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

*2016 Annual Report to the Legislature*

December 2016



# Acknowledgements

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Thank you to the following people for their contributions to this report:

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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. This bill was adopted in 2009 by the Washington State Legislature based on the recommendations of the Joint Legislative Task Force on the Underground Economy. It requires, in part, that the departments of Labor & Industries, Revenue and Employment Security coordinate and report to the legislature by December 1 of each year on the effectiveness of their efforts to address the underground economy.

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 also put at risk because there is no bond or insurance to protect them.

The three agencies providing this report are sharing data and collaborating in other areas to uncover and take action against tax misreporting and other forms of fraud. Even though the joint task force ended in 2009, the agencies remain committed to working together and sharing information to prevent fraud and reduce the effects of the underground economy.

## Progress and achievements in Fiscal Year 2016

Again in Fiscal Year (FY) 2016, the departments of Labor & Industries (L&I), Revenue (DOR) and Employment Security (ESD) shared their information on contractor registration, taxes and other electronic data to discover and hold accountable hundreds of players in the underground economy.

At the same time, the agencies assisted construction contractors and other business owners in meeting state requirements.

### July 2015-June 2016 (FY 2016) activities

- Together, L&I, DOR and ESD:
  - Uncovered a combined total of approximately 2,270 unregistered businesses that were assessed nearly \$98.5 million in unpaid taxes, premiums, penalties and interest.
  - Exchanged over 93,000 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:
  - Issued more than 1,250 infractions to unregistered contractors.
  - Collected \$173.3 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 more than 820 audits on unregistered accounts for over \$9.3 million assessed.

- Educated and trained more than 1,000 construction contractors through eight outreach events statewide.
- Educated more than 41,000 consumers about their rights and how to hire legitimate contractors.
- DOR:
  - Collected more than \$46 million through its Tax Discovery Program.
  - Registered more than 790 non-compliant businesses.
  - Assessed taxes totaling over \$87.8 million from more than 780 businesses.
  - Recovered over \$180,000 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 more than 12,300 unreported or misclassified workers through audits.
  - Assessed a total of more than \$1,383,600 on unregistered accounts.

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 1 shows the number of referrals and data transfers from one agency to another made by inspectors.

**Figure 1: Intra-agency referrals and data transfers**

Referral from....to	FY 2013		FY 2014		FY 2015		FY 2016	
	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	30	20,174	0	20,024	7	20,815	48	22,144
DOR to ESD	16	20,174	57	20,024	18	18,822	0	18,905
L&I to DOR	16	10,895	135	10,930	53	10,331	0	14,093
L&I to ESD	22	13,730	95	14,672	76	14,608	0	18,877
ESD to L&I	0	13,388	0	13,286	2	15,689	0	13,636
ESD to DOR	2	13,839	0	13,286	3	15,689	0	5,997
<b>Total</b>	<b>86</b>	<b>91,750</b>	<b>287</b>	<b>92,222</b>	<b>175</b>	<b>95,954</b>	<b>48</b>	<b>93,652</b>

Source: Labor and Industries

# 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 also 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. Even though a joint task force formed by the three agencies ended in 2009, 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) 2016 through shared information on contractor registration, taxes and other electronic data.

# Progress and Achievements in FY 2016

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This section describes progress and achievements of each of the three partner agencies (L&I, DOR and ESD) in working together to prevent fraud and reduce effects of the underground economy in Washington.

## L&I HIGHLIGHTS

L&I protects the safety, health and security of Washington's workers and citizens. As part of this responsibility, the department is committed to helping honest workers, providers and businesses by cracking down on dishonest ones. FY 2016 highlights include:

- **Refining compliance strategies** – L&I has worked over the past year across numerous program areas to analyze and refine compliance efforts so that we are better focusing our efforts and results. For first-time or lower level violators, we focus on educating them and helping them comply. Meanwhile, repeated violators and egregious “bad actors” get a more comprehensive and sustained focus aimed at stopping the violations.
- **Contractor compliance** – Compliance inspectors issued more than 1,250 infractions to unregistered contractors and provided training to approximately 1,000 contractors and employers.
- **Collections** – L&I collected \$173.3 million in delinquent employer premiums for workers' compensation insurance.
- **Audit selection** – Eighty-one percent of employers referred for audits were found to owe premiums, which is a significant increase compared to earlier efforts. This increase is due to improved targeting. Prior to 2004, the department's data targeting was relatively new. Screening and refining referrals has improved, focusing resources on those most likely to be found out of compliance in an audit.
- **Prosecution** – L&I investigated and referred eight employer cases to the Attorney General's Office for possible criminal prosecution. Six individuals have been charged, with three trial dates pending. The case below is of interest due to its impact on several of L&I's programs:

- An auto repair shop owner in Kennewick was charged with one felony count of doing business after his workers' comp insurance was revoked. L&I revoked his coverage in April 2014 for failure to pay premiums, which prohibited him from employing workers. An L&I investigation, however, determined that the owner employed a full-time mechanic from October through December of 2015, and insisted on paying him in cash. In October 2016, a Benton County Superior Court Judge sentenced the owner to 364 days in jail; however, the term was suspended for two years on the condition that the owner remains compliant with the law and does not employ workers without providing workers' compensation insurance.

