
Joint Enforcement Strike Force

On the Underground Economy

2023 REPORT



This report was prepared by the Employment Development Department's (EDD) Tax Branch.

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February 5, 2026

The Honorable Members of the California State Legislature
California State Senate and Assembly
State Capitol
Sacramento, CA 95814

Dear Members of the California State Legislature:

Executive Order W-66-93 established the Joint Enforcement Strike Force (JESF) to combat the underground economy by pooling resources and sharing data among the state agencies charged with enforcing licensing, labor, and payroll tax laws. On January 1, 1995, section 329 was added to the California Unemployment Insurance Code (CUIC), which placed the provisions of the Executive Order into law. This section contains a provision requiring the strike force to report to the Governor and the Legislature annually regarding its activities. This letter is being sent pursuant to section 9795(a) of the Government Code, which requires each legislative mandated report to include a summary of its contents not to exceed one-page in length, distributed to each member of the Legislature.

The 2023 JESF Report provides the annual summary of activities and outcomes from the JESF in accordance with section 329 of the CUIC. This report includes the following contents:

- An overview of the JESF including information about strike force partners.
- Background information about the underground economy and the JESF's goals.
- Efforts made by the strike force to publicize its activities and to receive referrals from the public.
- Contact statistics for the toll-free JESF hotline and other outlets.
- Narrative information about collaboration among the strike force partners and statistical results from collaborative efforts.
- Statistics and narratives about blatant violations and noncompliance with licensing, labor, and payroll tax laws identified, audited, investigated, or prosecuted through civil actions or criminal prosecution.

Printed copies of this report are available to any legislative member upon request. The report can also be viewed online at www.edd.ca.gov/About_EDD/EDD_Legislative_Reports.htm.

Sincerely,

/s/ NANCY FARIAS
Director

JOINT ENFORCEMENT STRIKE FORCE OVERVIEW AND MEMBERS

This legislatively mandated report provides the annual summary of activities and outcomes from the Joint Enforcement Strike Force (JESF) on the Underground Economy in accordance with section 329 of the California Unemployment Insurance Code (CUIC). In October 1993, Executive Order W-66-93 established the JESF to combat the underground economy by pooling resources and sharing data among the state agencies charged with enforcing tax, labor, and licensing laws.

On January 1, 1995, section 329 was added to the CUIC, which placed the provisions of the Executive Order into law. The Employment Development Department (EDD) is the designated lead agency of the JESF, and the EDD Director or designee serves as its chair. The JESF members include but are not limited to the following:

EDD

**Department of Consumer Affairs (DCA), including
Contractors State License Board (CSLB), Bureau of Automotive Repair
(BAR), and Bureau of Security and Investigative Services (BSIS)**

**Department of Industrial Relations (DIR), including
Division of Labor Standards Enforcement (DLSE) and Division of
Occupational Safety and Health (DOSH) (Cal/OSHA)**

California Department of Insurance (CDI)

Franchise Tax Board (FTB)

California Department of Tax and Fee Administration (CDTFA)

California Department of Justice (DOJ)

California Department of Alcoholic Beverage Control (ABC)

U.S. Department of Labor (DOL)

Internal Revenue Service (IRS)

Attachment A contains descriptions of the JESF's participating entities.

JOINT ENFORCEMENT STRIKE FORCE AND UNDERGROUND ECONOMY INFORMATION

Joint Enforcement Strike Force

JESF's goals are to support economic stability, to improve working conditions, and consumer and worker protections in the state. Specifically, JESF works to:

- Eliminate unfair business competition.
- Protect workers by ensuring that they receive all compensation, benefits, and worker protections they are entitled to by law relating to their employment.
- Protect consumers by ensuring that all businesses are properly licensed and that they adhere to the state's consumer protection regulations.

- Reduce the burden on law-abiding citizens and businesses by ensuring that all businesses and individuals comply with the state’s licensing, regulatory, and tax laws.
- Reduce the tax gap by increasing voluntary compliance with the state’s tax laws to maximize the state’s General and Special Funds.

Additional information, including the JESF’s legal authority, links to the JESF Reports for the two most recent years, and links to three JESF outreach publications, can be found on the JESF webpage at:

https://edd.ca.gov/Payroll_Taxes/Joint_Enforcement_Strike_Force.htm.

The Underground Economy

Most of the information in this section was obtained from the Executive Summary of the [California Little Hoover Commission’s March 2015 report](#). The underground economy robs the state of an estimated \$8.5 to \$10 billion annually in uncollected tax revenue, money that could fund education, law enforcement, infrastructure investments, or reduce taxes for the majority of Californians who play by the rules.

The term underground economy means different things to different people. Broadly defined, it includes any activities that individuals and businesses try to hide from government licensing, regulatory, tax, and law enforcement agencies. Entrepreneurs who cut corners by not paying taxes, not providing adequate insurance, and skimming off their employees’ paychecks are part of the underground economy.

California’s well-being depends on the success of its businesses. To succeed, businesses need to compete on a level playing field. California has many rules and regulations by which its businesses must abide, and when some entrepreneurs do not play by those rules, it creates an unfair competitive advantage.

When business owners cheat by illegally underpaying employees or not paying taxes—allowing them to undercut prices of law-abiding businesses—it hurts compliant businesses and California workers alike. Businesses that don’t comply with labor, licensing, and payroll tax laws force law-abiding businesses to pay higher taxes and expenses due to socialized costs. Non-compliant businesses do not get the required licenses for their occupations or provide workers’ compensation coverage. This business model, when allowed to prevail, nourishes a powerful downward economic spiral. It may also impact compliant small businesses that are the backbone of the California economy.

Employees working within this illegal business model, particularly those in labor intensive industries—people who clean buildings, wash cars, wait on customers, pack and ship goods in warehouses, harvest the food Californians eat—often suffer the greatest harm. Employers may short their paychecks or may intentionally misclassify them as independent contractors, making them pay the employer’s share of payroll taxes. The working conditions may not meet labor standards, which can put workers in

danger. Their wages may be less than what is required by law, and benefits they are entitled to are often denied or delayed because their wages are not properly reported.

The underground economy also affects consumers. The DOJ website, Office of the Attorney General, [Tax Recovery in the Underground Economy Criminal Enforcement Program \(TRUE\)](#) page includes the following examples of harm caused when consumers buy counterfeit goods. Purchasing knock-off merchandise supports those who steal designer's ideas and takes jobs from workers that manufacture legitimate products. Counterfeit merchandise is often inferior to the original product. When consumers pay for services "under the table," they may also be supporting human trafficking. Consumers can also be affected when contracting with unlicensed businesses. Licensing provisions are designed to ensure sufficient skill and knowledge to protect consumers.

The Tax Gap

One factor of the underground economy is the gap between the amount of taxes that are reported and the amount that is due. The following information about the tax gap was obtained from the IRS website. The gross tax gap is the amount of true tax liability that is not paid voluntarily and timely. The tax gap and associated concepts are a particular way of defining and analyzing compliance and noncompliance and are based on tax year liability. The tax gap provides a rough gauge of the level of overall noncompliance and voluntary compliance.

