U.S. Department of Labor
Office of Inspector General—Office of Audit

REPORT TO THE EMPLOYMENT AND TRAINING ADMINISTRATION

ETA SHOULD DO MORE TO HELP STATES CURTAIL UNEMPLOYMENT INSURANCE TAX AVOIDANCE PRACTICES

Date Issued: September 13, 2017
Report Number: 04-17-001-03-315

U.S. Department of Labor
Office of Inspector General
Office of Audit

BRIEFLY…

September 13, 2017

ETA SHOULD DO MORE TO HELP STATES CURTAIL UNEMPLOYMENT INSURANCE TAX AVOIDANCE PRACTICES

WHY OIG CONDUCTED THE AUDIT

In 2000, a DOL-commissioned study estimated states lose $200 million in Unemployment Insurance (UI) tax receipts annually due to employers misclassifying workers as contractors. In 2014, states reported employers owed $31 million in additional taxes based on the states' State Unemployment Tax Act (SUTA) "dumping" investigations. SUTA dumping occurs when an employer avoids paying higher taxes by inappropriately transferring all or some of its employees to a new or existing employer with a lower UI tax rate.

The federal-state UI program offers eligible claimants benefits that are primarily funded by a SUTA tax on employers. Taxes are deposited into the Unemployment Trust Fund (UTF) of the federal Treasury; therefore, ensuring employers pay the appropriate tax is a key factor in helping to maintain the solvency of the UTF.

WHAT OIG DID

We conducted this performance audit to determine the following:

> Did ETA provide adequate oversight to assist states' efforts to curtail SUTA tax avoidance practices?

In addition, we addressed questions raised by the Senate Committee on Health, Education, Labor and Pensions regarding ETA's award of $10.2 million to 19 states to implement or improve worker misclassification detection and enforcement initiatives.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to:
http://www.oig.dol.gov/public/reports/oa/2017/04-17-001-03-315.pdf.

WHAT OIG FOUND

ETA did not provide adequate oversight to assist states' efforts to curtail SUTA tax avoidance practices. We conducted a nationwide survey that revealed states desired additional training opportunities and access to best practice information. The survey results also showed the states reported as being most effective in detecting tax avoidance schemes often shared common attributes, such as formal training, a statewide task force, and effective use of SUTA dumping detection systems.

ETA did not adequately monitor state operations for identifying SUTA dumping. Six of 53 State Workforce Agencies (states) reported no findings of SUTA dumping during our audit period (October 1, 2012, through March 31, 2015). ETA considered these states to be outliers, but had done little to help them improve their performance. Furthermore, of the 47 states that did report findings, 23 could not adequately support the results they reported. Accurate data is needed to enable ETA to better identify and provide assistance to low-performing states.

In September 2014, ETA awarded grants to 19 states, totaling $10.2 million, to implement or improve worker misclassification detection and enforcement initiatives. Regarding the Senate Committee's questions about the $10.2 million in supplemental funding, we found states used the funds to improve technology, increase audit staff, and conduct community outreach. ETA required states to provide the specific measurable improvements they expected to achieve from their proposed initiatives. ETA also used improvements in the Effective Audit Measure (EAM) to assess the impact of the initiatives. The EAM is a measure ETA uses to evaluate state UI audit programs, including worker misclassification detection. ETA initially limited its oversight of the supplemental funds to receipt and review of quarterly financial reports. In September 2015, ETA began requiring states to submit a narrative progress report, which has improved information available to evaluate fund expenditures. Use of periodic on-site or desk reviews could further improve ETA's monitoring of supplemental budget funds.

WHAT OIG RECOMMENDED

We made four recommendations to the Deputy Assistant Secretary for Employment and Training to increase training opportunities, share best practices, and improve controls over state reporting.

ETA generally agreed with our recommendations.

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Office of Inspector General
Washington, D.C. 20210

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INSPECTOR GENERAL'S REPORT

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In 2000, a DOL-commissioned study estimated that state governments lose $200 million in UI tax receipts annually due to employers misclassifying workers as contractors. In 2014, states reported employers owed $31 million in additional taxes based on the states' State Unemployment Tax Act (SUTA) dumping investigations. SUTA dumping occurs when an employer avoids paying higher taxes by inappropriately transferring all or some of its employees to a new or existing employer with a lower UI tax rate.

The federal-state Unemployment Insurance (UI) program offers eligible claimants benefits that are primarily funded by a SUTA tax on employers. Taxes are deposited into the Unemployment Trust Fund (UTF) of the U.S. Department of the Treasury; therefore, ensuring employers pay the appropriate tax is a key factor in helping to maintain the solvency of the UTF.

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In addition, we addressed questions raised by the Senate Committee on Health, Education, Labor and Pensions regarding ETA's award of $10.2 million to 19 states to implement or improve worker misclassification detection and enforcement initiatives. The questions included how grant funds were to be used, and whether ETA implemented appropriate metrics and provided adequate oversight.

RESULTS IN BRIEF

ETA did not provide adequate oversight to assist states' efforts to curtail SUTA tax avoidance practices. We conducted a nationwide survey that revealed states desired additional training opportunities and access to best practice information. The survey also showed the states rated as most effective in detecting tax avoidance schemes often shared common attributes, such as formal training, a statewide task force, and effective use of SUTA dumping detection systems.

ETA did not adequately monitor state operations for identifying SUTA dumping. Six of 53 states[1] reported no findings of SUTA dumping during our audit period (October 1, 2012, through March 31, 2015). ETA considered these states to be outliers, but it had done little to improve their performance. Furthermore, of the 47 states that did report findings, 23 could not adequately support the results reported. Accurate data is needed to enable ETA to better identify and provide assistance to low-performing states.

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BACKGROUND

Under the Experience Rating system, states assign different SUTA tax rates to employers based on their individual experience with unemployment. Thus, employers who have a history of high unemployment activity pay higher unemployment tax rates. Conversely, employers with lower unemployment activity pay lower tax rates. States' experience ratings provisions may vary greatly as long as they are within the confines of federal law. Federal law permits reduced rates for new employers and employers with at least one year experience rating.

[1]This number includes State Workforce Agencies of the Virgin Islands, District of Columbia, and Puerto Rico.
[2] Form ETA-9165 –Quarterly Narrative Progress Report Unemployment Insurance Supplemental Budget Request Activities

Employers may avoid paying SUTA taxes, intentionally or unintentionally, by misclassifying workers[3] as contractors or by using the practice of SUTA dumping. States report worker misclassification and SUTA dumping results quarterly to ETA using the ETA 581 Contributions Operations report.[4] In total, states reported 777,935 workers misclassified and net underreported wages of $8.4 billion from October 1, 2012, through March 31, 2015. In addition, states reported 9,478 SUTA dumping transfers[5] and approximately $78 million of net contributions due.

