

OCTOBER 24, 2012  
SACRAMENTO, CALIFORNIA

CONTRACTORS STATE LICENSE BOARD

Enforcement/Public Affairs  
Committee Meetings





## CONTRACTORS STATE LICENSE BOARD

9821 Business Park Drive, Sacramento, CA 95827

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800.321.CSLB (2752) | [www.cslb.ca.gov](http://www.cslb.ca.gov) | [CheckTheLicenseFirst.com](http://CheckTheLicenseFirst.com)

STATE OF CALIFORNIA

Governor Edmund G. Brown Jr.

### **NOTICE OF ENFORCEMENT AND PUBLIC AFFAIRS COMMITTEE MEETINGS**

The Contractors State License Board (CSLB) will hold two committee meetings on Wednesday, October 24, 2012, from 1:30 p.m. to 5:00 p.m. in the John C. Hall Hearing Room located at CSLB Headquarters, 9821 Business Park Drive, Sacramento, CA 95827.

All times are approximate and subject to change. Items may be taken out of order to maintain a quorum, accommodate a speaker, or for convenience. The meeting may be cancelled without notice. For verification of the meeting, call (916) 255-4000 or access the Board's website at <http://www.cslb.ca.gov>. Action may be taken on any item listed on this agenda, including information-only items. Public comments will be taken on agenda items at the time the item is heard. Total time allocated for public comment may be limited.

The meeting is open and the public is invited to attend. Meetings are accessible to the physically disabled. Anyone who needs a disability-related accommodation or modification to participate may make a request by calling (916) 255-4000 or by sending a written request to the CSLB Executive Office, 9821 Business Park Drive, Sacramento, CA 95827. Providing your request at least five business days prior to the meeting will help ensure availability of the requested accommodation.

Members of the Board who are not members of the Committee may attend the Committee meeting.

### **ENFORCEMENT COMMITTEE MEETING AGENDA**

1:30 p.m.

#### **Enforcement Committee Members**

David Dias, Chair / Pastor Herrera Jr. / Matthew Kelly / Ed Lang / James Miller

- A. Call to Order – Chair's Remarks
- B. Public Comment Session
- C. Enforcement Program Update
- D. 2012 Joint Enforcement Strike Force Achievements
- E. Review and Discussion of Fiscal Year 2012-13 Enforcement Priorities
- F. Review and Discussion of Letter to Consumers Warning of Potential Employer Status
- G. Review and Approval of Minimum Peace Officer Training Requirements

- H. Update on the Qualifier Task Force
- I. Adjournment

**PUBLIC AFFAIRS COMMITTEE MEETING AGENDA**  
Immediately Following the Enforcement Committee Meeting

**Enforcement Committee Members**

Pastor Herrera Jr., Chair / Joan Hancock / Robert Lamb / Lisa Miller-Strunk

- A. Call to Order – Chair’s Remarks
- B. Public Comment Session
- C. Public Affairs Program Update
- D. Contractor Outreach Program
- E. Adjournment

OCTOBER 24, 2012  
SACRAMENTO, CALIFORNIA

CONTRACTORS STATE LICENSE BOARD

Enforcement  
Committee Meeting



## AGENDA ITEM A

# Call to Order – Chair’s Remarks

Roll is called by the Committee Chair.

ENFORCEMENT COMMITTEE MEMBERS:

DAVID DIAS, CHAIR

PASTOR HERRERA JR.

MATTHEW KELLY

ED LANG

JAMES MILLER

Committee Chair David Dias will review the scheduled Board actions and make appropriate announcements.



## AGENDA ITEM B

# Public Comment Session

Members of the public may address the committee at this time.  
The Committee Chair may allow public participation  
during other agenda items.



# AGENDA ITEM C

## Enforcement Program Update





# CONTRACTORS STATE LICENSE BOARD

## ENFORCEMENT PROGRAM UPDATE

### VACANCY UPDATE

Staff continues to be proactive with respect to advertising and recruiting for vacant positions. Presently there are 12 vacant positions in the Enforcement division.

The following chart depicts Enforcement's vacancies as of October 1, 2012.

UNIT	CLASSIFICATION	# OF VACANCIES	CURRENT STATUS
Sacramento IMC	Consumer Service Representative	1	Pending DCA Approval
Sacramento IC	Enforcement Representative I	1	Pending DCA Approval
San Francisco IC	Enforcement Representative I	1	Currently Advertised
Norwalk IC	Enforcement Representative – Peace Officer	1	Pending Medical Evaluation
Valencia IC	Enforcement Representative – Peace Officer	1	Pending Background Investigation
Valencia IC	Office Technician (Typing)	1	Pending DCA Approval
Northern SWIFT	Enforcement Representative – Peace Officer	1	Interviews Held
Southern SWIFT	Enforcement Supervisor I	1	Currently Advertised
Southern SWIFT	Enforcement Representative II – Peace Officer	1	Pending Background
Southern SWIFT	Office Technician	1	Currently Advertised
Southern Case Management	Enforcement Supervisor I	1	Pending DCA Approval
Sacramento Case Management	Enforcement Representative II	1	Pending DCA Approval



## Consumer Complaint Investigation Highlights

### Unlicensed Contractor's Mom Comes to Rescue

On June 18, 2011, a Pasadena homeowner entered into a written contract for his kitchen and bathrooms with 51-year-old unlicensed contractor Steve McMillin. The contract was broken down by an hourly rate for labor and did not have a fixed price. McMillin was on the job for three weeks and was paid a total of \$1,232; however, very little work had actually been performed, as McMillin constantly gave excuses for delays while requesting more money. In addition, the granite for the countertops was cut to incorrect dimensions at McMillin's direction, costing the homeowner an additional \$250 to purchase another slab of granite. The homeowner also had to pay \$1,425 to two electricians to correct McMillin's defective electrical work, increasing the homeowner's cost to correct to a total of \$1,675.

Feeling taken advantage of, the homeowner fired McMillin. Shortly after being terminated, the homeowner caught McMillin on surveillance video, vandalizing his car by pouring paint thinner that damaged the paint. The homeowner then filed a police report for the vandalism as well a complaint with CSLB against McMillin for the substandard work and contracting without a license.

The assigned CSLB investigator referred the complaint investigation to the Los Angeles District Attorney's (DA) Pasadena Branch office, requesting that McMillin be charged with Business and Professions (B&P) Code section 7028, Contracting without a License, which was added to the pending criminal case filed against McMillin for Penal Code (PC) section 594(a), Vandalism.

On August 17, 2012, McMillin pled no contest to both charges in Los Angeles County Superior Court, and was sentenced to three years' summary probation and one day in jail for contracting without a license. McMillin also was ordered to pay the homeowner restitution in the amount of \$2,992.62, ordered to not use or threaten to use any force or violence, annoy, harass or molest the homeowner, and stay at least 100 yards away from the homeowner's residence. For the vandalism charge, McMillin was placed on summary probation for three years, sentenced to one day in jail, ordered to perform 15 days of community labor, and pay a fine of \$190. In addition, McMillin's driving was also restricted for one year.

On September 10, 2012, the West Covina Investigative Center received a cashier's check in care of the assigned investigation that included a handwritten note that appeared to be the penmanship of an elderly woman that stated the following:

*Please find enclosed a money order for Stephen's fine as ordered by the court on August 17, 2012 case #2PS00431. If you need more information please call me.  
Thank you,  
Ruby Mc Millin (Stevie's Mom)"*

**The Family that Contracts Together...**

An investigator in the West Covina IC settled a complaint between a homeowner and licensee, regarding a \$230,000 contract for a room addition and remodel in the City of La Crescenta. After paying \$215,000, with many delays and some minor workmanship issues, the homeowner lost faith in the contractor, whom he had once trusted implicitly.

One of the homeowner's complaints was that he detested the contractor's brother, who also worked on the project. Comments made by the brother would bring the homeowner to tears. The contractor apologized for his brother's behavior but pointed out that the homeowner wanted changes and upgrades while refusing to pay for them. The homeowner and contractor were at an impasse.

During the interview, the homeowner told the investigator that he would like to settle the complaint, if possible, by having the contractor quit, leaving the work "as is," with the stipulations that the contractor walk away, agree to not file any liens or civil suits, and return \$50,000 to the homeowner to enable him to finish the job.

The contractor agreed to walk away, and admitted that about \$15,000 of the construction funds had been paid ahead of the work. The investigator was able to help bridge the financial disparity, and both parties agreed to settle the dispute for \$25,000. The investigator ensured that the funds were transferred to the complainant successfully, and then closed her investigation as settled, returning \$25,000 to the homeowner.

**A Million Here, A Million There**

In 2005, the owner of a worldwide data storage company entered into a "cost plus fixed fee contract" for the demolition of two homes in Los Altos and the construction of a new home on the combined lots. The "cost" component of the contract was to be reimbursement for the actual costs of labor and materials, and the "fixed fee" was set at \$1,350,000 to be paid in annual installments of \$270,000 over five years.

In July 2007, the owner's administrative assistant discovered discrepancies in the contractor's billings, and a consultant subsequently confirmed serious problems. There were no supporting documents for charges within draw requests, expenses for items unrelated to the project were billed and paid for, and there was overbilling. As a result, the contractor was terminated in 2008, after having received \$11,847,221.

Of the funds received, the contractor failed to account for \$4,334,059. Of the supporting documentation provided, \$43,409 was for an RV; \$29,042 for laptops and computers; \$20,000 for a truck; and over \$6,000 in personal legal fees.

The contractor acknowledged having been paid in advance of the performance of work by \$1,348,288. Notwithstanding this admission and the failure to account for over \$4 million, the contractor failed to pay subcontractors \$1,189,707. However, one of the subcontractors did not have a problem getting paid: an entity formed and owned by the contractor himself. This conflict of interest was not disclosed to the owner. The contractor received payments totaling \$985,823 for work he subcontracted to himself.



The owner had to pay the unpaid subcontractors nearly \$1.2 million to avoid having liens filed. He also paid another contractor \$19 million to complete the project.

The San Francisco IC investigator conducted this lengthy, very complex and involved investigation and referred the matter to accusation for violations including diversion of funds, fraud, and failure to pay subcontractors. The accusation against LWGC Inc. was filed on April 9, 2012. On September 25, 2012, the contractor agreed to a settlement agreement, stipulating to revocation of the license.

A referral to the Santa Clara County DA also was made, requesting the filing of a criminal complaint for diversion of construction funds, and grand theft. On March 13, 2012, a felony criminal complaint for grand theft and diversion of construction funds was filed against RMO/CEO/President Thomas Wurzel and his wife, Beverly Warner, a corporate officer. The criminal case is pending; the June 18 arraignment was continued to October 5, 2012.

### **Licensee Pleads Guilty to Fraud and Theft**

Kevin Piona obtained over \$14,000 from two elderly Santa Clara County homeowners to remove and replace their driveways. The paving work was poorly done; the asphalt was applied so thinly in some areas that weeds grew through it, low spots allowed water to pond, sloped areas direct water toward instead of away from the dwellings, and, shortly after the installation, the asphalt began to crack and fall apart. The work performed by Piona did not have any value and will have to be torn out and replaced. Piona's sham attempts to make repairs included cutting holes in the asphalt and pouring in weed killer.

Piona has a history of contracting without a license, with three citations and a criminal conviction. The recent complaints were assigned to a San Francisco IC investigator who referred the investigation report to the Santa Clara County DA's Office. Criminal charges were filed on February 16, 2012, for violations of PC section 368(d), Elder Fraud; PC section 487, Grand Theft; B&P section 7028, Contracting without a License; and, B&P section 7159.5(a)(3)(5), Excessive Down Payment and Receiving Funds in Excess of the Value of Work Performed. Piona pled guilty on September 18, 2012, and was sentenced to 45 days in jail and two years' probation as well as ordered to return all funds received from the victims, a total of \$14,200.

### **CSLB's "MOST WANTED" – Convicted and Incarcerated**

Unlicensed repeat offender and former member of CSLB's "Most Wanted," George Duarte, was convicted in Los Angeles County Superior Court and taken into custody on September 6, 2012.

A Norwalk IC investigator referred three complaints to the Los Angeles County DA's Office in 2008, with a recommendation that charges be filed against Duarte for three counts of B&P section 7028, Contracting without a License; three counts of PC section 532(a), Theft by False Pretenses; and, two counts of PC section 487(a), Grand Theft. The investigator also requested that an enhancement charge of PC section 12022.6(a)(2), Taking, Damaging, or Destruction of Property in Commission of a Felony, be added because Duarte caused damage in excess of \$150,000 to one homeowner's property. The enhancement would secure a state prison sentence upon conviction of a felony.



One project involved a contract for Duarte to build a new 3,000-square-foot custom home for \$270,000. Duarte had represented himself to the property owner as a licensed contractor. After five months on the job, Duarte had received \$240,000, and the building inspector notified the property owner that Duarte deviated from the approved building plans.

The project was stopped, and Duarte abandoned the job, leaving behind work valued at \$40,000 according to an industry expert (IE) retained by the investigator. The IE also recommended the entire structure be demolished to the foundation.

The DA accepted all of the investigator's referrals. Subsequently, two additional complaints were submitted by a West Covina IC investigator, adding two charges of Contracting without a License, two additional charges of Theft by False Pretenses, and one charge of Grand Theft. In May 2008, a \$240,000 arrest warrant was issued for Duarte.

Duarte was later arrested and went to pre-trial hearing in March 2011. During the hearing, Duarte's private attorney declined a preliminary hearing, possibly because he felt the evidence against his client was overwhelming. Duarte's attorney requested a jury trial which, after many continuances, was set for September 6, 2012.

Prior to trial, the DA and Duarte's attorney negotiated a plea bargain. On September 6, 2012, Duarte pled guilty to one count of Grand Theft, agreed to serve five years in state prison, and agreed to pay restitution to the victims. In exchange, the prosecutor dropped all other charges.

Five restitution hearings were held and concluded later in September with the agreement that Duarte will pay \$240,000 to the property owner who contracted for the new custom home with \$24,800.00 to the other victims. Two years of Duarte's five-year prison sentence will be suspended with the condition he obey all laws and not contract without a license.

#### **Update on Sacramento Man Convicted of Felony Elder Theft**

A man previously convicted of contracting fraud was sentenced to six months in jail on October 2, 2012, in San Mateo County Superior Court for passing himself off as a Pacific Gas & Electric (PG&E) Company affiliate, offering contract work vouchers allowing him to make energy conservation improvements to people's homes.

Michael Phong Nguyen, 43, instead charged the victims' credit cards beyond the amount of the voucher, and his hired laborers did not complete the jobs properly. On July 20, 2012, Nguyen pleaded no contest to felony theft against an elder victim and misdemeanor counts of violating a court order, fraudulently contracting for home improvement, and identity theft. The prosecutor asked for an eight-month jail term, and the defense asked for four months of jail time. The judge split the difference with his sentence, ordering a six-month jail term, three years of probation, and restitution to be paid to the victims. Nguyen received credit for one day served, and must surrender himself on January 12, 2013, at the county jail.

On August 10, 2010, Nguyen reportedly cold-called several San Mateo County residents and identified himself as operating the "Professional Gas and Electric Company," an affiliate of PG&E. Two homeowners accepted the voucher offers and in neither project was the work completed well.



On one project, workers performed one day of work before abandoning the job with exposed wires and damaged stucco, resulting in the homeowner having to hire a legitimate contractor make expensive repairs. At the time, Nguyen had a permanent injunction from San Francisco issued in 2007, prohibiting him from this same practice.

The assigned San Francisco IC investigator also investigated three other complaints filed against Nguyen that resulted in the filing of a criminal complaint by the Alameda County DA on March 15, 2012, for Identity Theft, Grand Theft, and Elder Theft. Nguyen pled guilty to the charges, but will not be sentenced until February 22, 2013. The terms of the plea included probation for five years, up to one year in county jail, and restitution to all victims. Alameda County Deputy District Attorney Erin Loback is working on a probation letter to the court, outlining all of the information about Nguyen, and she will be asking the judge to impose the maximum one-year jail sentence. Nguyen's contractor license, #750199, issued as Elite Conservation Services, was revoked, effective April 25, 2011, pursuant to the stipulated agreement signed on March 4, 2011.



### INDUSTRY EXPERT PROGRAM

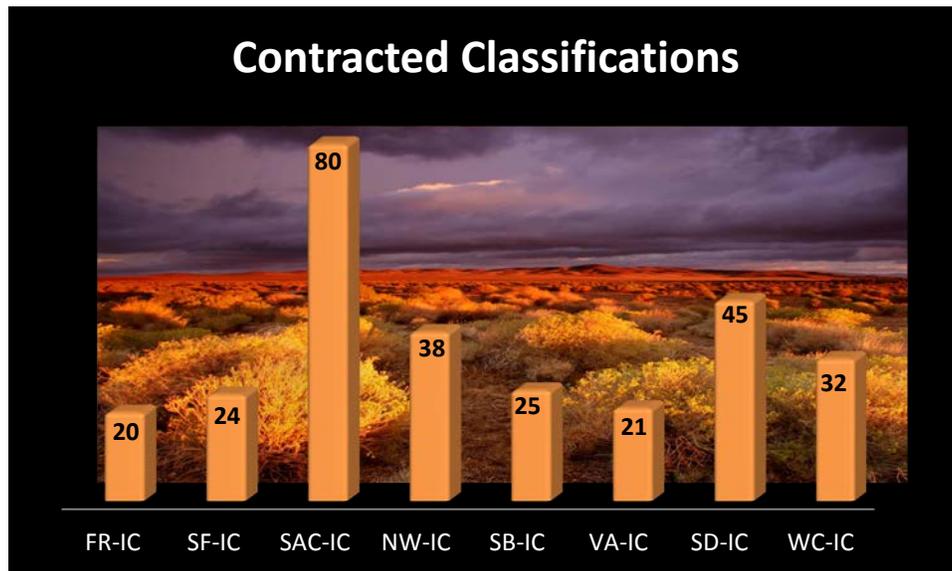
The Industry Expert Program (IEP) is a statewide pool of licensed tradespeople who provide a variety of essential services, including assisting the Enforcement division with consumer complaint investigations. IEs are independent consultants who are compensated for their time, but many join the program to help regulate and give back to the construction industry. CSLB investigators consult with IEs to assist in the following ways:

- To determine if work performed meets industry standards and/or is performed per plans and specifications;
- To determine if work is completed per the contract;
- To assist prosecutors in supporting criminal violations, including grand theft and fraud, as well as estimating the value of work performed by unlicensed contractors; and,
- To assist Enforcement in settling complaints against licensees without legal action, including CSLB-sponsored arbitration and on-site negotiation.