IRS periodically estimates the tax gap to gauge historical overall compliance of all types of taxpayers with their federal tax obligations. The estimates consider federal taxes due as well as refundable and non-refundable tax credits.

In general, the tax gap estimates dating back decades consistently show the United States enjoys a relatively high and stable voluntary tax compliance rate. Sustaining and improving taxpayer compliance is important because small declines in compliance cost the nation billions of dollars in lost revenue, while shifting the tax burden onto those who pay their fair share. Understanding the elements of the tax gap enables policymakers and tax administrators to make better decisions regarding how to allocate resources used to administer the tax code. All initiatives by the IRS to improve tax collection are intended to narrow the tax gap and increase compliance. The estimates also inform policymakers of potential areas that need to be addressed in other ways.

Per IRS, the tax gap is comprised of three main components: non-filing, underreporting, and underpayment:

- The non-filing tax gap is the tax not paid on time by those who do not file the required returns on time.
- The underreporting tax gap is the net understatement of tax on timely filed returns.

- The underpayment tax gap is the amount of tax reported on timely filed returns that is not paid on time.

On October 12, 2023, IRS released new tax gap projections for tax years 2020 and 2021 showing the projected gross tax gap increased to \$688 billion in tax year 2021. This estimate is a rise of more than \$192 billion from the previous estimates for tax years 2014-2016. The IRS published its full findings in its *Publication 5869*: <https://www.irs.gov/pub/irs-pdf/p5869.pdf>.

Recent Legislation

In 2023, there were no new legislative developments affecting the scope of this report.

STRATEGIC APPROACH TO COMBATING THE UNDERGROUND ECONOMY

JESF partners use a strategic approach to combat the underground economy, which includes education and outreach, administrative enforcement, and criminal prosecution.

Education and Outreach

JESF partners have a variety of methods for outreach and education accessible to employers, employees, tax professionals, business groups, and the public to promote voluntary compliance. The education and outreach methods used to distribute information include publications, webinars, in-person seminars, community outreach, social media, and websites.

Seminars and Presentations

- EDD conducts various payroll tax seminars available at no cost, including co-presented joint seminars on topics such as EDD/IRS payroll taxes and EDD/DIR labor law. EDD's outreach efforts also include providing special presentations and participating in information booths at events sponsored by entities such as payroll associations, industry groups, non-profit organizations, and other governmental entities. In 2023, EDD continued to host webinars and conducted 84 virtual outreach events with 4,662 attendees.

Some examples of specific outreach efforts:

- EDD conducted 18 Employment Status webinars on reporting requirements in 2023.
- EDD collaborated with the DIR/DLSE, and the Labor and Workforce Development Agency to conduct two AB 5-Motor Carrier Worker Classification webinars in 2023. These sessions were designed to assist the trucking industry in accurately classifying their workers. Attendees from across the state participated in the webinars, and the feedback was highly

positive. Attendees valued the comprehensive information presented during the sessions, and their questions were effectively addressed.

Publications and Outreach Materials

- JESF partners share publications when appropriate. For example, CSLB provides EDD publications about the requirement to report employees and payroll taxes at their contractor testing centers, and in mailings to newly licensed contractors.
- The following JESF publications are available on the EDD website and can be ordered, viewed online, downloaded, and/or printed.
 - *Joint Enforcement Strike Force Booklet* ([DE 663](#))
 - *Joint Enforcement Strike Force Informational Sheet* ([DE 664](#))
 - *Joint Enforcement Strike Force Brochure* ([DE 665](#))

Websites

- EDD includes information on the underground economy on the following webpage: www.edd.ca.gov/Payroll_Taxes/Underground_Economy_Operations.htm. This webpage provides the viewer with access to prior reports, program, and operation information. The EDD website also has a page dedicated to [general information on fraud and the underground economy](#).
- The [JESF webpage](#) provides links to JESF partner websites. Each of the JESF partners includes educational and outreach information on their website. For example, the CSLB provides information on its website warning consumers about the dangers of hiring unlicensed contractors. Publications on this and other topics can be printed or ordered online.

Other Collaborative Outreach

- The Small Business Employer Advisory Committee is a group of business professionals representing the small business community throughout California. The committee provides EDD with recommendations on how to better serve California's small businesses and disseminates outreach information to their respective members. They have partnered with EDD and provided input into helping combat the underground economy, looking out for consumers, workers, and businesses.
- EDD continues to look for innovative ways to expand its education and outreach efforts. For example, EDD utilizes social media such as Facebook and X (formerly Twitter) to reach employers and the general public.

Future Education and Outreach

EDD will continue its outreach efforts in 2024. The no-cost payroll tax seminars cover a variety of payroll tax topics. The EDD offers seminars in collaboration with the IRS and DIR, including the *Federal/State Basic Payroll Tax Seminar* and the *State Labor Law and Payroll Tax Seminar*. These two seminars are designed to integrate the requirements of both agencies, covering their similarities and differences. In collaboration with the IRS, EDD is poised to conduct joint IRS-EDD online seminars in Spanish and Chinese. This initiative aims to expand outreach and serve a broader audience of employers and business owners, encouraging voluntary compliance. The EDD also sponsors additional seminars, such as the *State Basic Payroll Tax, Cannabis Industry and State Payroll Tax*, and *Employment Status Tax Seminar*. To enhance support for the employer community, EDD will begin offering a new seminar titled *Preparing for an Employment Tax Audit* in May 2024. This seminar is intended to better prepare businesses in navigating employment tax matters.

Administrative Enforcement

JESF partners use administrative enforcement activities such as site inspections, audits, and involuntary collection of tax amounts due to address noncompliance. Data and information are shared between JESF partner agencies where permitted, to maximize enforcement results.

In 2023, the EDD Audit Program completed 5,584 audits and investigations, resulting in assessments totaling more than \$1.7 billion and the reclassification of approximately 3.4 million misclassified workers.

Information Sharing and Collaboration

Businesses that operate in the underground economy continually develop new schemes to avoid detection of their illegal activities. As these new schemes are identified by the JESF members, information regarding the schemes is shared with member agencies, business associations, and labor organizations. Memoranda of Understanding (MOU) have been developed to facilitate the sharing of information and data between the JESF partners and to enhance collaboration and joint enforcement of tax, labor, and licensing laws.

The following examples demonstrate how the JESF partners share information and collaborate:

- To help combat California's underground economy and protect workers' rights, EDD and DIR have joined efforts through their respective enforcement programs. EDD leads the JESF. DIR leads the Labor Enforcement Task Force (LETf). LETf's mission is to combat the underground economy in order to ensure safe working conditions and proper payment of wages to workers; to create an environment in which legitimate businesses can thrive; and to support the collection of all California

taxes, fees, and penalties due from employers. The JESF/LETf Collaborative Enforcement Partnership merges best practices and draws upon both programs' respective strengths through training, refinement of targeting methods, etc.

