

Underground Economy Taskforce Presentation

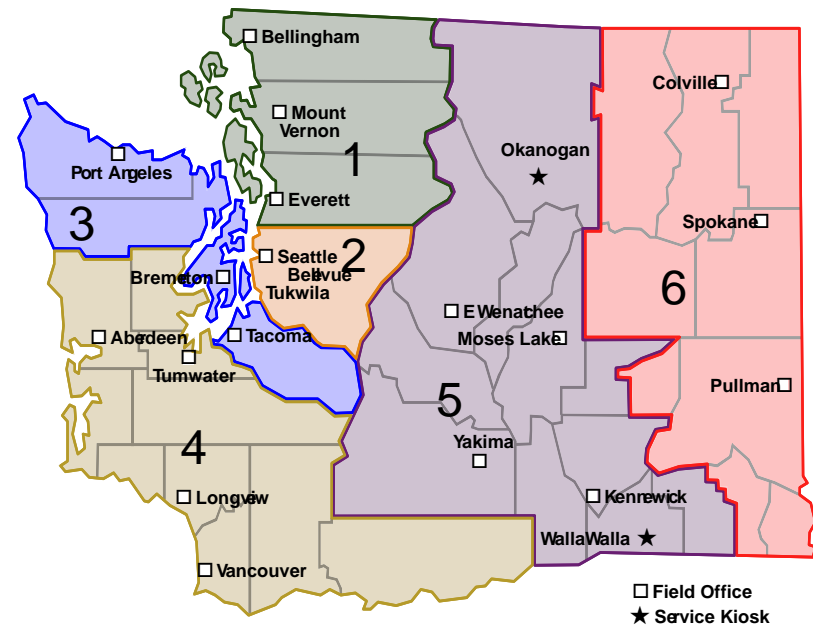
October 31, 2007





Enforcement FTEs - Statewide

Region	1	2	3	4	5	6	Total
Fraud Compliance (Auditors)	8	12	10	10	9	7	56
FAIR Team (these FTEs work statewide)	1	1		1			3
Contractor Compliance (Inspectors)	5	5	5	7	7	4	33
Total	14	18	15	18	16	11	92





Enforcement Funding

- Workers' Compensation (Medical Aid & Accident):
 - Workers' Compensation Fraud & Compliance
 - FAIR Team
- General Fund-State
 - Contractor Registration Enforcement

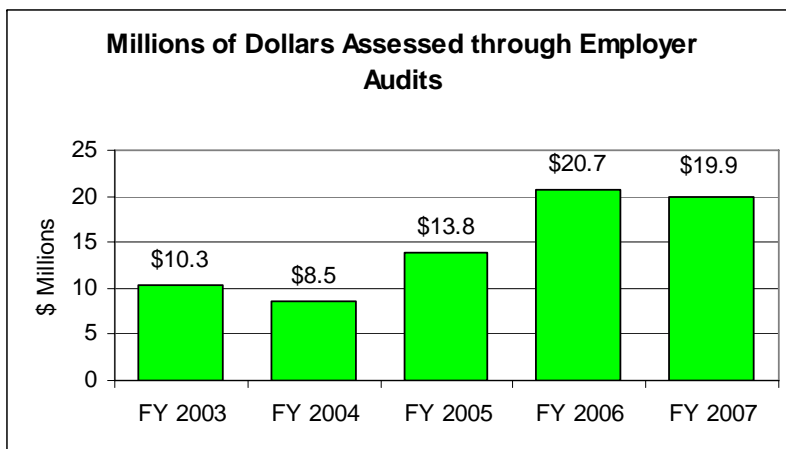
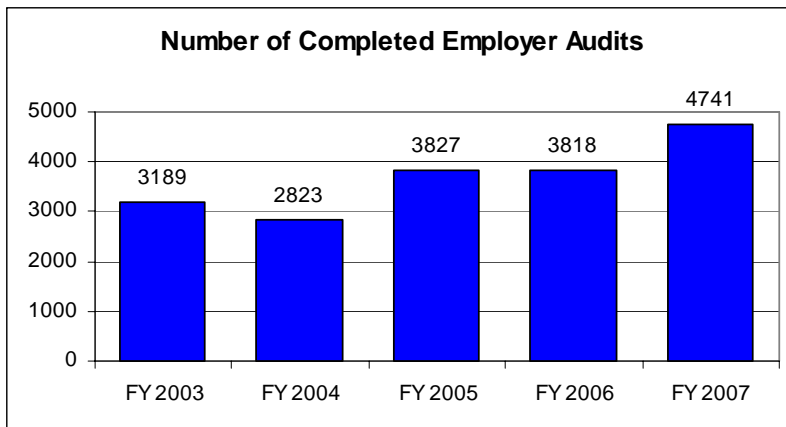


Enforcement Sources

- Referrals from other L&I programs
 - Contractor Compliance, Wage & Hour, Electrical, Prevailing Wage, Fraud and Compliance, Safety
- Referrals from the public, workers, interest groups, etc.
- Targeting
 - Focuses on specific areas known to have compliance issues
- In field stops – cold calls on jobsites
- Small random audit program



