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# **Underground Economy Benchmark Report (RCW 18.27.800)**

*2018 Annual Report to the Legislature*

December 2018



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# Executive Summary

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## Introduction

The Department of Labor & Industries, Department of Revenue and Employment Security Department are pleased to provide this report on underground economy benchmarks, as required by Chapter 18.27.800 RCW.

The underground economy is the loose network of businesses and individuals that do not register or do not report a significant part of their business activities with authorities as required by law. As a result, they not only fail to pay their fair share of unemployment insurance contributions, taxes and workers' compensation premiums, but they gain an unfair advantage over competitors. Consumers are put at risk because there is no bond or insurance to protect them.

The three agencies providing this report share data and collaborate in other areas to uncover and take action against tax misreporting and other forms of fraud.

## Progress and achievements in Fiscal Year 2018

In Fiscal Year (FY) 2018, the departments of Labor & Industries (L&I), Revenue (DOR) and Employment Security (ESD) continued to share information on contractor registration, taxes and other electronic data to discover and hold accountable hundreds of players in the underground economy. Outreach and enforcement activities accelerated compared with FY 2017 due to an increase in construction activity. At the same time, the agencies assisted construction contractors and other business owners in meeting state requirements.

### July 2017-June 2018 (FY 2018) activities

*Together, L&I, DOR and ESD:*

- Uncovered a combined total of almost 2,300 unregistered businesses that were assessed nearly \$89.5 million in unpaid taxes, premiums, penalties and interest.
- Exchanged over 67,000 tips and leads through electronic data transfers.
- Provided options for making late payments and information on the availability of interest and penalty waivers.

*L&I:*

- Educated and trained more than 1,300 construction contractors through eight outreach events statewide.
- Educated more than 24,000 consumers about their rights and how to hire legitimate contractors.
- Issued 1,268 infractions to unregistered contractors.

- Collected \$186.2 million in delinquent employer premiums. While most of this amount was from standard collection activities and not the underground economy, this money helps keep rates low by ensuring all employers pay their fair share.
- Performed over 1,000 audits on unregistered accounts for over \$10.6 million in assessed premiums, penalties and interest.

*DOR:*

- Collected more than \$41.7 million through its Tax Discovery Program.
- Registered over 800 non-compliant businesses.
- Assessed taxes totaling over \$78.3 million from over 540 businesses.
- Recovered over \$427,000 in fraud-related dollars.
- Provided online outreach and assistance to consumers through SuspectFraud.com, and led discussions with stakeholders on new and relevant ways to find leads in the underground economy.

*ESD:*

- Found over 10,400 unreported or misclassified workers through audits.
- Assessed a total of more than \$620,160 on unregistered accounts.

**Intra-agency referrals and data transfers**

When L&I, DOR and ESD find businesses or individuals that may need to be investigated, they notify the appropriate agency by sending referrals or sharing and cross-checking data. In FY 2018, the three agencies shared a total of 116 referrals and over 67,000 data transfers.

# Introduction

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The underground economy is the loose network of businesses and individuals that fail to register or to report a significant part of their business activities with authorities. The result is that they not only neglect to pay their fair share of taxes and workers' compensation premiums, but they gain an unfair advantage over competitors and may leave workers without protection in the event of injury, illness or lost wages. Consumers are put at risk because there is no bond or insurance to protect them.

The departments of Labor & Industries (L&I), Revenue (DOR) and Employment Security (ESD) share data and collaborate in other areas to uncover and take action on tax misreporting and other forms of fraud. The agencies remain committed to working together and sharing information to prevent fraud and reduce the effects of the underground economy.

This report provides updated information about how L&I, DOR and ESD discovered and held accountable hundreds of players in the underground economy during Fiscal Year (FY) 2018 through shared information on contractor registration, taxes and other electronic data.

# Progress and Achievements in FY 2018

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This section describes progress and achievements of each of the three partner agencies (the Department of Labor & Industries, the Department of Revenue, and the Employment Security Department) in working together to prevent fraud and reduce effects of the underground economy in Washington.

## DEPARTMENT OF LABOR & INDUSTRIES HIGHLIGHTS

The Department of Labor & Industries (L&I) protects the safety, health and financial security of Washington's workers and citizens. As part of this responsibility, the department is committed to helping honest workers, providers and businesses through education and outreach, and by cracking down on dishonest ones. Additional details follow.

FY 2018 highlights include:

- **Education** – For first-time or lower-level violators, the focus is on education and help with voluntary compliance. Over the past year, L&I continued working across numerous program areas to analyze and refine compliance efforts to increase focus on improving compliance through education. Compliance inspectors provided training to approximately 1,300 contractors and employers during FY 2018.
- **Detection** – While education is the first step in increasing compliance, repeat violators and egregious “bad actors” get a more comprehensive and sustained focus aimed at stopping the violations. In the area of employer fraud and misreporting, L&I investigators pursued 28 misrepresentation penalties, totaling nearly \$1 million, for misclassifying or underreporting employees for workers’ compensation insurance. Contractor compliance inspectors issued 1,268 infractions to unregistered contractors.
- **Audit selection** – The number of employers referred for audits and found to owe premiums remains steady at about 80 percent. L&I keeps this percentage consistently high by screening and refining referrals and focusing resources on those businesses most likely to be found out of compliance in an audit, while limiting the number of audits of businesses in compliance.
- **Prosecutions** – Investigations staff investigated and referred two employer cases to the Attorney General’s Office for possible criminal prosecution. Both cases were charged criminally.
- **Collections** – Collections staff collected \$186.2 million in delinquent employer premiums for workers’ compensation insurance.
- **Prevailing wage program** – Education about prevailing wage requirements continued to be a focus, as L&I conducted 24 workshops for more than 800 participants around the state. In enforcing prevailing wage requirements, L&I recorded 1,067 “strikes” (a strike is a notice of a violation of contractor registration, workers’ compensation or prevailing wage requirements) and debarred 73 companies from bidding on public works contracts.

If an employer does not pay a fine or receives a repeat notice of violation of contractor registration, workers' compensation or prevailing wage requirements, the employer may be "debarred." When contractors are debarred, they are not permitted to bid on public works projects for one to two years, or until fines are paid.