- There is an ongoing need for JESF staff to be aware of the various types of schemes used in industries prone to underground economy activity. This knowledge transfer facilitates the development of detection and enforcement techniques necessary to deter and stop the illegal activities. Information is shared as follows:
 - On-the-job.
 - Informal ad-hoc joint management meetings.
 - Quarterly meetings with member agencies.
- Joint statewide JESF/LETf training sessions are periodically held based on operational needs.

Informant Contacts

JESF receives allegations of non-compliance from the IRS, DOL, and other JESF partners, as well as from the public. Allegations of noncompliance with payroll tax, labor, and licensing laws may be reported by the following methods:

- By telephone to EDD's Payroll Tax Fraud Hotline at 1-800-528-1783.
- By submitting a fraud report:
 - online via the [EDD website](#).
 - via e-mail to ueo@edd.ca.gov.
 - via correspondence by fax to 1-916-227-2772.
- By completing and mailing an *Underground Economy Operations Lead Referral/Complaint Form*, available in English ([DE 660](#)) and Spanish ([DE 660/S/](#)).

EDD receives allegations of noncompliance by several methods. In 2021, due to the pandemic, EDD received a significantly higher number of contacts than usual. In 2022 and 2023, the number of contacts returned to normal levels. The following table provides a breakdown of the number of contacts received by each method in 2021, 2022, and 2023:

Method Received	Number of Contacts Received and Processed		
	2021*	2022	2023
Telephone Call to Payroll Tax Fraud Hotline	6,954	969	1,024
Online Submission (EDD Website or Email)	9,962	2,619	4,185
Correspondence (Fax or Mail)	180	197	82
Total	17,096	3,785	5,291

*There was unusually high call and online contact volumes in 2021 due to the pandemic and the need for individuals to contact EDD with questions about unemployment insurance and pandemic unemployment assistance, and to report unemployment insurance fraud.

Of the 5,291 overall contacts in 2023:

- 1,768 were allegations of potential payroll tax violations.
- 272 calls and emails were received with reports of potential Unemployment Insurance (UI) benefit fraud schemes. These reports were promptly screened and forwarded to the EDD UI Branch and the Investigation Division (ID) for further investigation.
- 48 contacts inquired about UI and/or Pandemic Unemployment Assistance claims and were provided to the UI Branch for review and resolution.
- 3,203 contacts were either requests for general information or inquiries that were intended for other agencies. The misrouted items were forwarded to the appropriate agency contact for review and action.

Site Inspections

EDD works with JESF partner agencies to conduct unannounced joint on-site business inspections. This multi-agency compliance approach presents a united effort to taxpayers and their representatives that both the federal and state agencies work together to enforce tax laws.

- JESF concentrates on industries known for high levels of noncompliance with payroll tax, labor, and licensing laws. In 2023, the primary industries for site inspections were construction, restaurant, cannabis, and massage parlor.
- During site inspections, task force members interview owners, managers, and workers to identify employers operating in the underground economy. The primary goal is to identify and bring into compliance individuals and businesses in the underground economy that are in violation of payroll tax, labor, and licensing laws.
- Site inspections are also used as an opportunity for education and outreach. Owners and managers of the businesses inspected are provided materials on how to comply

with the laws and regulations affecting their industry, as well as how to obtain additional information.

- Joint site inspections of businesses may result in the following: follow-up audits; payroll tax assessments and citations or Stop Orders for unsafe working conditions; citation for lack of workers’ compensation insurance; and discovery of violations of labor laws or failure to be properly licensed.
- EDD holds regular strategic and working meetings with its partners to review the latest underground economy schemes, develop special operations, and discuss impacted industries and available resources. JESF partners held virtual meetings in 2023 to continue their collaboration. JESF partner entities are invited to participate in inspections when there is a potential violation of the laws they administer.

The following table shows the number of business inspections that partner entities participated in during calendar years 2021, 2022, and 2023.

Partner Entity	Calendar Year		
	2021*	2022	2023
EDD	307	708	659
DLSE	40	167	149
CSLB	255	502	490
Local Police	0	18	47
District Attorney	36	31	41
ABC	0	4	3
CDTFA	0	0	25
BAR	0	3	0
BSIS	0	0	0
CDI	36	17	12
Cal/OSHA	0	1	7
DCC	0	0	37
DOL	0	0	4
Other	0	11	31

*The number of inspections conducted in 2021 was significantly reduced due to the pandemic.

Since EDD is the lead partner in the JESF, EDD participates in all JESF inspections as shown in the table above. The CSLB participates in the second most JESF inspections each year due to the high percentage of noncompliance allegations that are received involving the construction industry.

Payroll Tax Audits

EDD’s Audit Program conducts follow-up audits and investigations on JESF inspections, as well as using leads from other sources to bring businesses into compliance with state payroll tax and employee reporting requirements. Audits of businesses are initiated

based on a variety of sources, including but not limited to, leads from other governmental agencies, as well as UI and Disability Insurance (DI) claims that become obstructed because the claimants' wages weren't properly reported to EDD. During an EDD audit, the auditor verifies that the employer's acknowledged payroll was properly reported, and that Personal Income Tax is being properly withheld and reported from employee wages. The auditor also determines the appropriate classification of any workers the business considers independent contractors. The Audit Program issues assessments for payroll taxes due, including any applicable penalties and interest. This is for employers located both within the state and out-of-state employers with California workers. For the 2023 calendar year, the audit program, which includes JESF cases, conducted 5,584 audits and investigations, resulting in assessments totaling approximately \$1.7 billion and identified approximately 3.4 million misclassified workers or unreported employees. In addition to administrative enforcement, EDD auditors educate business owners and their representatives regarding California payroll tax reporting requirements during examinations. They provide information on the proper classification of workers, reporting and deposit requirements, and how to obtain additional information from the Department.

Following are the EDD Audit Program calendar year 2021, 2022, and 2023 cumulative audit and investigation results for cases initiated from all sources:

Audit Program Results	2021	2022*	2023**
Payroll Tax Audits/Investigations	4,974	5,345	5,584
Payroll Tax Assessments	\$192,853,253	\$554,479,365	\$1,790,329,881
Misclassified/Unreported Workers	68,027	170,726	3,434,857

*In Calendar Year 2022, four large audits were completed that resulted in aggregate assessments totaling over \$343 million. These audits revealed over 31,000 previously misclassified employees.

**In Calendar Year 2023, six large audits were completed that resulted in aggregate assessments totaling over \$1.5 billion. These six audits revealed over 3.3 million previously misclassified employees.

- JESF partners shared information indicating widespread noncompliance with laws and requirements by businesses operating in the cannabis industry. In response, EDD launched an outreach campaign to cannabis employers beginning in 2017. After four years of outreach efforts, EDD began conducting payroll tax audits of cannabis businesses in 2021.