IEs regularly testify in arbitration proceedings, criminal hearings, and administrative hearings. Because IE testimony is often crucial to supporting criminal and/or administrative violations, they must possess effective written and verbal skills in addition to their knowledge of industry and code standards. Enforcement vets IEP participants, requiring that they have qualified a license for at least five (5) years on a current contractor’s license that is free of unresolved licensing and enforcement actions, and are knowledgeable about currently accepted trade standards in their areas of expertise. Enforcement continues to improve the IEP, and IEs are actively recruited in geographic areas. IEs have proven to be valuable partners, as their unbiased professional opinions help protect the public from unscrupulous licensed and unlicensed contractors as well as assist in settling licensee disputes without formal disciplinary action.

### INDUSTRY EXPERT RECRUITMENT NEEDS

CSLB currently has 121 contracted experts who, collectively, hold 285 classifications:

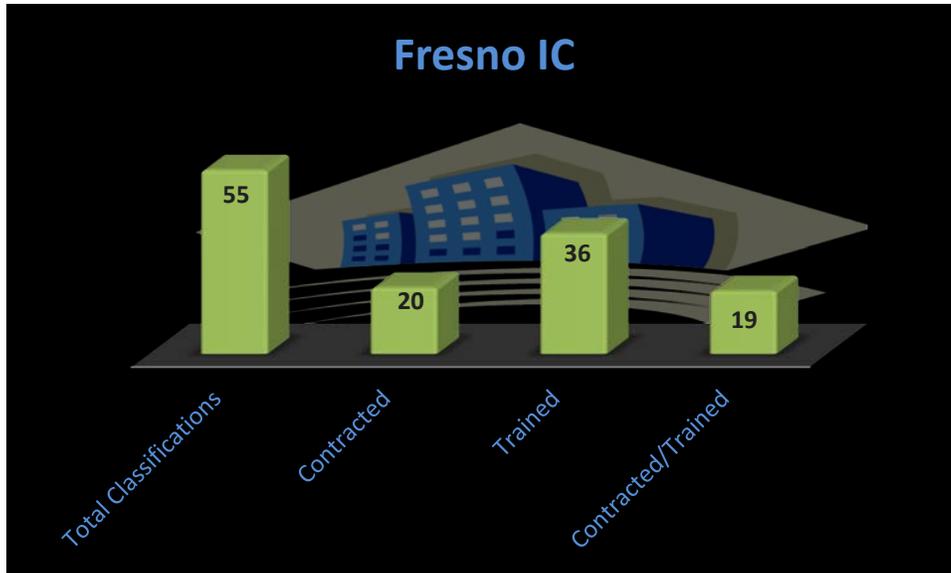




The following charts depict Industry Experts current available by geographical location and the need for our industry partners to support this program and assist in recruiting IEs in critical classifications:

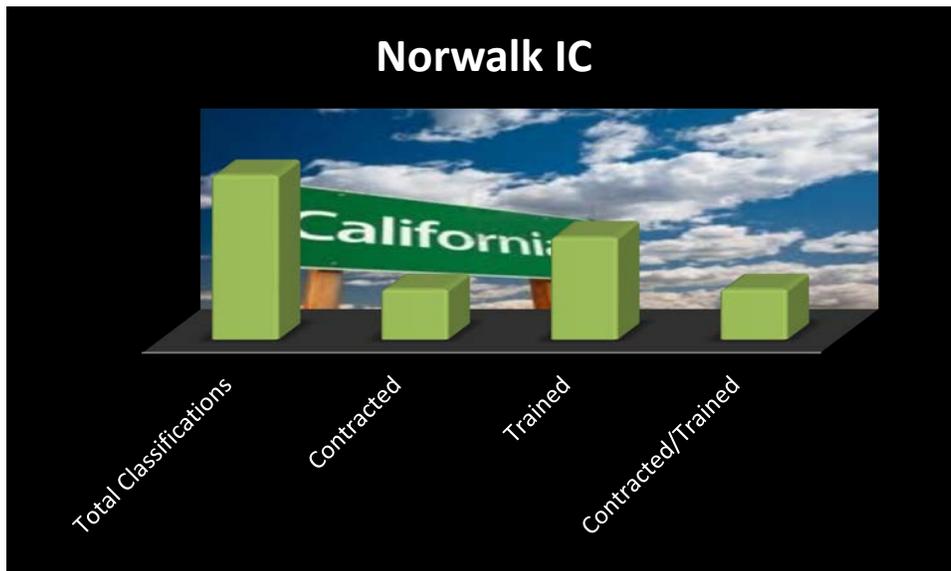
**Fresno Investigative Center**

The Fresno IC has a critical need for experts with the following classifications: C-20 Warm-Air Heating, Ventilating, and Air-Conditioning (HVAC); C-27 Landscaping; and, C-47 General Manufactured Housing.



**Norwalk Investigative Center**

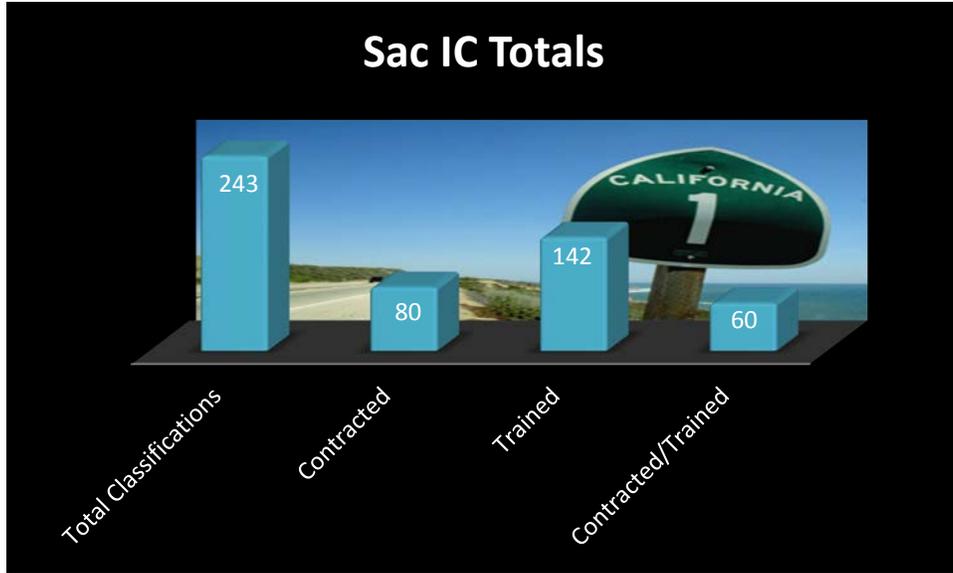
The Norwalk IC has a critical need for experts with the following classifications: C-16 Fire Protection; C-20 HVAC; and, C-35 Lathing and Plastering.





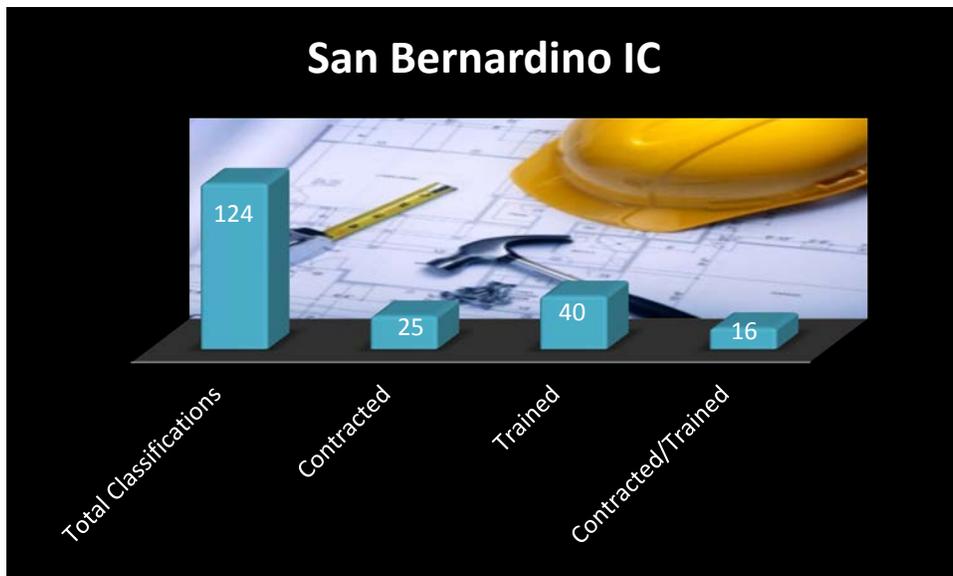
**Sacramento Investigative Center**

The Sacramento IC has a critical need for experts with the following classification: C-17, Glazing.



**San Bernardino Investigative Center**

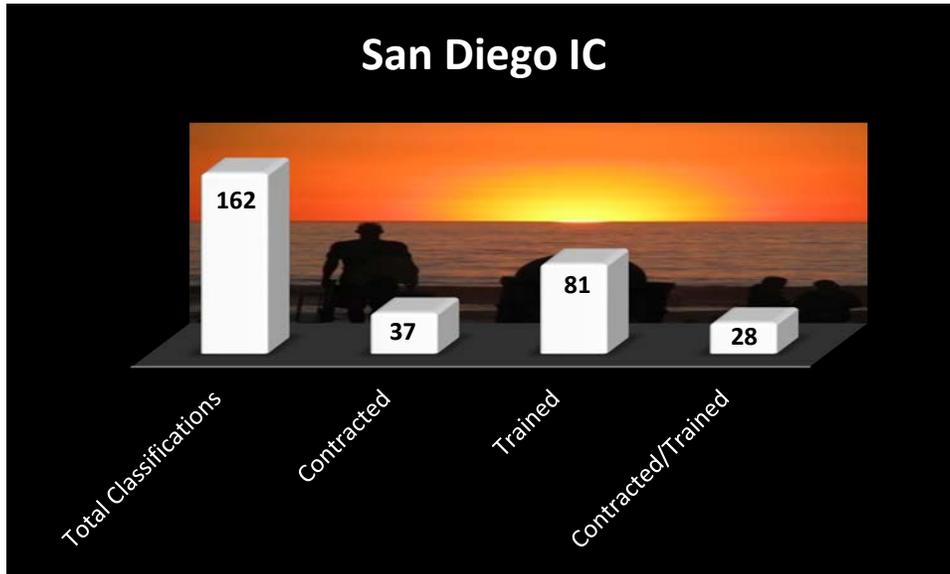
The San Bernardino IC has a critical need for experts with the following classifications: C-16 Fire Protection, and C-17 Glazing.





**San Diego Investigative Center**

The San Diego IC has a critical need for experts with the following classifications: C-16 Fire Protection, and C-46 Solar.



**San Francisco Investigative Center**

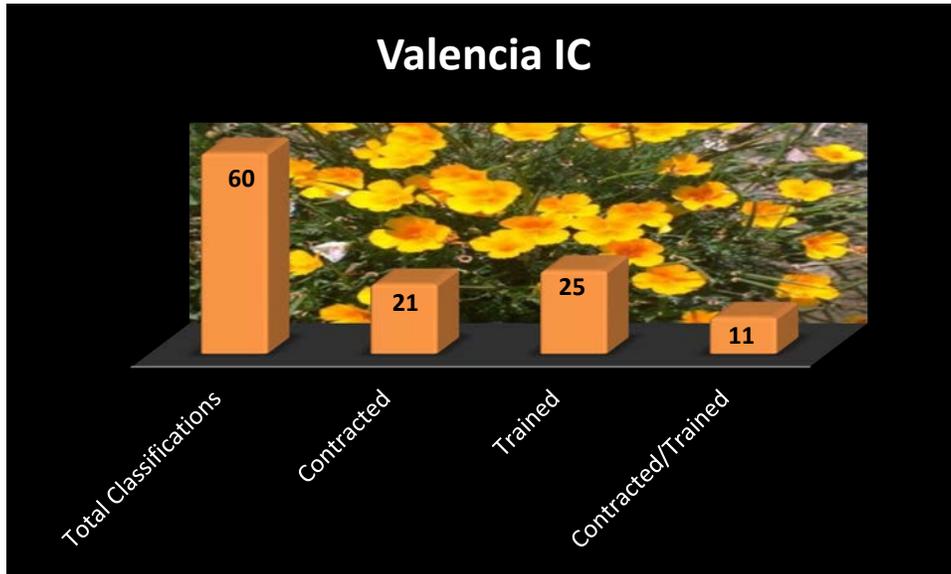
The San Francisco IC has a critical need for experts with the following classifications: C-27 Landscaping; C-47 General Manufactured Housing; and C-53 Swimming Pool.





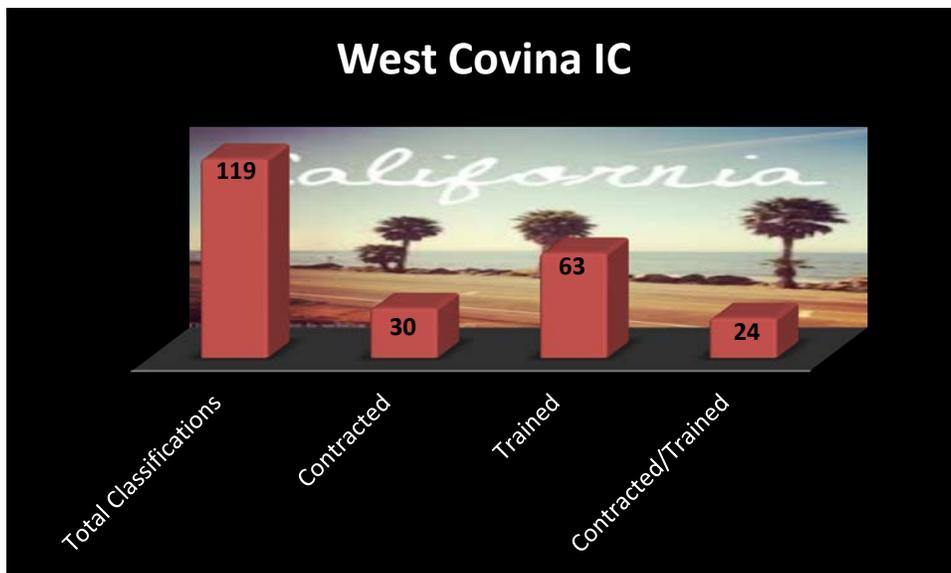
**Valencia Investigative Center**

The Valencia IC has a critical need for experts with the following classifications: C-20 HVAC; C-27 Landscaping; and C-47 General Manufactured Housing.



**West Covina Investigative Center**

The West Covina IC has a critical need for experts with the following classifications: C-16 Fire Protection, and C-17 Glazing.





**CASE MANAGEMENT**

Case Management has statewide responsibility for processing accusations, citations, appeals of denied license applications (Statement of Issues), CSLB-sponsored arbitration referrals, and monitors licensees' compliance status with the Board's disciplinary actions. To reduce costs, Case Management employs Mandatory Settlement Conferences (MSCs) as a cost-saving measure to resolve administrative disciplinary actions without incurring formal hearing costs. MSCs reduce Attorney General (AG) costs and result in injured consumers being made financially whole. The following charts demonstrate the arbitrations, citations, MSCs, and accusations/statements of issues tracked by Case Management, January to September 2012:

<b>ARBITRATION</b>	
<b>Arbitration Cases Initiated</b>	379
<b>Arbitration Decisions Received</b>	353
<b>Licenses Revoked for Non-Compliance</b>	69
<b>Arbitration Savings to the Public – Restitution</b>	\$1,431,846

<b>CITATIONS ISSUED</b>		
	<b>Licensee</b>	<b>Non-Licensee</b>
<b>Citations Issued</b>	767	617
<b>Citations Appealed</b>	349	268
<b>Citation Compliance</b>	384	342
<b>MANDATORY SETTLEMENT CONFERENCES</b>		
<b>Scheduled</b>	183	
<b>Settled</b>	96	
<b>Civil Penalties Collected</b>	\$573,987	
<b>Total Savings to the Public</b>	\$934,397	

<b>ACCUSATIONS / STATEMENTS OF ISSUES</b>	
<b>Revocations by Accusation (Applicants Revoked)</b>	287
<b>Restitution for Accusations</b>	\$90,462
<b>Statement of Issues (Applicants Denied)</b>	40
<b>Cost Recovery Received</b>	\$76,818.08
<b>Number of Cases Opened</b>	329
<b>Number of Accusations/Statements of Issues Filed</b>	309



<b>Number of Proposed Decisions Received</b>	429
<b>Number of Stipulations Received</b>	78
<b>Number of Defaults Received</b>	137
<b>Number of Decisions Mailed</b>	284



## TRAINING UPDATE

As part of CSLB's Strategic Plan, the Enforcement division has an ongoing commitment to create a training curriculum for staff that includes basic enforcement procedures, a mentoring program, and specialized training. Following is a list of training that has been conducted during the 2012 calendar year:

- 1. Module 1: Basic Investigative Techniques** **January – June 2012**  
This course was developed by CSLB management staff in conjunction with retired annuitant Doug Galbraith and Deputy Attorney General Michael Franklin. This course is an 8-hour block of instruction on basic investigative techniques, roles and responsibilities of an investigator, effective case management, overview of rules of evidence, and elements to Business & Professions Code sections: 7107 (Abandonment), 7116 (fraud), and 7125.4 (False reporting of a workers' compensation insurance exemption certificate).
- 2. Module 2: Interview Techniques** **January – June 2012**  
This course is designed to enhance enforcement representatives' interview techniques; understand the importance of obtaining accurate statements, admissions, and confessions; and prepare to provide expert testimony in court and at administrative hearings. This course includes a workshop for participants to test their interview skills in several CSLB-related scenarios.
- 3. Bankruptcy Case Law & Impact on Enforcement** **February 2012**  
This one-day course was provided by Supervising Deputy Attorney General (SDAG) Marc Greenbaum and his staff. The training will include an overview of bankruptcy case law and the impact a bankruptcy filing has on CSLB Enforcement action and a consumer's ability to recover financial restitution.
- 4. Security Assessments for Enforcement Staff** **February 2012**  
Dr. Steve Albrecht discussed workplace violence in addition to violence as a process. Staff learned techniques to identify "danger zones" in the field, the importance of preplanning, scene containment and scene management. This training will assist staff in documenting threatening statements and behaviors effectively.
- 5. Northern California Fraud Investigators Association** **March 2012**  
This three-day course brought together law enforcement, prosecutors, civil attorneys, corporate leaders, insurance personnel, and select Enforcement staff to address common issues in the fight against fraud. This year's conference featured over 40 guest speakers and had over 400 attendees. Annual anti-fraud education and networking are fundamental to prosecuting fraud or related crimes.
- 6. Improving Enforcement Skills** **April 2012**  
Enforcement staff was invited to learn about interpersonal dynamics and emotional intelligence in this training given by Sommer Kehrl, Ph.D. Highlights of this training included personal and social competence skills along with self-management skills that play key roles in successful job performance.