## **Educating employers and consumers**

L&I continues its commitment to making it easy to do business with the department. A major focus is on making contractor registration easy. L&I partners with the building industry to offer training events such as "Employer's Introduction to L&I" workshops, Contractor Training Days and other specialized training events. The department also provides step-by-step instructions and explanations of laws and rules online. In FY 2018, more than 300 employers attended the "Employer's Introduction to L&I" workshops, and L&I provided eight contractor training days to more than 1,300 contractors statewide.

In addition, L&I educated more than 24,000 consumers about their rights and how to hire legitimate contractors.

## **Detecting dishonest activity**

The most recognizable activity in the underground economy happens in the construction industry, though it also occurs in other industries.

### **Contractor registration**

Construction contractors in the underground economy are typically either unregistered, or underreport their workers' compensation responsibilities. This allows them to avoid paying their fair share of taxes and premiums. Unregistered contractors present a risk to consumers and gain an unfair advantage over competing businesses that play by the rules. L&I protects consumers by registering construction contractors.

To register, contractors must meet the required level of bonding and insurance coverage. This allows some financial recourse for homeowners and suppliers who encounter problems with fraudulent or incompetent contractors. All contractors must have a valid Unified Business Identifier (UBI) number before applying to L&I and paying a registration fee.

Figure 1 shows the number of contractor registrations from 2009-2018. The number of registrations is over 63,000, an all-time high. This may reflect the improved economy.

**Figure 1: Active contractor registrations as of June 30, 2018**

<b>Fiscal Year</b>	<b>Contractors with UBI</b>
2009	56,685
2010	53,993
2011	52,645
2012	51,492
2013	52,250
2014	52,755
2015	54,529
2016	56,652
2017	58,553
2018	63,300

Source: Department of Labor & Industries

### **Contractor penalties**

L&I tracks companies that violate registration laws, misrepresent payroll or employee hours, or conduct business without an L&I certificate of coverage for workers' compensation insurance. In FY 2018, L&I's Construction Compliance Program issued 1,268 infractions to unregistered contractors. This program can also penalize individuals up to \$10,000 for submitting false information in an application to become a registered contractor. The program issued five of these penalties to contractors in 2018.

L&I denies or suspends registration of contractors who do not comply with contractor registration laws and rules. A contractor may have their registration suspended for a period of days or weeks multiple times per year. During FY 2018, L&I suspended nearly 27,400 registrations for the following reasons:

- Cancelled insurance: about 18,000
- Cancelled bond: over 700
- Unsatisfied judgments: over 700
- Impaired bond: over 40
- Outstanding contractor registration infractions: over 250

Contractors cited for failing to register can receive a reduced penalty<sup>1</sup> if they voluntarily register and get a bond and insurance within 10 days after the citation. In FY 2018, nearly 300 unregistered contractors took advantage of that option.

### Auditing businesses

L&I audits employers with workers covered by workers’ compensation, focusing on industries with a high injury rate. During FY 2018, L&I performed over 1,000 audits on unregistered accounts for over \$10.6 million in assessed premiums, penalties and interest.

Figure 2 shows L&I’s audit assessment results for previously registered businesses.

**Figure 2: Department of Labor & Industries  
FY 2018 audit assessments on unregistered or previously registered accounts**

Industry Sector Description	Accounts Assessed	Dollars Assessed
Construction	703	\$6,639,091
Service	188	\$3,338,738
Other*	74	\$428,869
Retail	11	\$105,276
Wholesale trade	10	\$68,714
Manufacturing	7	\$43,799
<b>Total</b>	<b>993</b>	<b>\$10,624,487</b>

\*"Other" category includes sectors such as agriculture and forest products.

Source: Department of Labor & Industries

### Prosecuting illegal activity

L&I Investigations staff investigated and referred two employer cases to the Attorney General’s Office for possible criminal prosecution. Both cases were charged criminally.

### Collecting debt resulting from violations

Inspectors in the Contractor Compliance program are L&I’s eyes and ears in the field for all types of violations. They enforce plumbing and electrical laws, check contractor registrations and identify employers owing significant debt to L&I. They confirm worker counts, compare them with reported numbers and refer cases to auditors. They refer potential violations of workers’ compensation, prevailing wage and DOR rules and laws to the appropriate staff or agencies.

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<sup>1</sup> RCW 18.27.340

The underground economy does not operate on a 9-to-5, Monday through Friday schedule. Therefore, inspectors perform surprise compliance sweeps, visiting multiple jobsites over the course of a weekend. They conducted 12 such sweeps in FY 2018.

Figure 3 shows the number of violations issued, contractors referred to collections, and contractors referred for auditing from FY 2013 to FY 2018. These numbers are relatively stable, even with increased construction activity, which may indicate a cap on workload capacity with current resources and processes.

**Figure 3: Contractor Compliance Program results**

Compliance Action	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Underground Economy Violations Issued	1,743	1,846	1,812	2,030	2,103	2,108
Contractors Referred to Collections Program	Unavailable	1,670	1,707	1,749	1,710	1,763
Contractors Referred to Audit Program	1,401	1,488	1,477	1,508	1,494	1,710

Source: L&I Contractor Registration Program

### Prevailing Wage Program

L&I’s Prevailing Wage Program is an important part of the department’s efforts to ensure fairness for legitimate contractors and employees. Prevailing wage sets a minimum hourly rate of wages, benefits and overtime that contractors must pay workers on public projects. It ensures workers on public works projects receive a standard rate of wages and benefits for their trade or occupation in their county, and that all contractors competing for public works projects pay their workers at least the minimum established wage rate.

### Education and outreach

L&I continues to focus on improving compliance by educating employers and workers about prevailing wage requirements. In Fiscal Year 2018, the Prevailing Wage program conducted 24 workshops on prevailing wage requirements around the state, reaching more than 800 contractors, businesses, and workers.

### Violations, strikes and debarments

When contractors commit certain violations, the Prevailing Wage Program can issue fines and strikes. If a fine is not paid, or additional strikes are received, the company may be debarred.

