, New York State Inspector General and Acting New York State Welfare Inspector General Catherine Leahy Scott was appointed New York State Workers' Compensation Fraud Inspector General by Governor Andrew M. Cuomo. This 2014 Annual Report of the New York State Office of the Workers' Compensation Fraud Inspector General (WCFIG) outlines the WCFIG's activities in 2014 to effectuate its mission to investigate violations of the laws and regulations relating to the operation of the workers' compensation system throughout 2014 and provides a foundation for Inspector General Leahy Scott's future anti-fraud efforts.

PURPOSE AND SCOPE OF THE ANNUAL REPORT

Workers' Compensation Law Section 136 mandates that WCFIG 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.¹ Consistent with this statutory mandate, this report provides an overview and summary of WCFIG's accomplishments for 2014. Specifically, this Annual Report will provide information about WCFIG's investigations, partnerships, and outreach to insurance carriers, law enforcement partners and employers.

APPLICABLE LAW

In 1996, Workers' Compensation Law Section 136 established WCFIG. WCFIG is authorized to investigate fraud and other violations of the laws, rules, and regulations relating to the workers' compensation system, and to refer matters to the New York State Office of the Attorney General, the New York State Insurance Fund, or other appropriate law enforcement

¹ By statute this report must exclude information that is part of an ongoing investigation or prosecution or specifically prohibited by disclosure by any other provision of law. N.Y. WORKERS' COMP. LAW §136(5).

agency for additional investigation and criminal prosecution. In addition to WCFIG's annual report to the Governor and the Chair of the Workers' Compensation Board, WCFIG is authorized to recommend legislative and regulatory changes to the Governor and the Chair.

OVERVIEW AND SUMMARY

A. Investigations

WCFIG primarily receives complaints through the workers' compensation fraud telephone hotline. Anyone wishing to report potential workers' compensation fraud can call the WCFIG hotline and speak with a WCGIF staff member. After business hours, callers can leave a voicemail message and intake staff will return their calls on the following business day. Complainants can also communicate with WCFIG online. In addition, WCFIG receives referrals from local and federal agencies, investigative units within private insurance carriers, and union representatives. WCFIG's outreach efforts are also a source of new cases.

WCFIG conducts a preliminary analysis of complaints received to determine their viability. Following this analysis, WCFIG closes matters where the allegations are unsubstantiated or where WCFIG lacks jurisdiction to investigate. When evidence in a WCFIG complaint suggests that workers' compensation fraud has taken place or is ongoing, WCFIG partners with the appropriate prosecutorial agency. WCFIG encourages its prosecutorial partners to seek full restitution and forfeiture of the monetary amount of the fraud uncovered by WCFIG when appropriate.

The following are examples of WCFIG investigations that resulted in criminal prosecutions in 2014. All defendants are deemed innocent unless and until proven guilty in a court of law.

Employer submitted forged workers' compensation certificates while applying for permits

WCFIG received an allegation that Gabriel Slavik, owner and operator of Gabe's Plumbing and Heating in Endwell, New York, submitted a fraudulent workers' compensation insurance certificate to a general contractor in order to receive payment for a job. The investigation revealed that Slavik, while applying for plumbing and heating permits, submitted fraudulent workers' compensation insurance certificates with the Town of Union Code Enforcement Office in Endwell. On January 21, 2014, Slavik was arrested on charges of Offering a False Instrument for Filing, a class E felony. On December 7, 2014, Slavik pled guilty in Broome County Court to Criminal Possession of a Forged Instrument in the Third Degree and sentenced to a conditional discharge and a \$1,000 fine.

Contractor arrested for scheme to avoid paying workers' compensation premiums

The investigation revealed that State Insurance Fund (SIF) policy holder Saleem Tahir, the owner of Jaguar Contracting Incorporated, failed to disclose true and accurate financial records during annual premium audits conducted by SIF in order to evade legitimate workers' compensation premium costs. Total premium damages to the State Insurance Fund totaled \$253,103.17. After investigation, WCFIG referred this matter to the New York County District Attorney's Office, Tahir was charged with workers' compensation fraud pursuant to Workers' Compensation Law Section 96(1), a class E felony, and pleaded guilty to this charge on the same day as his arrest. He was ordered to pay restitution in the amount of \$253,103 and perform 100 hours community service.

B. Collaborations and Partnerships

In 2014, WCFIG staff members routinely met with representatives of the New York State Insurance Fund and the Department of Financial Services to share information and avoid unnecessary duplication of investigative efforts. WCFIG also conducted joint investigations with the Federal Bureau of Investigations, the United States Postal Service Office of the Inspector General, and the United States Department of Health and Human Services Inspector General.

In New York City, WCFIG investigative personnel met with state and federal prosecutorial partners to discuss joint investigations of medical providers that are potentially engaged in workers' compensation fraud. Similarly, WCFIG staff met with various chapters of the Joint Healthcare Task Force across the state, including Albany, Buffalo and Syracuse throughout 2014. This professional cooperation between WCFIG, the United States Attorney's Office for the Northern District of New York, the Federal Bureau of Investigation, and various private insurance carriers, as well as the State Insurance Fund, led to multiple joint investigations and stronger relationships among law enforcement partners and insurance carriers to combat fraud and enforce the workers' compensation laws.

C. Outreach

Deterrence is a central part of WCFIG's mission. Educating employers, workers, law enforcement, and insurers about workers' compensation fraud is one of the most effective ways to deter fraudulent activity. In 2014, WCFIG took a two-pronged approach to its outreach efforts. First, WCFIG staff delivered WCFIG's anti-fraud message through live, in-person

trainings around the state. Specifically, during 2014, WCFIG conducted anti-fraud training at the following conferences and/or agencies:

- East End Municipal Workers' Compensation Symposium, Southampton, New York
- National Insurance Crime Bureau/New York Anti-Car Theft and Fraud Association, Melville, New York
- New York Claims Association, New York City
- New York City Housing Authority-New York City
- New York Workers' Compensation Centennial Conference, Albany, New York

Second, WCFIG educated the public about workers' compensation fraud by providing information to individuals and groups through the Internet and by mailing descriptive brochures to various groups, associations, insurance carriers, and state agencies.

CONCLUSION

This 2014 WCFIG Annual Report summarizes the office's anti-fraud activities during 2014. In 2015, WCFIG will continue to promote the integrity of the New York State workers' compensation system through its investigations, collaborative efforts with other state and federal agencies, and outreach. In addition, WCFIG is currently planning innovative, proactive initiatives that will strengthen the workers' compensation system and increase the detection, prevention, and prosecution of claimant, employer, and provider fraud. Going forward, WCFIG's efforts will protect vulnerable workers, prevent fraud, and yield significant savings for New York State.