- 7. Advanced Negotiation** **April 2012**  
This interactive seminar focused on advanced techniques and principles for improving negotiation effectiveness. Designated staff attended this training, which concentrated on sharpening existing skills and deepening practical and theoretical knowledge of fundamental principles of successful negotiation.
- 8. Supervisors Training** **June 2012**  
Enforcement supervisors were invited to attend the Centre for Organizational Effectiveness' Enforcement Supervisor I training held in Sacramento and Norwalk. Supervisors brushed up on techniques to improve their supervisory skills. Enforcement Managers Jenece Hards, Missy Vickrey, and Scott Weber served as presenters during the training and discussed CSLB challenges and changes.
- 9. Basic National Certified Investigator/Inspector Training (NCIT)** **June 2012**  
This three-day course provided hands-on training and certification program in investigation and inspection techniques and procedures. Staff learned specifics regarding professional conduct, principles of administrative law and the regulatory process, the investigative process and the principles of evidence. In addition, investigators were instructed on interview techniques, report writing, and testifying in administrative and criminal proceedings. Upon completion of the course and successful completion of the final exam, investigators received certification by the Council on Licensure, Enforcement and Regulation (CLEAR).
- 10. Module 3: Effective Report Writing** **Third Quarter 2012**  
This course was designed to assist enforcement representatives enhance their writing skills and create a professional, accurate, and complete investigative report. Emphasis was given on credibility, proof-reading, and ensuring findings will pass scrutiny during a trial or hearing. The class included a practical report-writing exercise and an exercise where participants engaged in a mock trial.
- 11. Elder Abuse Training** **September 2012**  
This is a two-day course offered to CSLB peace officers that offered an in-depth look at gypsy and traveler crime, "non-traditional organized crime" groups, crimes committed against the elderly, ruse entry and impostor burglaries, and dealing with investigation impediments.
- 12. Improving Employee Performance & Accountability** **September/October 2012**  
This two-day course, offered by CPS for Enforcement Supervisors and Managers, encompassed the importance of job documentation, communicating expectations, and coaching employees to ensure success. Participants learned steps to identify and establish performance measurements and conduct the Performance Appraisal/Individual Development Plan. Most importantly, participants learned how to motivate employees to change behavior and learned the steps to sustain performance levels.

**PLANNED TRAINING**

The following training is proposed for fiscal year (FY) 2012-13:

- 1. DCA's Enforcement Academy** **October/November 2012**  
DCA's Enforcement Academy provides a solid, standard baseline of knowledge and practices for employees who perform enforcement functions while creating an opportunity for individuals from all DCA's boards, bureaus and divisions to network and learn from one another. The Academy is one week long and must be attended in its entirety for successful completion.
- 2. Enforcement Supervisor I and II Team Building Workshop** **October 2012**  
This one-day course, offered by the Centre for Organization Effectiveness, is designed to assist with bridging and team-building between ESIs and IIs. Attendees learn effective ways to improve working relationships and develop strategies to ensure statewide continuity in regard to employee hiring, case reviews, calendars, and work expectations.
- 3. Professional Assistants Academy** **December 2012**  
This two-day course, offered by the Centre for Organization Effectiveness, includes presentations and group activities on the following topics: the changing role of the office professional; understanding interpersonal style differences; creating a positive image; service orientation; organizational savvy; characteristics of high performing teams; a writing, proofing and editing lab; career management; communication skills; and negotiation and conflict resolution skills. This course was successful in southern California last year and is now being offered to Office Assistants, Office Technicians, and Program Technicians in northern California.

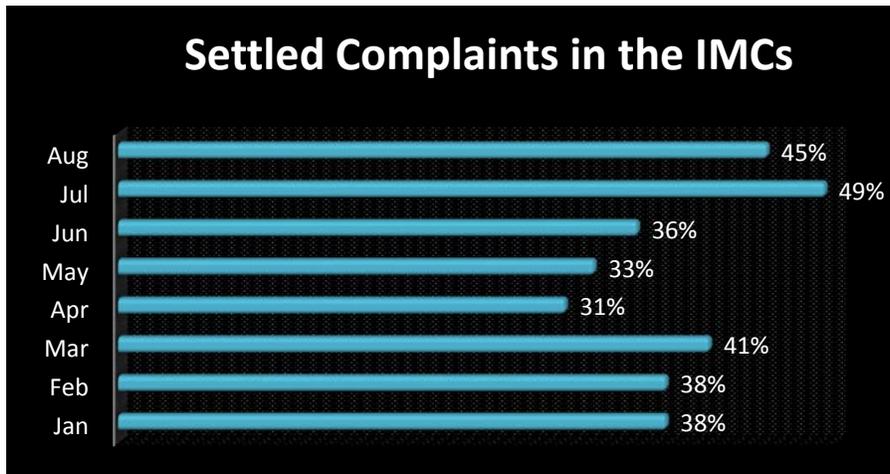


### INTAKE AND MEDIATION CENTER (IMC) STATS

<b>IMCs</b> <b>Financial Settlement Amount</b> <b>2012 Calendar Year</b>	<ul style="list-style-type: none"> <li>• \$ 5,158,901</li> </ul>
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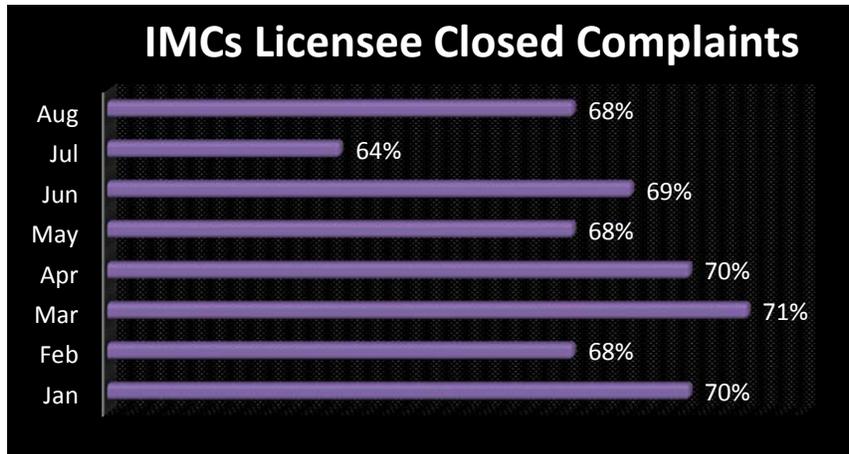
- **Settled Complaints in the IMC**

- The Board’s objective is to settle 30 percent of licensee complaints with restitution paid to financially injured parties. During 2012, 39 percent of licensee complaints have been settled by IMC staff, exceeding the Board’s goal.



- **Licensee Complaints Closed in the IMC**

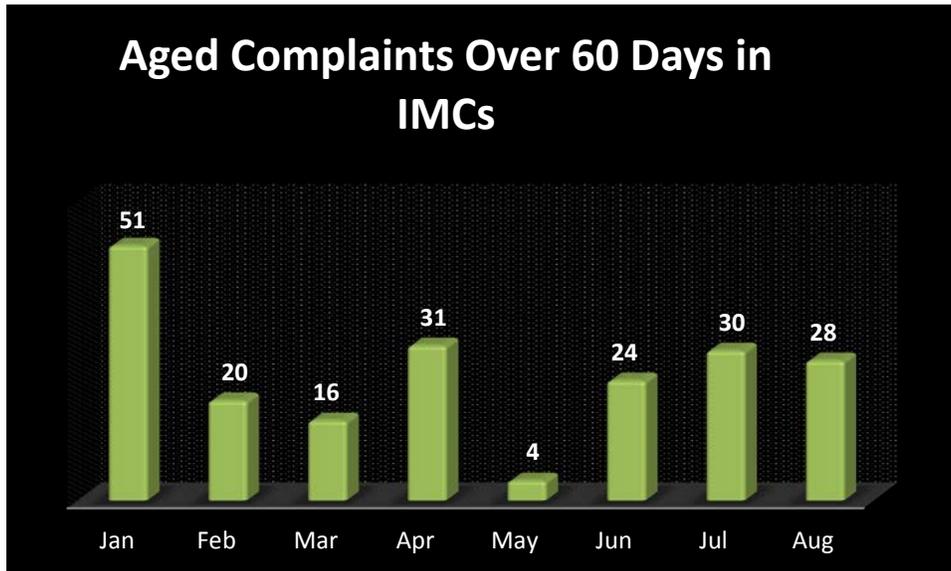
- The Board’s objective is to disposition 70 percent of licensee complaints in the IMC. During 2012, IMC staff dispositioned 69 percent of complaints.





- **Aged Complaints Over 60 Days in the IMC**

- The Board's objective is to disposition or refer to the field within 60 days of receipt the more than 1,000 complaints received each month in the IMC.





INVESTIGATIVE CENTER PENDING COMPLAINTS

ICs

Financial Settlement Amount  
2012 Calendar Year

• \$ 5,158,901

ERs continue to meet the Board’s objective for closing complaints. Due to employee furloughs, ERs were expected to average nine closures per month. During April and May, when furloughs ceased, ER closure expectation was increased to 10 closures per month. However, ERs closed an average of 9.8 complaints per month for calendar year 2012, exceeding expectations.

	January			FEB			March			April		
	Closed	ERs	Ave	Closed	ERs	Ave	Closed	ERs	Ave	Closed	ERs	Ave
North	208	23	9.0	226	31.5	7.2	235	24.5	9.6	232	24.25	9.6
South	330	31.25	10.6	304	23.5	12.9	307	33.25	9.2	378	32.25	11.7
Statewide Total	538	54.25	9.9	530	55	9.6	542	57.75	9.4	610	56.5	10.8
WC	61	5.25	11.6	52	5.5	9.5	51	5	10.2	54	4	13.5
NW	97	9.75	9.9	91	9.75	9.3	96	10.25	9.4	138	10.25	13.5
VA	57	5.5	10.4	56	5.5	10.2	59	5.5	10.7	60	5.5	10.9
SB	70	6.5	10.8	61	6.5	9.4	58	7	8.3	79	7	11.3
SD	45	4.25	10.6	44	4.25	10.4	43	5.5	7.8	47	5.5	8.5
FR	26	3	8.7	26	3	8.7	25	4	6.3	31	4	7.8
SN	81	8.5	9.5	91	8.5	10.7	94	8.75	10.7	82	8.5	9.6
SS	50	6	8.3	54	6.5	8.3	69	6.5	10.6	51	6.5	7.8
SF	51	5.5	9.3	55	5.5	10.0	47	5.25	9.0	68	5.25	13.0
	May			June			July			August		
	Closed	ERs	Ave	Closed	ERs	Ave	Closed	ERs	Ave	Closed	ERs	Ave
North	253	20	12.7	218	20	10.9	172	17	10.1	174	16.5	10.5
South	324	35	9.3	287	35	8.2	279	30	9.3	278	31	9.0
Statewide Total	577	55	10.5	505	55	9.2	451	47	9.6	452	47.5	9.5
WC	51	5.5	9.3	49	5.5	8.9	48	6	8.0	41	4	10.3
NW	96	10.5	9.1	84	10.5	8.0	74	8	9.3	77	8.5	9.1
VA	65	6.5	10.0	56	6.5	8.6	53	5.5	9.6	65	7	9.3
SB	70	7.5	9.3	55	7.5	7.3	58	5.5	10.5	43	5.5	7.8
SD	42	5	8.4	43	5	8.6	46	5	9.2	52	6	8.7
FR	28	2.5	11.2	25	2.5	10.0	13	1.5	8.7	20	1.5	13.3
SN	78	7	11.1	81	7	11.6	73	6.5	11.2	63	6	10.5
SS	67	6	11.2	61	6	10.2	44	5	8.8	47	5	9.4
SF	80	4.5	17.8	51	4.5	11.3	42	4	10.5	44	4	11.0



### ICs Statewide Total Case Closures Jan - August 2012



### ICs Average Closure Per ER Jan - August 2012

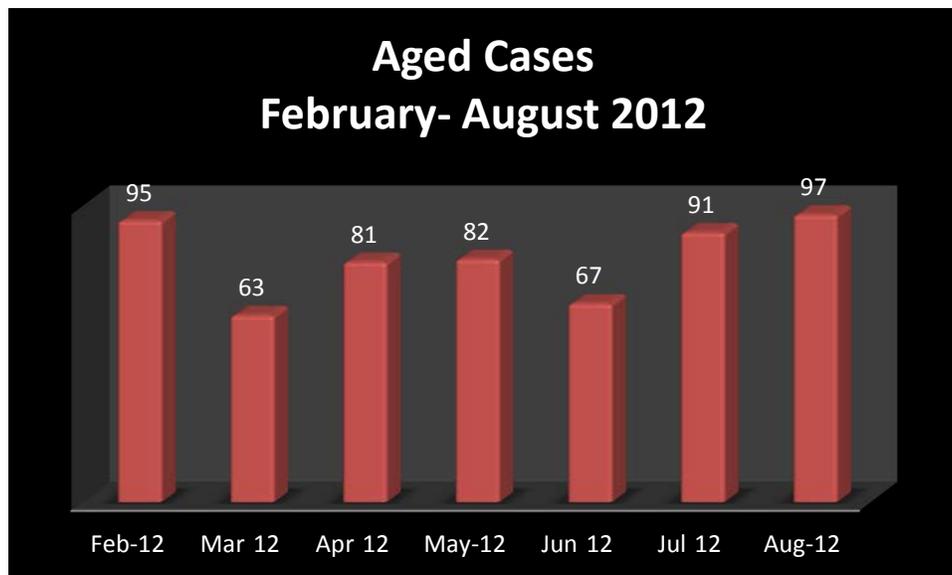




### AGED CASES

The ICs also continue to meet the Board’s objective of having 100 or less aged complaints. As of August 31, 2012, there were 95 aged cases statewide despite some unforeseen staffing shortages. The San Bernardino IC lost half of its staff: one ER is attending the 17-week academy and will be a sworn peace officer upon his return, another ER transferred elsewhere, and the remaining ERs are out on medical leave. IC staff continues to work hard to meet goals and expectations, successfully overcoming obstacles and challenges.

	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12
<b>Fresno</b>	2	4	5	4	4	2	2
<b>San Francisco</b>	9	2	14	19	11	6	6
<b>Sacramento -N</b>	9	8	11	7	3	4	5
<b>Sacramento -S</b>	1	1	0	2	2	5	5
<b>Valencia</b>	3	0	1	0	5	9	4
<b>Norwalk</b>	21	17	14	11	13	18	19
<b>West Covina</b>	10	10	12	11	5	12	14
<b>San Bernardino</b>	25	10	14	9	13	20	25
<b>San Diego</b>	15	11	10	19	11	15	17
<b>Total</b>	<b>95</b>	<b>63</b>	<b>81</b>	<b>82</b>	<b>67</b>	<b>91</b>	<b>97</b>





**SWIFT STATS**

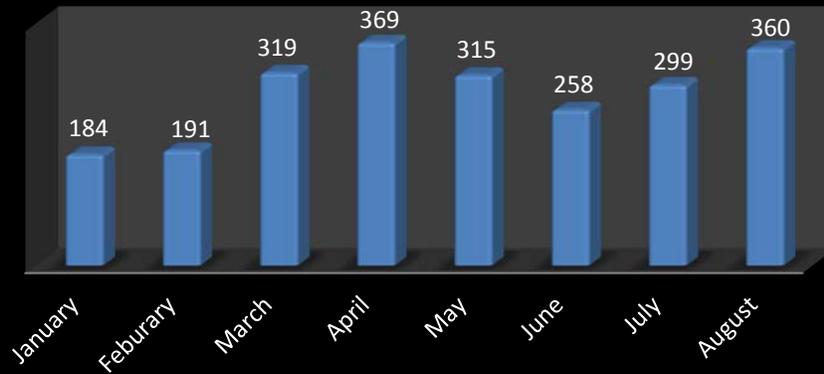
The following chart includes Statewide Investigative Fraud Team (SWIFT) response to leads as well as undercover sting and sweep operations with partner agencies and local law enforcement. Between January and August 2012, SWIFT received a total of 2,295 complaints, resulting in 906 formal legal actions, half administrative and half criminal. SWIFT staff averaged 101 legal actions (criminal and administrative) per month for the same time period.