Under RCW 39.12.055 a contractor can be debarred or prohibited from bidding on public works projects for violating one or any combination of the following:

- Contractor registration law.
- Industrial insurance law for misrepresenting hours/premiums or failing to obtain a certificate of coverage.
- Apprenticeship law.

Strikes are reported under the law in which the violation occurred, not in a combination category. For contractor registration and workers' compensation insurance, strikes are cumulative. For example, contractors may receive strikes under the prevailing wage law for violations of contractor registration law (Chapter 18.27 RCW); industrial insurance law (RCW 51.48.020(1) or RCW 51.48.103); or apprenticeship law (Chapter 49.04 RCW). Any combination of two strikes under these laws results in a one-year debarment.

For prevailing wage law, only violations of the same type count toward debarment. Violations of public contracts laws RCW 39.12.050 and RCW 39.12.065 stand alone and do not need to be in combination with another violation. Two strikes under RCW 39.12.050 result in a one-year debarment, and two strikes under RCW 39.12.065 result in a two-year debarment.

During FY 2018, the program recorded 1,067 strikes and debarred 73 companies from bidding on public works contracts.

Figure 4 shows the numbers of strikes and debarments issued in FY 2016, FY 2017 and FY 2018. The lower number of debarments issued in FY 2018 is due to normal variations in the kinds of strikes reported.

**Figure 4: Prevailing wage strikes and debarments**

Reason	FY 2016		FY 2017		FY 2018	
	Number of Strikes	Number of Debarments	Number of Strikes	Number of Debarments	Number of Strikes	Number of Debarments
Contractor Registration Violation	509	34	563	38	561	25
Industrial Insurance Violation	436	15	572	12	472	5
Contractor Registration and Industrial Insurance Violation	N/A*	65	N/A*	76	N/A*	22
Prevailing Wage Violation: Failing to File Wage Report/False Filing	10	8	14	9	22	16
Prevailing Wage Violation: Failing to Pay Prevailing Wage	1	0	5	1	12	5
<b>Total</b>	<b>956</b>	<b>122</b>	<b>1,154</b>	<b>136</b>	<b>1,067</b>	<b>73</b>

\*Strikes are not reported in combined categories. Instead, they appear in each – or only one – category, depending on the law violated, but they may result in debarment.

\*\*Figures updated from FY 2015 to reflect finalized actions.

Source: Prevailing Wage Program

## DEPARTMENT OF REVENUE HIGHLIGHTS

The Department of Revenue's (DOR) Compliance and Audit divisions continued to focus on both in-state and out-of-state unregistered businesses in an effort to address the underground economy. Both divisions investigate, assess and register noncompliant businesses.

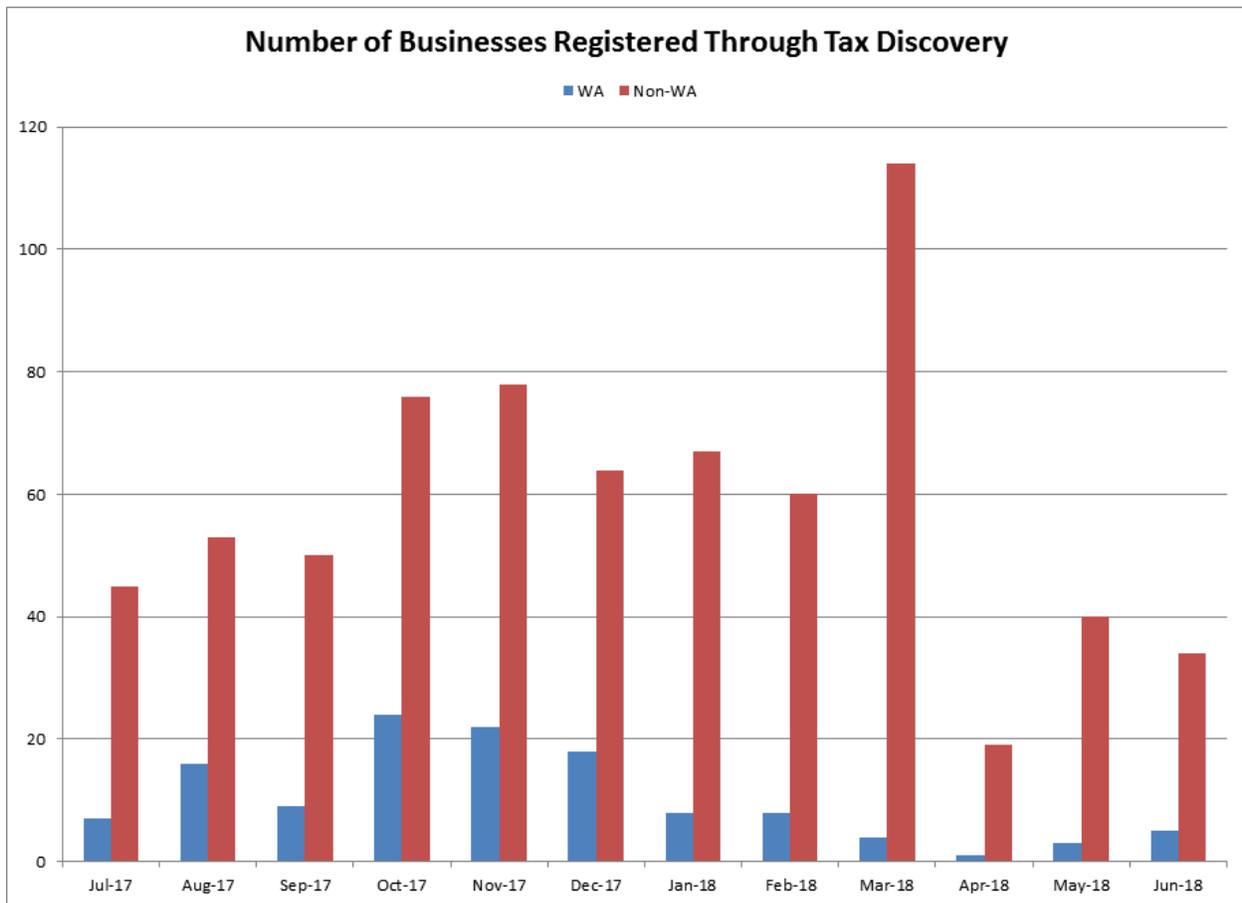
In FY 2018, DOR registered 824 noncompliant businesses. Of those, 540 were found to owe taxes, and over \$78.3 million was assessed against them. This included:

- 36 in-state businesses assessed over \$2.8 million.
- 504 out-of-state businesses assessed more than \$75.5 million.