The following table details the results of cannabis industry payroll tax audits completed during calendar years 2021, 2022, and 2023:

Cannabis Audits Results	2021	2022	2023
Payroll Tax Audits	121	156	124
Payroll Tax Assessments	\$4,987,955	\$5,271,029	\$3,949,177
Misclassified/Unreported Workers	1,357	1,153	955

- The Questionable Employment Tax Practices Program (QETP) was initiated in 2007 as a collaborative effort between EDD and the IRS. An MOU was created to allow for exchange of case information. These IRS cases are excellent audit leads for EDD, as they only include cases in which the employers concurred with IRS’s findings regarding unreported wages and/or misclassified workers.

These referrals generally result in liability change audits for EDD:

QETP Audit Results	2021	2022	2023
Payroll Tax Audits	20	18	7
Payroll Tax Assessments	\$1,867,654	\$2,440,275	\$432,241
Misclassified/Unreported Workers	394	204	47

Employment Development Department

Cumulative Joint Enforcement Strike Force Results

Following are EDD’s cumulative results stemming from administrative activities specific to the JESF:

JESF Enforcement Results	2021	2022	2023
Joint Inspections	307	714	636
Audit Referrals	173	497	305
Payroll Tax Audits Completed	319	442	510
Payroll Tax Assessments	\$32,720,202	\$19,018,759	\$25,142,407
Misclassified/Unreported Workers	5,224	4,983	6,316

When EDD determines that an employer’s failure to report employees and their wages is due to fraud or intent to evade, a fraud penalty is added to the assessment in addition to the taxes due on the unreported wages.

The following is information from the above cumulative results in which a fraud penalty was assessed:

Audits Involving Fraud	2021*	2022	2023
Payroll Tax Audits with Fraud Penalty Assessed (included in figures in previous table)	6	4	4
Payroll Tax Assessments on Fraud Audits (included in figures in previous table)	\$15,983,053	\$726,417	\$828,139
Misclassified/Unreported Workers on Fraud Audits (included in figures in previous table)	1,890	43	130

*The six fraud cases completed in 2021 included one large case, which resulted in an assessment of more than \$15 million and discovery of 1,801 misclassified/unreported workers.

JESF partner results shown in the tables on the pages that follow were compiled and provided by the partner agencies:

Division of Labor Standards Enforcement

Following are the JESF inspection results for the DLSE, organized by industry type for the last three calendar years.

Type of Industry	Number of Inspections			Number of Citations		
	2021*	2022	2023	2021*	2022	2023
Agriculture	0	2	1	0	5	1
Automotive	1	10	6	2	26	9
Bar/Nightclub	0	0	0	0	0	2
Car Wash	0	0	2	0	0	1
Construction	1	0	0	9	0	0
Hotel	0	1	1	0	0	0
Massage	0	0	0	0	0	0
Nail Salon	1	10	10	0	16	12
Other	23	51	51	30	100	74
Residential Care	0	0	0	0	1	2
Restaurant	12	70	48	31	86	56
Retail	2	22	16	7	33	27
Warehouse	0	1	0	0	0	0
Total	40	167	136	79	267	189

* DLSE resumed field operations with refocused priorities in 2021.

Type of Industry	Total Dollar Amount of Penalties Assessed			Total Dollar Amount of Wages Assessed		
	2021	2022	2023	2021	2022	2023
Agriculture	\$0	\$177,833	\$60,252	\$0	\$14,250	\$0
Automotive	\$8,332	\$194,664	\$27,360	\$0	\$82,900	\$17,050
Bar/Night-club	\$0	\$0	\$3,000	\$0	\$0	\$0
Car Wash	\$0	\$0	\$10,000	\$0	\$0	\$0
Construction	\$143,200	\$0	\$0	\$1,610,528	\$0	\$0
Massage	\$0	\$0	\$0	\$0	\$0	\$0
Nail Salon	\$0	\$82,835	\$33,000	\$0	\$0	\$0
Other	\$542,699	\$812,166	\$475,659	\$4,000	\$241,810	\$40,750
Residential Care	\$0	\$22,500	\$39,000	\$0	\$0	\$0
Restaurant	\$230,600	\$824,300	\$498,409	\$2,037,943	\$23,700	\$89,300
Retail	\$10,350	\$98,179	\$179,441	\$5,200	\$6,700	\$700,058
Transportation	\$0	\$0	\$72,915	\$0	\$0	\$0
Total	\$935,181	\$2,212,477	\$1,399,036	\$3,657,671	\$369,360	\$847,158

Contractors State License Board

CSLB has a Statewide Investigative Fraud Team (SWIFT) that is comprised of special investigators who enforce license and workers' compensation insurance requirements at active jobsites, respond to leads, and conduct enforcement sweeps and undercover sting operations targeting unlicensed persons.

Stings and Sweeps

The following are the stings and sweep performed by CSLB for the last three calendar years:

Calendar Year	2021	2022	2023
Stings	18	20	32
Sweeps	160	364	376

The sting operations targeted unlicensed offenders and wanted individuals who work in the construction industry. The stings involved the CSLB's SWIFT inviting the individuals to homes or commercial businesses to place bids on construction projects.

Construction site inspections or sweeps are also an effective way the CSLB ensures contractor compliance with California's licensing and workers' compensation insurance requirements. Investigators with the CSLB's SWIFT stagger their visits throughout the year with investigators from partner agencies, showing up unannounced at active construction sites to check for appropriate licenses, permits, workers' compensation insurance for employees, and adherence to safety rules.

Stop Orders

A Stop Order is a legal demand to cease all employee labor at a job site due to a violation of state laws. When the CSLB issues a Stop Order, the contractor must immediately stop using employee labor until an appropriate workers' compensation insurance policy has been secured and written proof provided to the CSLB.

The number of Stop Orders served on construction employers by SWIFT is illustrated below.

Calendar Year	2021	2022	2023
Licensee Stop Orders Issued	97	152	98
Unlicensed Operator Stop Orders Issued	105	184	130
Total Stop Orders Issued	202	336	228
Policies Obtained	65	150	74
Licenses Suspended	3	8	8

Legal Actions

The CSLB conducted stings, sweeps, and responded to leads, which resulted in 840 legal actions for the calendar year 2023. As a result of the 402 licensee and non-licensee citations in 2023, the CSLB assessed \$572,000 in civil penalties.

Calendar Year	2021	2022	2023
Accusations	3	6	6
Administrative Licensee Citations	92	197	112
Administrative Non-Licensee Citations	318	380	290
Criminal Referrals – Licensee	51	68	38
Criminal Referrals – Non-Licensee	208	288	295
Letters of Admonishment	85	126	99
Total Legal Actions	757	1,065	840

California Department of Insurance

CDI participated in contractor stings with the CSLB and local District Attorneys (DAs) in Tulare and Madera counties during 2023. Listed below are the CDI results from these stings.

- In January 2023, the CSLB conducted a sting with the CDI and the Tulare County DA's Office. A total of four subjects were cited for violations of Section 3700.5 of the California Labor Code (LC) for willful failure to obtain workers' compensation coverage, Section 7028 of the California Business and Professions Code (B&P) for contracting without a license, and Section 7027.1(a) of the B&P for illegal advertising as a contractor without a license.

