

# Press Reports and Audits on Governmental Waste, Fraud and Mismanagement

Compiled by the California Taxpayers' Association

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## Workers' Comp

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### Worker's Comp Fraud: How to Fix it

**Dollar Amount: \$1,300,000,000**

According to the Orange County Register (March 7, 2004), state officials estimate more than \$1.3 billion of fraudulent workers' compensation claims are filed each year in California. However, cases worth less than \$55 million, representing only 4 percent of the estimated problem, were involved in fraud charges filed by prosecutors last year, the paper reported. Insurance Commissioner John Garamendi said failure to police fraud in the system is fueling outrage. He blames a shortage of resources to combat the problem, a lack of support from private insurers, which he says are the first line of defense against fraud, and a lack of standards that allow legal abuses of the system. According to The Register, while concerns of fraud are growing, there were fewer arrests last year (366) than there were five years ago (456).

**Region:** So. California

**Jurisdiction:** State

**Source:** OC Register - Mar. 7, 2004

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### Workers' Comp Costs LA County Governments

**Dollar Amount: \$1,000,000,000**

Skyrocketing local government workers' compensation costs are crippling the economy, the Los Angeles Daily News reported April 13. The paper surveyed a cross-section of officials and employers, including Timothy Buresh, chief operating officer for the Los Angeles Unified School District. He said, "Just in Los Angeles County alone, government agencies are wasting more than \$1 billion a year on workers' compensation. LAUSD is heading toward \$200 million a year. We should never be over \$100 million a year. This has a huge, profound effect." How much of an impact? "... workers' compensation is probably costing us in excess of 1,000 teachers, plus their classrooms; 1,000 police and sheriff's deputies; 1,000 firemen, their trucks and apparatus, and 125 new bus routes this year alone. That's the cost of workers' compensation waste, fraud and abuse at the government level."

**Region:** So. California

**Jurisdiction:** County

**Source:** LA Daily News - April 13, 2004

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### SDI Wastes Millions Through Errors, Abuse

**Dollar Amount: \$124,000,000**

The State Disability Insurance program "cheated people out of benefits while overpaying others," according to internal audits and interviews with state employees. From 1999 to 2001, the program overpaid between \$124 million and \$200.7 million to "injured" people who may not have deserved the payments, while as much as \$191.9 million in benefits were denied or delayed by processing errors. There were errors on nearly 40 percent of processed claims. State employees complained of an increased workload, contributing to errors. A spokesperson for the program said, "These audits look very scary, but they're not. ... I'm very concerned about the errors, and we're taking every step possible to reduce them and eliminate them." The loudest complaints were from state employees asked to increase their output after being used to "sitting back all day with nothing much to do." The investigative reporting of Robert Salladay was published in the San Francisco Chronicle (January 26, 2003).

**Region:** Statewide

**Jurisdiction:** State

**Source:** SF Chronicle - Robert Salladay, Jan. 26, 2003

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## Workers' Compensation Fraud Thrives

**Dollar Amount: \$61,000,000**

Workers' compensation insurance fraud in Los Angeles County continues to soar, despite repeated calls for reforms, according to a new report from a citizens' commission. The Los Angeles Daily News (September 20, 2004) reported that the Citizens' Economy Efficiency Commission in Los Angeles County estimates costs of workers' comp fraud at \$7 million to \$61 million annually in county government.

**Region:** So. California

**Jurisdiction:** County

**Source:** LA Daily News - Sept. 20, 2004

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## MTA Workers' Comp Fraud

**Dollar Amount: \$49,000,000**

Los Angeles Metropolitan Transportation Authority officials have started trying to look into the question of fraudulent workers' compensation claims. During the past five years, MTA's workers' comp insurance costs have climbed 51 percent, and possibly as high as \$49 million a year. (Los Angeles Daily News, November 4, 2001.) The Daily News reported on May 5, 2002 that the district attorney had beefed up the workers' comp fraud investigative force by hiring two additional prosecutors.

**Region:** So. California

**Jurisdiction:** State

**Source:** LA Daily News - Nov. 4, 2001

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## Late Claim Penalties

**Dollar Amount: \$800,000**

Failure to process workers' compensation claims on time has cost Los Angeles nearly \$800,000 in penalties over the last 18 months, according to a city audit. The Los Angeles Times reported October 31 that City Controller Laura Chick, who released the audit findings, believes some delays occur for legitimate reasons. However, 25 percent of the 33 cases sampled involved late payments that could have been avoided. She blamed "inadequate oversight" by the city Personnel Department, which has a time-consuming, complicated process of examining claims. Tom Coultas, assistant general manager of the Personnel Department, responded: "We completely agree that paying penalties is not what the city should be doing." However, he continued, "What needs to be added is this is a tenth of a percent of all the payments we make. While we completely agree, we need to put in context that we process over \$100 million a year" in claims. (2001)

**Region:** So. California

**Jurisdiction:** City

**Source:** LA Times - Oct. 31, 2001

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## Failure to Curb Injured Worker Costs

**Dollar Amount:**

Soaring workers' compensation costs have nearly doubled in the last five years in the city and county of Los Angeles. Combined expenses grew nearly 20 percent in a year to total \$430 million. In a follow-up to a year-old report detailing the problem, costs were found to continue to grow despite accelerated efforts to investigate and prosecute fraud, improve workplace safety, screen prospective employees and hire risk management specialists. It was reported that a crackdown on fraud began in 2002 and two sheriff's deputies were arrested, the first since 1987 of a county employee on workers' comp fraud charges. The story was in the Los Angeles Daily News (January 11, 2003).

**Region:** So. California

**Jurisdiction:** State

**Source:** LA Daily News - Jan. 11, 2003

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## Workers' Comp Costs Hit Record High

**Dollar Amount:**

Los Angeles County's workers' compensation insurance costs hit an all-time high of \$242 million in 2001, a 65 percent increase in five years. Not one case of fraud had been prosecuted in recent years. (Los Angeles Daily News, January 10, 2001.) Recent reports indicate that authorities have begun cracking down on fraud in this area.

**Region:** So. California

**Jurisdiction:** State

**Source:** LA Daily News - Jan. 10, 2001

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