In March of FY 2018, the Department of Revenue replaced its aging tax and licensing systems with a new, integrated system. The transition to this system affected the agency's work and reporting, which may have resulted in some numbers in this report being lower than in previous years.

Figure 5 shows the in-state and out-of-state businesses found to be unregistered and subsequently registered in FY 2018.

**Figure 5: Number of businesses registered through tax discovery**



Source: Department of Revenue

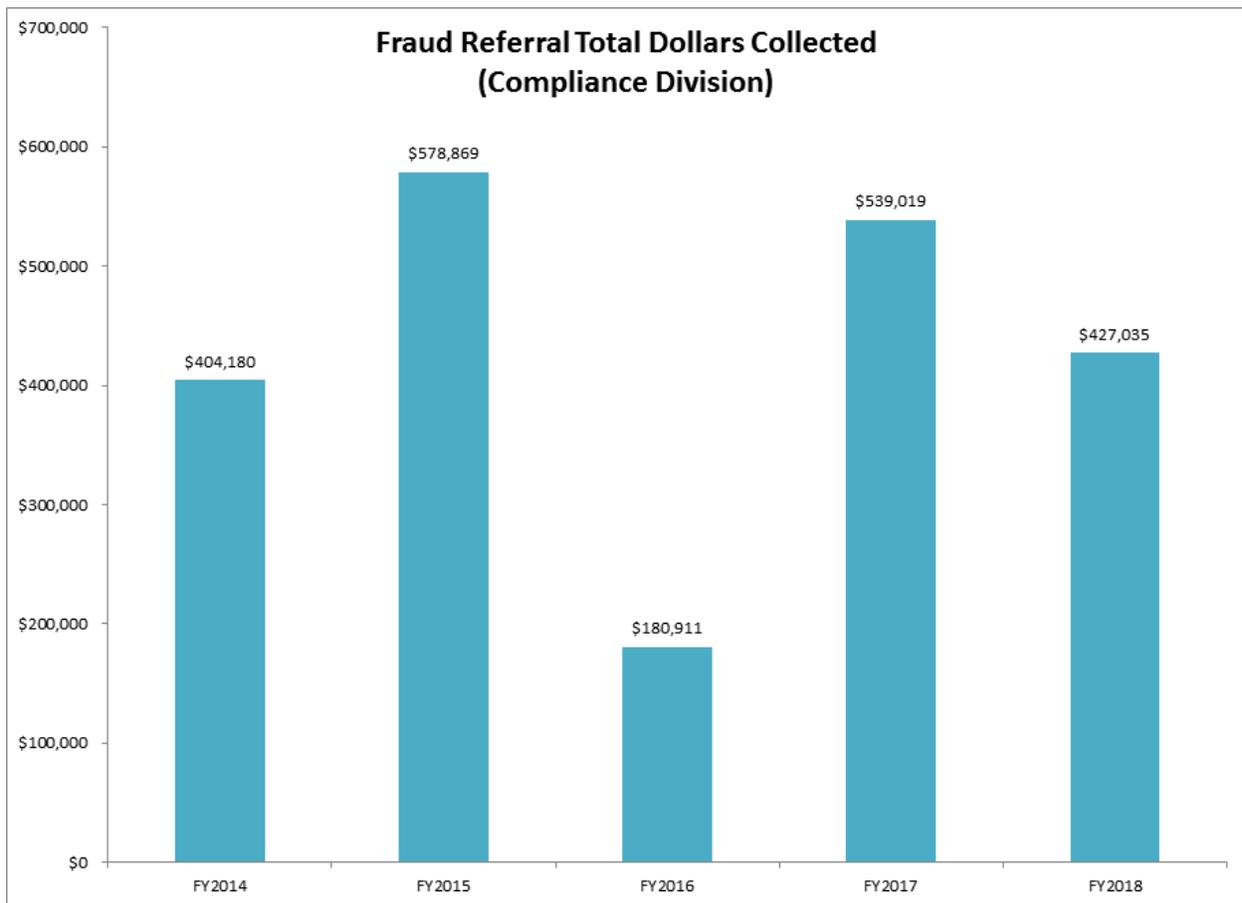
In addition to finding and addressing unregistered businesses, DOR’s Compliance and Audit divisions refer and investigate fraud cases. The Compliance Division investigates unlicensed vehicles, vessels and airplanes. DOR continues to focus on education and enforcement to reduce non-compliance and ensure a local presence is maintained.

DOR has provided a variety of methods for making fraud referrals, which allow private citizens and other agencies to report cases where they believe fraud is being committed. Figure 6 shows the total dollars collected through fraud referrals from FY 2014 to FY 2018. After a significant increase in FY 2015, the dollars collected dropped off in FY 2016. This coincides with the

decision not to run the Suspect Fraud campaign<sup>2</sup> in FY 2016. Since then, in a coordinated effort between the agencies, efforts are focused toward more targeted marketing to a narrower audience, which includes a survey directed toward the business community through a marketing firm on behalf of the three agencies. This reflects a shift in marketing emphasis from consumers toward the business community.

In FY 2017, the fraud dollars collected increased, with some larger assessments resulting from referrals. In FY 2018, DOR configured and implemented a new system, which resulted in a drop in collections as employees learned the new system.