- CDI conducted a sting with the CSLB and Madera County DA’s Office in June 2023. A total of five subjects were cited for violations of Section 3700.5 of the California LC for willful failure to obtain workers’ compensation coverage, Section 7028 of the California B&P for contracting without a license, and Section 7027.1(a) of the B&P for illegal advertising as a contractor without a license.
- CDI worked with the CSLB and Tulare County DA’s Office in September 2023. A total of three subjects were cited for violations of Section 3700.5 of the California LC for willful failure to obtain workers’ compensation coverage, Section 7028 of the California B&P for contracting without a license, and Section 7027.1(a) of the B&P for illegal advertising as a contractor without a license.

U.S. Department of Labor

The tables below provide data on investigations conducted by the Wage and Hour Division of DOL in the garment and recycling industries in California, for federal fiscal years 2021, 2022, and 2023. It includes the amounts of back wages, the number of workers, and the amounts of penalties assessed.

Federal Fiscal Year	State	Industry	Cases	Back Wages	Employees	Civil Money Penalties
2021	California	Garment	45	\$1,072,661	327	\$0
2022	California	Garment	99	\$978,747	348	\$38,708
2023	California	Garment	43	\$486,540	116	\$6,970

Federal Fiscal Year	State	Industry	Cases	Back Wages	Employees	Civil Money Penalties
2021	California	Recycling	3	\$6,095	1	\$0
2022	California	Recycling	1	\$283	1	\$0
2023	California	Recycling	1	\$11,774	9	\$0

Collection Efforts

License Suspensions/Holds Requested

- California B&P Code and CUIIC authorize state agencies to suspend/hold a license needed to legally operate certain types of businesses in this state. This is a valuable collection tool for resolving delinquent tax liabilities and for compelling corrective action. There are three types of licenses that EDD can request other state agencies to suspend/hold if the licensee is delinquent in paying amounts due to EDD:

- **Contractor License Hold:** Once CSLB receives the request from EDD to place a license hold, CSLB will search their database for all licenses with the same personnel record and suspend those licenses as well. The licenses remain suspended until the delinquency that led to the suspension has been resolved or arrangements have been made to pay it.
- **Liquor License Hold:** EDD may request ABC to place a hold on certain types of liquor licenses. A hold establishes a priority for EDD to any monies received from the sale of the liquor license and prevents the transfer of a liquor license from the seller to a buyer until the conditions of the hold have been met.
- **Farm Labor Contractor License (FLC) Hold:** EDD is authorized to notify the Labor Commissioner (of the DLSE) in writing that an FLC is delinquent in payment of worker contributions. Once notified, the Labor Commissioner has the authority to refuse to issue or renew any license until the licensee has fully paid the amount of the delinquency.

The following table illustrates the ending inventory of license holds requested by EDD for the past three calendar years.

Type of Hold	2021	2022	2023
CSLB	507	499	334
ABC	30	36	29
FLC	6	8	3

Contractors State License Board License Suspensions

A license can be suspended by CSLB if the licensee is delinquent in paying amounts due to CSLB or other state agencies. The table below summarizes amounts due to state agencies that were collected or resolved in calendar years 2021 to 2023 to avoid a license suspension or to have a suspended license reinstated.

State Agency	Amounts Collected or Resolved		
	2021	2022	2023
CSLB	\$82,938	\$104,507	\$100,190
EDD	\$9,149,749	\$13,280,832	\$10,485,549
DIR-Cal/OSHA	\$267,256	\$243,066	\$493,104
DIR-DLSE	\$3,476,291	\$5,217,626	\$4,620,847
FTB	\$5,868,340	\$4,024,936	\$5,344,249
Totals	\$18,844,574	\$22,870,967	\$21,043,939

Blatant Violator Investigation Cases:

Blatant violation cases detected by the JESF include the most flagrant cases where schemes were used by businesses to avoid payroll tax, labor, insurance, and licensing laws.

EDD provided the following three examples to illustrate some of the schemes.

- EDD and DIR received a complaint that a well-known automotive oil change and tune-up franchisee was paying workers in unreported cash. The JESF team conducted an unannounced site inspection of the business location and interviewed employees at the site who confirmed they received cash pay for a portion of their wages. DIR issued a citation to the corporation for cash pay without providing required itemized wage statements. A subsequent EDD audit indicated employees were paid in cash on a bi-weekly basis. It was determined that the employer's failure to report the cash payments made to acknowledged employees was due to intent to evade payroll tax requirements. An assessment was issued for unreported wages, penalties, and interest. A fraud penalty was also charged under Section 1128 of the CUIA for intent to evade and failure to reflect all payments made to workers on Forms W-2. The employer was issued an assessment for \$120,789 for unpaid payroll taxes, penalties, and interest.
- EDD and CSLB conducted an inspection of a construction job site at a single-family home. The contractor was operating as a corporation, had a painting and decorating CSLB license, and held a valid workers' compensation policy. At the time of the inspection, there were two workers on site providing services. The business was registered with EDD, but the workers interviewed on-site were not reported to the Department. A subsequent audit revealed the corporation withheld State Disability Insurance contributions and Personal Income Tax from employee wages but failed to remit the withholdings to EDD. It was determined that the corporation concealed information to evade the payroll tax requirements. A fraud penalty was charged under Section 1128 of the CUIA for intent to evade and failure to reflect all payments made to workers on Forms W-2. The corporation was assessed \$213,274 for unpaid payroll taxes, penalties, and interest.
- EDD and CSLB conducted an inspection of a gardening and landscaping business operating as a sole proprietorship. The inspection was conducted at an active jobsite. The inspection team found two workers performing services as laborers. The business did not have a valid contractor license, was not registered with EDD, and did not have a valid workers' compensation policy. A Stop Order was issued by CSLB. A subsequent audit revealed the business had been operating for more than 15 years. The business owner admitted that he paid unreported cash to the two workers found during the inspection. A fraud penalty was charged under Section 1128 of the CUIA for intent to evade and failure to reflect all payments made to workers on Forms W-2. The employer was assessed \$103,413 for unpaid payroll taxes, penalties, and interest.

CDI provided the following examples of blatant violator investigation cases:

- On March 2, 2023, Wesley Owens, 54, of Atlanta, Georgia, and Beau Wilson, 38, also of Atlanta, pleaded no contest to multiple felony counts of insurance fraud and conspiracy in Department 50 of the Los Angeles Superior Court before Judge Kerry White. The charges were filed after a CDI investigation found the two defendants perpetrated a \$54 million workers' compensation insurance fraud scheme. They both were sentenced to 10 years formal probation, 60 days of community labor and are ordered to pay \$350,000 cash prior to their final sentencing in restitution. Wilson additionally agreed to sell five pieces of real property and remit the proceeds of the sale towards further restitution. Both also stipulated to an agreed additional \$14.1 million owed in restitution during their 10 years of formal probation. Owens owned and was the CEO of Bison Workforce Solutions, a Professional Employer Organization (PEO) based outside Atlanta, Georgia, that provided outsourced workers' compensation insurance, human resources, payroll, tax and other services to other businesses. The investigation found the company failed to pay approximately \$29 million in premiums as a result of its fraud and bilked its PEO customers out of approximately \$25.5 million in fees they thought were paying for workers' compensation insurance coverage.