As part of the sentencing, the auto repair shop owner also repaid an employee for improper worker deductions totaling \$670. He repaid L&I \$241 for approximately two months of workers' compensation premiums he should have paid to cover the employee.

L&I continues to pursue payment for the remaining tens of thousands of dollars owed by the employer for past-due premiums.

- **Employer fraud and misreporting** – Misrepresentation penalties occur when employers misclassify or underreport employees for workers’ compensation insurance. In FY 2016, L&I pursued 44 misrepresentation penalties, totaling nearly \$2.7 million.
- **Prevailing wage** –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.

During FY 2016, L&I recorded 956 “strikes” (a strike is a notice of a violation of contractor registration, workers’ compensation or prevailing wage requirements.) and debarred 122 companies from bidding on public works contracts.

### Contractor compliance

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. In addition, all contractors must have a valid Unified Business Identifier (UBI) number to register.

Figure 2 shows the number of contractor registrations from 2009-2016. For the first time since 2009, the number of contractor registrations is over 56,000. This may reflect the improved economy.

**Figure 2: Active contractor registrations as of June 30, 2016**

Fiscal year	With UBI
2009	56,685
2010	53,993
2011	52,645
2012	51,492
2013	52,250
2014	52,755
2015	54,529
2016	56,652

Source: Department of Labor & Industries

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 multiple times per year. During FY 2016, L&I suspended nearly 23,600 registrations for the following reasons:

- Cancelled insurance: about 16,000
- Cancelled bond: nearly 7,000
- Unsatisfied judgments: almost 550
- Impaired bond: nearly 30
- Outstanding contractor registration infractions: 20

### **Contractor penalties**

L&I is committed to improving consumer protection and leveling the playing field for legitimate contractors by:

- Informing and educating consumers
- Providing timely and customer-focused services, such as online renewals and insurance entry for agents
- Actively enforcing the law

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 2016, L&I's Construction Compliance Program issued more than 1,250 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 six of these penalties to contractors in 2016.

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 2016, nearly 270 unregistered contractors took advantage of that option.

### **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 the same wage rate.

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<sup>1</sup> RCW 18.27.340

## **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 (prohibitions on bidding on future contracts), a contractor can be debarred 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 prevailing wage law, only violations of the same type count toward debarment. For example, contractors can 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. 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 will result in a one-year debarment, and two strikes under RCW 39.12.065 will result in a two-year debarment.

During FY 2016, the program recorded over 950 strikes and debarred more than 120 companies from bidding on public works contracts.

Figure 3 shows the numbers of strikes and debarments issued in FY 2014, FY 2015 and FY 2016. Differences in the numbers for different years reflect natural variations.

**Figure 3: Prevailing wage strikes and debarments**

Reason	FY 2014		FY 2015		FY 2016	
	Number of strikes	Number of debarments	Number of strikes	Number of debarments	Number of strikes	Number of debarments
Contractor registration violation	567	26	486	43**	509	34
Industrial insurance violation	582	24	460	10**	436	15
Contractor registration and industrial insurance violation	N/A*	84	N/A*	108**	N/A*	65
Prevailing wage violation: failing to file wage report/false filing	87	62	20	34**	10	8
Prevailing wage violation: failing to pay prevailing wage	1	0	1	0**	1	0
<b>Total</b>	<b>1,237</b>	<b>196</b>	<b>967</b>	<b>174**</b>	<b>956</b>	<b>122</b>

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

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

Source: Prevailing Wage program

### Contractor field enforcement

Compliance inspectors 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.

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 2016.

Figure 4 shows the number of violations issued, contractors referred to collections and contractors referred for auditing from FY 2011 to FY 2016. These numbers have increased significantly since FY 2011 due to increased emphasis on compliance, and appear to be fairly stable at this point.

## Construction contractor education and outreach

The most recognizable activity in the underground economy happens in the construction industry.

**Figure 4: Contractor Compliance program results**

Compliance action	FY2011	FY2012	FY 2013	FY 2014	FY 2015	FY 2016
Underground economy violations issued	241	1,646	1743	1,846	1,812	2,030
Contractors referred to collections program	310	Unavailable	Unavailable	1,670	1,707	1,749
Contractors referred to audit program	546	1,303	1,401	1,488	1,477	1,508

Source: Department of Labor & Industries

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 is committed to making it easy to do business with the department. This includes making contractor registration easy. The department partners with the building industry to offer training events such as "Employer's Introduction to L&I" workshops, Contractor Training Days and specialized training events. L&I also provides step-by-step instructions and explanations of laws and rules online. In 2016, nearly 500 employers attended the "Employer's Introduction to L&I" workshops. Additionally, L&I provided eight contractor training days to more than 1,000 contractors statewide.