<b>SWIFT Total Production January 2012- August 2012</b>										
Office	January	February	March	April	May	June	July	August	Totals	Office Average
SWIFT North	19	33	67	58	44	53	33	67	374	47
LETF North	43	27	76	65	32	36	47	62	388	49
SWIFT Central	42	48	59	81	55	65	90	112	552	69
SWIFT South	57	48	72	92	68	39	48	50	474	59
LETF South	23	35	45	73	116	65	81	69	507	63
<b>Totals</b>	<b>184</b>	<b>191</b>	<b>319</b>	<b>369</b>	<b>315</b>	<b>258</b>	<b>299</b>	<b>360</b>	<b>2,295</b>	<b>287</b>
<b>Monthly Average</b>	<b>37</b>	<b>38</b>	<b>64</b>	<b>74</b>	<b>63</b>	<b>52</b>	<b>60</b>	<b>72</b>		

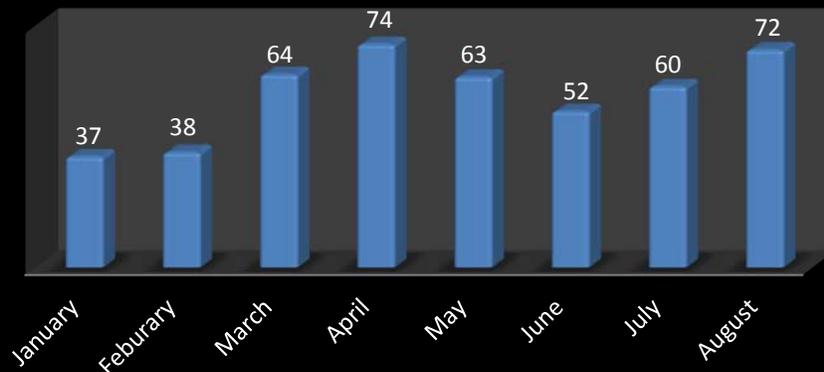
<b>SWIFT Legal Actions January- August 2012</b>											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Present Total	Total Average per Month	
<i>CRIMINAL (N1 and L1) TOTAL</i>	38	35	97	87	44	56	47	46	450	56	
<i>ADMIN (N6, L1C, L1A) TOTAL</i>	41	56	48	72	84	36	42	77	456	57	
<b>LEGAL ACTION TOTAL</b>	<b>79</b>	<b>91</b>	<b>145</b>	<b>159</b>	<b>128</b>	<b>92</b>	<b>89</b>	<b>123</b>	<b>906</b>	<b>101</b>	



### SWIFT Monthly Totals January- August 2012



### SWIFT Monthly Average January- August 2012





### SWIFT HIGHLIGHTS

#### **RMO for Hire – 18 Employees and No Workers’ Compensation Insurance**

A telemarketing call answered by a southern SWIFT investigator provided a high-value sweep target. Two weeks prior to the sweep, the investigator was visiting his father and answered the phone. The telemarketer stated he worked for Z Ducts Inc. (ZDuct) and offered HVAC services. The license number provided for ZDuct was clear with the appropriate “B” and C-20 classifications; however, an exemption from workers’ compensation (WC) insurance had been filed. The investigator’s request to speak with the RMO was denied, and he was transferred to the office manager, who confirmed employment of 18 “1099” employees.

The investigator decided to perform an inspection of ZDucts’ office location with partners, EDD and DLSE. The inspection confirmed employment of 18 uninsured workers, resulting in issuance of \$27,000 in DLSE fines and a Stop Order. EDD also is conducting an audit regarding suspected failure to withhold payroll taxes.

#### **Hyundai Corporation Cited at Construction of Power Plant**

On August 24, Southern SWIFT investigators led a joint Employment Enforcement Task Force (EETF) targeted compliance check with DLSE, EDD and DOSH investigators at a power plant construction site located in Los Angeles County. The power plant is privately owned by Walnut Creek Energy Park LLC, who contracted the new construction project to licensee Kiewit Power Constructors Company for approximately \$500 million. Kiewit Power Construction subcontracted the installation of seven transformers to Hyundai Corporation. Hyundai then turned around and subcontracted to a Wisconsin-based company, American Transformer Services, for \$250,000. American Transformer Services is not properly licensed to work in California and, in turn, subcontracted the electrical installation to Electrical Reliability Services Inc.



Investigators issued an administrative citation to Kiewit Power Construction for B&P section 7118 Contracting with an Unlicensed Contractor, and issued non-licensee citations to Hyundai Corporation and American Transformer Services for Contracting without a License. The civil penalties imposed exceed \$20,000.

### **Chamber of Commerce Chairman Issued Stop Order and Citation**

Staff issued an administrative citation and Stop Order to an uninsured licensed painting contractor, as he had two employees paint a commercial building. After issuing the Stop Order, the investigator was contacted by the contractor's wife, who explained her husband was extremely embarrassed to have violated WC insurance requirements because he serves as the Chairman of the Board for the local Chamber of Commerce. We are pleased to report that a WC policy was obtained, and the Stop Order released within 48 hours.

### **Unlicensed Contractor Delivers Bid to CSLB Office – Receives NTA**

Staff conducted a sting operation in Madera on September 19. Two of the suspects did not provide bids at the sting location, and they said they would email/fax their bids to the investigator. Suspect Kenneth Allan Sumner was scheduled to provide a bid for flooring and granite countertops. After measuring the kitchen and both bathrooms, Sumner stated he would email the estimate to the investigator. The investigator received the \$7,261 estimate and asked Sumner to come to her place of employment to review it. Sumner arrived without ever noticing that he was at the CSLB office. He confirmed the estimate and was issued an NTA for illegal advertising and contracting without a license.

### **Yolo County Sting**

Northern SWIFT investigators held a sting in Yolo County on October 3. An unlicensed fence and deck installer, who was advertising on Craigslist, was issued an NTA after offering a bid. Since he did not have a valid California driver license he was not allowed to drive and had to call a licensed driver to retrieve his vehicle.

Another suspect, also advertising on Craigslist, has had previous contact with CSLB dating back to 2009. Despite being suspended and expired for many years, he continues to operate his plumbing business. After offering a bid to install a water heater, he was issued an NTA. During the sting operation, investigators issued a total of 10 NTAs.

### **JESF Partners Team Up to Respond to Lead Referral**

Northern SWIFT received a call from a confidential informant who had worked for Vital Systems, license #767570. The informant provided documents that revealed employees, sub-contractors, and other illicit activities in Mendocino County. The caller's alleged violations were extensive cash pay, money laundering, and failure to secure WC. After extensively vetting the referral with our partners, the lead was assigned to a SWIFT investigator, who unsuccessfully attempted to locate Vital Systems on an active job site during the June 2012 sting/sweep in Ukiah (Mendocino County). SWIFT then contacted Santa Rosa Joint Enforcement Strike Force (JESF) partner, Susan Nord, Deputy Labor Commissioner (DLC). DLC Nord visited the Northern SWIFT unit, reviewed the file, copied documents, and agreed to conduct a field audit of Vital Systems.



JESF partner Amy Pollard with EDD reviewed the information from the informant, as it related to the contractor and alleged subcontractors' businesses, noting that Vital Systems had not reported payroll since 2005. Ms. Pollard has requested and is being provided all available documentation to proceed with an EDD Audit Referral.

The Santa Rosa DLSE office performed the field audit once it was determined that the business address was a safe location. On September 7, Vital Systems was issued Stop Order and a \$143,493.65 citation for cash pay and failure to secure WC. DLSE is also auditing for back years. The citation is under appeal, and DLC Nord is meeting with Vital Systems attorney(s). DLC Nord will provide an update once that meeting takes place. When DLSE's citation(s) become final, the SWIFT investigator will follow up with an administrative citation to address the WC violations pursuant to Contractors' License Law.

# AGENDA ITEM D

## 2012 Joint Enforcement Strike Force Achievements





# CONTRACTORS STATE LICENSE BOARD

## JOINT ENFORCEMENT STRIKE FORCE

The Joint Enforcement Strike Force (JESF) is a coalition of California government enforcement agencies that works together to combat the underground economy to ensure a level playing field for California businesses.

JESF's goals are as follows:

- Eliminate unfair business competition.
- Protect workers by ensuring that they receive all benefits to which they are entitled by law relating to wages and hours, health and safety, and income replacement.
- Protect the consumer 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 California licensing, regulatory, and payroll tax laws.
- Reduce the tax gap by increasing voluntary compliance with the state's payroll tax laws to maximize the state's General and Special Fund revenues.

### **JESF's Legal Authority**

JESF'S legal authority to share information is found in Section 329 of the California Unemployment Insurance Code (CUIC), which became effective January 1, 1995. JESF is empowered and authorized to form joint enforcement teams, when appropriate, to utilize the collective investigative and enforcement capabilities of JESF members.

JESF members include:

- *Contractors State License Board (CSLB)\**
- Employment Development Department (EDD)\*
- Department of Insurance (CDI)\*
- Franchise Tax Board (FTB)
- Board of Equalization (BOE)
- Department of Justice (DOJ)

*\*Members of the 2012 Construction Enhancement Project*

### **2012 JESF Enforcement Highlights**

#### **Construction Enhancement Project**

In January 2012, CSLB and EDD established the Construction Enhancement Project (CEP) to increase the number of joint CSLB/EDD investigations during calendar year 2012, targeting contractors that intentionally evade payroll taxes, licensing, and workers' compensation (WC) insurance requirements.

**Goal:** Pair 21 CSLB investigators with 21 EDD agents to target unlicensed and tax evading contractors by performing 56 inspections per month that will result in 768 tax



# CONTRACTORS STATE LICENSE BOARD

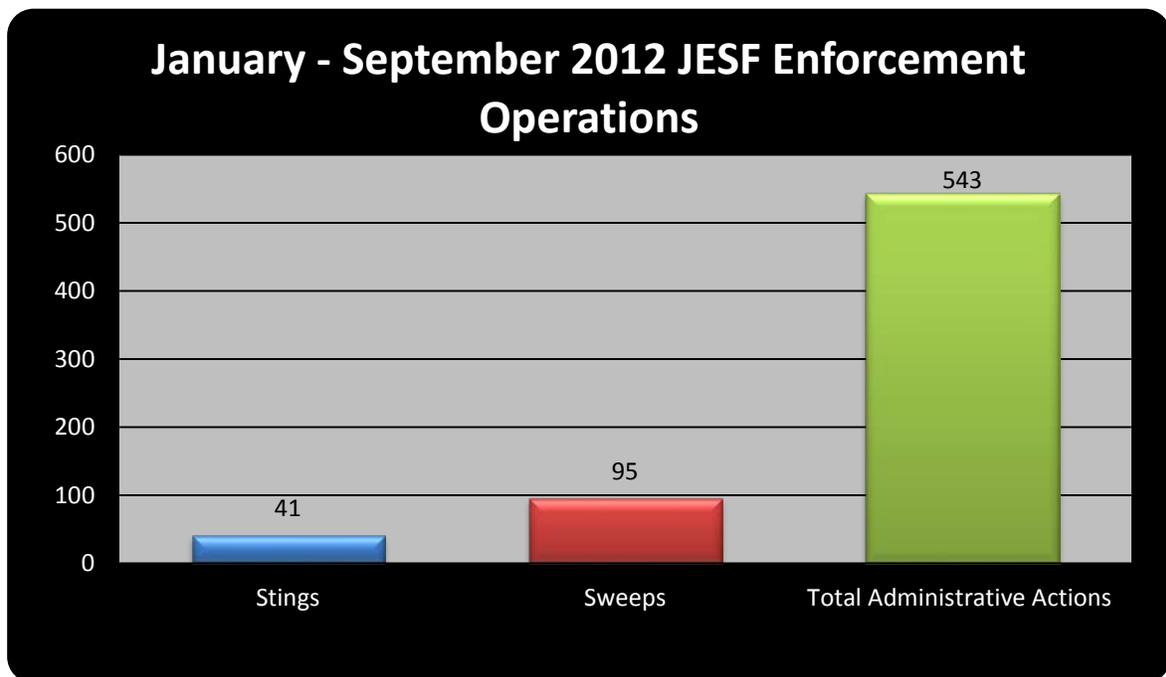
## JOINT ENFORCEMENT STRIKE FORCE

investigations, yielding an estimated \$23 million in tax assessment through payroll and tax audits, and CSLB disciplinary actions. Specific enforcement actions include:

- Conducting four sting operations per month
- Performing two sweeps per month
- Responding to leads on a daily basis

### Partnering Agency County Task Force (PACT) – Subset of CEP

With CSLB member approval, PACT launched January 1, 2012, in nineteen counties throughout California piloted by JESF-assigned enforcement representatives (ERs). PACT teams 19 CSLB ERs with EDD agents, District Attorney (DA) investigators, and Building Officials to target unlicensed and/or uninsured violators. PACT's goals are to issue Stop Orders to uninsured employers, increase criminal filings for WC insurance and licensure violations, reduce fraudulent owner-builder permits, and increase the joint enforcement presence within participating counties.





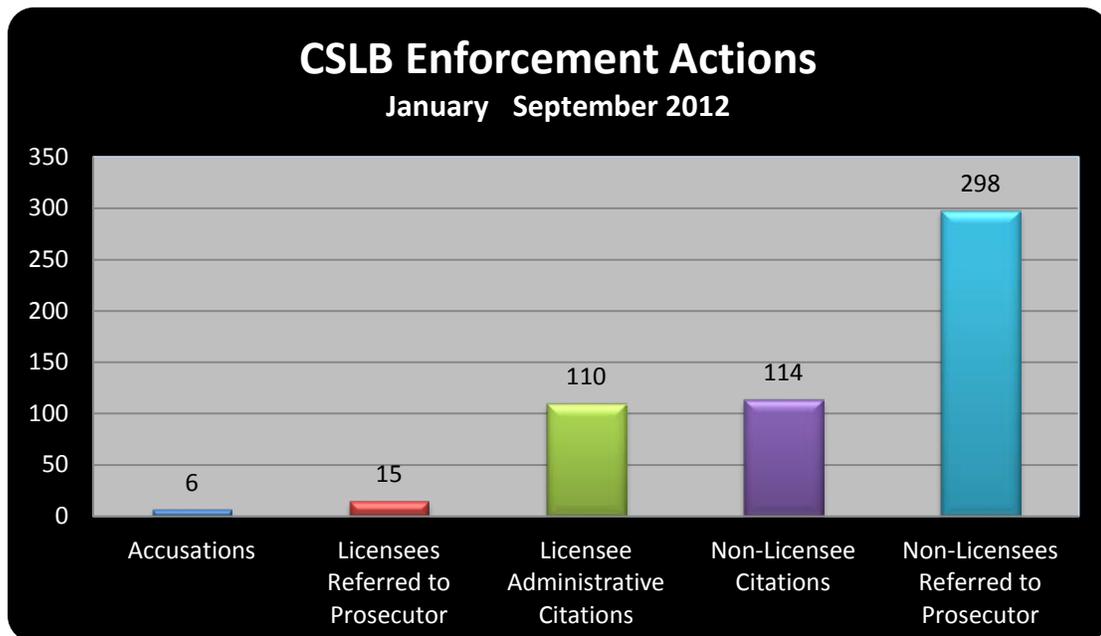
# CONTRACTORS STATE LICENSE BOARD

## JOINT ENFORCEMENT STRIKE FORCE

### CSLB Enforcement Actions

January – September 2012

- Accusations – 6
- Licensee Administration Citations – 110
- Licensees Referred to Prosecutor – 15
- Non-Licensee Citations – 114
- Non-Licensees Referred to Prosecutor – 298





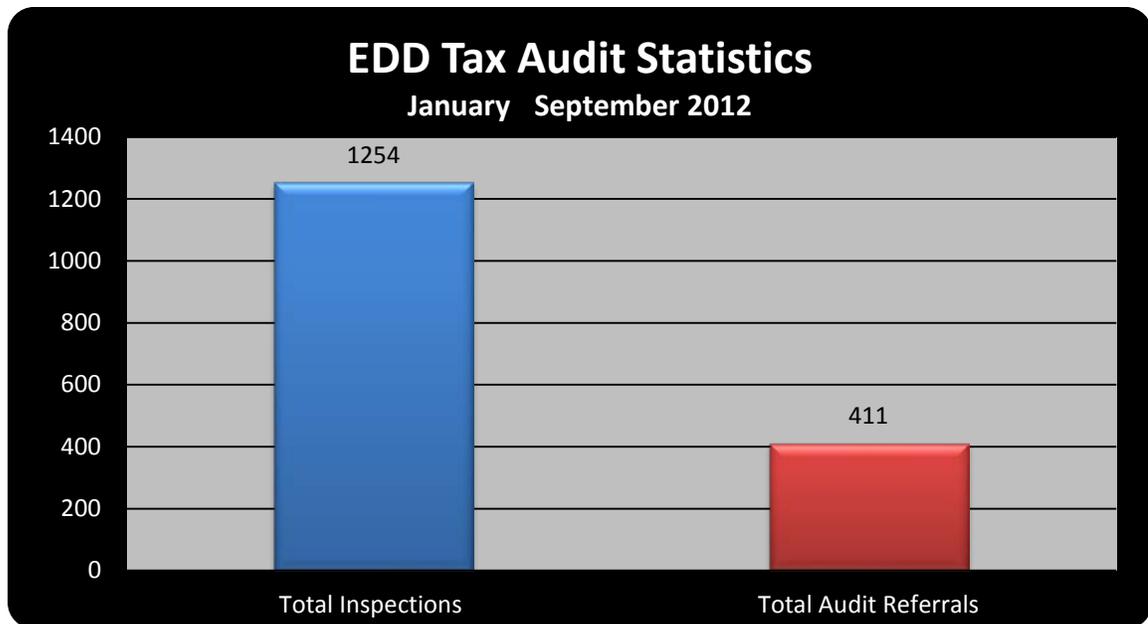
# CONTRACTORS STATE LICENSE BOARD

## JOINT ENFORCEMENT STRIKE FORCE

### EDD Tax Audit Statistics

January – September 2012

- Total Inspections – 1,254
- Total Number of Audit Referrals – 411



### 2012 CSLB/EDD Partnering Statistics (January – September) – Joint Construction Enhancement Project:

- Total Inspections: 1,254
- Estimated Unreported Wages: \$48,553,626.00



# CONTRACTORS STATE LICENSE BOARD

## JOINT ENFORCEMENT STRIKE FORCE

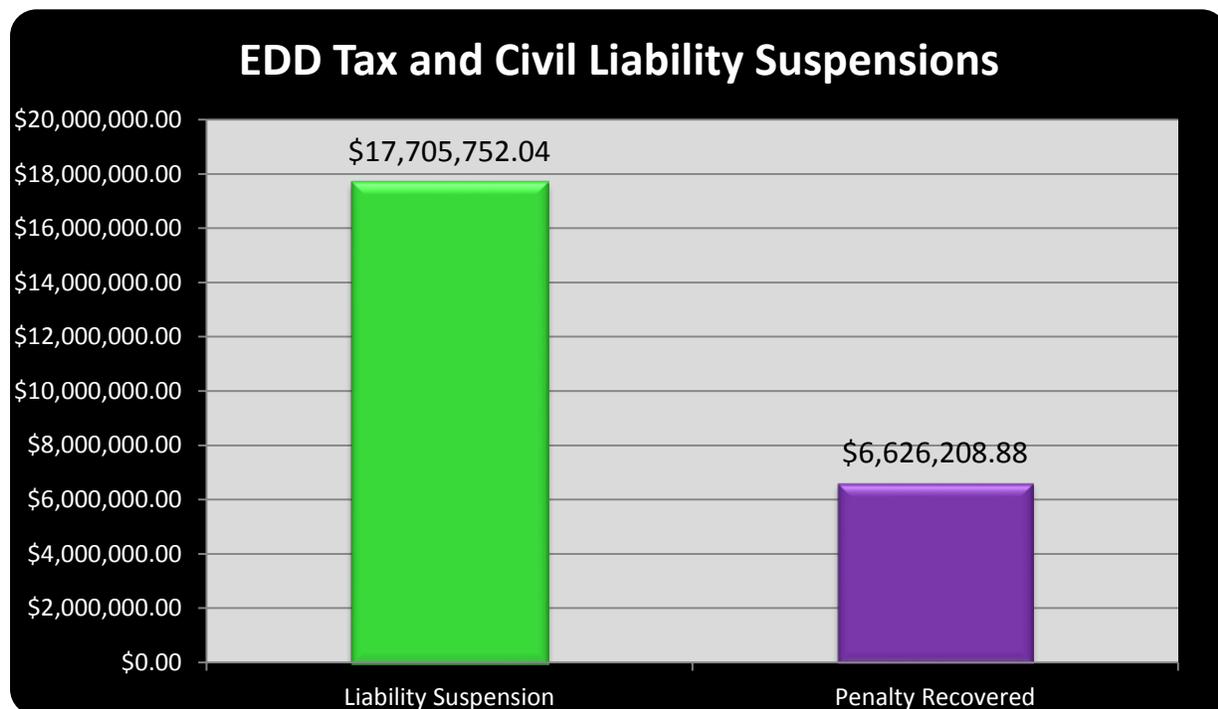
### 2012 Outstanding Tax and Civil Liability Suspension Amount