Worker misclassification -- Employers who misclassify workers as contractors do not pay their share of employment taxes and deny their workers access to benefits, including unemployment benefits, to which they would otherwise be entitled. On December 30, 2010, ETA issued Unemployment Insurance Program Letter (UIPL) 03-11, Implementation of the Effective Audit Measure. ETA developed the measure to evaluate state UI programs, including worker misclassification detection. ETA implemented the measure with the Fiscal Year (FY) 2015 State Quality Service Plan, using Calendar Year (CY) 2013 data.

SUTA dumping -- An employer that practices SUTA dumping shifts its employees from one employer to another in order to pay a lower SUTA tax rate. Two examples of SUTA dumping schemes follow.

- **A purchased shell transaction –** An employer, not previously assigned an Unemployment Compensation (UC) account with a state, purchases another employer's business for the sole purpose of acquiring the second employer's low experience rating.

- **An affiliated shell transaction –** An established employer with a UC account forms a subsidiary company and applies for a new UC account number for the subsidiary. Then, the established employer reports one or more of its employees under the subsidiary company until the subsidiary company has earned a reduced experience rate. Once the subsidiary

[3]Individual state laws determine whether an employer-employee relationship exists. A majority of states use some version of the "ABC" test. Under this test, a remunerated worker is considered an employee unless each of three conditions are met: (1) The worker is free from direction or control in the performance of the work under the contract of service, and in fact; (2) The service is performed either outside the usual course of the business for which it is performed or is performed outside of all places of business of the enterprise for which it is performed; and (3) The individual is customarily engaged in an independent trade, occupation, profession, or business.

[4]The Contribution Operations report serves as a comprehensive summary of each state's UI tax operations and provides essential quarterly performance data.

[5]States report two types of transfers, mandatory and prohibitive. A mandatory transfer requires that the unemployment experience must be transferred when there is substantially common ownership, management or control of two employers. A prohibited transfer requires that a new employer or a state's standard rate be assigned when a person acquires an existing company and the state finds that the business was purchased to obtain a lower rate of contributions.

company has earned the reduced rate, the established employer moves a large percentage of its payroll into the subsidiary account.

RESULTS

The results of a nationwide survey we conducted showed ETA did not provide adequate oversight to assist states' efforts to curtail SUTA tax avoidance practices. We found states desired more training and easier access to best practice information. In addition, ETA could have done more to ensure states: (1) actively pursued employers practicing SUTA dumping; and (2) reported accurate SUTA dumping data. Furthermore, ETA did not provide adequate oversight of the use of supplemental funds awarded to states to help them prevent and detect worker misclassification.

ETA COULD DO MORE TO ASSIST STATES' EFFORTS TO DETECT AND DETER SUTA TAX AVOIDANCE PRACTICES

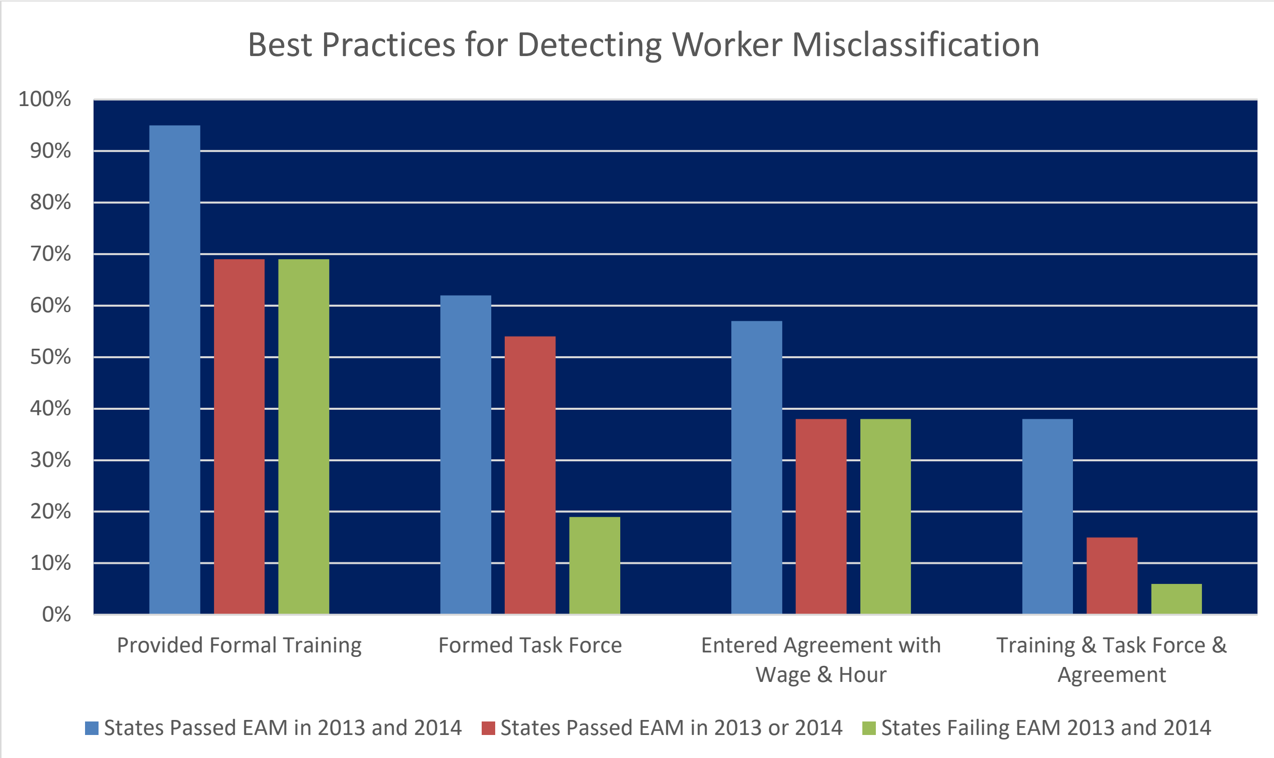
In response to our survey, 39 states reported a common desire for additional training and increased access to best practice information related to deterring worker misclassification and SUTA dumping. In addition, 35 states stated ETA's new core measure, the EAM, was helpful in measuring state performance. However, 17 states expressed their concerns, directly or indirectly, about the requirement to audit at least one percent of eligible wages. The states indicated this requirement caused them to focus too much on large employers, who in their opinion, were less likely to engage in SUTA tax avoidance practices.

NATIONWIDE SURVEY RESULTS

We conducted a nationwide survey of states to obtain information regarding their efforts to reduce worker misclassification and SUTA dumping. We analyzed the survey results to identify common attributes, concerns, and recommendations to identify what actions ETA could take to further assist the states in their efforts.

WORKER MISCLASSIFICATION

Our survey results indicated that high performing states, as measured by EAM, provided formal training to their staff, formed task forces to identify worker misclassification schemes, and entered into written agreements with DOL's Wage and Hour Division to share information.