**Figure 6: Fraud referral total dollars collected**

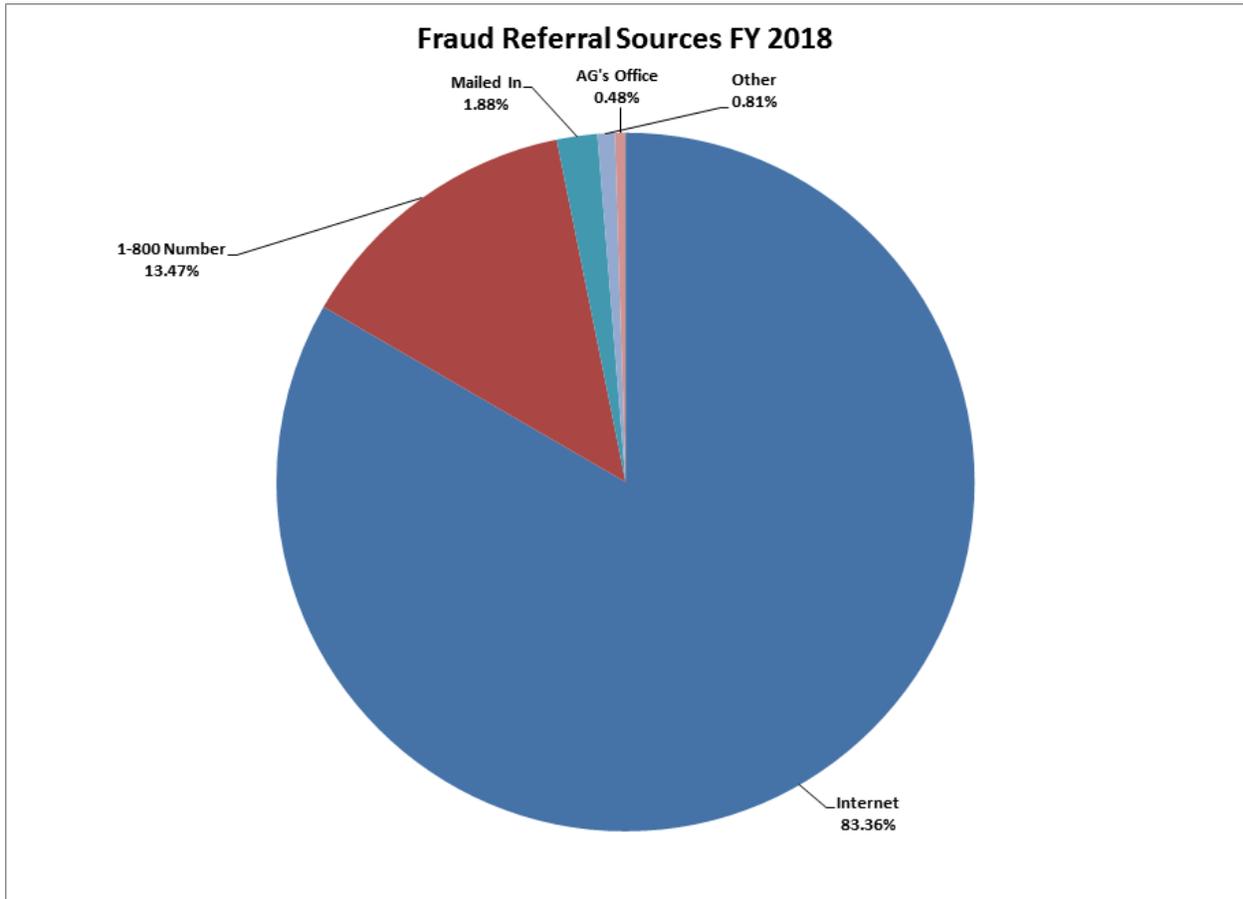


Source: Department of Revenue

<sup>2</sup> L&I, DOR, and ESD sponsored the statewide Suspect Fraud campaign to encourage the public to report fraud.

Figure 7 shows the sources of fraud referrals in FY 2018. As shown, the bulk of referrals are received via the internet and the toll-free hotline. In FY 2018, 83 percent of fraud referrals were made via the website, which remains consistent with recent years compared to a low of 65 percent in FY 2012.

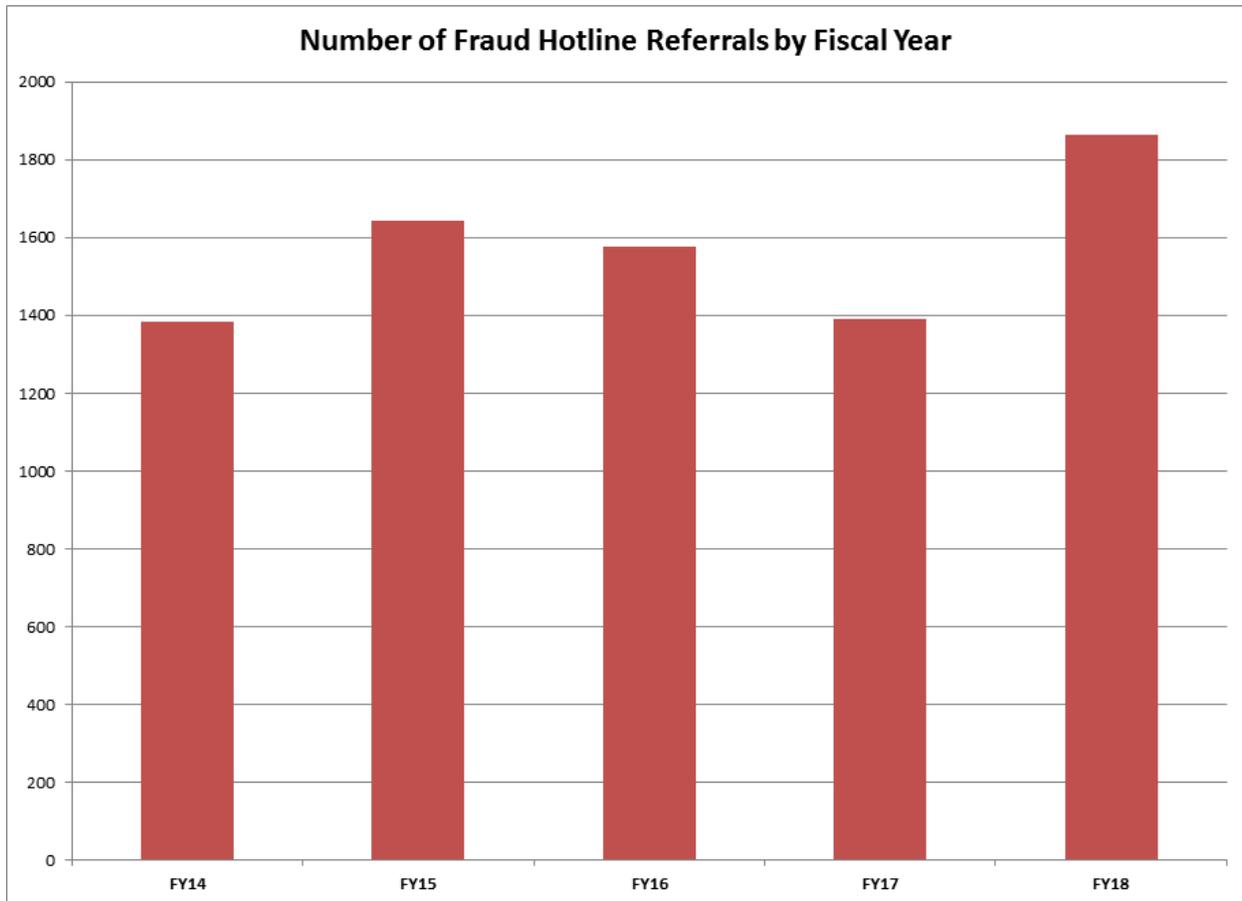
**Figure 7: Fraud referral sources, FY 2018**