## DOR HIGHLIGHTS

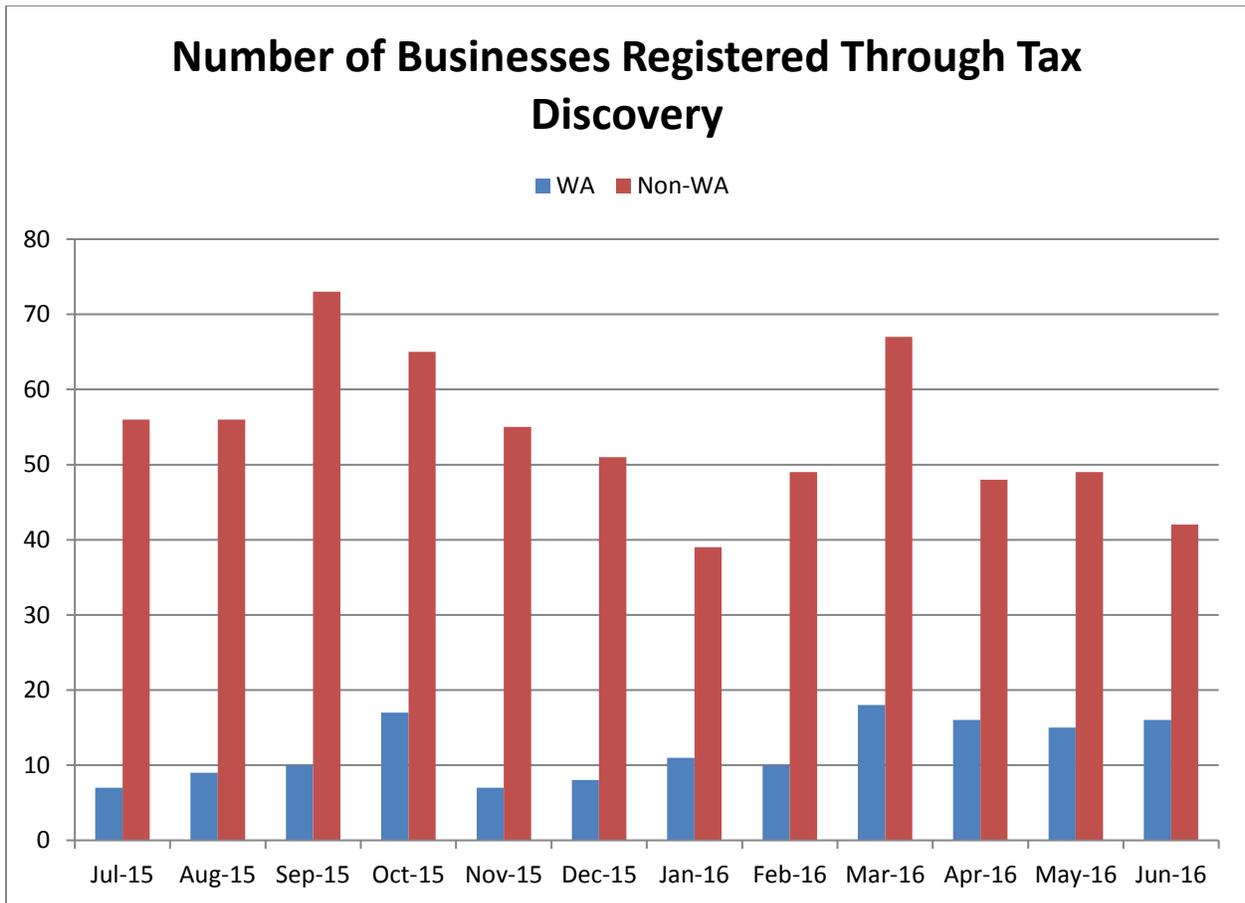
DOR's Compliance and Audit divisions continued to focus on both in-state and out-of-state unregistered businesses in an effort to address the underground economy. Both divisions investigate, assess and register noncompliant businesses.

In FY 2016, DOR registered 795 noncompliant businesses. Of those, 783 were found to owe taxes, and a total of \$87.8 million was assessed against them. This included:

- 141 in-state businesses assessed over \$679,000
- 642 out-of-state businesses assessed more than \$87 million

Figure 5 shows the in-state and out-of-state businesses found to be unregistered and subsequently registered in FY 2016.