The investigation found Owens would obtain workers' compensation insurance for his company, Bison, and then use the documents provided to it by the insurance company to generate fraudulent Certificates of Insurance, which they would issue to PEO customers. The insurance carrier was told the policy was to cover a small, white-collar firm, not the PEO customers' businesses, which included agricultural workers, roofers, limo drivers, and a wide variety of other employees. The investigation also found Wilson, who was aware of the fraud, recruited customers for Bison and received commissions for each client that used the fraudulent services.

Bison became unable to obtain workers' compensation because of its persistent fraud so the company entered into a business relationship with another firm that already had a workers' compensation insurance policy. Owens and his co-conspirators began using that firm's documents to continue generating fake insurance certificates. To conceal the fact that its policy was being misused to insure PEO customers, Bison began paying out claims itself. When the expense of this was too much for the company to sustain, it eventually stopped paying out claims and left workers uncovered by workers' compensation insurance and with no recourse after being injured on the job. The Los Angeles County District Attorney's Office prosecuted the case.

- On April 13, 2023, private security company owner Luis Burgos, 50, and his former business partner, Sohan Singh, 57, were charged for their alleged involvement in a workers' compensation insurance fraud scheme after an investigation by the Central Valley Workers' Compensation Fraud Task Force found the private security company underreported employee payroll by over \$1.6 million. The Task Force is an

inter-agency anti-fraud partnership with members from CDI, EDD, FTB, and the District Attorney's Offices of Fresno, Tulare, Kings, Kern, Merced, Madera, and San Luis Obispo Counties.

Burgos was arrested at the Fresno County Superior Court while appearing in court on an unrelated matter. Burgos was previously charged with insurance fraud for his involvement in an organized auto insurance fraud ring. Singh is currently at large and believed to be out of the country. The Fresno County District Attorney's Office is prosecuting the case.

B&R Private Security LLC, based in Fresno, provided private armed and unarmed security guard services to the Central Valley. Between May 2018 and May 2021, B&R Private Security LLC held a workers' compensation insurance policy through SCIF.

While conducting a separate criminal investigation, CDI received information that B&R Private Security LLC was paying employees their salary in cash and only claiming a limited number of employees for payroll reporting purposes.

An investigation into B&R Private Security LLC, led by the Fresno County District Attorney's Office, revealed the company reported approximately \$192,419 in employee payroll to their workers' compensation insurance carrier over the course of three years; however, a forensic audit revealed B&R Private Security LLC actually had over \$1.8 million in employee payroll for the same time period.

The total amount of unreported payroll identified was \$1,670,417. The hiding of employee payroll resulted in the illegal reduction of the workers' compensation insurance premiums paid and \$128,978 in premium owed to SCIF.

- On May 15, 2023, California Insurance Commissioner Ricardo Lara and California Labor Commissioner Lilia Garcia-Brower, announced the resolution of criminal charges filed against Golden Food, Inc (GFI). A plea agreement was reached with GFI wherein the company admitted to a litany of labor violations, which includes over \$437,000 in stolen wages to be paid back to more than 30 California workers.

GFI, a chicken processing business located in South El Monte, entered into a plea agreement after an investigation by the CDI and the Labor Commissioner's Office (LCO). The business, owned by Feng Wen Lam and operated by her husband Wei Wu, was accused of underreporting its payroll to its workers' compensation insurance carriers by \$4,489,390 between 2015 and 2021. This resulted in a loss of \$1,681,138 in unpaid insurance premiums to four insurance companies, including the SCIF.

CDI received a referral from SCIF, who suspected the business of fraud after comparing the payroll reported during annual audits with the payroll reported to EDD. CDI obtained a search warrant for GFI's building and was able to obtain true payroll records from GFI's computer, as well as fake tax reporting forms that GFI

used to perpetrate its fraud. The investigation led to 43 felony counts of insurance fraud, grand theft, and conspiracy against Lam and Wu. The Los Angeles County District Attorney's Office's Healthcare Fraud Division is prosecuting this case.

The LCO's parallel investigation uncovered significant wage theft over many years. Employees were forced to clock out for breaks and continue to work, were not paid overtime pay for work in excess of 40 weekly hours, and their pay stubs were falsified. Wu routinely deducted work hours from employees and falsely counted that pay as a bonus. An audit by LCO found that Lam and Wu failed to pay at least \$437,542 for labor to their 34 employees based on the minimum legal market value.

- Brian Hill, 64, and Leslie Hill, 68, a husband and wife from Bakersfield, were charged with multiple felony counts of insurance fraud and conspiracy after a CDI investigation found the couple underreported over \$4 million in employee payroll for the construction company they owned. Both were arrested and arraigned in July 2023.

CDI began an investigation into Brian Hill Construction, Inc., owned by the Hills, after receiving information that the company paid an employee with a combination of check and cash, and that the cash pay was not reported to the company's workers' compensation carrier. Between July 2017 and October 2019 Brian Hill Construction Inc. held a workers' compensation insurance policy through SCIF and between October 2019 and October 2020 held a workers' compensation insurance policy through Benchmark Insurance. An investigation into Brian Hill Construction, Inc., revealed the company reported approximately \$135,667 in employee payroll between July 2017 and October 2019 to SCIF. However, an audit by the Department revealed the business actually had over \$3.6 million in employee payroll for the same time period. The investigation also revealed Brian Hill Construction, Inc. reported approximately \$9,140 in employee payroll between October 2019 and June 2020 to Benchmark Insurance, but an additional Department audit revealed the company actually had over \$500,000 in employee payroll for the same time period. Over the course of three years, Brian and Leslie Hill failed to report over \$4,025,250 in employee payroll to their insurance carriers. The hiding of employee payroll resulted in the illegal reduction of workers' compensation insurance premiums paid and \$2,542,365 in premium owed to the insurance companies.

The investigation also discovered one employee of Brian Hill Construction Inc. was injured on the job and sent to a local hospital where they received minimal medical treatment. By law, the employer was required to file a workers' compensation claim, but the Hills circumvented the workers' compensation process by paying the medical facility directly and eliminating benefits the injured worker may have been entitled to. The Kern County District Attorney's Office is prosecuting this case.

- In April 2021, an ASIA insurance broker submitted a referral to the to the CDI Fraud Division alleging Alexis Roman Avalos-Reyes (Reyes), the former Vice President of Sierra Mountain Tree Service (SMTS), located in El Dorado, California, provided a falsified certificate of insurance to a potential customer.