Source: Department of Revenue

Figure 8 shows the number of referrals received through the hotline each fiscal year from FY 2014 to FY 2018. The number of referrals via the hotline increased in FY 2018, a change over the past few years since FY 2015, during which referrals decreased. DOR investigates each referral, but it may be found that a business is already registered and reporting, or does not owe taxes.

**Figure 8: Number of fraud hotline referrals by fiscal year, FY 2018**

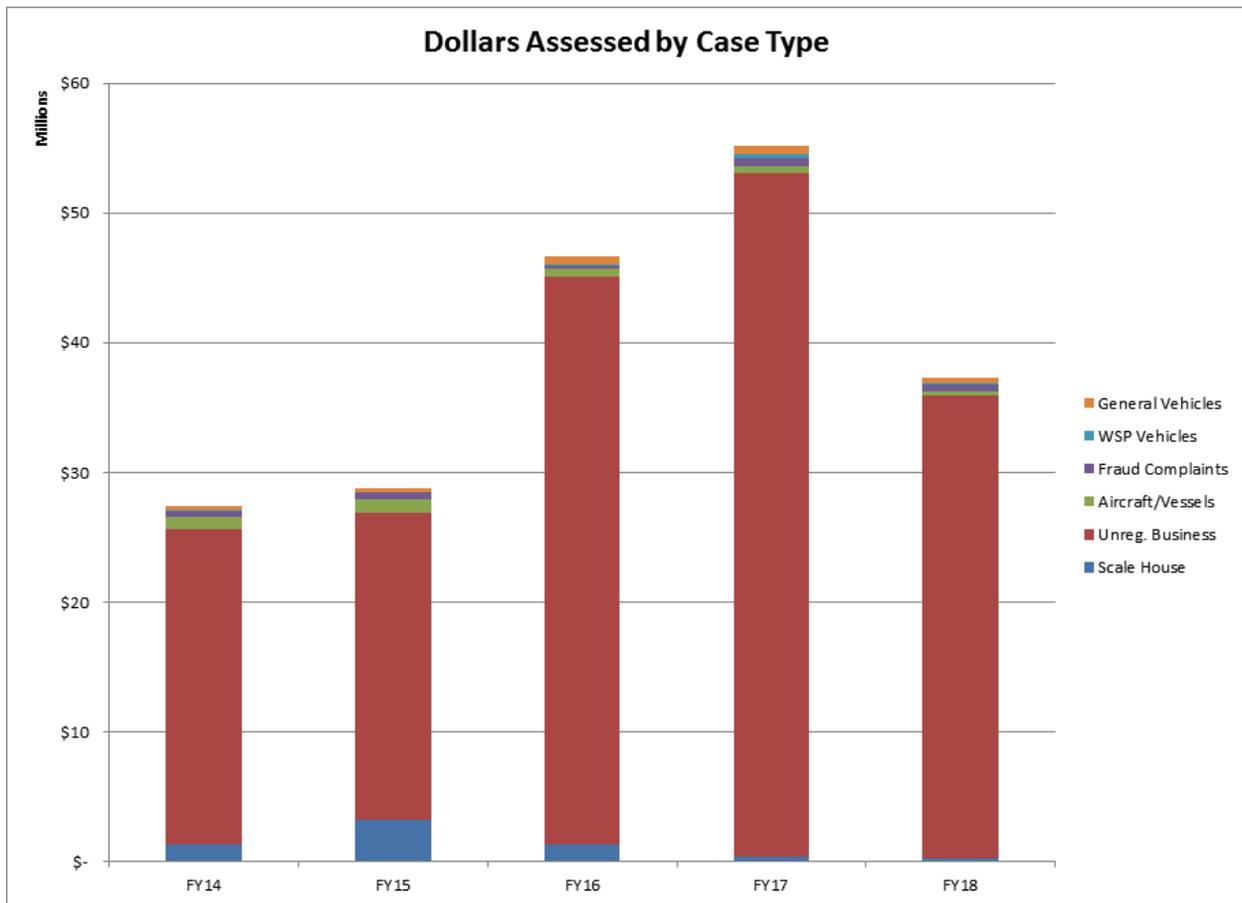


Source: Department of Revenue

During FY 2018, DOR’s Audit Division continued to increase its efforts to investigate and audit businesses in Washington regarding sales suppression. Sales suppression occurs when a business operating with a Point of Sales (POS) or Electronic Cash Register (ECR) system uses software to delete a sale after it has been rung up, when the customer pays the bill. This sale amount, including sales tax, is not reported to the state and can be used as extra profit by the owner.