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



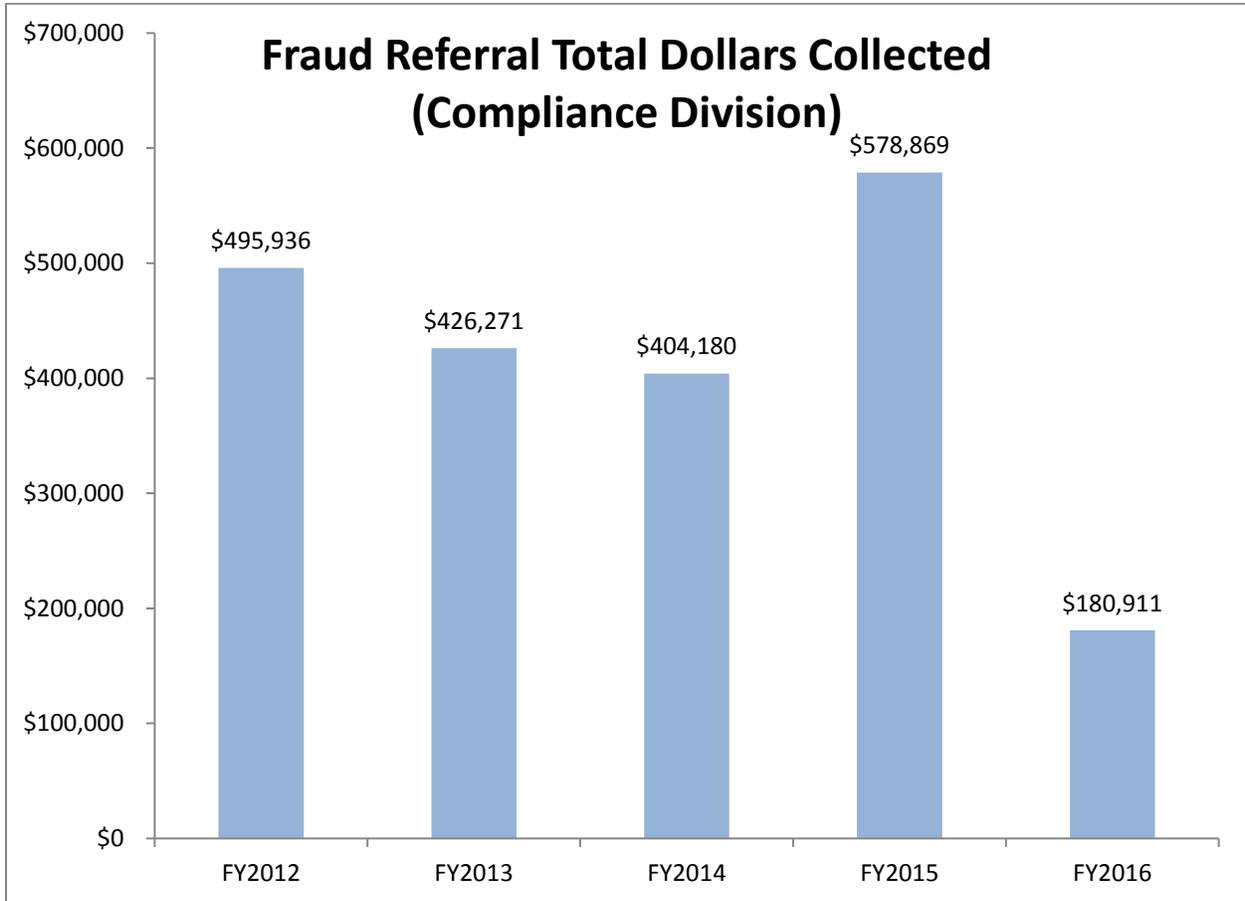
Source: Department of Revenue

In addition to 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. This allows 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 2012 to FY 2016. 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 FY2016. In a coordinated effort between the agencies, efforts are now being focused toward more targeted marketing to a narrower market.