- Liability Suspension: \$25,832,017.40
- Penalty Recovered: \$10,815,762.03

### EDD Outstanding Tax and Civil Liability Suspensions

CSLB provides EDD query access to CSLB's licensing system, including licensing data, and pending application data, within agreed-upon security and confidentiality provisions. The ability to share information online expedites the exchange of information and allows integration with EDDs Automated Collection System (ACES) data warehouse. Shared information includes the referral by EDD of unresolved tax liability cases to CSLB, which results in automatic license suspension until the outstanding liabilities are satisfied. Between January and September 2012, EDD has collected:

- Liability suspension amount: \$17,705,752.04
- Tax Liability Recovered : \$ 6,626,208.88





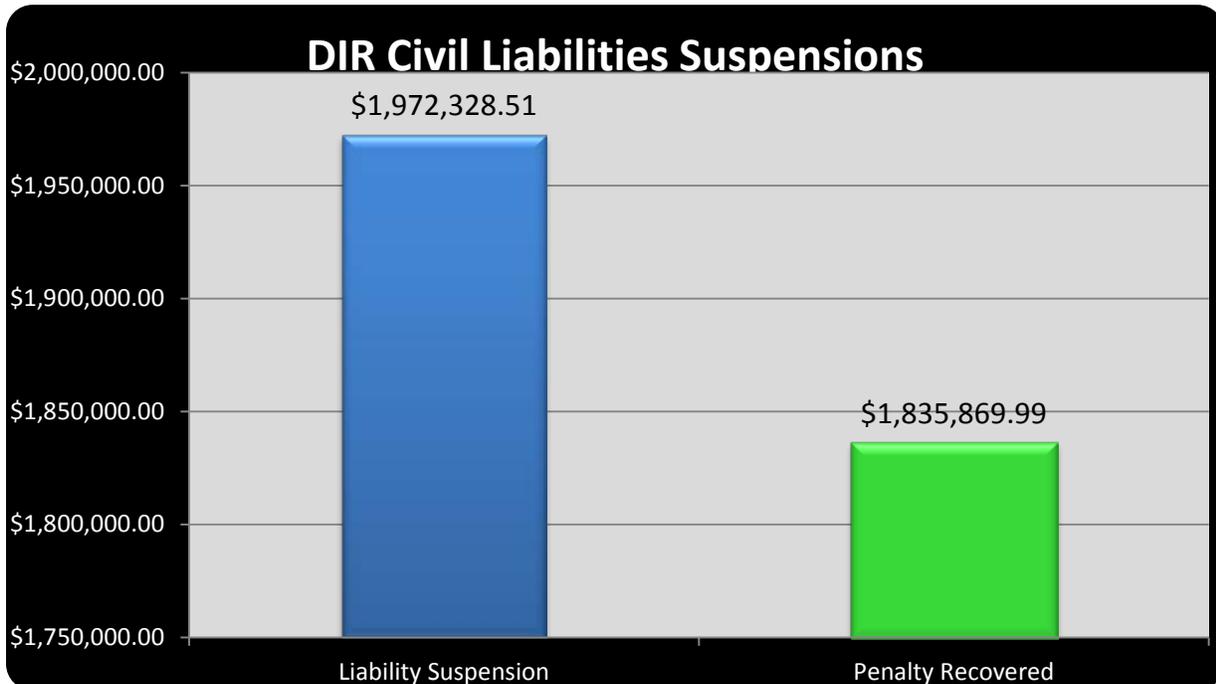
# CONTRACTORS STATE LICENSE BOARD

## JOINT ENFORCEMENT STRIKE FORCE

### Department of Industrial Relations (DIR) Outstanding Civil Liability Suspensions

DIR's Division of Labor Standards Enforcement (DLSE) and Division of Occupational Safety and Health (DOSH) refer civil wage claim liability cases to CSLB, resulting automatic license suspension until the outstanding liabilities are satisfied. Between January and September 2012, DIR has collected:

- Liability Suspension Amount: \$1,972,328.51
- Penalty Recovered: \$1,835,869.99





# CONTRACTORS STATE LICENSE BOARD

## JOINT ENFORCEMENT STRIKE FORCE

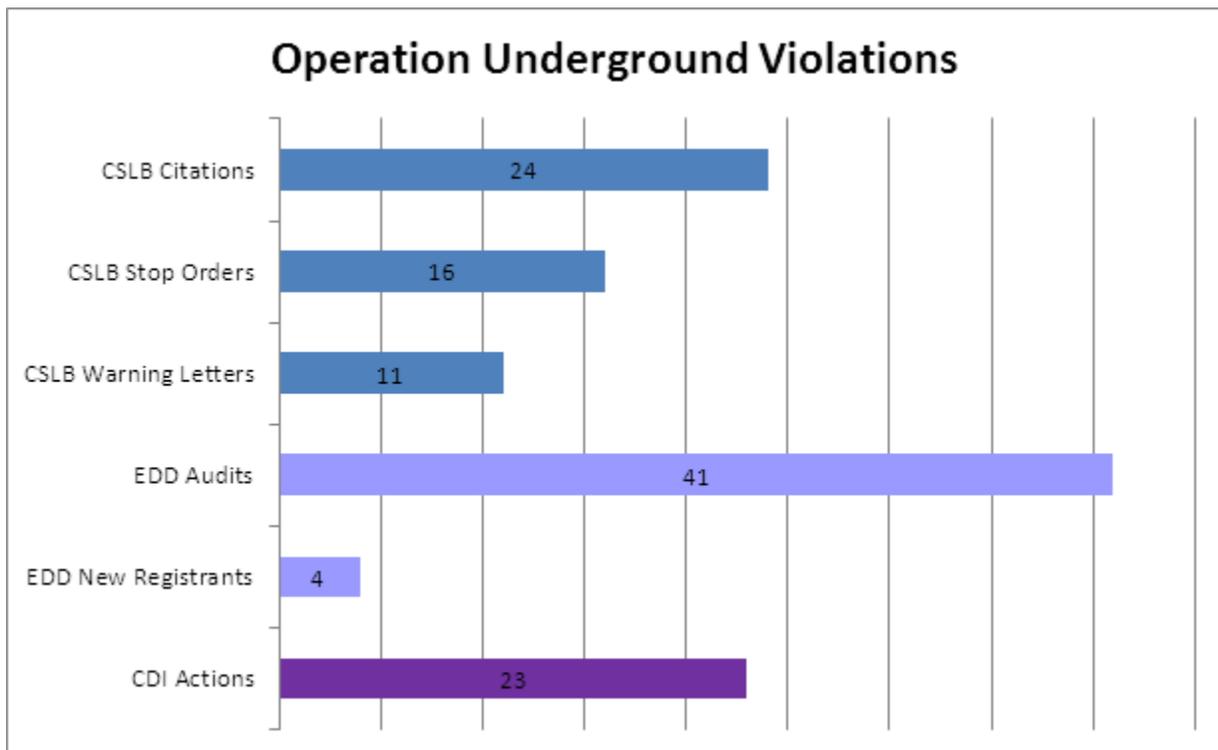
### OPERATION UNDERGROUND

On June 20 - 21, 2012, CSLB investigators partnered with CDI, EDD, and DA investigators to take action against contractors operating in California's underground economy.

More than 100 personnel conducted sweeps at suspected illegal construction sites in 11 counties: Alameda, Butte, El Dorado, Kern, Los Angeles, Monterey, Orange, Riverside, San Bernardino, Santa Clara, and Yolo. The inspections targeted contractors suspected of:

- Premium insurance fraud by failing to report any payroll to their WC insurance carrier;
- Employing workers after filing a false exemption from workers' compensation insurance; and
- Employing workers without registering with EDD as an employer and failing to withhold payroll taxes.

CSLB and its partners targeted 133 contractors suspected of violating state labor, employment, tax, and licensure laws. Operation Underground activity totals for CSLB and its partners are as follows:





Highlights of the two-day operation include:

- In Alameda County, investigators issued two citations for WC violations and Stop Orders in Pleasanton. One suspect faces charges for contracting without a license. In Dublin, one was cited for WC violations and received a Stop Order.
- In Butte County, investigators in Chico opened one insurance investigation, and two contracting citations are pending in Paradise.
- In El Dorado County, six citations were issued for WC violations, and three investigations and audits were opened.
- In Kern County, two insurance fraud and two EDD investigations were opened.
- In Los Angeles County, a contractor was caught in Inglewood, and another in Santa Clarita will face tax audits.
- In Monterey County, one insurance investigation was opened in Salinas. Three were cited for WC violations in Pebble Beach; one was cited in Carmel for contracting without a license and illegal advertising; and two were cited for WC violations and received Stop Orders.
- In Riverside County, three contractors face EDD audits.
- In San Bernardino County, one contractor caught in Ontario received a citation for WC violations and faces an EDD audit; one caught in Chino Hills faces an EDD audit; one contractor at a Fontana jobsite received a citation for aiding and abetting a non-licensee, who was cited for contracting without a license and failure to carry WC; and one EDD audit was opened in Upland.
- In Santa Clara County, sixteen EDD audits were opened; one person was cited for WC violations in San Jose; and one EDD audit was opened in Campbell.
- In Yolo County, investigators issued six stop orders for WC violations and opened six investigations for insurance and tax fraud.

Operation Underground proved to be a success in the ongoing battle against the underground economy.



# CONTRACTORS STATE LICENSE BOARD

## JOINT ENFORCEMENT STRIKE FORCE

### **Craigslist Stings**

#### **June 2012**

CSLB JESF investigators spearheaded a first-time, multi-state blitz targeting illegal contractors who solicit work through illegal and deceptive Internet advertisements on craigslist.org. Simultaneous enforcement operations were conducted in California, Arizona, Nevada, and Oregon, using craigslist ads as a basis to identify suspects.

In California, undercover sting operations conducted in eight different cities led to the arrest of 100 suspects. Three-quarters were identified from craigslist ads. One suspect is a convicted murderer; two others are registered sex offenders. All suspects now face a variety of misdemeanor charges, including contracting without a license and illegal advertising.

In Arizona, the operation conducted by the Registrar of Contractors resulted in 15 investigations into unlicensed contracting.

The Nevada State Contractors Board (NSCB) conducted three undercover sting operations, with 23 citations issued to craigslist advertisers for advertising in trades without the appropriate state license.

Oregon's Construction Contractors Board (CCB) staged two sting houses that resulted in 16 individuals being cited for bidding and advertising violations.

#### **September 2012**

JESF investigators teamed up once again with the National Association of State Contractors Licensing Agencies (NASCLA) and contracting boards from around the country to draw attention to illegal and deceptive ads on craigslist. The simultaneous multi-state enforcement operations were conducted in Arizona, Nevada, Oregon, Rhode Island, South Carolina, Utah, and California. In California stings were held in San Jose, Hanford, and Mission Hills.

CSLB investigators posed as homeowners and asked for home improvement bids on projects that included roofing, landscaping, painting, and fencing. A total of 36 individuals were arrested; two were registered sex offenders and another was a convicted felon for statutory rape. One individual was caught in a CSLB sting in 2010, and now faces a mandatory 90-day jail sentence if convicted a second time.

Thirty of the individuals were charged with illegal advertising. A number of others will be charged with requesting an excessive down payment. Eight of the phony contractors were also issued Stop Orders for uninsured employees.

Overall, the operations have been extremely successful, with the arrest of 136 individuals.

### **Craigslist Press Conference**

On June 20, 2012, Assembly Members Monning and Berryhill participated in a press conference at the Capitol with the CSLB to share the results of the sting operation. Assembly members Monning and Berryhill sent the attached letter to their colleagues in the Assembly.

COMMITTEES  
CHAIR: HEALTH  
ARTS, ENTERTAINMENT, SPORTS,  
TOURISM & INTERNET MEDIA  
BUDGET  
BUDGET SUBCOMMITTEE NO. 1 ON  
HEALTH AND HUMAN SERVICES  
JOINT LEGISLATIVE AUDIT COMMITTEE  
JUDICIARY  
NATURAL RESOURCES

WEBSITE: [www.assembly.ca.gov/monning](http://www.assembly.ca.gov/monning)

Assembly  
California Legislature



WILLIAM W. MONNING  
ASSEMBLYMEMBER, TWENTY-SEVENTH DISTRICT

STATE CAPITOL  
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(916) 319-2027  
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FAX (831) 425-2570  
99 PACIFIC STREET, SUITE 555-D  
MONTEREY, CA 93940  
(831) 649-2832  
(831) 649-2935  
SANTA CLARA COUNTY DIRECT LINE  
(408) 782-0647

June 27, 2012

Dear Colleagues:

Last week on Wednesday, June 20, 2012, we participated in a press conference at the Capitol with the Contractors State License Board (CSLB) to share the results of a sting performed by CSLB addressing the issue of unlicensed contractors who advertise on Internet bulletin boards, such as [craigslist.org](http://craigslist.org), and prey on consumers. Joined with three other western states (Arizona, Nevada and Oregon) and the National Association of State Contracting License Agencies (NASCLA), CSLB conducted a statewide sting that resulted in the arrest of 100 suspected unlicensed contractors, **including one convicted murderer and two registered sex offenders.**

As you probably already know, California, and the rest of the country, is plagued by the underground economy, a large portion of which involves the construction industry. We have sponsored bills over the last few years that have met with bipartisan success to attack the underground economy as it relates to contractors in our state.

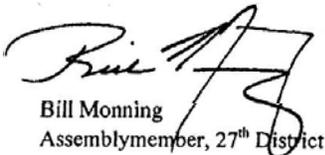
It is important for you to realize that your constituents as homeowners face tremendous risk when they hire unlicensed contractors operating in underground economy activity. Specifically, these risks include:

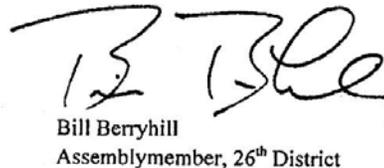
- o **Personal and family safety**
- o **Increased liability with non-licensed and non-insured contractors**
- o **Risk of flight before job is complete**
- o **Lack of legal recourse and accountability**

We encourage you to join with CSLB in your districts to co-host consumer scam stopper seminars that inform your constituents about the risks of hiring unlicensed contractors and the underground economy's effects on the public. These seminars are modeled after the CSLB-sponsored Senior Scam Stopper™ seminars. If you are interested in learning more, please contact Laura Zuniga, Chief of Legislation for CSLB, at (916) 255-3939.

It is estimated that financial activity in the underground economy in the state of California alone is in the hundreds of billions of dollars, resulting in billions of dollars not reaching the General Fund. Informing homeowners throughout the state about the potential risks they take by hiring unlicensed contractors is a method to elevate awareness about this devastating problem and protect unknowing consumers from possible threat.

Sincerely,

  
Bill Monning  
Assemblymember, 27<sup>th</sup> District

  
Bill Berryhill  
Assemblymember, 26<sup>th</sup> District

  
Printed on Recycled Paper



# CONTRACTORS STATE LICENSE BOARD

## JOINT ENFORCEMENT STRIKE FORCE

### **Legislative Highlights**

AB 1794 was recently chaptered; it addresses the serious underreporting problem in California of employees covered by workers' compensation insurance. Specifically, the bill authorizes information already collected by the Employment Development Department to be shared with the Contractors State License Board and the State Compensation Insurance Fund, members of a Joint Enforcement Strike Force on the Underground Economy. A more streamlined way of sharing that information should reduce the overall cost of the program and ensure that more current information regarding construction employees is available for purposes of auditing, investigating, and prosecuting violations of tax and cash-pay reporting laws.

By authorizing the EDD to share information regarding the hiring of new construction employees within 20 days, AB 1794 will help capture a portion of the billions of dollars lost in underreported annual payroll taxes at a time when the state needs it the most. The bill has an effective date of January 1, 2013.