Survey respondents that had developed a formal system for providing worker misclassification training to their employees (40 of 50 states) generally performed better on the EAM. Of the 21 states that passed the EAM in both 2013 and 2014, 20 provided formal training. By comparison, of the 10 states that had not developed a formal system for training, only 1 passed the EAM in both years.

Twenty-six states expressed a desire for additional training opportunities, including more formal training from ETA, additional training on best practices, and more training presented through webinars.

By not maximizing state performance by providing the additional training desired by states, ETA is missing opportunities to help ensure employers pay their fair share of SUTA taxes. ETA could reasonably develop a series of webinars that would cover the important aspects of worker misclassification, and actively work with states to share and access best practices for detecting instances of worker misclassification on the WorkforceGPS website.[6]

States that passed the EAM both years also commonly used the following strategies more often than those that failed the EAM one or both years.

[6] ETA sponsors the WorkforceGPS website to be an interactive communication and technical assistance platform that communicates with the public workforce investment system with the purpose of developing and implementing innovative approaches to workforce and economic development.

Of twenty-three states that established a statewide worker misclassification taskforce, 13 passed the EAM both years. By comparison, of the 27 states that had not established a task force, only 8 states passed the EAM both years.

Twenty-three states had executed a written agreement to share information with the U.S. Department of Labor's Wage and Hour Division, with 12 of those states passing the EAM in both years. By comparison, of the 27 states that had not executed a written agreement, only 9 had passed the EAM in both years.

Our survey also revealed states generally agreed the EAM had been an effective measure. ETA implemented the EAM for the FY 2015 State Quality Service Plan period. The measure comprised four factors:

1. Percent of Contributory Employers Audited Annually
2. Percent of Total Wage Change from Audit
3. Percent of Total Wages Audited
4. Average Number of Misclassifications Detected Per Audit

To pass the EAM, states must meet minimum scores for each of the four factors, as well as a minimum score from the combined scores of all four factors.

States that passed the EAM in both CYs 2013 and 2014 reported better results in identifying additional underreported employer contributions. Those 21 states detected net underreported contributions of nearly $66 million for the two years. Had the 18 states that failed the EAM both years performed on average as well as the states that passed it both years, the failing states could have increased their detection of net underreported employer contributions from $29.8 million to $48.3 million. The additional $18.5 million in employer contributions could have been put to better use by the respective states.

As part of our survey, we asked states if they would suggest any changes to the EAM. Seventeen of the 50 respondents said they would like to change factor 3 above, which requires audit coverage of at least one percent of a state's total wages. State representatives told us this requirement forces them to focus too much on larger employers who are less likely to misclassify employees. One respondent stated:

> It is difficult to meet both the wage coverage requirement and the misclassified employee requirement. Generally misclassified employees are discovered under employers with smaller businesses. To cover the required wages, we audit large employers. Large employers tend to be in compliance and do not have misclassification issues.

Another respondent stated:

> Uncouple the wage change and total payroll audited. You can have exceptional numbers all year long that will have the state passing … and

> all of a sudden a large audit with no change comes along … it creates a reluctance to audit large employers that typically play it pretty straight.

States also claimed the focus on larger employers can make it difficult to meet factor 2 above, which requires a two percent wage change from audit, because there is little cost benefit from auditing the larger employers.

Concerns about factor 3 were expressed by states that passed the EAM, as well as by those that did not. Specifically, 13 of the 17 states that expressed a concern about factor 3 had passed the EAM in one or both years. ETA should consider these comments regarding the effect of factor 3 on audit resources, and consider making adjustments to the EAM.

SUTA DUMPING

As with worker misclassification, states that reported having a formal system for training its employees in the area of detecting SUTA dumping schemes or practices were more likely to report effective results. Thirty-nine of the 50 states indicated they had a formal system for training employees. We found 9 of the 10 top ranked states had a formal system for SUTA dumping identification training, while 5 of the10 lesser performing states did not. Respondents in 37 states indicated they provided in-house formal training, but they also provided other sources of training, such as webinars (14 states), ETA (5 states), on-the job training (5 states), and tax conferences (5 states).

Thirty-five states indicated they would like more opportunities for training, such as the following:

- best practices, including peer-to-peer training opportunities (22 states)
- webinars (15 states)
- ETA formal training (7 states)

Although states desired training for both worker misclassification and SUTA dumping, the desire for best practice information was much stronger for SUTA dumping. One state responded, "ETA could coordinate and catalog best practices and make readily available in a practical data base. Not all states are the same so having a variety of feedback would be very helpful."

Another state suggested, "Provide state agencies with Best Practices data, and present it in an electronic format easily accessible without travel costs."

Top performing states expressed more confidence in the ability of their SUTA Dumping Detection Systems (SDDS) to detect non-compliant employers. In general, a SDDS compares data from a state's mainframe tax system to a variety of criteria that may indicate SUTA dumping activity. The SUTA Dumping Prevention Act of 2004 (Act)[7]

[7] Public Law 108-295, August 9, 2004

required states to pass legislation to prohibit practices that resulted in SUTA dumping and to establish procedures that would identify a transfer or acquisition of a business for SUTA dumping purposes. To assist states, ETA worked with the State of North Carolina to develop a relatively inexpensive SDDS as a model. ETA also amended its Tax Performance System Handbook[8] in 2010 to include a question for its reviewers to verify that states under review had automated systems in place to track the movement of employees.

Our survey found 4 of 10 top performing states chose to develop their own SDDS rather than use the North Carolina system or a commercially-developed system. Only 1 of the 10 lowest performing states used a self-developed SDDS, but there is no indication that the states used outdated or inferior systems. The difference in the way states viewed the effectiveness of their SDDS systems was manifested in their ratings of their systems using a scale of 1 to 10. On average, the top 10 performing states rated their SDDS systems 7.8 on a scale of 1 to 10, whereas the bottom 10 rated their systems 5.1. Moreover, several respondents expressed a desire for additional training on their systems. ETA told us employees in some states lack the necessary experience and training to use their systems effectively, which ETA believes leads to poor results.

To improve states' performance in detecting SUTA dumping, ETA should increase efforts to provide states with needed training opportunities and access to best practice information. Specifically, ETA could identify states struggling in their use of detection systems and ensure state officials receive technical assistance and training opportunities.