A customer reported the suspicious certificate of insurance to ASIA. ASIA contacted the victim insurance company, SCIF, who confirmed the certificate of insurance was illegitimate and appeared to be altered to contain false coverage information. SCIF also submitted a fraud referral to CDI in May 2021, which was combined with the fraud referral submitted by ASIA. SCIF believed SMTS was operating without workers' compensation insurance and failed to report accurate payroll to SCIF in order to avoid paying the proper premium. During the course of the investigation, CDI determined SMTS lost their contractors' license with the Contractors' State Licensing Board (CSLB) and workers' compensation policy in 2019. Reyes continued operating as SMTS, despite knowing he did not possess a valid CSLB license or workers' compensation insurance. Reyes also failed to report and remit payments owed to SCIF, EDD, and FTB. Additionally, Reyes portrayed himself as SMTS by using the expired CSLB license on business cards, invoices, advertisements, and by altering checks.

Reyes pled guilty in August 2023 and was sentenced to 180 days in county jail and 2 years of probation. Reyes was ordered to pay over \$70,200 in restitution and a \$15,000 fine.

- Bobby Levell Gilbert, Jr., 66 of Santa Ana, the owner of B & J Tree Service, was charged on October 6, 2023, with 96 felony counts for alleged wage theft, denial of workers' compensation benefits to employees, workers' compensation fraud, failure to pay taxes and perjury. Gilbert's Office Manager, Bertha Rubi Sanchez, 30 of Anaheim, has also been charged with multiple felonies for her alleged role in committing these crimes. Gilbert and Sanchez self-surrendered in September 2023 and their arraignments have been continued.

According to Department Detectives, between October 2013 and August 2021, Gilbert and Sanchez conspired together to underreport payroll to their insurance carriers by approximately \$1.3 million. The failure to report employee payroll resulted in the illegal reduction of workers' compensation insurance premiums, leading to approximately \$248,757 in premium owed. The underreported payroll also resulted in an unpaid payroll tax to EDD of approximately \$140,485.

This is a joint investigation with EDD, DIR, and the Orange County District Attorney's Office. The Orange County District Attorney's Office is prosecuting the case.

Criminal Prosecutions

JESF partners pursue criminal prosecution when individuals knowingly and willfully evade tax, labor, and licensing laws. Criminal conviction comes with the real possibility of jail time for the perpetrator as well as the requirement to pay restitution.

EDD's Tax Branch, ID, and local DAs leverage resources, share best practices, and work together to combat the underground economy. ID has a specialized law enforcement unit which investigates criminal violations of the CUIC, the Penal Code, and the United States Code for federal prosecution. They conduct criminal investigations involving employer collusion in the underground economy and failure to register and report wages paid to employees and collaborate on workers' compensation insurance investigations related to state payroll tax violations. The EDD works with prosecutors and local DAs to convict individuals who commit employment tax fraud. The conviction itself and the collection of the tax liabilities play an integral part in deterring the underground economy.

Criminal Tax Enforcement Results

The following are EDD ID's Criminal Tax Enforcement results for calendar years 2021, 2022, and 2023:

Calendar Year	2021		2022		2023	
	# of Cases	Amount of Tax Liability	# of Cases	Amount of Tax Liability	# of Cases	Amount of Tax Liability
Cases Under Investigation	143	\$98,125,881	125	\$86,402,897	162	\$117,419,165
EDD Criminal Complaints Filed	13	\$377,989	5	\$853,631	7	\$608,331
EDD Criminal Prosecutions Completed	3	\$434,107	10	\$5,004,539	9	\$7,775,057

All ID case numbers are approximate due to the continued development of the case management system used to track the data. Some numbers are collected manually.

Criminal Restitution Cases

When a court orders restitution to EDD as part of the sentencing during criminal prosecutions, EDD monitors these cases to ensure that the restitution is made. The cases are monitored by the Collection Division's Support Program until the convicted party is no longer on probation. If there is a restitution balance remaining at the end of probation, the case is transferred to Collection Division's Field Operations Program for collection action. The following table illustrates data for criminal restitution cases for calendar years 2021, 2022, and 2023:

Calendar Year	2021	2022	2023
Restitution Cases Monitored*	175	88***	89
Beginning Restitution Accounts Receivable	\$26,420,507	\$27,023,699	\$19,610,301
Restitution Amounts Ordered	\$1,964,347	\$1,518,671	\$2,918,372
Payments Received During the Year	\$1,245,834	\$2,928,395	\$2,801,760
Transfers**	\$115,321	\$14,476,139	\$5,939,010
Ending Restitution Accounts Receivable	\$27,023,699	\$11,137,836	\$14,504,473

* Inventory at the end of the calendar year.

**"Transfers" are restitution collection cases transferred to the Collection Division Field Operations Program for collection action due to non-payment of restitution and expiration of probation. The dollar amount shown in the table above is the unpaid restitution liability only.

***An in-depth review of the cases being monitored was conducted and accounts for the significant decrease in 2022. It was found that some cases should have been transferred to the Collection Division Field Operations Program for collection action due to non-payment and/or expiration of probation.

Recommendations for Statutory Changes

No additional legislation is recommended at this time.

DESCRIPTIONS OF JOINT ENFORCEMENT STRIKE FORCE MEMBERS' PARTICIPATING ENTITIES

EDD – Tax Branch works with employers to collect California's payroll taxes and data to support the employment security, child support, and personal income tax programs. The Tax Branch ensures the integrity of the employment tax program by collaborating with our customers to provide efficient, responsive, and innovative services. The Tax Branch is responsible for coordinating EDD's efforts at combating the underground economy and is also responsible for leading and coordinating the activities of the JESF.

EDD – Investigation Division (ID) Criminal Tax Enforcement conducts criminal investigations at the county, state, and federal levels and seeks prosecutions of employers who commit payroll tax fraud against EDD. Tax fraud includes an employer's failure to register with EDD as an employing unit, failure to report or underreporting wages paid to employees, and failure to remit tax contributions to EDD. The ID also seeks restitution that includes recovery of benefit overpayments, tax liabilities, penalties, interest, and investigation costs.

Department of Consumer Affairs (DCA) protects and serves California consumers and ensures a competitive and fair marketplace. The DCA helps consumers learn how to protect themselves from unscrupulous and unqualified individuals. The DCA protects professionals from unfair competition by identifying unlicensed practitioners.

DCA – Contractors State License Board (CSLB) protects consumers by licensing and regulating California's construction industry. In addition to consumer education on contractor and construction law, CSLB activities include: administer prospective licensee examinations; issue licenses; investigate complaints against licensed and unlicensed contractors; issue citations; suspend or revoke licenses; and seek administrative, criminal, and civil sanctions against violators. The Statewide Investigative Fraud Team is set up to monitor and combat illegal activity.

DCA – Bureau of Automotive Repair (BAR) protects consumers through licensing and regulating the automotive repair and Smog Check industry. The BAR investigates violations of the Automotive Repair Act and related laws and regulations governing automotive repair and the Smog Check Program. In addition, the BAR mediates consumer complaints that arise from automotive repair and Smog Check service transactions, resulting in millions of dollars of rework, refunds, and adjustments for consumers each year.