### **Workers' Compensation Coverage Inquiry Website Launched**

On March 1, 2012, the Workers Compensation Insurance Rating Bureau of California (WCIRB) launched the Workers' Compensation Coverage Inquiry website, [www.caworkcompcoverage.com](http://www.caworkcompcoverage.com). The website was designed to identify the name of the insurance company that wrote a California WC insurance policy for a specific policyholder on a specific day within the last 5 years.

The information available via the website is extracted from data reported to the WCIRB pursuant to the California Workers' Compensation Uniform Statistical Reporting Plan - 1995. Only privately insured coverage information is shown. (Information about self-insured employers should be directed to the California Office of Self-Insurance Plans. See [www.dir.ca.gov/sip](http://www.dir.ca.gov/sip).)

Website features include:

- Free availability to anyone with a web browser, and
- Users can search for coverage information by Federal Employer Identification Number (FEIN) or company name. Up to 5 years of coverage information is available.

The website includes a direct link to the insurer search page on the California Department of Insurance website, making it easy to locate insurer contact information.

## AGENDA ITEM E

# Review and Discussion of Fiscal Year 2012-13 Enforcement Priorities





# CONTRACTORS STATE LICENSE BOARD

## ENFORCEMENT PRIORITIZATION

The Contractors State License Board (CSLB) consumer protection mandate is contained in Business and Professions Code section 7000.6 – Priority of board; Protection of the public, which states:

*Protection of the public shall be the highest priority for the Contractors' State License Board in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.*

To implement this mandate, CSLB's Enforcement division conducts reactive investigations of consumer-filed complaints and proactive investigations of industry-filed complaints.

### **Lead Source Prioritization**

CSLB receives far more leads involving alleged unlicensed practice, expired licenses, classification issues, and other construction-related law violations than staff can respond to with available resources; therefore, is asking the Enforcement Committee to prioritize the lead sources.

#### **Question for Committee Consideration:**

The Committee is requested to review and consider whether the listed lead sources are in appropriate priority order:

1. Building Officials
2. Consumers
3. Industry
4. Law enforcement volunteer groups

### **Industry Complaints**

CSLB has 30 allocated ER positions for the reactive investigation of industry complaints. The demand for CSLB resources to combat the underground economy and level the playing field for law-abiding contractors continues to increase. Consequently, Board assistance is needed to prioritize proactive complaint investigation and approve process changes to most appropriately manage the Enforcement division workload.

#### **Questions for Committee Consideration:**

The Board approved the Enforcement division's Proactive Enforcement Priority Chart at its September 2012 meeting. However, since that time, the Enforcement division has reprioritized some entries and added or modified some of the listed management controls. Additionally, the priority of "Referral Fees/Kickbacks" has been replaced on the list by "Responsible Managing Officer (RMO) Task Force." The amended "Top 10" list of enforcement priorities is printed on the following page. The Committee is asked to review the attached list, and consider:

- Does the list accurately reflect CSLB enforcement priorities, and are the issues listed in the proper prioritization?
- Are the proposed controls described on the attached matrix appropriate in order to appropriately manage the Enforcement division's workload?



**CSLB Enforcement Priorities**

Priority	Controls to Manage Workload
1. Unlicensed Practice at Active Jobsites	Complaints are prioritized by unit supervisors based on geographic location and number of employees on site. Site visits will be conducted when appropriate and as resources permit.
2. Workers' Compensation Ins. Violations at Active Jobsites	Complaints are prioritized by unit supervisors based on geographic location and number of employees on site. Site visits will be conducted when appropriate and as resources permit; otherwise, make referral to partnering state agency.
3. Labor/Health and Safety Code (DOSH/DSLE MOUs)	CSLB will only respond if on a sweep with other state agencies or if there's an allegation of unlicensed practice; otherwise, refer to partnering state agency.
4. Building Permit Enforcement	<p><i>If the building department is cooperative by willing to testify to the permit required and lack thereof:</i></p> <ul style="list-style-type: none"> <li>• Enforce the Board's zero tolerance permit policy if it is a consumer complaint, and</li> <li>• Perform a site visit if work is in progress and resources are available.</li> </ul>
5. Responsible Managing Officer (RMO) Task Force	Perform field investigation of corporate/partnership licenses if there is an allegation either that the qualifier is not actively involved or the individual has qualified more than three licenses during the past five years.
6. Public Works Investigations	SWIFT will respond to public works leads when there is evidence of unlicensed and uninsured practice. Otherwise, leads will be referred to the CSLB Public Works Unit, which will request documents from the awarding agency.
7. Illegal Print Advertisements	Process these through the IMC where a warning letter, stop order, telephone disconnect, and/or administrative citation can be issued. The action taken will then be referred to SWIFT for use in future sting operations.
8. Electrician Certification	CSLB will only conduct a site visit to verify certification if the lead includes an allegation of uninsured workers employed by a C-10 contractor; otherwise, the field investigation and subsequent report must be performed by a labor compliance agency.
9. Out-of-Classification (Licensees)	If there is a health and safety issue or if CSLB is unsure if the contractor is licensed, a site visit may be warranted; otherwise, this will be addressed by IMC or IC staff.



<p>10. Outreach</p>	<p>Public Affairs Office to take the lead. Enforcement division will develop a list of available enforcement representatives to assist PAO when necessary. To minimize impact on enforcement workload, staff will work with EDD to develop an outreach packet to educate legislators, contractors, and consumers about the dangers of the underground economy.</p>
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## AGENDA ITEM F

# Review and Discussion of Letter to Consumers Warning of Potential Employer Status





# CONTRACTORS STATE LICENSE BOARD

## UNLICENSED PRACTICE INVESTIGATIONS

CSLB is responsible for providing consumer protection by enforcing the laws, regulations and standards that govern California's construction industry. State law requires that any contractor performing work valued at \$500 or more for labor and materials must be licensed by CSLB. Contracting without a license is grounds for disciplinary action by the Registrar, who may impose a civil penalty up to \$15,000. In addition, unlicensed contracting can be charged as a misdemeanor criminal offense punishable by a fine up to \$5,000, up to six months in the county jail, or both a fine and imprisonment.

### **Background**

CSLB receives over 21,000 complaints a year, 27% involve an unlicensed contractor. Many of those complaints are made by consumers who repeatedly hire unlicensed operators and file with CSLB to avoid paying for the services received.

Historically, CSLB has provided extensive education to consumers on the dangers of hiring unlicensed operators, urging them to hire only licensed contractors who hold clear and active licenses in the proper classification(s). Consumers are also advised to verify the status of the contractor's license via CSLB's website or automated phone system and to ask to see a photo identification to verify the contractor's identity.

The Board has approved a letter for consumers, warning them of the potential liability they expose themselves to when they repeatedly hire unlicensed operators. Despite all of these efforts, there are homeowners who continuously hire unlicensed operators and open multiple complaints when problems arise, monopolizing CSLB's limited resources.

The Enforcement Division has drafted the following letter in effort to discourage consumers from repeatedly hiring unlicensed operators. The letter is intended to be automated and mailed to consumers, who file multiple complaints against unlicensed operators.



## CONTRACTORS STATE LICENSE BOARD

9821 Business Park Drive, Sacramento, CA 95827  
Mailing Address: P.O. Box 26000, Sacramento, CA 95826  
800-321-CSLB (2752)  
[www.cslb.ca.gov](http://www.cslb.ca.gov)

STATE OF CALIFORNIA  
Edmund G. Brown Jr., Governor

Date

Consumer  
123 Main Street  
Sacramento, CA 99999

Dear Consumer,

We wish to take this opportunity to notify you of the disposition of your complaint.

After thorough investigation of your complaint, we are issuing a citation against the contractor for contracting without a license. The citation orders that the contractor pay a civil penalty to the Contractors State License Board (CSLB) for the violation. This citation also orders the contractor to cease unlicensed contracting activity.

If the contractor appeals the citation, it will be scheduled for a hearing before an administrative law judge.

If the contractor does not appeal the citation or comply with it, the matter will be turned over to a collection agency for collection of the fine and may be referred to the District Attorney for prosecution for non-compliance with the citation.

### **Consumer Responsibility to Hire Licensed Contractors**

The CSLB is responsible for providing consumer protection by enforcing the laws, regulations and standards governing the construction industry. California law stipulates specific laws and regulations that contractors must adhere to relating to health and safety, workers' compensation, employment laws, insurance laws, city and county permit requirements, etc. These laws and regulations were established to provide increased public protection against unskilled or unscrupulous individuals or firms, as well as provide for a fair and level playing field for the legitimate, licensed contractor. Unfortunately, some individuals or firms operate in violation of these laws, harming both you the consumer and legitimate businesses.

Some consumers believe they can save money by hiring unlicensed contractors. Many times, homeowners are convinced to hire unlicensed individuals and falsify permit documents by stating that they, as homeowners, will complete the work. Unfortunately, the reality is that hiring unlicensed contractors can cause consumers very serious legal and financial problems, especially if they choose to be an owner-builder on the project and work is performed by unqualified individuals who do not perform work to code requirements and/or industry standards and, under California law, are considered to be the homeowners' employees. Too often, consumers do not understand their responsibilities as an employer when they hire an unlicensed person to perform construction work. **Labor Code (LC) Section 2750.5 states in part:**

*There is a rebuttable presumption affecting the burden of proof that a worker performing services for which a license is required pursuant to Chapter 9 (commencing with Section 7000) of Division 3 of the Business and Professions Code, or who is performing such services for a person who is required to obtain such a license is an employee rather than an independent contractor. . .*

You can obtain a copy of Labor Code Section 2750.5 in its entirety at [www.leginfo.ca.gov](http://www.leginfo.ca.gov).

LC Section 2750.5 establishes that a person performing services that require a license is considered an employee, rather than an independent contractor, when the person is not licensed. As such, when a consumer knowingly hires an unlicensed operator to perform work that requires a contractor's license, the consumer is considered an **employer**. California law requires that all employers provide workers' compensation insurance for their employees and register with the Employment Development Department (EDD) and notify them within 20 days of employing an individual.

This investigation is now closed. However, should this occur again, and it is determined that you knowingly and willfully employed an unlicensed individual, as a member of the Joint Enforcement Strike Force pursuant to Section 329 of the California Unemployment Insurance Code that became effective January 1, 1995, CSLB will have to make a referral to our partner agencies to verify that proper tax withholdings, workers' compensation, and permit requirements have been met.

Sincerely,

Enforcement Supervisor  
Investigative Center

## AGENDA ITEM G

# Review and Approval of Minimum Peace Officer Training Requirements





### PEACE OFFICER MINIMUM TRAINING REQUIREMENTS

All peace officers in California are required to complete minimum training requirements established by the California Commission on Peace Officer Standards and Training (POST), pursuant to Penal Code (PC) section 832. Additional training requirements and recommendations have been established by POST for law enforcement agencies.

Historically, CSLB peace officers have been required to attend the Specialized Investigator Basic Course (SIBC) Academy through Golden West College in Huntington Beach. Golden West College has been the only college authorized by POST to conduct this specialized training. Unfortunately, POST is closing the SIBC course during the 2013 calendar year to conduct studies on budgetary and enrollment concerns, and this closure may be permanent.

While the SIBC Academy is unavailable, CSLB must identify appropriate, alternative training for its newly-hired peace officer candidates. The available options include requiring CSLB peace officers to 1) attend a "Basic POST Academy," as used for training new police officers for local law enforcement agencies, or 2) complete other POST-certified classes, as selected by CSLB, to meet our department's own training requirements. Available POST-certified training programs include the mandatory PC 832 course (required for all peace officers prior to appointment) and additional "modules," which are established by POST with set groups of Academy-style courses. Unlike the unique SIBC Academy, these other POST programs are offered by multiple community colleges and safety training centers throughout the state.

Enforcement division staff has discussed the specific training needs of its peace officers with POST; POST has recommended that, in the absence of SIBC training, CSLB send its law enforcement personnel to available PC 832 and POST Module training. After reviewing the available course options, the Enforcement division believes that the Learning Domains of POST Module III are the most appropriate for its peace officer personnel. The Learning Domains (LDs) within Module III are shown below:

#### POST Module III Training Specification

- Module III Minimum Hourly Requirements
- LD 01 Leadership, Professionalism & Ethics
- LD 02 Criminal Justice System
- LD 03 Policing in the Community
- LD 05 Introduction to Criminal Law
- LD 15 Laws of Arrest
- LD 16 Search and Seizure
- LD 17 Presentation of Evidence
- LD 18 Investigative Report Writing
- LD 19 Vehicle Operations
- LD 20 Use of Force



- LD 28 Traffic Enforcement
- LD 30 Crime Scenes, Evidence, and Forensics
- LD 31 Custody
- LD 33 Arrest Methods/Defensive Tactics
- LD 34 First Aid and CPR
- LD 35 Firearms/Chemical Agents
- LD 36 Information Systems
- LD 39 Crimes Against the Justice System
- LD 42 Cultural Diversity/Discrimination

### **Review and Approval of Recommendation Regarding Minimum Peace Officer Training Requirements**

The Enforcement division is requesting that the Committee recommend specific training requirements for CSLB peace officers. Specifically, the Committee is asked to consider minimum training standards for a CSLB peace officer, as follows:

- After successful completion of a background investigation, candidates may be appointed as a CSLB peace officer upon successful completion of POST-approved PC 832 training.
- Within the first year after appointment (i.e., during the probationary period), CSLB peace officers must successfully complete either the SIBC Academy, if available, or POST Module III training.
- Failure to complete these specified training requirements will result in removal from the peace officer position.

# AGENDA ITEM H

## Update on the Qualifier Task Force





### QUALIFIER TASK FORCE

During its September 11, 2012 meeting, the CSLB Board established a Qualifier Task Force (QTF) to determine if current licensing and enforcement practices—as they relate to qualifying individuals on licenses—are sufficient for consumer protection. It is unclear if licensees and the general public understand the role and responsibilities of a license’s qualifying individual(s), specifically, Responsible Managing Officers (RMOs) and Qualifying Partners.

To date, CSLB has determined that many “retired” licensees are serving as an RMO on a corporate license for a monthly fee but have no direct involvement in the construction and/or business activities. Often, qualifying individuals are unaware that they are 100 percent responsible for the license’s activity, regardless of their knowledge and/or participation (*Business and Professions (B&P) Code section 7122.5*).

The lack of understanding associated with this law compromises consumer protection as well as a licensee’s ability to pursue a civil action. If a consumer successfully argues that the licensee is not in substantial compliance with the law, the licensee may be barred from pursuing compensation (*B&P Code section 7031 – Recovery of compensation paid to unlicensed contractor; Substantial compliance*).

Specific QTF objectives include:

- A. Identifying the scope of the problem
- B. Investigating suspect individuals who attempt to qualify multiple licenses to ensure compliance with qualifier duties and responsibilities
- C. Exploring legislative and/or administrative remedies

QTF participants include:

- Lisa Miller-Strunk, Association of General Engineering Contractors
- David Kalb, Capitol Services
- Rick Pires, Basic Crafts
- Phil Vermeulen, Contractor association lobbyist
- Karen Ollinger, CSLB Chief of Licensing
- Heather Young, CSLB Enforcement Analyst
- Rick Villucci, CSLB Classifications Deputy
- David Shue, CSLB Enforcement Supervisor
- David Fogt, CSLB Enforcement Chief

Potential legislative and administrative remedies will be discussed, including the development of a form to be signed by the qualifier of an original license application.

# AGENDA ITEM I

Adjournment



OCTOBER 24, 2012  
SACRAMENTO, CALIFORNIA

CONTRACTORS STATE LICENSE BOARD

Public Affairs  
Committee Meeting



## AGENDA ITEM A

# Call to Order – Chair’s Remarks

Roll is called by the Committee Chair.

PUBLIC AFFAIRS COMMITTEE MEMBERS:

PASTOR HERRERA JR., CHAIR

JOAN HANCOCK

ROBERT LAMB

LISA MILLER-STRUNK

Committee Chair Pastor Herrera Jr. will review the scheduled Board actions and make appropriate announcements.



## AGENDA ITEM B

# Public Comment Session

Members of the public may address the committee at this time.  
The Committee Chair may allow public participation  
during other agenda items.



# AGENDA ITEM C

## Public Affairs Program Update





# CONTRACTORS STATE LICENSE BOARD

## PUBLIC AFFAIRS PROGRAM UPDATE

Wednesday, October 24, 2012

The Contractors State License Board’s (CSLB) Public Affairs Office (PAO) is responsible for media, industry, licensee, and consumer relations and outreach. PAO provides a wide range of services, including proactive public relations; response to media inquiries; community outreach, including Senior Scam Stopper<sup>SM</sup> and Consumer Scam Stopper<sup>SM</sup> seminars, speeches to service groups and organizations; publication and newsletter development and distribution; contractor education and outreach; social media outreach to consumers, the construction industry, and other government entities; and website content.

### **STAFFING UPDATE:**

PAO currently is staffed with four full-time (FT) positions. Since the last Board meeting, two retired annuitants have been laid off, and student assistants have been furloughed. Two Information Officer I positions are vacant. Recruitment and interviews are in progress.

Name	Position
Rick Lopes	Chief of Public Affairs (FT)
Melanie Bedwell	Information Officer II (FT)
Rose Avila	Graphic Designer III (FT)
Jane Kreidler	Associate Governmental Program Analyst (FT)
VACANT	Information Officer I (FT)
VACANT	Information Officer I (FT)

### **GENERAL INFORMATION:**

On Friday, September 7, 2012, PAO staff coordinated a visit to CSLB headquarters by a delegation of Chinese government officials and business executives. The visit was arranged by the US-China Business Training Center, located in the City of Industry. The delegation consisted of government officials, mostly from work and safety bureaus in various Chinese provinces. The business executives represent several different construction-related industries.

Board Chair Paul Schifino and several senior staff members gave presentations on CSLB’s role in regulating California’s construction industry.





**WEBSITE HIGHLIGHTS:**

**Website Assistance Project**

Current PAO staff is now trained to assist Information Technology (IT) staff in coding materials for CSLB’s website. Coding is the process of transferring written copy into HTML code. HTML is the language that is used to write Web pages. In essence, the coding determines how pages are displayed and how they function.

Since September 2011, PAO staff has been coding all press releases, industry bulletins, and a variety of other items that are posted to CSLB’s website. IT staff is still responsible for verifying PAO’s work, then uploading the material to the website. This partnership enables timelier posting.