STATES' SUTA DUMPING DATA WERE NOT ACCURATE OR ADEQUATELY SUPPORTED

States did not report accurate or adequately supported SUTA dumping data. ETA required states to report SUTA dumping data as part of the quarterly ETA 581 Contribution Operations report.[9] States must report the following three data elements: (1) Number of Mandatory Transfers, (2) Number of Prohibited Transfers, and (3) Total Net Contributions Due. The data is not used for any other reporting and no performance measure is associated with SUTA dumping activity. We reviewed the 10 quarters of reported data from October 1, 2012, through March 31, 2015. Six states reported they had identified no dumping activity. Another 14 states reported limited dumping activity.[10]

[8]UIPL No. 29-10, dated August 4, 2010, provided changes to the UI Tax Performance System Handbook, ET Handbook No. 407, 4th Edition. The Tax Performance System is part of the larger UI Performs system, a system used by ETA to provide overall improvement in the quality and reliability of the UI system.

[9]UIPL No. 02-11, dated November 9, 2010, implemented the requirement that states include SUTA dumping data in the ETA 581 Contribution Operations report.

[10]We defined limited activity as states that reported transfers in 2 or fewer quarters or those that reported fewer than 20 transfers altogether.

The Act requires states establish procedures to identify the transfer or acquisition of a business for the purposes of SUTA dumping. A study commissioned by DOL in 2007, *Evaluation of State Implementation of Section 303(k) SSA*,[11] found states had met requirements of The Act to enact conforming legislation; however, the fact that procedures are in place does not ensure that sufficient resources have been committed to prevent SUTA dumping.

ETA developed an outlier report to identify report anomalies. However, ETA did not create a benchmark that established whether states were adequately detecting SUTA dumping. ETA is not required to prepare the outlier report, but analysis of information in the report has been incorporated into the standard operating procedures for ETA tax staff to monitor state reported data.

ETA officials told us when they identify states showing a lack of SUTA dumping detection activity, they contact the states and try to identify the causes. Causes ETA has identified include: lack of staff, detection systems not working correctly, staff not understanding system queries, insufficient training, and lack of proactive enforcement by some states.

Moreover, states reported inaccurate and unsupported data. We reviewed SUTA dumping data reported by each state for the 10 quarters ending March 2015 and requested support for the reported data that may have overstated, but also may have understated the extent of their impact. Nearly half (23 of 47) of states that reported SUTA dumping activity were unable to provide adequate support for the information they reported. States could not support 599 of 9,478 reported transfers and under-reported $3.9 million of $78.4 million of net contributions due.[12]

ETA could do more to ensure states report accurate SUTA dumping data. ETA procedures require federal review teams to perform onsite Tax Performance System reviews every four years (sooner if necessary), including a review of states' SUTA dumping detection systems. This review included, but was not limited to, the following:

- verifying the state had a system in place, and operating, that tracked the movement of employees to detect tax rate manipulation (i.e., SUTA dumping);
- verifying written procedures or guidelines were in place for identification and investigation of potential rate manipulators;
- verifying the state followed its procedures for compiling a database of potential rate manipulators and whether it routinely investigated cases every quarter; and
- reviewing at least eight completed cases from the four most recently completed calendar quarters.

[11]The study was conducted by Coffey Communications, LLC and *The Urban Institute*.

[12]The variances in the number of transfers and the amount of net contributions due are net amounts that included either under-reported or over-reported amounts based on state documentation.

These steps did not prove sufficient to prevent states from reporting limited activity or from reporting inaccurate or unsupported data. Improving the quality of reported SUTA dumping data would allow ETA to better use the data to more effectively target states that need additional training and technical assistance.

USE OF ETA'S $10.2 MILLION SUPPLEMENTAL AWARD

In September 2014, ETA awarded grants to 19 states, totaling $10.2 million, to implement or improve worker misclassification detection and enforcement initiatives. The Senate Committee on Health, Education, Labor and Pensions requested OIG answer the following questions related to these grants:

- How were grant funds used?
- Did ETA implement appropriate metrics?
- Did ETA provide adequate oversight?

HOW WERE GRANT FUNDS USED?

States used the grant funds for a variety of purposes, which generally fell into one or more of the following categories:

a. purchased or improved information technology (15 states)
b. increased investigative staff available to conduct investigations (7 states)
c. conducted educational and outreach activities for state employees, employer organizations and employers (5 states)

As of September 30, 2016, the 19 grant recipients had obligated more than $9.3 million of the $10.2 million they received. Eight states reported their projects were completed, six were ahead or on schedule, four reported they were behind schedule and one state, Florida, canceled its project (see Exhibit – Summary of Supplemental Funding for Worker Misclassification Activities).

DID ETA IMPLEMENT APPROPRIATE METRICS?

ETA did not implement metrics specific to the use of supplemental grant funds. However, ETA did request states, using the Supplemental Budget Request Outline, provide specific measurable improvements they expected to achieve through their respective proposed projects. In addition, ETA stated it would use changes to each state's EAM scores to evaluate the impact funds had on combatting worker misclassification.

DID ETA PROVIDE ADEQUATE OVERSIGHT?

Initially, ETA provided minimal oversight for the supplemental funds. ETA required states to submit the quarterly ETA-9130 – *U.S. DOL ETA Financial Report*, but this included little more than summary financial information. However, in September 2015, ETA implemented a new report, the ETA-9165 – *Quarterly Narrative Progress Report Unemployment Insurance Supplemental Budget Request Activities*.[13] This report requires states to include additional information needed to oversee these grants, including:

- timelines for grant activities and milestones,
- self-assessment of progress,
- challenges and needs for technical assistance, and
- best practices and new strategies.

For the eight states that reported their projects completed, we reviewed the September 2016 ETA-9165 reports to compare states' planned measurable improvements against self-reported outcomes and EAM performance. We found that four states (California, Idaho, Oregon and Wisconsin) reported successful project results and showed measurable improvement in their EAM scores from CYs 2013 through 2015. We found that four states (Delaware, New Hampshire, New Jersey and Utah) either reported unsuccessful project results or their EAM scores did not show any improvement. In fact, Delaware, New Hampshire and New Jersey's EAM scores declined each year.

Of the 19 states that received supplemental grant funds, 16 responded to OIG's survey regarding ETA's oversight. Fourteen of these respondents stated ETA had not provided any monitoring of the supplemental funds other than that required for quarterly reporting.

ETA has improved its ability to more readily monitor the progress of these projects by developing the new ETA-9165 report; however, the agency should commit itself to performing more consistent oversight, including on-site or desk reviews, to ensure states are meeting their program goals and timelines.

OIG RECOMMENDATIONS

We recommend the Deputy Assistant Secretary for Employment and Training:

1. Develop and offer additional training opportunities for states related to worker misclassification and SUTA dumping.

2. Work with states to share best practice techniques for both worker misclassification and SUTA dumping investigations and promote the availability of such information on the WorkforceGPS website.

3. Develop and implement adequate controls to ensure quarterly SUTA

[13] UIPL No. 19-15, dated August 7, 2015.

dumping data are reported accurately.