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



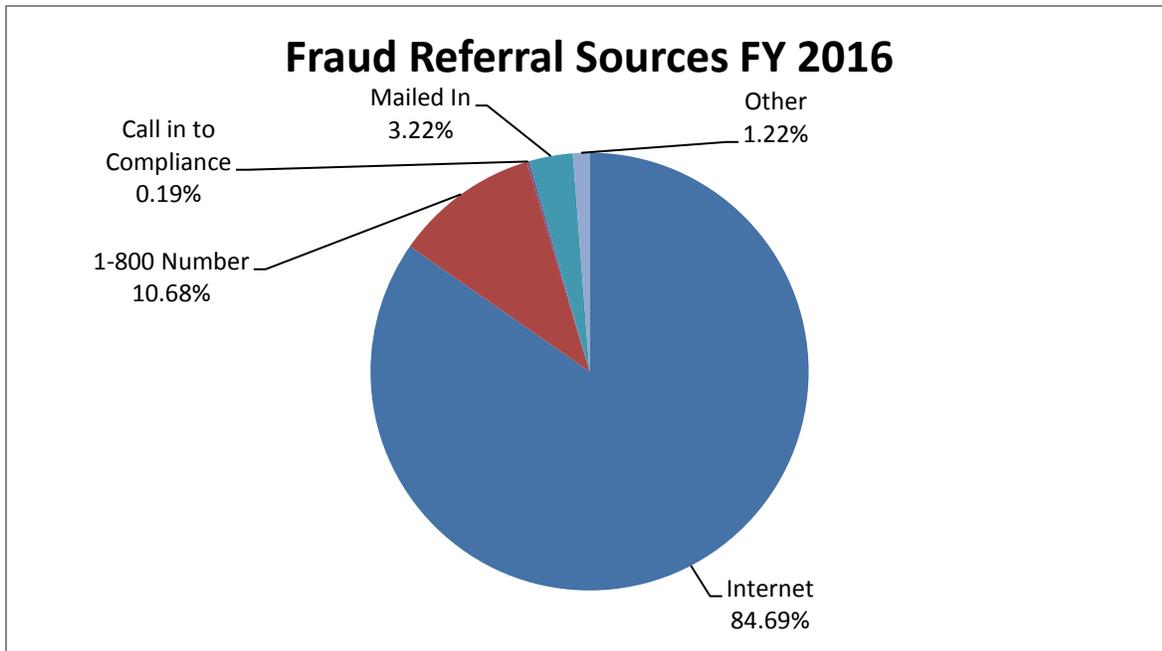
Source: Department of Revenue

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

Figure 7 shows the sources of fraud referrals in FY 2016. As you can see, the bulk of referrals are received via the internet and the 1-800 line. In FY 2016, DOR continued to see an increase in the percentage of fraud referrals via the website. In FY 2012, internet referrals made up 65 percent of the fraud referrals received, and this increased to 81 percent in FY 2013. After dropping to 74 percent in FY 2014, fraud referrals through the website were back up to 79 percent of the total referrals made in FY15 and 85 percent of those made in FY16.

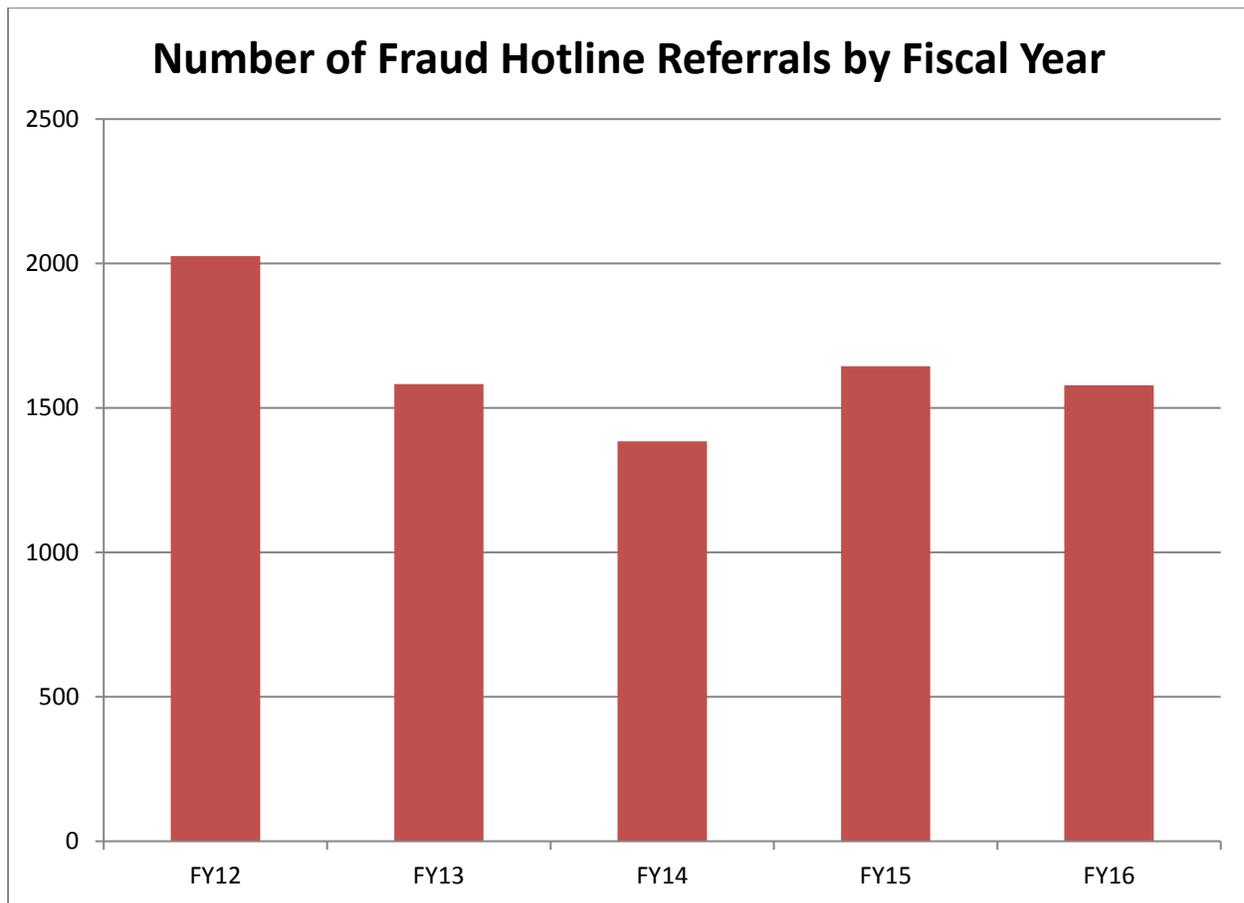
**Figure 7: Fraud referral sources, FY 2016**