**Veterans Application Assistance Program**

PAO staff has completed the first phase of building a new section in the “Applicant” section of CSLB’s website for the new “Veterans Application Assistance Program.” PAO worked with Licensing division staff to refine the page text. PAO staff coded and built the pages that explain services CSLB now offers to help those transitioning from military service to civilian employment.

**Application Instructional Video**

PAO staff has completed a Web page redesign for the new tutorial video about correctly filling out a CSLB license application.

Scripting for the video was created with assistance from the Licensing division. Particular attention was paid to parts of the application where staff has identified high error rates.

Common errors include failing to include a full legal name, listing an incorrect business type, failing to disclose a criminal incident, or simply forgetting to sign the application.

Through October 10, 2012, the video has been viewed 3,904 times.



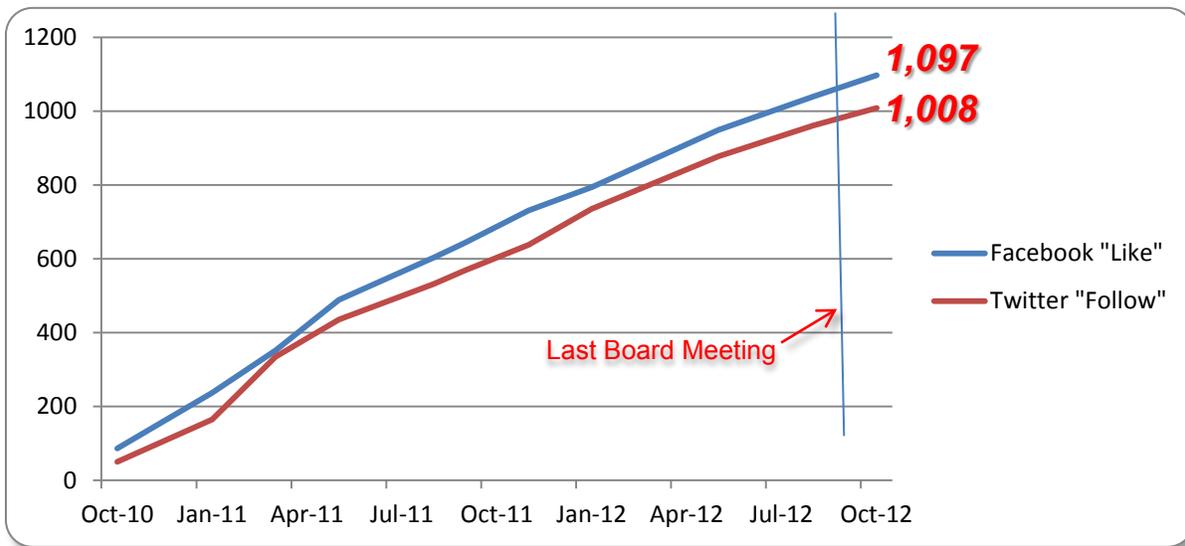


### Social Media

CSLB slowly continues to gain followers of its Twitter and Facebook pages. PAO staff continues to monitor demographic data and track the number of “likes” and “followers.” As of October 10, 2012, 1,097 individuals, businesses or other government entities “like” CSLB’s Facebook page and 1,008 “follow” CSLB on Twitter. Due to staff vacancies, PAO has been limited with the number of posts that have been made since the last Board meeting. The growth is outlined on the following graph.

PAO also maintains a YouTube page, which includes videos of Board meetings, sting operations and educational materials.

### Facebook “Likes” & Twitter “Followers”





Email Alert Feature

PAO continues to publicize a website feature launched in May 2010 that allows people to sign up to receive up to four different email alerts from CSLB.

Subscribers can receive alerts for:

- California Licensed Contractor newsletters
- Press Releases/Consumer Alerts
- Industry Bulletins
- Public Meeting Notices/Agendas

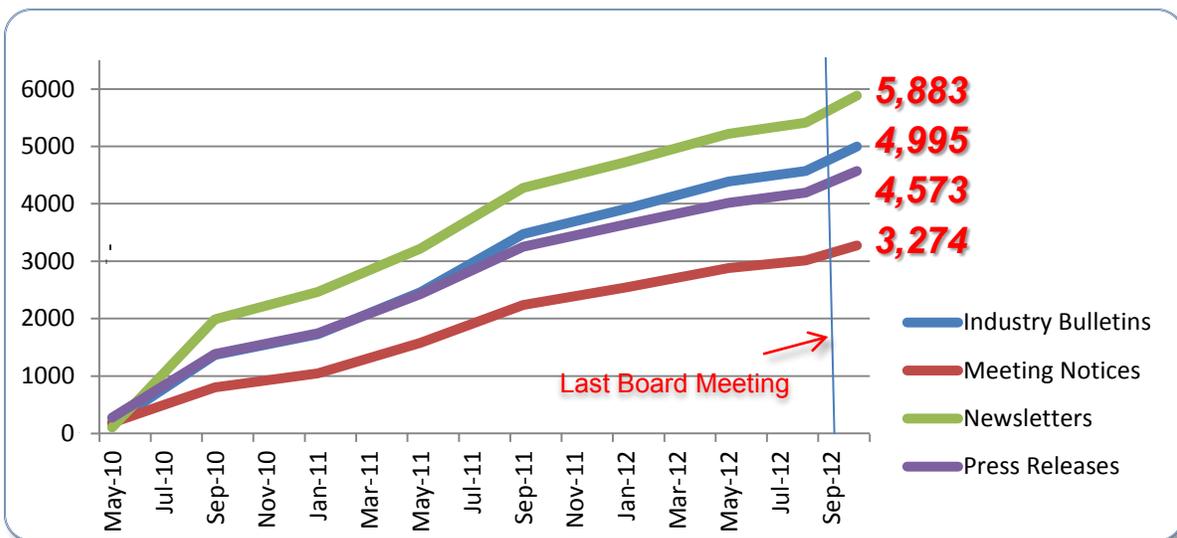


A total of 18,725 subscriptions were activated as of October 10, 2012, an increase of 3,904 since the first of the year. Each of the four lists is growing at about the same rate, with the greatest number of subscribers to newsletters, followed by industry bulletins, press releases, and meeting notices. The growth of the list is outlined on a graph below.

PAO also utilizes a database consisting of email addresses voluntarily submitted on license applications and renewal forms. This list currently consists of 78,487 active email addresses. That brings the combined email database to more than 97,000 addresses.



Email Alert Sign-Up Statistics





**MEDIA RELATIONS HIGHLIGHTS:**

**Media Calls**

Between August 16, 2012 and October 10, 2012, PAO staff responded to 27 separate media inquiries and provided interviews to a variety of newspaper, radio, and television outlets.

**News Releases**

PAO continued its policy of aggressively distributing news releases to the news media, especially to publicize enforcement actions and undercover sting operations. Between August 28, 2012 and October 10, 2012, PAO distributed five news releases.

<b>Date</b>	<b>News Release Title</b>
August 28, 2012	Unlicensed Tree Trimmer Faces Felony Charge after Contractors State License Board Targeted Sting in Monterey County
August 31, 2012	Contractors State License Board Catches Repeat Offender in Butte County Undercover Sting
September 19, 2012	Contractors State License Board Turns Up Heat on Illegal and Deceptive Internet Advertisements
September 28, 2012	Contractors State License Board Catches Eight in Clovis Undercover Sting
October 5, 2012	Craigslist Again Serves as Fertile Ground to Identify Illegal and Deceptive Ads for Contractors State License Board Undercover Sting

**News Conference**

A news conference was scheduled to take place on Friday, October 19, 2012, to highlight the results of the fall “California Blitz” sting operations. Since this event was scheduled after the deadline for production on this meeting packet, the committee will receive a summary of the event at the meeting.

**INDUSTRY/LICENSEE OUTREACH HIGHLIGHTS:**

***California Licensed Contractor Newsletter***

The fall 2012 edition of the licensee newsletter, *California Licensed Contractor*, was posted online in September. A printable version is also available on CSLB’s website.

**Industry Bulletins**

PAO continues to alert industry members to important and interesting news by distributing Industry Bulletins. Bulletins are sent out via email on an as-needed basis to approximately 5,000 people and various groups. This includes those who signed up to receive the bulletins via CSLB’s new Email Alert system. No Industry Bulletins have been distributed since the last Board meeting.



**PUBLICATION HIGHLIGHTS:**

**CSLB Publications**

Following is a status update of CSLB publications that are in production:

- Completed
  - Fall 2012 *California Licensed Contractor* Newsletter (online only)
- At the Printer
  - Terms of Agreement (for consumers)
- At Department of Consumer Affairs Business Services Office
  - Stop Order brochure (Spanish)
- At Department of Consumer Affairs Legal Division
  - Asbestos Guide (for consumers)
- Printing In-House
  - Commonly Used Codes (for Enforcement staff)
- Editing/formatting
  - 2013 *California Contractors License Law & Reference Book*
  - Description of License Classifications (Spanish)
  - Sting Brochure (English)

**Publications in Progress**

- “Terms of Agreement” (English)
- Asbestos (English)
- Master consumer publication (new)
- Master contractor publication (new)
- Sting brochure (new)
- *California Licensed Contractor* newsletter (Fall 2012 Edition)

**COMMUNITY OUTREACH HIGHLIGHTS:**

**Senior Scam Stopper<sup>SM</sup> Seminars**

Interest in Senior Scam Stopper<sup>SM</sup> seminars increased since a promotional/informational brochure and letter was sent to each legislator in September 2011. The letter was personalized and showed elderly population statistics in the legislators’ districts.

In addition to providing information about construction-related scams and how seniors can protect themselves when hiring a contractor, Senior Scam Stopper<sup>SM</sup> seminars feature expert speakers from many local, state, and federal agencies who present broader topics, including identity theft, auto repair fraud, and investments scams.





Governor Brown’s Executive Order B-06-11 put travel restrictions in place for all non-enforcement activities, including Senior Scam Stopper<sup>SM</sup> seminars. CSLB will continue to schedule seminars, and request travel exemptions in order to deliver these fraud-prevention presentations. To date, all travel requests have been approved.

Note: No seminars were scheduled with legislators running for re-election within one month of the November election.

The following seminars have been conducted or were scheduled since the Board’s September meeting:

<b>Date</b>	<b>Location</b>	<b>Legislative Partner(s)</b>
September 13, 2012	San Diego	Asm. Marty Block
September 14, 2012	San Jose	Asm. Jim Beall
September 17, 2012	Chino	Sen. Gloria Negrete-McLeod Sen. Bob Huff
September 18, 2012	Pomona	Sen. Gloria Negrete-McLeod
September 20, 2012	Palo Alto	Asm. Richard Gordon
September 21, 2012	San Leandro	Sen. Ellen Corbett Sen. Loni Hancock
September 24, 2012	Riverside	Asm. Kevin Jeffries
September 25, 2012	El Monte	Sen. Ed Hernandez
September 26, 2012	Rosemead	Sen. Ed Hernandez
September 27, 2012	La Puente	Sen. Ed Hernandez
October 17, 2012	Hayward	Sen. Ellen Corbett
October 26, 2012	Montebello	Sen. Ron Calderon
November 14, 2012	Sacramento Area	Asm. Roger Dickinson
November 28, 2012	Sacramento Area	Asm. Roger Dickinson
December 5, 2012	Sacramento Area	Asm. Roger Dickinson

**Speakers Bureau**

CSLB speakers continue to be in demand. Since more requests are for enforcement-related topics, most of the requests are being accommodated by utilizing Enforcement division staff. More than two dozen presentations or appearances have either been made or have been scheduled since the beginning of 2012.

# AGENDA ITEM D

## Contractor Outreach Program





### **Strategic Plan Objective**

The 2012-13 Public Affairs Committee Strategic Plan (Plan) calls for CSLB's Public Affairs Office (PAO) to develop a contractor outreach program.

The objective received Board approval on April 17, 2012.

### **Program Goal**

The goal of the contractor outreach program is two-fold:

1. Provide licensees with tools they can use to educate consumers/potential clients; and
2. Provide licensees with resources that will help ensure that they are aware of laws and best business practices.

This program will encourage licensees to share ownership of CSLB's message that promotes the value of hiring a licensed contractor, and will further inform consumers about the risks they take when either hiring an unlicensed operator or a licensee who is cutting corners by operating in the underground economy. This will give licensees who are following the laws a more competitive business platform and help CSLB achieve its consumer protection goal.

By participating in consumer education efforts, and by receiving information on laws and best business practices, licensees also would have a greater understanding of the direct benefit they receive from their license fee.

### **Approved Campaign Elements**

- Conduct Research
  - Determine most wanted/needed materials
  - Determine best way to reach licensees
- Develop (update) Print/Web Materials
  - Including new consumer & contractor booklets
    - Formats optimized for printing CSLB website
    - Opportunity to add contractor name/license number on materials
  - Consumer victim stories
- Develop Online Contractor Resource Center
  - Make resources available in a centralized website location
- Develop "State of California Licensed Contractor" Logo
  - Use to promote "State Licensed Contractor"
- Develop Videos
  - Contractor can embed on their own website
    - Focus on consumer education material
  - Focus on communication w/licensee (maybe monthly video w/highlights)
  - Industry groups
    - Monthly video noted above
- Other Web Elements
  - Development of monthly topics
  - Live Web chats
  - Development of Opt-In "Find a Contractor" feature
    - Site where consumers would go to find list of licensees
    - Search either by location or license classification



**Licensee Survey**

In July 2012, PAO created a short online survey to help determine what type of educational materials licensees believed would be beneficial and to gauge the interest in creating a logo that licensees can use to promote themselves as a state-licensed.

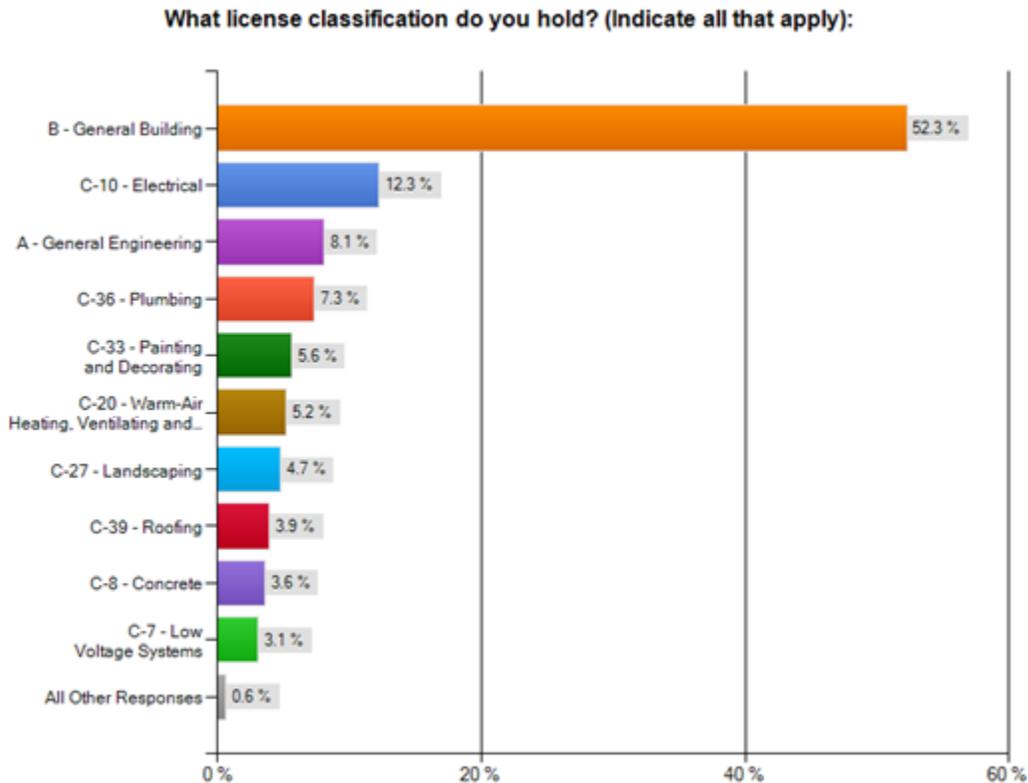
The survey was limited to 14 questions, so it would take licensees less than five minutes to complete.

The survey was promoted online, in a printed version of the *California Licensed Contractor* newsletter (distributed to all licensees), with an email alert to 97,000+ addresses, and via CSLB’s social media channels (Facebook & Twitter).

As of October 10, 2012, the survey has been taken 1,168 times.

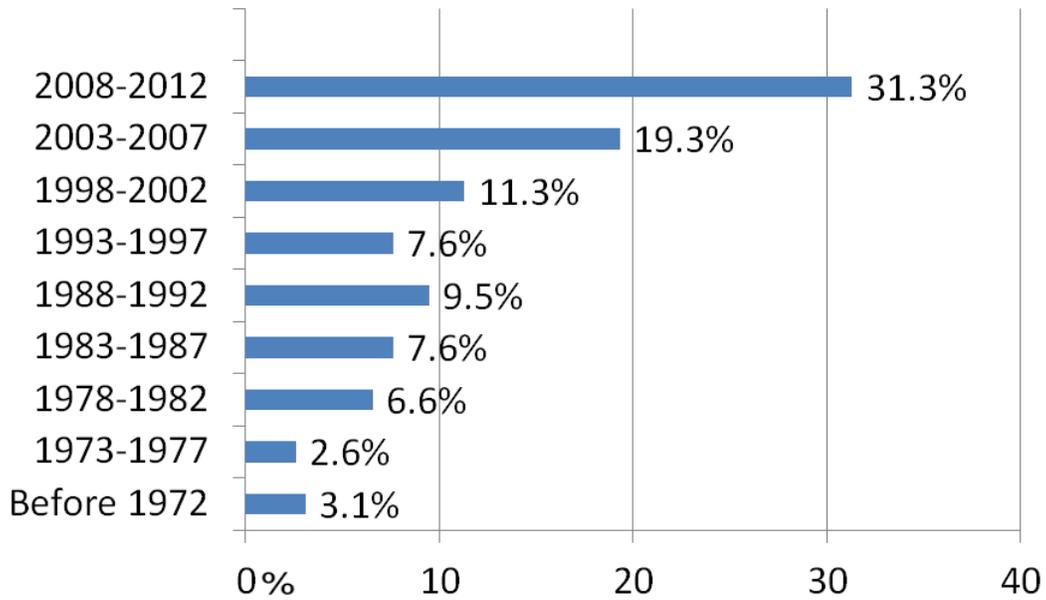
**Survey Results (All Questions)**

What license classification do you hold?