4. Reconsider how Effective Audit Measure, Factor 3, is used to evaluate state performance.

MANAGEMENT RESPONSE

ETA generally agreed with our recommendations. It agreed that sharing best practices among states is very valuable as such practices can generally be adapted to fit within the framework of other state tax programs. Furthermore, it continues to support training efforts, quarterly reviews of state UI tax data, and outreach activities to assist states with their UI tax integrity initiatives. ETA partially agreed with our recommendation to reconsider how EAM, Factor 3, is used to evaluate state performance. ETA stated that it has been evaluating EAM since its inception and has previously made adjustments to Factor 3 based on state feedback. It will continue to monitor states' performance and will develop training materials on strategies that states can employ to successfully pass each element of the measure.

In addition, ETA believes our conclusion that inaccurate or unsupported SUTA dumping data is based largely on our findings in one state. We disagree that our conclusion is based primarily on one state. Our testing found inaccurate or unsupported data issues in 23 of 47 states that reported SUTA dumping activity.

We appreciate the cooperation and courtesies ETA personnel extended to the Office of Inspector General during this audit. OIG personnel who made major contributions to this report are listed in Appendix C.

Elliot P. Lewis

Elliot P. Lewis
Assistant Inspector General
for Audit

Exhibit

Exhibit

Summary of Supplemental Funding for Worker Misclassification Activities

State	Brief Description	Total Award Amount	Total Federal Funds Obligated as of 9/30/16	Reported Status as of 9/30/2016
California	Employer outreach and upgrades to Information Technology (IT)	$499,792	$499,792	Complete
Delaware	Upgrade IT to import and query Internal Revenue Service (IRS) 1099 data	$27,672	$22,685	Complete
Florida	Use IT to integrate data from state/federal agencies and create dashboard for EAM progress	$31,792	$0	Cancelled
Hawaii	Upgrade IT to implement a query application that targets employers	$500,000	$500,000	On schedule
Idaho	Increase investigative staff	$500,000	$500,000	Complete
Indiana	Upgrade IT system to target employers and improve audit efficiency	$500,000	$374,634	Behind schedule
Massachusetts	Upgrade IT system to correct defects in the current system and create enhancements that will allow it to become fully automated	$499,800	$499,800	Ahead of schedule
Maryland	Upgrade IT system and implement a tracking system for blocked claims	$494,600	$494,600	On schedule
Maryland Bonus Grants	Bonus grant funds were used to improve IT system and ability to import IRS 1099 data	$400,099	$400,099	
New Hampshire	Increase investigative staff and replace laptops	$330,468	$308,201	Complete
New Jersey	Increase investigations and employer outreach	$342,222	$342,222	Complete
New Jersey Bonus Grant	Bonus grant funds used to promote existing audit staff and train new audit staff	$496,399	$496,399	
New Mexico	Upgrade IT system to import IRS 1099 data and develop a system to target employers	$499,970	$499,970	On schedule

State	Brief Description	Total Award Amount	Total Federal Funds Obligated as of 9/30/16	Reported Status as of 9/30/2016
New York	Increase investigative staff	$500,000	$500,000	Behind schedule
Oregon	Increase investigative staff and upgrade current IT system	$500,000	$500,000	Complete
South Dakota	IT upgrades to allow employers online registration and other system upgrades	$500,000	$302,621	Behind schedule
Tennessee	Upgrade IT system to target employers and improve efficiency	$499,260	$0	Behind schedule
Texas	Train investigative staff and conduct employer outreach	$500,000	$500,000	On schedule
Texas Bonus Grant	Used the bonus funds to upgrade the overall UI IT system	$775,529	$775,529	
Utah	Increase investigative staff	$500,000	$500,000	Complete
Utah Bonus Grant	Bonus funds used to increase investigations and upgrade the current IT system	$327,974	$327,974	
Vermont	Upgrade IT system, conduct employer outreach, and bring back implement Task Force	$500,000	$500,000	On schedule
Wisconsin	Increase investigative staff and conduct employer outreach	$499,607	$499,607	Complete
Totals		$10,225,184	$9,344,133	

Appendices

APPENDIX A

OBJECTIVE, SCOPE, METHODOLOGY, AND CRITERIA

OBJECTIVE

We conducted this performance audit to determine the following:

Did ETA provide adequate oversight to assist states' efforts to curtail SUTA tax avoidance practices?

In addition, we answered the following questions from the Senate Committee on Health, Education, Labor and Pensions' regarding ETA's award of $10.2 million to 19 states to implement or improve worker misclassification detection and enforcement initiatives.

- How were grant funds used?
- Did ETA implement appropriate metrics?
- Did ETA provide adequate oversight?

SCOPE

We conducted audit work on site at ETA's Office of Unemployment Insurance (OUI) headquarters in Washington, DC; ETA's Atlanta Regional Office in Atlanta, GA; New York's DOL Unemployment Division in Albany, NY; and the Texas Workforce Commission in Austin, TX. We also conducted audit work via teleconference with ETA's Boston and Dallas Regional Offices, and through emailed surveys sent to all 53 states. Our scope covered ETA's controls and oversight over states' worker misclassification and SUTA dumping detection activities along with data reported to ETA from October 1, 2012, through March 31, 2015; and ETA's oversight over the Worker Misclassification Grants awarded in FY 2014.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

METHODOLOGY

To accomplish our audit objective, we identified and reviewed ETA's written policies and procedures, and interviewed ETA National and Regional Office officials to gain an understanding of ETA's controls and oversight over states' worker misclassification and SUTA dumping detection and prevention processes.

We obtained EAM results for CYs 2013 and 2014, and FY 2014 Unemployment Insurance Worker Misclassification Prevention and Detection Supplemental Funding Opportunity grants documentation, including ETA Form 9165, which detailed grant obligations and work states completed through the quarter ending September 30, 2016.

In addition, we visited the New York Department of Employment Security and the Texas Workforce Commission to perform interviews and procedures designed to identify potential issues and questions to include as part of a nationwide survey instrument. We selected New York and Texas because both states received the maximum amount of supplemental funding for worker misclassification detection and prevention grant funds, both states reported high UI benefit dollars, and both passed the EAM for the CY 2013 reporting period. In New York and Texas, we conducted walk-through interviews and reviewed their controls and procedures related to worker misclassification and SUTA dumping.

We developed and distributed a nationwide survey instrument to all 53 states and received replies from 50. We developed the survey using input from ETA officials and procedures we performed in New York and Texas. We divided the survey into four sections of questions: (1) worker misclassification, (2) SUTA dumping, (3) ETA oversight, and (4) additional questions – states with worker misclassification grant funds.

We analyzed the responses to our survey to identify best practices and attributes of states that reported the best worker misclassification or SUTA dumping results. Our worker misclassification analysis used EAM results for CYs 2013 and 2014. We divided the states into three groups: (1) states that passed the EAM both years, (2) states that passed the EAM in one year, and (3) states that failed the EAM in both years.