Source: Department of Revenue

Figure 8 shows the number of referrals received through the hotline (1-800 line) each fiscal year from FY 2012 to FY 2016. While the dollars collected has dropped, the number of referrals has not decreased as significantly. Each referral is investigated by DOR, 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 2016**



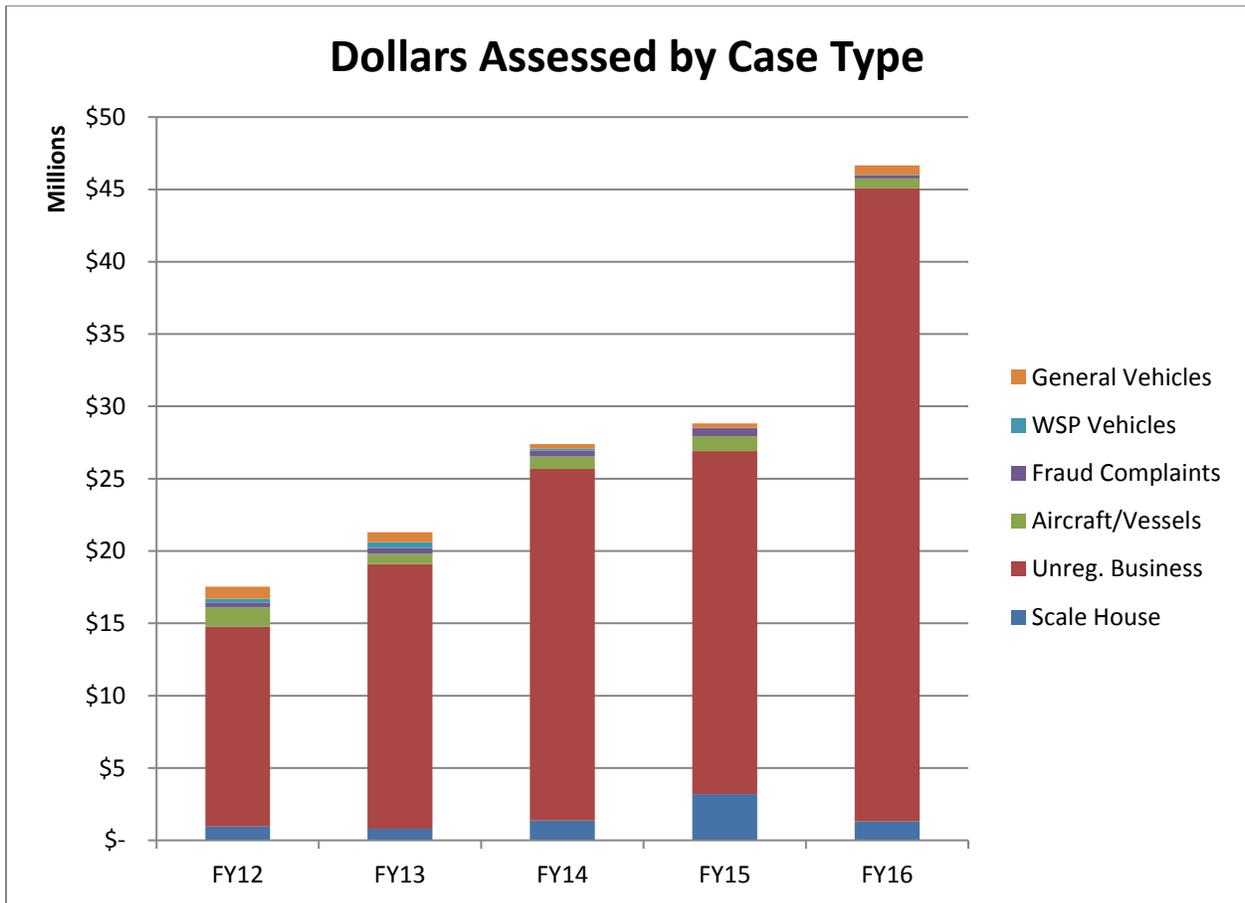
Source: Department of Revenue

If a DOR taxpayer investigation determines there is strong evidence the taxpayer is breaking reporting and/or tax laws, DOR may refer the account to its Criminal Litigation Unit (CLU). The CLU works with the Attorney General’s Office to prosecute a limited number of cases, which may include fraud, evasion or other illegal activity.