Figure 9 shows the types and dollars assessed in tax discovery cases. Referrals for cases from the underground economy come from investigations, shared information with other agencies and fraud complaints. Unregistered businesses continue to be the largest portion of the tax discovery cases.

**Figure 9: Tax discovery case type**

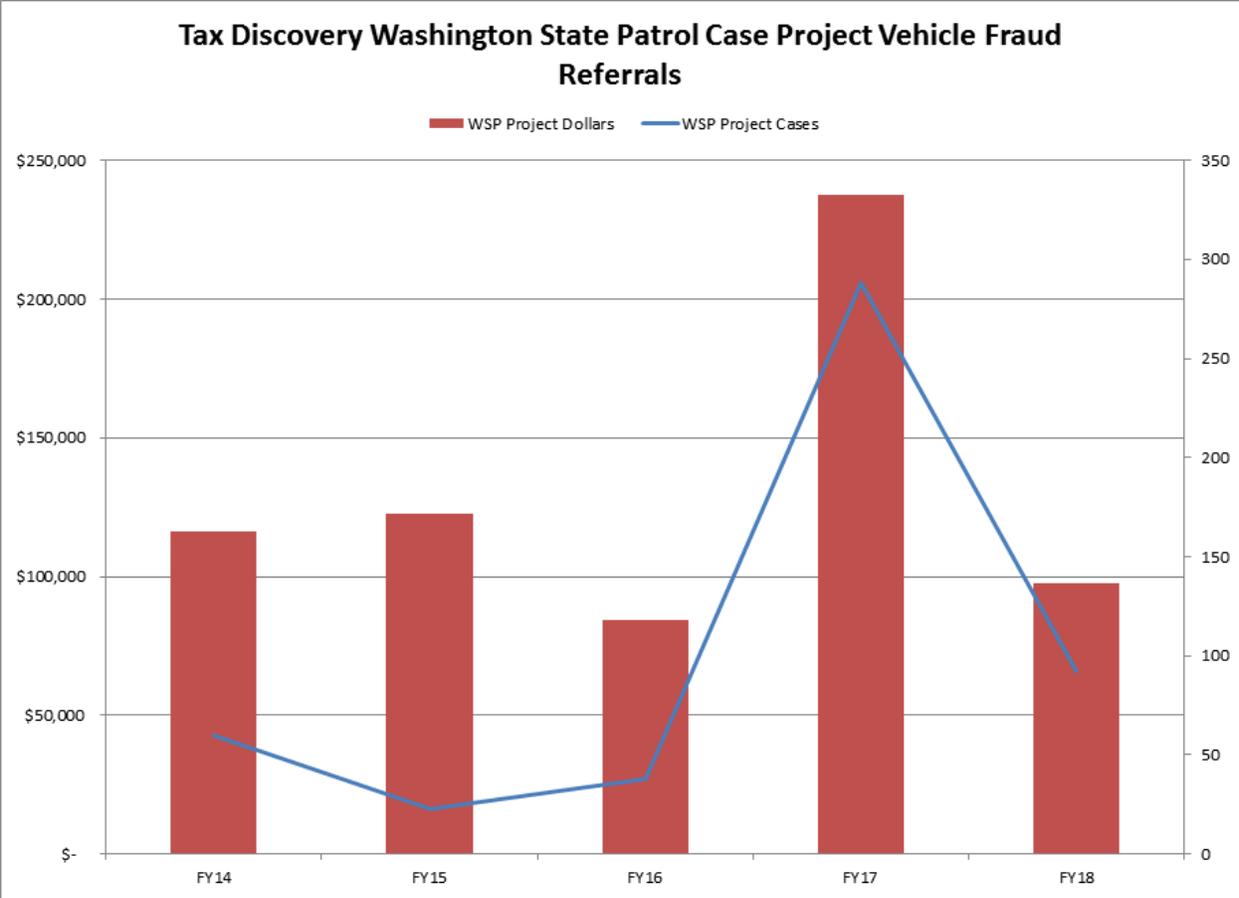


Source: Department of Revenue

As resources are dedicated to projects, the projects get more referrals and collect more dollars. When DOR dedicated an agent to working on referrals from the Washington State Patrol (WSP) in FY 2013, cases investigated and dollars collected increased. The subsequent retirement of the WSP contact affected this process; although the number of cases has increased, the dollars collected have not risen as significantly. As in other cases, as employees gain experience, collections increase.

Figure 10 shows the cases investigated and dollars recovered for the time period from FY 2014 to FY 2018.

**Figure 10: Tax discovery Washington State Patrol case project vehicle fraud referrals**



Source: Department of Revenue

## EMPLOYMENT SECURITY DEPARTMENT HIGHLIGHTS

During the past year, the Employment Security Department (ESD) continued to identify employers who failed to report or underreported employees for unemployment insurance. In FY 2018 as in FY 2017, the department continued to dedicate six full-time employees in six audit regions for this purpose.

### Underground economy compared to other audits with misclassified employees

From July 1, 2017 through June 30, 2018, underground economy audits were consistently more productive than all other ESD audits in locating misclassified employees. As shown in Figures 11 and 12, in FY 2018, an underground economy audit uncovered an average of 11.1 employees per audit, compared to 5.9 employees per all other audits where previously unreported employees were found.

**Figure 11: Underground economy audits**

Quarter	Number of Audits with Employees Found**	Number of Misclassified Employees	Employees Per Audit
3/17	120	1,016	8.5
4/17	90	850	9.4
1/18	130	1,910	14.7
2/18	89	975	11.0
<b>Total</b>	<b>429</b>	<b>4,751</b>	<b>*11.1</b>

\*Total number of employees per audit equals the number of misclassified employees divided by the number of audits with employees found.

\*\*Number of audits may vary depending on ESD staffing levels at any given time.

Source: Employment Security Department

**Figure 12: All other audits**

Quarter	Number of Audits with Employees Found	Number of Misclassified Employees	Employees Per Audit
3/17	261	1,073	4.1
4/17	200	1,089	5.4
1/18	274	1,430	5.2
2/18	232	2,147	9.3
<b>Total</b>	<b>967</b>	<b>5,739</b>	<b>*5.9</b>

\*Total number of employees per audit equals the number of misclassified employees divided by the number of audits with employees found.