Our SUTA dumping analysis used a combination of the total transfers and net contributions due as reported on the ETA 581 report for the 10 quarters included in our scope. We weighted the reported results for each state using the average number of reported employers. We then ranked the states using the average of our rankings for the weighted transfers and the weighted net contributions due.

We also obtained an internal report from ETA that summarized SUTA dumping data from the ETA 581 Contribution Operations report. We utilized the data included in the report to perform analysis and to test the accuracy and completeness of the reported data elements. We assessed the reliability of the internal report as compared to the individual ETA 581 reports by testing approximately 25 percent of the selected data elements against ETA 581 reports obtained directly from the states. We found the data included in the internal report to be sufficiently reliable for our purposes. We analyzed the data from the internal report to identify states that reported no or limited SUTA dumping results. In addition, we requested states provide listings of cases to support the completeness and accuracy of reported data.

We considered the internal control elements of control environment, risk assessment, control activities, information and communication, and monitoring during our planning and substantive audit steps. We performed internal control work for ETA's oversight of states' efforts to detect and deter employers who practiced worker misclassification and SUTA dumping. As a result of our work, we found ETA had not established adequate controls to ensure SUTA dumping data reported by states on the ETA 581 report was accurate and that all states had been actively working to identify employers involved, intentionally or unintentionally, in SUTA tax avoidance practices. We have reported on the deficiencies found in ETA's oversight of states' efforts to detect employers practicing worker misclassification or SUTA dumping.

CRITERIA

- Public Law 108-295, "SUTA Dumping Prevention Act of 2004"
- ET Handbook No. 407, 4th Edition – UI Tax Performance System
- UIPL No. 29-10, Tax Performance System Handbook Updates
- UIPL No. 02-11, Changes to the ETA 581 Contributions Operations Report
- UIPL No. 03-11, Implementation of the Effective Audit Measure
- UIPL No. 19-15, ETA 9165 Quarterly Narrative Progress Report Unemployment Insurance Supplemental Budget Request Activities

APPENDIX B

ETA'S RESPONSE

U.S. Department of Labor

Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210

AUG 28 2017

MEMORANDUM FOR: ELLIOT P. LEWIS
Assistant Inspector General for Audit

FROM: BYRON ZUIDEMA
Deputy Assistant Secretary

SUBJECT: Response to Office of Inspector General (OIG) Draft Audit Report No. 04-17-001-03-315, *ETA Should Do More to Help States Curtail Unemployment Insurance Tax Avoidance Practices*

Thank you for the opportunity to respond to the subject Draft Audit Report related to tax avoidance practices. The Employment and Training Administration (ETA) has provided guidance and technical assistance to states on addressing unemployment insurance (UI) tax avoidance practices for many years. Since the passage of the State Unemployment Tax Act (SUTA) Dumping Prevention Act of 2004, ETA has focused more attention on this specific area of UI program integrity. In addition, prevention of worker misclassification has been another major ETA focus for state UI agencies. We have attached two summaries of ETA's efforts over several years to help strengthen state UI tax integrity programs in both areas – SUTA dumping prevention and worker misclassification prevention (see two attachments).

As you know, the UI program is a Federal-state partnership and states have significant ownership of and responsibility for administering UI tax integrity activities. State UI tax program staff working with employer registrations and conducting field audits work to identify experience rating manipulation schemes and to implement counter measures to protect the integrity of the state UI tax financing system(s). Each state's UI systems and procedures are unique, spanning from employer registration requirements to assignment of experience rates, and integrity initiatives to address SUTA tax avoidance must address the specific conditions within each state. That said, ETA agrees that sharing best practices among states is very valuable as such practices can generally be adapted to fit within the framework of other state tax programs.

ETA continues to support training efforts, quarterly reviews of state UI tax data, and outreach activities to assist states with their UI tax integrity initiatives. The ETA-funded UI Information Technology Support Center (ITSC) provides technical support to states for the ITSC-supported SUTA Dumping Detection System (SDDS) and maintains a repository for states to access in using SDDS. ETA supports the UI Community of Practice on the WorkforceGPS web site, which continues to evolve as a forum for states to share successful and promising practices. Also, a principal component of ETA's strategic plan for UI integrity is ongoing support for the UI Integrity Center (Integrity Center), which supports both UI benefits and tax program integrity, and is discussed more specifically below in our responses to the OIG's recommendations. Each of these efforts advance ETA's goals for assisting states to address SUTA tax avoidance schemes.

One specific item in the report warrants comment. On page 9, the report raises concerns about states reporting of SUTA dumping data, stating that "States could not support 599 of 9,478 (6 percent) reported transfers and under-reported $3.9 million of $78.4 million (5 percent) of net contributions due." During the exit conference, OIG staff indicated that these data issues primarily reflected issues in one large state and thus this concern was not necessarily representative of all states.

We also note that the period of review for this audit began during the aftermath of the Great Recession when claims loads remained extremely high and state UI programs continued to be stressed. The temporary Emergency Unemployment Compensation program did not end until December 31, 2013. This may have impacted states' capacity to manage tax operations as well as benefit operations.

Below are the OIG's recommendations contained in the draft report and ETA's responses:

1. Develop and offer additional training opportunities for states related to worker misclassification and SUTA dumping.

ETA Response: ETA agrees with this recommendation and continues to actively engage with states and develop effective strategies related to worker misclassification and SUTA dumping investigations. As mentioned above, one of the principal strategies of ETA's UI integrity strategic plan is the establishment of the UI Integrity Center. The Integrity Center was created in October 2012 to be a state-driven source of innovative UI program integrity strategies to prevent and detect improper payments, reduce fraud, and promote integrity in both benefits and tax program areas. The Integrity Center is being operated through a cooperative agreement with the State of New York, in partnership with the National Association of State Workforce Agencies (NASWA).[1]

Several of the Integrity Center's core strategies are focused on UI tax issues. In February 2017, the Integrity Center launched a UI National Integrity Academy.[2] The Academy provides a series of inter-related certificate programs that currently include tracks for UI Operations Integrity, UI Fraud Investigations, UI Data Analytics, and UI Program Leadership. The Academy has now begun working with subject matter experts to add a UI Tax Integrity certificate track to its curriculum. The first online module, UI Integrity Fundamentals for Tax, was introduced in June 2017.[3] Additional tax training, including modules focused on misclassified workers, fictitious employers, and SUTA dumping investigations are in development and will be released on a rolling basis throughout Fiscal Year (FY) 2018.

[1] http://integrity.naswa.org/
[2] http://integrity.naswa.org/national-integrity-academy/national-integrity-academy-intro
[3] https://integrity.naswa.org/sites/default/files/NIA%20Docs/Academy_Course_Catalog_June_2017.pdf

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Additionally, ETA will be conducting tax-related workshops at the upcoming state UI Directors' Conference hosted by NASWA in November 2017. One workshop will address strategies and efforts to prevent UI tax avoidance activities.