During FY 2016, DOR’s Audit Division increased efforts to investigate and audit businesses in Washington State 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 sales after the sale has been rung up when the customer pays the bill. The sale amount, including sales tax, is not reported to the state and can be used as extra profit to the owner, to pay expenses or to pay their employees’ wages under the table. Senate Bill 5715 (effective July 28, 2013) made the possession, sale, or use of zappers (sale suppression software) a class C felony with penalties of up to five years in jail and/or up to a \$10,000 fine. The Audit Division has an auditing program in place to find possible leads based on several factors. Currently, one case has been criminally charged and there are several more where criminal charges are being considered.

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.

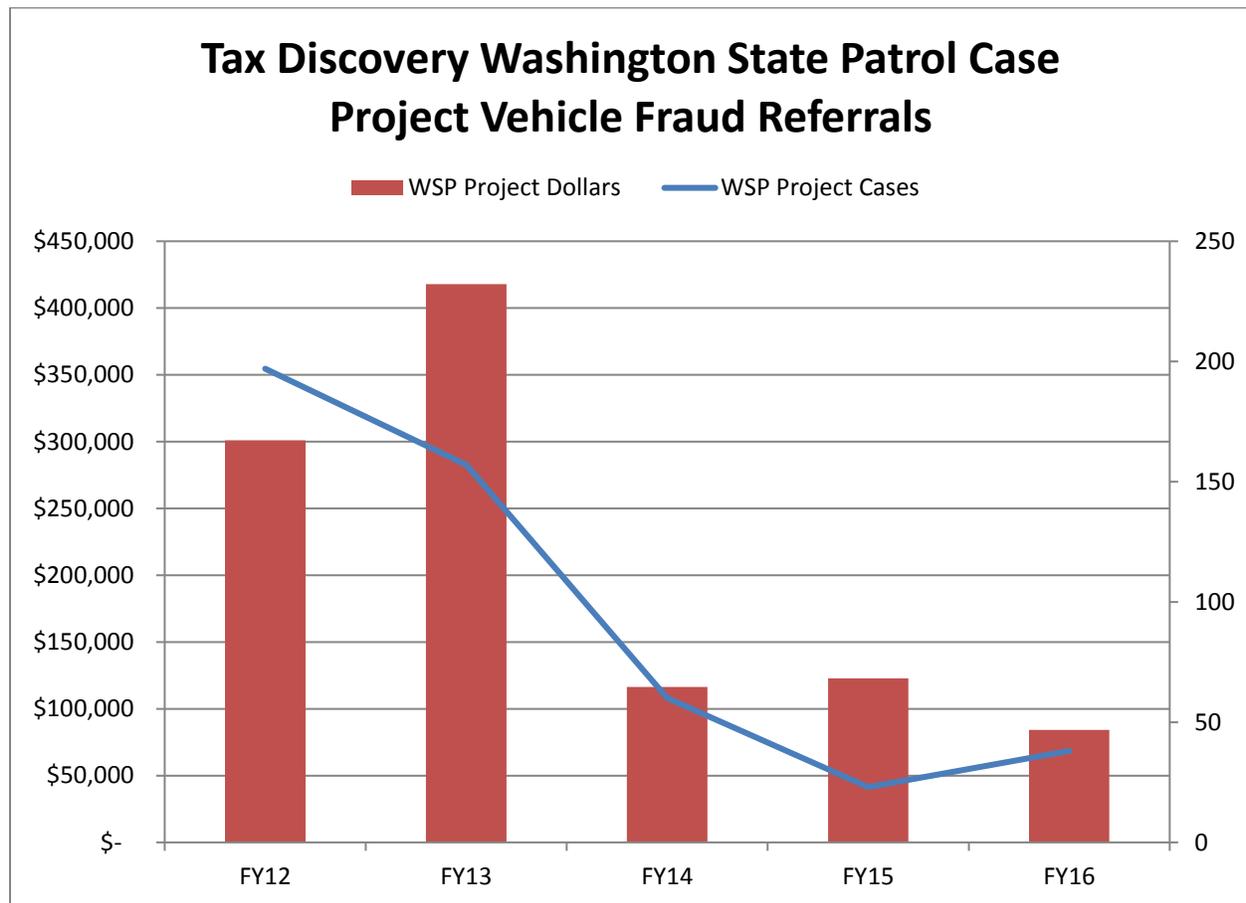
**Figure 9: Tax discovery case type**



Source: Department of Revenue

As resources are dedicated to projects, the projects get more referrals and collect more dollars. In FY 2013, DOR dedicated an agent to working on referrals from the Washington State Patrol (WSP). This resulted in an increase in the cases and dollars collected by the project. In the past year, this project has been affected by the retirement of the contact at WSP, resulting in a drop in the dollars collected as new staff was trained. Figure 10 shows the cases investigated and dollars recovered for the time period from FY 2011 to FY 2016.

