

March 4, 2016

The Honorable Larry Hogan
Governor
State House
100 State Circle
Annapolis, MD 21401

The Honorable Boyd Rutherford
Lieutenant Governor
State House
100 State Circle
Annapolis, MD 21401

RE: Amended Joint Enforcement Task Force on Workplace Fraud
2015 Annual Report
MSAR #9404

Dear Governor Hogan and Lieutenant Governor Rutherford:

While preparing a fiscal note for HB 1257 - Labor and Employment - Workplace Fraud Provisions - Repeal, my office recognized an error in the amount of penalties and fees reported in the 2014 Annual Report for the Joint Enforcement Task Force on Workplace Fraud. In calendar year 2014, the Division of Labor and Industry collected \$102,926 in penalties and \$35,090 in fees, for a total of \$138,016. This is an increase of \$13,591 over the reported amount in the 2014 annual report. Because these numbers were also used in the 2015 annual report, we wanted to notify you of the discrepancy. This corrected information will be reported in the 2016 Annual Report.

If you have any questions about the task force or would like to discuss this information, please do not hesitate to contact my office.

Best Regards,

Kelly M. Schulz
Department of Labor, Licensing and Regulation

2015 Annual Report: Joint Enforcement Task Force on Workplace Fraud

Worker Misclassification Database	2013	2014	2015
Number of Cases entered into the Database	17	27	22
Number of Joint Investigations Opened		13	4
Number of Joint Investigations Concluded		5	1
New Workers Discovered		113	51
Unreportable Taxable Wages		\$543,278.14	\$359,957.42
Unreported Tax to the Trust Fund		\$46,076.52	\$8,301.66

Division of Labor and Industry

Workplace Fraud Unit Activity Report	2013	2014	2014 Amended	2015
Number of outreach events	16	31	33	29
Number of persons participating in outreach events (estimated)	699	918	947	506
Number of Complaints Received	78	102	107	106
Number of Cases Opened	1272	806	899	518
Number of Complaints referred to Task Force	25	20	20	21
Number of Complaints referred to UI		280	303	251
Number of Cases Open as of January 1		367	367	523
Number of Cases Closed	977	660	757	823
Number of Pending Cases as of Dec. 31	367	513	570	218
Number of Citations Issued	155	238	254	145
Number of Workers Affected		681	578	229
Number of Citations Issued for Non-Response		101		65
Amount of Penalties Collected – Misclassification	\$22,280	\$89,535	\$102,926	\$126,216
Amount of Fines Collected	\$17,470	\$34,890	\$35,090	\$18,813

2015 Annual Report: Joint Enforcement Task Force on Workplace Fraud

Division of Unemployment Insurance

USDOL Mandated Audits

- The enhanced learning curve of the auditors for the new tax audit system is reflected on improved audit effectiveness and results, despite a turnover of twelve (12) auditors in 2015.
- The Division is in the process of developing and implementing software that will enhance analytics of audit result data to further improve detection and combating worker misclassification practices.

USDOL Mandated Audits	2013	2014	2015
Total DOL Mandated Audits	1,348	1,364	1,366
Data Driven DOL Audits	1,120	1,543	1,615
Total Workers Found in Mandated Audits	8,469	6,589	8,346
Taxable Wages Unreported	\$34,985,001	\$27,172,366	\$41,777,554

Workplace Fraud Act Audits	2013	2014	2015
UI Participation in Workplace Fraud Audits & Joint Audits	11	59	75
New Workers Discovered	429	1,403	1,648
Unreported taxable Wages	\$2,474,593	\$5,986,745	\$11,274,631
Unreported Tax to Trust Fund	\$58,229	\$256,950	\$289,038

Comptroller of Maryland

During 2015, the Comptroller's audit staff completed one joint audit as part of the Workplace Fraud Task Force which resulted in \$13,719.81 assessed for Withholding Taxes. Not only has the Comptroller been able to use the joint audit program to discover new revenues for Withholding Taxes, some of the audited businesses have also been liable for other taxes due the Comptroller. In 2014, the Comptroller's Office conducted thirty-six (36) Withholding Tax audits and issued assessments in the amount of \$843,835.85.

Also during this past calendar year, the Comptroller's Office has been able to indirectly derive a benefit from the complaints and referrals that are shared among the agencies via the Workplace Fraud Share Point Web Application. Many of these complaints and referrals led to additional revenue generated across other tax types that the Comptroller administers.

2015 Annual Report: Joint Enforcement Task Force on Workplace Fraud

Workers' Compensation Commission

In Fiscal Year 2015, the Commission held Show Cause Hearings for those employers whose workers' compensation insurance policies have lapsed without corresponding new coverage. The Commission also held Show Cause Hearings for suspected uninsured employers to determine if coverage was required and, if so, if a penalty should be assessed for failure to provide compensation for injured employees. Thereafter, the Commission issued 109 penalty orders with fines totaling \$793,500.00 to be paid directly to the Uninsured Employers' Fund. The goal of the Employer Compliance Program is to enforce the requirement that an employer secure workers' compensation insurance for covered employees, thereby reducing the cost associated with workers' compensation for all stakeholders.