2. Work with states to share best practice techniques for both worker misclassification and SUTA dumping investigations and promote the availability of such information on the Workforce GPS website.

ETA Response: ETA agrees with this recommendation and is actively working with the ITSC, the UI Integrity Center, and states to collect and share best practices that have been developed by states related to their integrity efforts to address tax avoidance practices. Based on state information, employer and worker outreach campaigns have been a common strategy employed to address such practices. ETA continues to support the UI Community of Practice on WorkforceGPS, which continues to evolve as a forum for states to share successful practices.

ETA and the ITSC co-hosted a SUTA dumping prevention webinar during March of 2017. The webinar provided technical assistance and training to states and allowed for the capturing of suggestions by states for enhancements to the ITSC-supported SUTA Dumping System and its application. The webinar proved beneficial to the ITSC, ETA, and states, and also informed plans for further SUTA dumping support and training.

In addition, the UI Integrity Center is engaged in the following activities to share and promote best practices and information sharing related to UI tax operations:

- Digital Library: In July 2017, the Integrity Center launched a Digital Library for the exchange of promising state practices and information related to UI program integrity.[4] The Digital Library has 20 published resources pertaining to UI tax issues, including tax fraud investigations, SUTA dumping enforcement, and recovery efforts.[5] Additional resources will be published to the Digital Library on an ongoing basis.

- State Portfolio Database: In August 2017, the Integrity Center will publish a State Portfolio Database that includes a "model" integrity operations blueprint for states highlighting integrity practices that should be part of state UI Modernization efforts, including state successful practices, return on investment information, and "how-tos" in areas such as benefits and tax collections, fraud identification, data cross matching activities, and identifying fictitious employers.[6] The State Portfolio Database includes information obtained by the Integrity Center through annual assessments of specific and current state UI practices, tools, and strategies.[7] The Integrity Center is also working to begin a UI tax-focused assessment later this year and plans to publish the results in late FY 2018. Once complete, the UI tax assessment will provide additional information that will be added to the State Portfolio Database.

[4] http://integrity.naswa.org/digital-library/digital-library-intro
[5] https://uidl.naswa.org/search-filter?field=subject&starts_with=t
[6] http://integrity.naswa.org/state-portfolio-database/state-portfolio-database-intro
[7] https://integrity.naswa.org/reports-and-presentations

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3. Develop and implement adequate controls to ensure quarterly SUTA dumping data are reported accurately.

ETA Response: ETA continues to routinely monitor state-reported data on SUTA dumping activities and is working with states to address data concerns. ETA has developed and will conduct a webinar before September 30, 2017, to provide additional training to states on the ETA-581, Contribution Operations Report, which includes reporting on SUTA dumping activities.

In addition, ETA recently developed training for states on SUTA dumping prevention operations. This training will be scheduled before the end of calendar year 2017. ETA will also develop training to enhance the evaluation of SUTA dumping prevention activities through the Tax Performance System (TPS) reviews, which include verification of states' SUTA dumping prevention activities. ETA plans to develop and offer this training by the end of the second quarter of calendar year 2018.

4. Reconsider how Effective Audit Measure, Factor 3, is used to evaluate state performance.

ETA Response: ETA partially agrees with this recommendation, given that it is prudent to continually monitor the impact of performance measures. ETA has been evaluating the overall Effective Audit Measure (EAM) since its inception. Historically, Factor 3, which measures the percentage of total wages audited, has been reviewed and revised based on state feedback concerning the relationship between Factor 3 and states' efforts to address worker misclassification. In FY 2015 (using calendar year 2013 data), ETA revised Factor 3, reducing it from 2 percent to 1 percent, based on state feedback. Further reduction in the percentage of total wages audited may negatively impact the integrity of the tax audit operations. The threshold value of Factor 3 stemmed, in part, from the level of significance, or confidence value, when included with the other EAM factors, that is necessary to provide a level of statistical assurance that state field audit operations reviewed a sufficient number of employers to make inferences about the quality and accuracy of employer wage reporting, tax contributions, and trust fund solvency. However, ETA will continue to monitor states' performance and will develop training materials on strategies that states can employ to help them successfully meet the minimum requirements outlined for each factor of the EAM. These materials will be distributed to states by the end of the third quarter of calendar year 2018.

Again, we appreciate the opportunity to respond to your draft report and its recommendations. If you have questions, please contact Gay M. Gilbert, Administrator, Office of Unemployment Insurance, at (202) 693-3029.

Attachments

- SUTA Dumping Guidance and Technical Assistance Activities (2009 forward)
- Worker Misclassification Prevention & Detection Guidance and Technical Assistance Activities (2007 forward)

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State Unemployment Tax Act (SUTA) Dumping Guidance and Technical Assistance Activities (2009 forward)

Date	Activity	Description of Activity
August 11, 2009	Unemployment Insurance Program Letter (UIPL) No. 33-09	UIPL notified states of changes to the collection and reporting of data on the ETA-581 report and the Tax Performance System (TPS).
August 18, 2009	Unemployment Insurance (UI) National Tax Conference	The Employment and Training Administration (ETA) conducted a workshop on SUTA dumping.
February 16, 2010	UIPL 13-10	UIPL notified states of requirement for state TPS reviewers to review the state's activities regarding the state's use of its SUTA dumping detection system, and the state's investigations of employers that may be engaging in SUTA dumping.
February 24 and 25, 2010	Conference call with states	ETA and the Information Technology Support Center (ITSC) convened conference calls to advise states of maintenance and support available for the North Carolina/ITSC SUTA Dumping Detection System (SDDS).
November 9, 2010	UIPL 02-11	UIPL notified states of changes to the ETA-581 report, which required states to report their activity to detect SUTA dumping beginning with the first quarter of 2011.
November 30, 2010	Webinar on revised ETA-581 report	ETA provided guidance to states on changes to the ETA-581 report as announced in UIPL 02-11.
March 29, 2011	Conference call with states	ETA convened a conference call with the ITSC and states to provide updated information on revisions to the SDDS and facilitate discussion of state experiences regarding their SUTA Dumping detection efforts.
Ongoing	Quarterly review of SUTA dumping activities reported by states	ETA National Office staff reviewed quarterly SUTA dumping activity reported by states and coordinated technical assistance calls through the ETA regional offices, as needed.
Ongoing since the 4th quarter of 2011	Quarterly ETA-581 Outlier Reports	ETA reviewed data for states that continuously reported zero activity on ETA-581 reports to inquire and explore reasons why no SUTA dumping activity has been reported.

