



STATE OF WASHINGTON
DEPARTMENT OF LABOR AND INDUSTRIES

PO Box 44000 • Olympia, Washington 98504-4000

May 22, 2013

{ Address }
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**Regarding: Washington State Unified Business Identifier: XXXXXXXXXX
Upcoming Logging Industry Audit and Workshop**

Dear Business owner,

I am writing to let you know that our agency will soon be conducting an audit of workers' compensation reports* and premiums paid by Washington logging businesses to ensure they are accurate. This means that you may receive a letter or phone call from one of our auditors to set up an appointment to review your payroll records. The audits will start July 15, 2013.

This letter is designed to inform you of several options you will have for dealing with your audit.

- You can attend an employer workshop that will provide information about your responsibilities as an employer.
- You can attend the workshop and enroll in a voluntary compliance program that limits our audit to review of records over a six month period, and receive clear future reporting instructions.
- You can receive a full one-year audit.

Why is L&I conducting this audit?

The calculated premium rate for the logging industry is higher than our analysts would expect it to be. This may be because some businesses are:

- Not reporting all the hours their employees work.
- Misclassifying workers as independent contractors rather than covered workers.
- Reporting employees in the wrong classification (for example, mistakenly reporting hours in 5005 mechanical logging rather than 5001 manual logging).
- Not creating an effective safety and training program for their employees.
- Not bringing back injured workers in light or modified jobs.

When an individual business in the logging industry underpays its premium, it drives up workers' comp rates for all logging businesses in Washington State. The cost of all logging claims are shared by the logging industry. Everyone needs to pay his or her fair share.

Will L&I audit every logging firm?

If necessary to ensure proper reporting we may audit every firm. At this time we do not plan to audit *all* logging firms, but we will focus first on employers with workers' compensation reporting records that show higher potential for errors or misreporting, or have some anomalies in their reporting history.

If I receive notification from L&I of an audit, does this mean I have violated any rules or laws?

No. It means we are *checking* to make sure you are correctly following Washington's workers' compensation rules and laws.

What can I expect from an L&I audit?

We will let you know in advance, typically we will make an appointment to meet with you at your business to review your:

- Payroll records
- Employee time records
- Records showing you own the business
- Bank records
- Invoices
- Tax records
- Contracts

What do L&I auditors look for?

In general, we check to make sure you are:

- Assigned the correct risk classifications
- Reporting in the correct classification and therefore paying the correct rate
- Reporting all covered workers for workers' compensation (Industrial Insurance) purposes
- Maintaining appropriate records

If you are not reporting correctly we may assess and collect premium, penalty and interests for the last 12 quarters.

Because there is often confusion around the definition of employees versus independent contractors, we have printed a quick reference guide explaining Washington law regarding independent contractors on the back of this letter.

How does the six month audit work?

If you would like to get into voluntary compliance and correctly report your workers' compensation premiums, you can contact your L&I logging account manager and review your hours, and risk classes with them.

If you:

- Attend the Employer workshop or voluntarily allow an auditor to review your records, and
- Submit amended reports *before* we notify you of an audit, and

- Continue to report correctly

We will:

- Work with you to minimize any late payment penalty and interest costs.
- Limit our records review a six month period.
- If needed help you set up a payment plan.
- Remove your business from the audit list for one year.

How can I attend training workshops?

The Department of Labor and Industries (L&I) will be conducting Employer workshops for the logging industry at:

- June 12th Labor and Industries Vancouver Service Location 9:00AM
- June 18th Labor and Industries Kelso Service Location 9:00 AM
- June 25th Labor and Industries Tumwater Headquarters 9:00 AM
- Additional dates and locations will be added

In these trainings, we will be discussing:

- Safety
- Recordkeeping requirements
- Independent contractor rules
- Classification definitions within the logging industry
- Prime contractor liability
- How to look-up subcontractors to see if they are in good standing
- Risk management basics including an explanation of what drives rates
- Return to Work and Stay at Work programs

You may sign up on line at www.lni.wa.gov/safety/traintools/workshops or by calling (360) 902-4255. Thank you for your help and cooperation. We want to make sure workers' compensation rates are fair and equitable for everyone.

Sincerely,

Elizabeth Smith
Assistant Director, Fraud Prevention and Labor Standards

*This refers to the "Workers' Compensation - Employer's Quarterly Report" that includes worker hours, risk classifications and premium payments that you send to L&I. Workers'

compensation insurance provides your employees with medical and other benefits if they are injured while working for you.