Enforcement Activities/Results



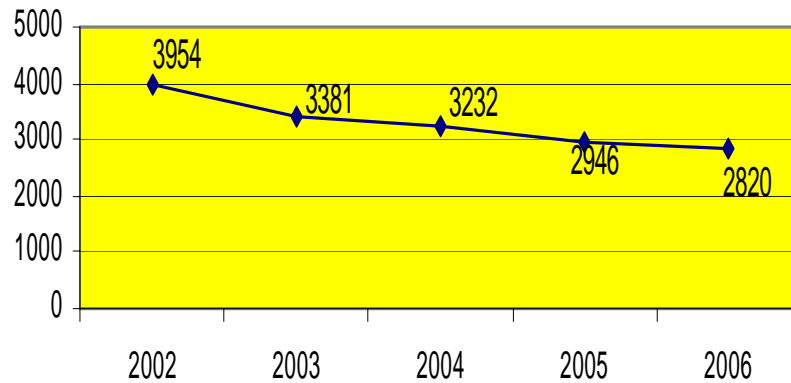
2007

- Overall collections increased from \$135.4 M to \$139.2 M
- We continued to pursue successors and prime contractors over 200 times
- Continued to improve audit targeting processes and directed audits towards cheaters
- Increased audit debit percentage from 56% in 2006 to 66% in 2007
- Increased the number of completed audits from 3818 in 2006 to 4741 in 2007 up by 24%

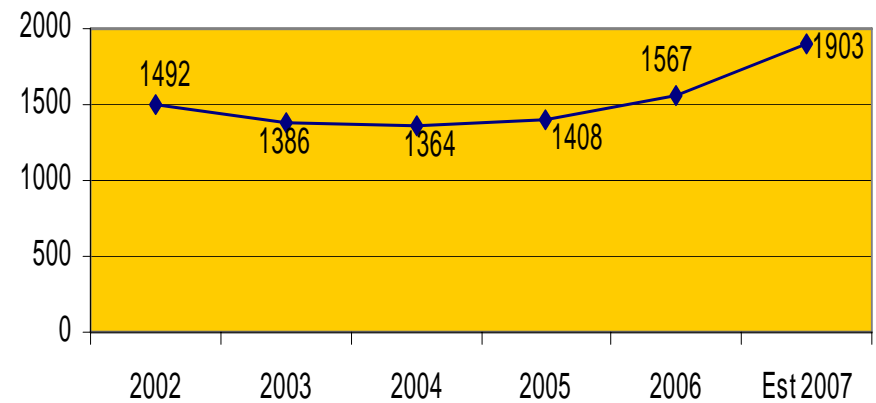


Enforcement Activities/Results

Summons and Complaints Filed Against Contractor Bonds Annually



Infractions Issued Annually by Contractor Compliance Inspectors





Penalties

- Workers' Compensation –
 - Unregistered employer (RCW 51.48.010 & WAC 296-17-470) Greater of \$500 or 200% of premiums due
 - Failure to keep records (RCW 51.48.030 & WAC 296-17-35201) Max penalty is \$250 or 200% of premiums due
 - Failure to allow inspection (RCW 51.48.040) Max penalty is \$250
 - Misrepresentation (RCW 51.48.020) Max penalty is 10 times the difference between what employer paid and the audited premiums
 - Criminal Penalties (RCW 51.48.020) Class C Felony for intent to evade determination and payment of premiums, knowingly fails to secure payment of compensation, or fails to report their payroll



Penalties Continued

- Contractor Registration -
 - \$250 penalty - Using incorrect/expired number, improper advertising, allowing unregistered to use their number (RCW 18.27.100 and .110)
 - \$500 penalty - Failure to provide disclosure statement, working outside specialty, plumbing contractor employing uncertified plumbers, subcontracting or using an unregistered contractor (RCW 18.27.114 and .200)
 - \$1000 penalty - Submitting a bid, performing work, advertising to do work, falsifying registration (RCW 18.27.100, .114 and .200)
 - Gross Misdemeanor - Submitting a bid, performing work, advertising to do work, subcontracting or using an unregistered contractor, falsifying registration (RCW 18.27.020)
 - Consumers have the right to seek retribution under the Consumer Protection Act (RCW 18.27.350). The Consumer Protection Act (RCW 19.86) provides for triple damages



Barriers and Considerations for Improvement

- Unclear definition of independent contractor – leads to both confusion and manipulation
- Homeowners getting building permits for their contractors
- Reciprocal agreements
- Not allowed to do 3rd party subpoenas
- Contractor qualifications, education, and understanding -- proficiency testing/ease of entry
- Difficult to identify both unregistered and underreporting businesses
- Penalties don't dissuade bad actors



Contractor Registration Process

- Contractors can register at any L&I field office and are able to renew online
- Contractor provides a:
 - Completed application and \$113.40 fee
 - Proof of Liability Insurance (\$250,000) and a specialty (\$6,000) or general (\$12,000) bond
- Registration is good for 2 years
- There is approximately 58,000 registered contractors in the state



Contractor Registration Activities

■ Consumer Outreach

- 14 home shows per year
- 2 SCAM Jam events in conjunction with BBB
- 2004 – 13 Fraud Fighter Events with AARP and Attorney General
- Over 82,000 consumers reached to date

■ Contractor Outreach

- 8 Contractor Training Day events per year
 - 1,000 contractors trained per year
 - Over 3,000 have gone through the program to date.