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



Source: Department of Revenue

## ESD HIGHLIGHTS

During the past year, ESD continued to identify employers who failed to report or underreported employees for unemployment insurance. In FY 2016, the department dedicated six full-time employees in six audit regions for this purpose.

ESD also received federal funding from the United States Department of Labor for two additional full-time project employees, which contributed to the department’s overall underground economy audit findings in the second quarter of 2016.

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

From July 1, 2015 through June 30, 2016, 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 2016, an underground economy audit uncovered an average of 33.4 employees per audit, compared to 4.5 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
3/15	51	922	18.1
4/15	57	819	14.4
1/16	*64	*5,484	*85.7
2/16	**63	**613	**9.7
<b>Total</b>	<b>235</b>	<b>7,838</b>	<b>33.4</b>

Source: Employment Security Department

\*Includes an audit that was completed on a large employer which discovered 4,265 unreported employees.

\*\*Includes the two project positions that contributed 13 audits and discovered 55 misclassified employees, and \$2,630,288.97 in unreported wages.

**Figure 12: All other audits**

Quarter	Number of audits with employees found	Number of misclassified employees	Employees per audit
3/15	295	1,074	3.6
4/15	202	830	4.1
1/16	251	1,264	5.0
2/16	240	1,296	5.4
<b>Total</b>	<b>988</b>	<b>4,464</b>	<b>4.5</b>

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 quarterly reports electronically, with each option tailored to specific business needs. In FY 2016, 98.3 percent of employers filed their tax reports electronically.

## Identifying unregistered employers

ESD's underground economy auditors identified more than 230 unregistered employers during FY 2016. 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 is always looking 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. This program allows employers to request an audit from ESD in order to educate them 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. 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	55	137
Department of Revenue	2	645

Source: Employment Security Department

Unemployment tax dollars assessed due to DOR and L&I leads in FY 2016 totaled \$67,554.

Unemployment tax dollars collected due to DOR and L&I leads in FY 2016 totaled \$37,880.

*Note: The dollar amounts showing in this section are from audits other than underground economy that ESD considers L&I or DOR referral audits. The dollar amounts from ESD's underground economy audits are contained in Figure 16 on page 20.*

## COMBINED AGENCY HIGHLIGHTS

### Results from auditing unregistered businesses

In FY 2016, DOR, ESD and L&I found and audited nearly 2,270 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 \$98.5 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.

Figures 14, 15 and 16 show audit assessment results for all three agencies on unregistered businesses, and for L&I on previously registered businesses.

#### Figure 14: Department of Labor & Industries

#### FY 2016 audit assessments on unregistered or previously registered accounts

Industry sector description	Accounts assessed	Dollars assessed
Construction	560	\$6,031,408
Service	189	\$2,531,667
Other*	41	\$486,729
Retail	20	\$221,458
Manufacturing	7	\$59,589
Wholesale trade	7	\$44,753
<b>Total</b>	<b>824</b>	<b>\$9,375,604</b>

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

Source: Department of Labor & Industries

<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.

**Figure 15: Department of Revenue  
FY 2016 assessments on unregistered accounts**

Industry sector description	Accounts assessed	Dollars assessed
Construction	18	\$1,168,126
Manufacturing	34	\$916,531
Other	50	\$1,749,204
Retail	76	\$62,361,984
Service	104	\$16,504,665
Wholesale	114	\$4,421,045
<b>Total</b>	<b>396</b>	<b>\$87,121,555</b>

\*Assessments include tax, penalties and interest.

Source: Department of Revenue

**Figure 16: Employment Security Department  
FY 2016 assessments on unregistered accounts**

Industry sector description	Accounts assessed	Dollars assessed
Construction	41	\$328,376
Manufacturing	8	\$115,924
Other	35	\$182,939
Retail	16	\$48,363
Service	*129	*\$700,873
Wholesale	6	\$7,144
<b>Total</b>	<b>235</b>	<b>\$1,383,619</b>

Source: Employment Security Department

\*Includes an audit that was completed on a large employer which resulted in over \$240,000 in Dollars Assessed.

Overall, the most productive audits during FY 2016 were for “service” industries. However, on average, the manufacturing industry was the most productive in dollars assessed per audit, at \$14,490.50.

# Conclusion

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## CONTINUING THE PARTNERSHIP

The multi-agency effort to dismantle the underground economy will continue to be a critical mission for L&I, DOR and ESD. The agencies shared their information on contractor registration, taxes and other electronic data to discover and hold accountable hundreds of players in the underground economy. At the same time, the agencies assisted construction contractors and other business owners in meeting state requirements.

The agencies are strengthening their partnership by sharing information and meeting on a regular basis. They engage with stakeholders to identify problems and create new tools for achieving compliance. Enforcing state laws and providing education and assistance will help level the playing field for employers and workers who already do their best to follow the rules.