Source: Employment Security Department

### **Electronic reporting**

ESD encourages employers to file their quarterly unemployment tax reports electronically. There are currently two options for employers to file reports electronically, with each option tailored to specific business needs. In FY 2018, 97.1 percent of employers filed their tax reports electronically – the same percentage as in FY 2017.

### **Identifying unregistered employers**

ESD’s underground economy auditors identified more than 180 unregistered employers during FY 2018. In addition to receiving tips from other state agencies outlined in Figure 13, which helped identify unregistered employers, the auditors use a variety of tools, including:

- A toll-free fraud hotline.
- An online fraud reporting tool.
- In-house Special Investigations.
- Blocked Benefit Claims units.

### **Employer education**

ESD continues to look for opportunities to educate employers on tax liability issues and tax reporting requirements. One of the educational tools the agency uses is the ESD voluntary audit program, which allows employers to request an audit from ESD to be educated on correct tax reporting procedures. If the audit results in any findings, ESD will waive any penalties associated with the audit.

## Improved audit selection

ESD continued to review historical audit data to identify industries of interest for audits. Continuing to share audit information with DOR and L&I has also led to productive audits.

Figure 13 shows referrals between agencies made by auditors.

**Figure 13: Audit leads from DOR and L&I**

Department	Audit Leads from Auditors	Audit Leads from File Transfers
Labor & Industries	13	0
Department of Revenue	9	104

Source: Employment Security Department

Unemployment tax dollars assessed due to DOR and L&I leads in FY 2018 totaled \$11,280.45. Unemployment tax dollars collected due to DOR and L&I leads in FY 2018 totaled \$8,277.97.

Note: The dollar amounts shown in this section are from audits other than underground economy that ESD considers L&I or DOR referral audits.

## COMBINED AGENCY HIGHLIGHTS

### Results from auditing unregistered businesses

In FY 2018, DOR, ESD and L&I found and audited nearly 2,300 unregistered or previously registered<sup>3</sup> businesses. In these cases, the agencies “involuntarily register” the businesses as part of the auditing process. The three agencies assessed over \$89.5 million in taxes, penalties and interest on the previously unregistered firms. Due to differences in the regulatory authority of the three agencies, they each tend to audit different types of businesses:

- DOR may audit all businesses in the state, regardless of whether they have workers. DOR also has a much stronger role in auditing out-of-state businesses that do business in Washington.
- Both L&I and ESD audit only employers with workers covered by workers’ compensation and unemployment insurance. L&I tends to focus on industries with a high injury rate and has specific additional regulatory authority over the construction industry. ESD tends to focus on industries with higher unemployment rates.

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<sup>3</sup> Even if a business were previously registered under a different name, unless it is currently registered with up-to-date information, it is considered unregistered.

Figures 14 and 15 show audit assessment results for all three agencies on unregistered businesses. L&I’s audit results for previously registered businesses are shown in Figure 2 on page 7.

**Figure 14: Department of Revenue  
FY 2018 Assessments on unregistered accounts**

Industry Sector Description	Accounts Assessed	Dollars Assessed
Construction	3	\$6,475
Manufacturing	11	\$521,630
Other	0	\$0
Retail	26	\$1,680,951
Service	128	\$47,183,312
Wholesale	41	\$1,420,337
<b>Total</b>	<b>209</b>	<b>\$50,812,705</b>

\*Assessments include tax, penalties and interest.

Source: Department of Revenue

**Figure 15: Employment Security Department  
FY 2018 Assessments on unregistered accounts**

Overall, the most productive audits during FY 2018 were for “service” industries. However, on average, the retail industry was the most productive in dollars assessed per audit, at over \$8,100.

Industry Sector Description	Accounts Assessed	Dollars Assessed
Construction	67	\$173,490.62
Manufacturing	8	\$38,816.32
Other	11	\$20,635.38
Retail	13	\$105,931.39
Service	76	\$276,304.46
Wholesale	3	\$4,985.47
<b>Total</b>	<b>178</b>	<b>\$620,163.64</b>

Source: Employment Security Department

When L&I, DOR and ESD find businesses or individuals that may need to be investigated, they notify the appropriate agency by sending referrals or sharing and cross-checking data. Figure 16 shows the number of referrals and data transfers made over time.

**Figure 16: Intra-agency referrals and data transfers**

Referral Type	FY 2015		FY 2016		FY 2017		FY 2018	
	Interagency Referral Form	Electronic Data File Transfers	Interagency Referral Form	Electronic Data File Transfers	Interagency Referral Form	Electronic Data File Transfers	Interagency Referral Form	Electronic Data File Transfers
DOR to L&I	7	20,815	48	22,144	65	13,907	33	5,660
DOR to ESD	18	18,822	0	18,905	4	12,679	0	15,234
L&I to DOR	53	10,331	0	14,093	0	*5,689	10	*4,994
L&I to ESD	76	14,608	0	18,877	0	12,679	0	15,234
ESD to L&I	2	15,689	0	13,636	0	13,907	73	21,631
ESD to DOR	3	15,689	0	5,997	0	5,689	0	4,994
<b>Total</b>	<b>159</b>	<b>95,954</b>	<b>48</b>	<b>93,652</b>	<b>69</b>	<b>*64,550</b>	<b>116</b>	<b>*67,747</b>

Source: L&I Employment Standards Program

\* In FY 2017, L&I began using a new database system which consolidates some data files. The transition to this new system may cause the appearance of a change in data sharing trends; however, L&I, DOR, and ESD remain as vigilant as ever in their joint effort to combat the underground economy through information sharing.

# Conclusion

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## CONTINUING THE PARTNERSHIP

During FY 2018, L&I, DOR, and ESD continued to share information on contractor registration, taxes and other electronic data to discover and hold accountable hundreds of players in the underground economy, while also assisting construction contractors and other business owners in meeting state requirements.

The three agencies continue their critical mission of dismantling the underground economy by engaging with stakeholders to identify problems and create new tools for achieving compliance, enforcing state laws, and providing education and assistance.