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Date	Activity	Description of Activity
June 19 and 20, 2012	Webinar/Training	ETA conducted a webinar addressing the following: (a) summarized state responsibilities for using a SDDS to prevent and detect SUTA dumping; (b) provided a status of the SDDS supported by the ITSC; (c) discussed states' measurement of SUTA dumping activities via the TPS reviews and reporting on the ETA-581 Contributions Operations Report; (d) discussed the advantages of using the UI Community of Practice website to share information on best practices, tools, and other resources that can help states with their SUTA dumping activities; and (e) presentations from representatives in Oregon and Texas on their experiences with their SDDS.
March 15, 2013	Webinar	ETA and the ITSC provided updates on the SDDS activity. A roundtable discussion of state issues/concerns was held.
June 17, 2014	Webinar	ETA and the ITSC provided updates on the SDDS activity. A roundtable discussion of state issues/concerns was held.
November, 2014	Webinar	ETA conducted a webinar on the following: (a) states' responsibilities to use a SDDS to detect and prevent SUTA dumping; (b) differences between SUTA dumping schemes; (c) different methods to find SUTA dumpers; (d) each area of the ETA-581 related to SUTA dumping.
December, 2014	One-on-one state calls to address problems	ETA convened calls to examine efforts to detect SUTA dumping with states which regularly reported zero activity on ETA-581 reports.
March, 2015; ongoing	One-on-one state calls with states	ETA conducted follow-up to the December 2014 calls – If the state continued to have no reported SUTA dumping activity on the ETA-581 report for the first quarter of 2015, ETA discussed the efforts needed to detect SUTA dumping.
2015 and ongoing	UI Community of Practice	A SUTA dumping activity summary was posted to the UI Community of Practice (CoP) website that cataloged SUTA dumping topics by category and provided links for UI CoP users to access the information.

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Worker Misclassification Prevention & Detection Guidance and Technical Assistance Activities (2007 forward)

Date	Activity	Description of Activity
2007 - 2013	Questionable Employment Tax Practices (QETP) Team	The QETP Team, comprised of Employment and Training Administration (ETA), Internal Revenue Service (IRS), and state volunteers, met recurrently to monitor trends and issues, create uniform state processes, and draft and promote legislative changes in an effort to encourage some nationwide standardization.
March 25, 2010	Federal-State Meeting	Misclassification Task Force Meeting
August 17 - 31, 2010	Three Worker Misclassification Forums	Worker Misclassification Forums: 1) Dallas, TX (108 attendees); 2) Philadelphia, PA (31 attendees); and 3) Dallas, TX (77 attendees). All states, except California, Hawaii, Massachusetts, Virgin Islands and West Virginia sent at least one attendee to a forum. The Philadelphia (Region 2) and Dallas (Region 4) regional offices co-hosted the forums.
September 2, 2010	Unemployment Insurance Program Letter (UIPL)	UIPL No. 30-10: "Proposed Effective Audit Measure for State Unemployment Insurance (UI) Employer Audit Programs"
December 30, 2010	UIPL	UIPL No. 03-11: "Implementation of the Effective Audit Measure"
2011 – ongoing	USDOL Misclassification Initiative	Supported Memoranda of Understanding (MOUs) between USDOL's Wage and Hour Division (WHD) and states (including State Unemployment Insurance [UI] agencies) to share information in support of state efforts to identify and address worker misclassification.
February 22, 2011	Webinar/Training	ETA conducted a Worker Misclassification Webinar.
October 11, 2011	Voluntary Classification Settlement Program (VCSP) IRS – Conference Call	Coordinated a conference call to provide states information on VCSP, whereby the IRS allows taxpayers to reclassify their workers as employees for future tax periods for employment tax purposes with partial relief from federal employment taxes. The VCSP has no direct effect on state UI taxes and coverage.
October 19, 2011	Presentation	ETA staff presented at the 2011 National UI Directors' Conference and Information Technology/Legal Issues Forum: "Effective Methods to Detect and Deter Worker Misclassification"
May 22 - 23, 2012	Webinar/Training	ETA conducted a webinar for states on the topic of QETP.
August 16, 2012	Webinar/Training	ETA conducted a Worker Misclassification Webinar for states on Auditing Techniques for Detection and Enforcement.
October 24, 2012	Presentation	ETA staff presented at the National Association of State Workforce Agencies (NASWA) UI Directors' Conference on a Worker Misclassification Panel.
September 22, 2013	Presentation	ETA conducted the 2013 National UI Tax Conference (agenda included Worker Misclassification topics related to detection and enforcement efforts).
July 16, 2014	UIPL	UIPL No. 18-14: "Fiscal Year 2014 Unemployment Insurance Worker Misclassification Prevention and Detection Supplemental Funding Opportunity"

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Date	Activity	Description of Activity
July 28, 2014	Webinar/Training	ETA conducted a webinar for states on UIPL No. 18-14 concerning the supplemental funding opportunity to enhance detection and prevention efforts to address Worker Misclassification.
2014 - ongoing	Information Return Analysis System (IRAS) for States–Testing	Three states (Connecticut, Maryland, and Rhode Island) are testing IRAS before roll-out to all states. IRAS is a Microsoft Access database program developed by the IRS. States may import W-2 and 1099-MISC data into the program in order to conduct searches, filtering, sorting and matching to assist with selecting audits or examinations of employers that may be misclassifying workers.
2015 – ongoing	USDOL – Wide	USDOL developed a worker misclassification webpage to educate employers and workers about the impact and consequences of worker misclassification. https://www.dol.gov/featured/misclassification/
March 25, 2015	Governmental Liaison Data Exchange Program (GLDEP) IRS – Conference Call	ETA discussed the file extracts, including 1099-MISC, that states can obtain from the IRS to perform computer matches, which result in identification of non-filers and under reporters.
June 25, 2015	Presentation on Worker Misclassification	UI and Worker Misclassification– National Association of UI Appellate Professionals Training Conference (related to hearings held on Worker Misclassification cases under appeal).
October 21, 2015	USDOL Worker Misclassification Webinar	ETA participated in a joint webinar with WHD to discuss efforts to address worker misclassification with state workforce agencies.
Ongoing	State Specific Technical Assistance	Ongoing technical assistance is provided to states. One recent example, in 2016, ETA staff assisted one state in obtaining state practices from other states and assisted the state in reviewing and revising their strategies on education and outreach programs on the topic of worker misclassification.
Ongoing	State Worker Misclassification Task Forces	ETA continues to promote and support states in creating an inter-agency task force to develop and implement plans to prevent and detect worker misclassifications.
Ongoing	Quarterly review of worker misclassification activities reported by states	ETA National Office staff review quarterly worker misclassification activity reported by states and convene technical assistance calls through ETA regional offices, as needed.

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APPENDIX C

ACKNOWLEDGEMENTS

Key contributors to this report were Dwight Gates (Audit Director), Mark Sanderson (Audit Manager), Travis Williams, Cory Grode, and Christine Allen.

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