



November 2017



## Education, then penalties for prevailing wage violators

The Washington State Department of Labor & Industries (L&I) issued more than 40 prevailing wage violations in the past fiscal year to construction firms involved in public projects.

That's the most citations issued in one year in recent memory.

The number represents the result of a new "escalation strategy" focused on greater consequences for repeat violators of prevailing wage law.

"We want to pursue examples of repeated violations of the law," said Jim Christensen, L&I industrial statistician with more than a decade of experience handling prevailing wage issues. "These will be cases where there are systematic, strategic and deliberate violations."

L&I enforces the state's prevailing wage law, which protects employees by setting the wages for specific work and ensures contractors have a level playing field when bidding on public projects. The law was enacted in 1945.

In fiscal year 2017 – the 12-month period ending June 30 – the number of prevailing wage violations fell into two categories: 31 for wage-and-paperwork issues and 10 for paperwork-only citations.

Under the law, contractors can receive up to two violations (strikes) before being barred from seeking public contracts. In FY 2017, the Prevailing Wage Program issued 19 strikes and debarred 10 firms.

Other L&I programs, including Contractor Compliance and Insurance Services, also issue strikes for violations in their programs. L&I as a whole in FY 2017 issued 1,154 strikes to contractors and barred 136 contractors from seeking public contracts.

The escalation strategy, which is being finalized, covers four areas: company history of violations; degree of diligence exercised in learning the law; magnitude of violation, and the degree to which the company has cooperated with L&I.

Over the past couple of months, I&C Construction, Integrity Construction LLC, and Quality Construction have received citations under the escalation strategy.

## Prevailing wage training available free to contractors

L&I provides free contractor training in prevailing wage and wage-and-hour issues. The next Free Contractor Training Day is scheduled on Nov. 17 at Renton Technical College, 3000 N.E. Fourth St., Renton. To register, email [julie.perales@lni.wa.gov](mailto:julie.perales@lni.wa.gov) or call 360-902-6366.

For more information, go to [www.Lni.wa.gov/training](http://www.Lni.wa.gov/training), and click on "Contractor & Consumer Training & Workshops."



## **Bonney Lake firm pays back wages, faces debarment**

Nine workers received \$210,000 in back pay recently for work on 10 Western Washington schools after an L&I investigation.

The company, I&C Northwest of Bonney Lake, and owner Jim Lingnaw, were cited for unpaid regular wages and overtime, and for false reporting. The company owes another \$218,000 in fines and faces a prohibition from bidding on any public works projects.

The citations were based on I&C's continued violations of state law after the agency educated the firm on requirements for public contracts. The agency warned Lingnaw in January 2016 about receiving fines and disbarment after L&I uncovered violations on five projects. Investigations of the company go back to at least 2014.

"Our investigation showed I&C falsified pay documents and shorted the workers on each project – this goes beyond a simple, honest mistake," said Jim Christensen, Prevailing Wage Program manager for L&I.

I&C paid the wages and has also appealed the citations to the Office of Administrative Hearings. A hearing has been scheduled for March 26 to April 6, 2018.



## **L&I cites company for shorting workers more than \$155,000**

Six construction workers were shorted more than \$155,000 in wages for work on the Belfair Senior Center, according to an L&I investigation. The workers are owed the wages for wood framing at the Belfair HUB Senior Center.

Integrity Construction LLC, the employer, worked on the project from May through August 2015. L&I filed a notice of violation against the firm, which did not appeal and is barred from bidding on future public works projects until the money is paid.

"Integrity vastly underpaid its employees for the work they did," said Elizabeth Smith, assistant director for L&I's Fraud Prevention and Labor Standards division. "By making sure contractors pay their workers fairly, we are creating a level playing field for firms in the construction industry."



## **L&I bars Bellevue firm from bidding on public projects**

L&I has issued a formal "Director's Order" barring Quality Construction of Bellevue from bidding on public works contracts. The Bellevue company withheld wages from construction workers on two elementary schools in Seattle and Issaquah.

The firm paid seven workers \$40,484 in back wages in the Issaquah case after L&I filed a citation in August. Twenty workers are still owed \$102,000 for their carpentry work on the Seattle project.

Quality Construction did not appeal the initial citations. A Director's Order is issued only after appeals have been exhausted.



## Tri-Cities contractor faces felony charges in consumer scam

**Jesse Scott Espinoza, owner of Jesse's Custom Concrete**, in Richland, has been charged with accepting down payments for two concrete jobs as an unregistered contractor, then never working a single day on the projects.

He faces two counts of felony second-degree theft, along with two gross misdemeanor counts of unregistered contracting and two misdemeanor counts of failing to respond to civil infractions for unregistered contracting – charges all stemming from two consumer cases. The 38-year-old has pleaded not guilty.

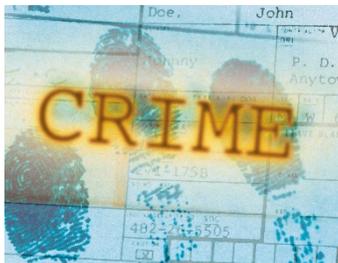
The Benton County Prosecuting Attorney's office is prosecuting the cases based on L&I Contractor Compliance investigations.

Espinoza's registration was suspended May 2, 2017, for failing to follow through on an L&I payment plan to pay off late premiums for workers' compensation insurance.

**One week after the suspension, he accepted \$3,000** from a Richland couple for a concrete job, but never did any work, charging papers said. About three weeks later, an L&I inspector caught Espinoza's workers installing sidewalks in Richland, and issued Espinoza an infraction for unregistered contracting, according to L&I records.

**Within a week of the infraction, Espinoza accepted \$2,000** on June 5 from a Kennewick homeowner for a driveway project, but, again, never showed up for work.

Espinoza has received four L&I civil infractions this year for unregistered contracting. He owes L&I more than \$6,500 for workers' comp premiums and \$12,050 in fines.



## Repeat violator pleads guilty to theft and illegal contracting

**Jose Merced Guzman-Arreola, also known as Jose Merced Guzman**, 42, pleaded guilty recently in two separate cases involving homeowners.

**In 2016, a Kennewick homeowner paid Guzman \$45,000** to build a second-story addition to his home, according to court papers. Guzman never finished the job, and the work he did do was so poor the homeowner had to hire other people to re-do it.

In October, Guzman, doing business as Guzman Construction, pleaded guilty to a gross misdemeanor charge of unregistered contracting in the Kennewick case. He was sentenced, in part, to five days of incarceration; restitution was scheduled to be determined at a hearing in Benton County District Court in November.

**In 2014, a Pasco homeowner, whose basement was damaged in a fire, signed over a \$20,000 insurance check to Guzman** to make repairs, according to court papers. He worked several days on the project, moving the basement debris into her yard and installing two windows, then never returned.

The debris attracted the attention of a city code enforcement officer, who found there were no building permits for the project, and that windows were installed against code. The homeowner borrowed more than \$8,000 to fix the basement and the damage caused by Guzman.

Guzman pleaded guilty in August to felony, second-degree theft in Franklin County Superior Court. He was sentenced, in part, to repay the homeowner \$11,000.

**In addition to pursuing criminal charges**, L&I inspectors issued Guzman at least 14 contracting and electrical infractions, and two safety violations from 2011 to 2016. He owes L&I nearly \$29,000 in unpaid fines and penalties, and more than \$520,000 for workers' comp insurance premiums, penalties and interest.