DCA – Bureau of Security and Investigative Services (BSIS) protects consumers by licensing and regulating the following industries: alarm company operators and alarm company employees, locksmith companies and locksmith company employees, private investigators, private patrol operators and security guards, proprietary private security employers and officers, repossession agencies and repossession agency employees, and training facilities and training instructors. As part of its mission, the BSIS actively investigates complaints against its licensees and works to punish unlicensed business operations. This includes the suspension and revocation of licenses and seeking administrative, criminal, and civil sanctions against violators.

Department of Industrial Relations (DIR) - Division of Labor Standards Enforcement's (DLSE), Bureau of Field Enforcement is responsible for the investigation and enforcement of statutes covering workers' compensation insurance coverage, child labor, cash pay, unlicensed contractors, Industrial Welfare Commission orders, and group claims involving minimum wage and overtime claims. The Bureau of Field Enforcement also handles criminal investigations involving these group claims.

DIR – Division of Occupational Safety and Health (DOSH) (Cal/OSHA) Enforcement Branch, has the power, jurisdiction, and supervision over every employment situation and place of employment in California, which is necessary to adequately enforce and administer all occupational safety and health standards and regulations. The DOSH investigates and inspects California workplaces in response to a report of an industrial accident, injury, or illness, a complaint about an occupational safety and health hazard, or as part of an inspection program targeting industries, which have a high rate of occupational hazards, fatalities, injuries, or illnesses.

California Department of Insurance (CDI) ensures that consumers are protected; the insurance marketplace is fostered to be vibrant and stable; the regulatory process is maintained as open and equitable; and the law is enforced fairly and impartially. The **Fraud Division** is charged with investigating insurance fraud, which includes the crimes of intentional misrepresentation of payroll and employee staffing to obtain lower rates for workers' compensation insurance. Studies suggest that the aggressive anti-fraud campaign by CDI, the district attorneys, the insurance industry, and California employers continue to play a substantial role in reducing crime and helping lower workers' compensation insurance premiums for employers statewide.

Franchise Tax Board's (FTB) primary function is to administer the California Revenue and Taxation Code (R&TC). Elected officials determine the tax policy for raising revenue. Under the direction of FTB's Chief Law Enforcement Officer, the **Criminal Investigation Bureau (CIB)** enforces the criminal provisions of the R&TC. The CIB's principal mission is to identify, investigate, prosecute, and deter tax evasion and fraud, and encourage compliance with California income tax laws while maintaining the public's trust through publicity. Special agents with full peace officer powers investigate alleged criminal violations of the R&TC, principally income tax fraud and evasion, and assist in prosecuting non-compliant individuals. The special agents' efforts are

ATTACHMENT A (Continued)

supported by forensic auditors, collectors, analysts, and support staff. The CIB also relies on a strong collaborative enterprise to accomplish their mission.

California Department of Tax and Fee Administration (CDTFA) administers sales and use tax, special tax, and fee programs. These tax and fee programs were administered by the Board of Equalization (BOE) prior to July 1, 2017. The CDTFA's **Investigations Division** plans, organizes, directs, and oversees all criminal investigative activities for the various programs administered by CDTFA. Its goals are to identify tax evasion and new fraud schemes, and actively investigate and assist in the prosecution of individuals who are violating the laws administered by CDTFA.

Department of Justice's (DOJ) Attorney General works to protect California's workers, legitimate businesses, and taxpayers through the **Underground Economy Unit**. The Underground Economy Unit brings civil and criminal actions against persons engaged in the underground economy. These enforcement efforts deter underground economy violations, recapture lost revenues, and protect workers and legitimate businesses from illegal and predatory enterprises. The Underground Economy Unit has prosecuted cases involving wage, tax, and insurance issues, including the theft of wages, unpaid overtime, denial of breaks, payroll tax evasion, and misclassification of employees as independent contractors; patterns of safety violations leading to fatal workplace injuries; workers' compensation insurance premium fraud; and the illegal avoidance of workers' compensation coverage for employees.

California Department of Alcoholic Beverage Control's (ABC) agents are empowered to investigate and make arrests for violations of the Business and Professions Code that occur on or about licensed premises. Agents are further empowered to enforce any penal provisions of the law in the state. Licensees who violate state laws or local ordinances are subject to disciplinary action and may have their licenses suspended or revoked.

U.S. Department of Labor's (DOL) mission is to foster, promote, and develop the welfare of the wage earners, job seekers, and retirees of the United States; improve working conditions; advance opportunities for profitable employment; and assure work-related benefits and rights. The **Fair Labor Standards Act** prescribes standards for wages and overtime pay, which affect most private and public employment. The act is administered by the **Wage and Hour Division**. It requires employers to pay covered employees who are not otherwise exempt, at least the federal minimum wage and overtime pay of one and one-half times the regular rate of pay. It restricts the hours that children under age 16 can work and forbids the employment of children under age 18 in certain jobs deemed too dangerous. The Wage and Hour Division also enforces the labor standards provisions of the **Immigration and Nationality Act** that apply to aliens authorized to work in the United States under certain non-immigrant visa programs (H-1B, H-1B1, H-1C, H2A).

Internal Revenue Service's (IRS) mission is to provide America's taxpayers quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness. During federal fiscal year 2022, the IRS collected more than \$4.9 trillion in gross taxes, processed more than 262.8 million tax returns and other forms, and issued more than \$641.7 billion in tax refunds. The IRS provides EDD with leads that are used for various JESF activities, including investigating employers with unreported wages and/or misclassified workers. The IRS has not released data for 2023.

ATTACHMENT B

ACRONYMS

ABC	California Department of Alcoholic Beverage Control
B&P	(California) Business and Professions Code
BAR	(DCA) Bureau of Automotive Repair
BOE	Board of Equalization
BSIS	(DCA) Bureau of Security and Investigative Services
Cal/OSHA	(DIR) Division of Occupational Safety and Health
CDI	California Department of Insurance
CDTFA	California Department of Tax and Fee Administration
CIB	(FTB) Criminal Investigation Bureau
CSLB	(DCA) Contractors State License Board
CUIC	California Unemployment Insurance Code
DCA	Department of Consumer Affairs
DCC	Department of Cannabis Control
DIR	Department of Industrial Relations
DLSE	(DIR) Division of Labor Standards Enforcement
DOJ	(California) Department of Justice
DOL	U.S. Department of Labor
DOSH	(DIR) Division of Occupational Safety and Health
EDD	Employment Development Department
FLC	Farm Labor Contractor
FTB	Franchise Tax Board
IC	(California) Insurance Code
ID	(EDD) Investigation Division
IRS	Internal Revenue Service
JESF	Joint Enforcement Strike Force
LAB	(California) Labor Code
LETf	Labor Enforcement Task Force
PEN	(California) Penal Code
QETP	Questionable Employment Tax Practices
R&TC	(California) Revenue and Taxation Code
SCIF	State Compensation Insurance Fund



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**Nancy Farias
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EMPLOYMENT DEVELOPMENT DEPARTMENT**