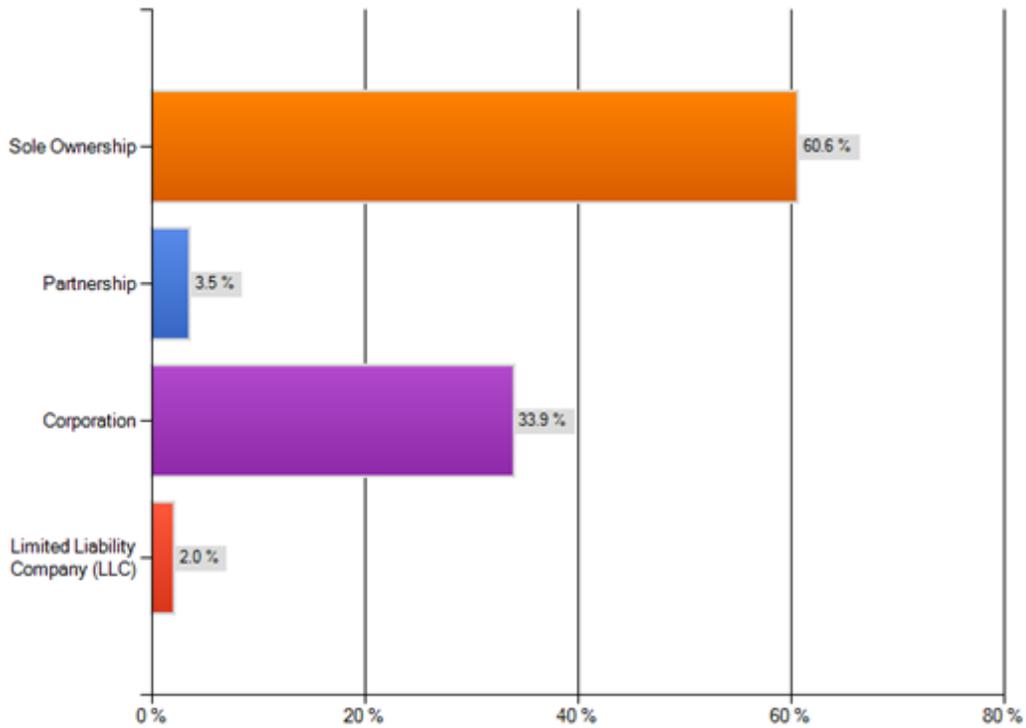




What year did you first become licensed?

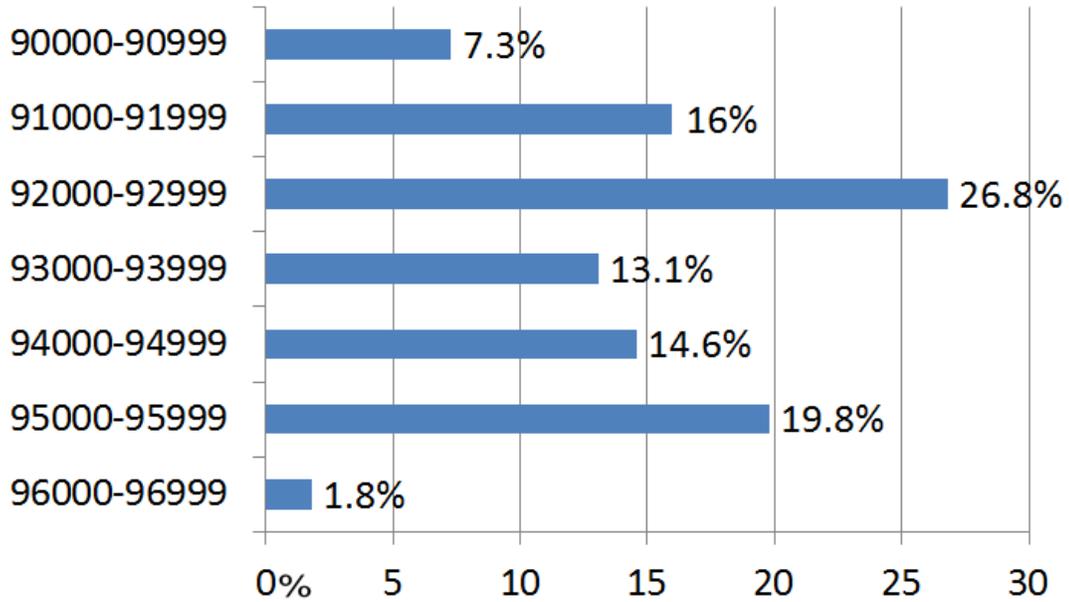


What type of business do you operate?





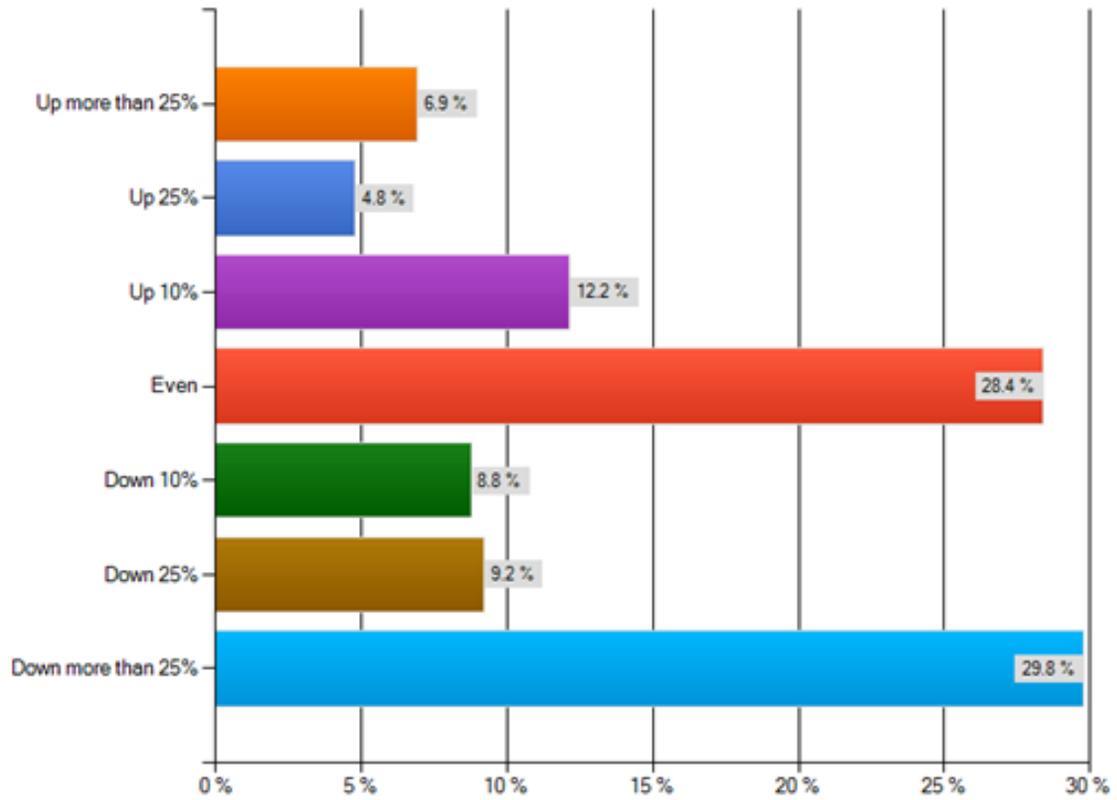
What is your business zip code?



- 90000-90999      Los Angeles County
- 91000-91999      Los Angeles County – San Diego County
- 92000-92999      San Diego County – Orange County
- 93000-93999      Ventura County – Kern County – Fresno County - Monterey County
- 94000-94999      San Mateo County – San Francisco County – Marin County  
Alameda County
- 95000-95999      Alameda County – Santa Clara County – Sacramento County  
Stanislaus County – San Joaquin County – Sutter County – Butte County  
Del Norte County – Humboldt County
- 96000-96999      Amador County – Nevada County – Tehama County – Modoc County  
Siskiyou County

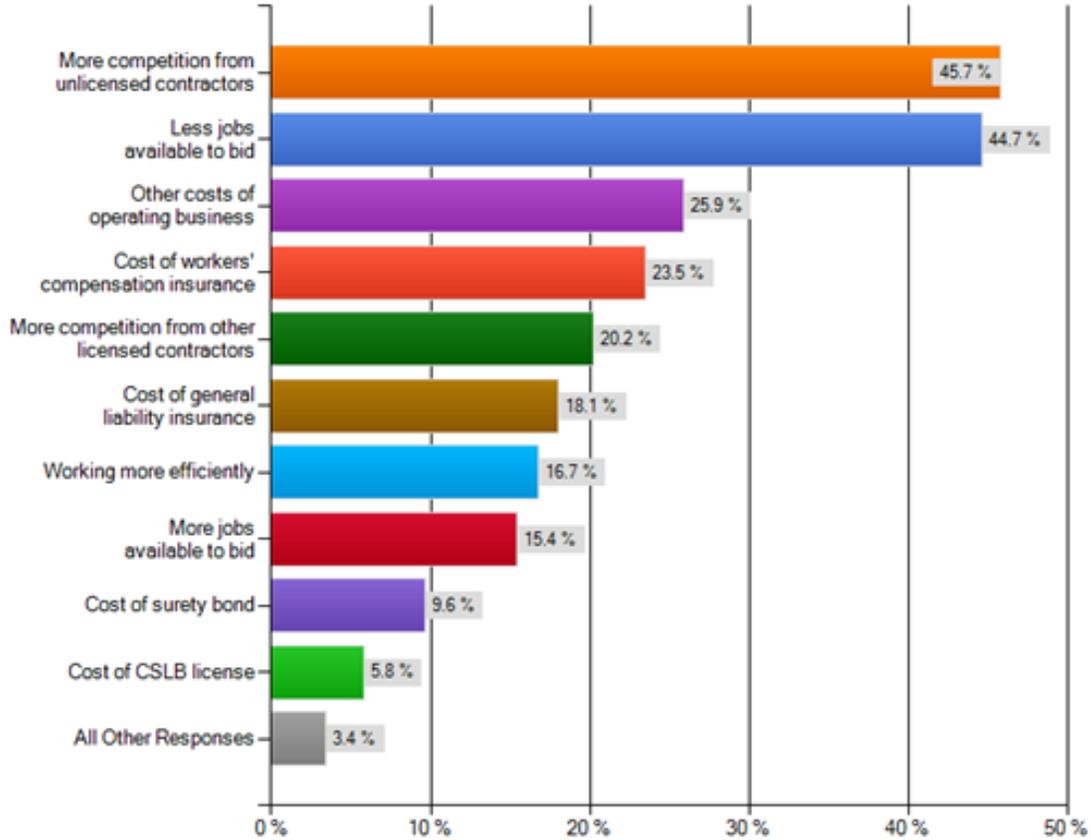


How has your business performed in the past 12 months?





What is the main reason for your increase or decrease in business? You may choose up to three.

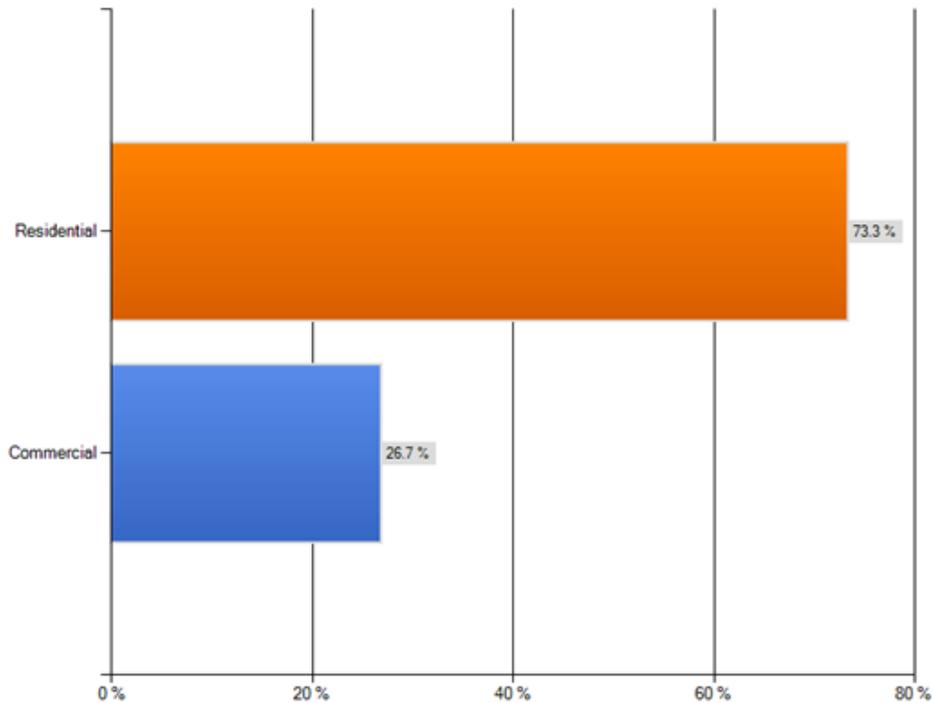


**Other Reasons**

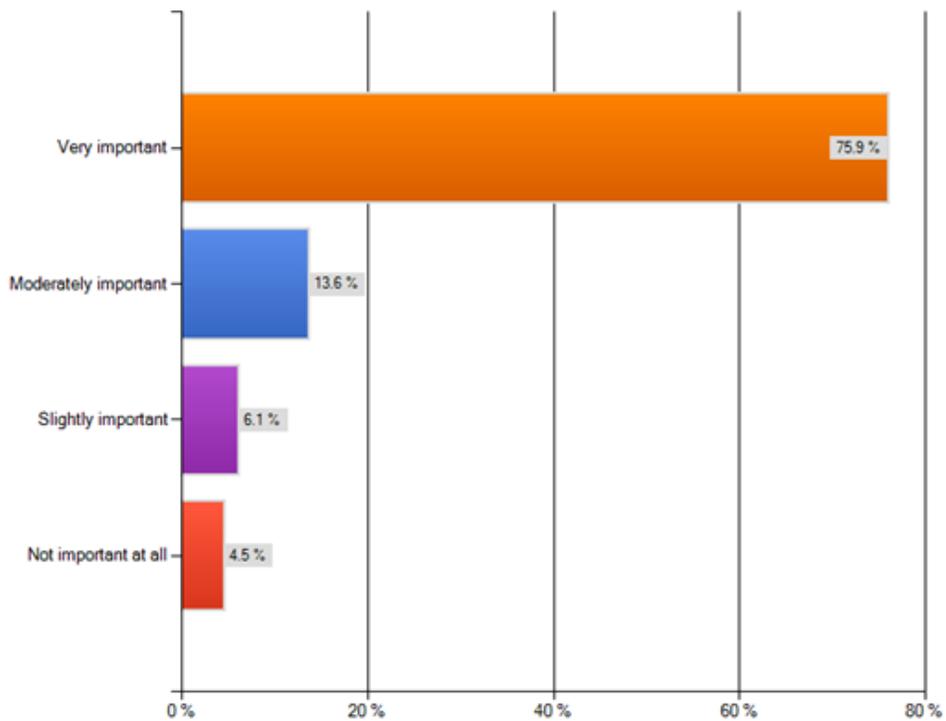
- Tough Economy
- Fuel Costs
- Material Costs



What is your typical type of client?

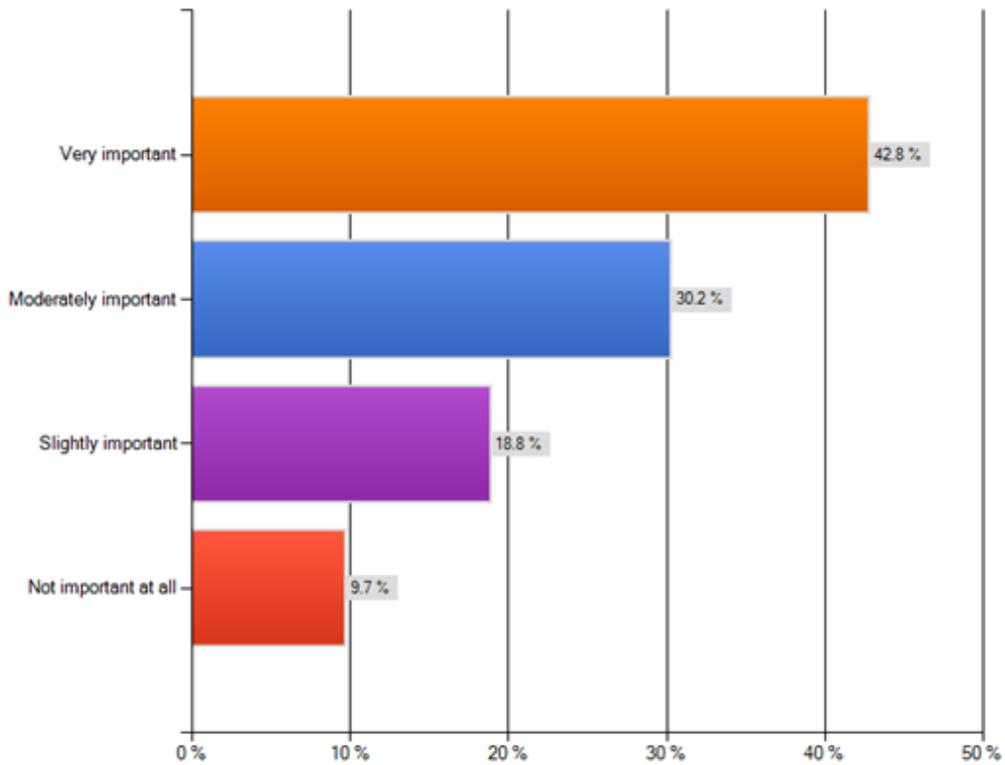


When you present bids to potential clients, how important is it for you to tell them that you are a state-licensed contractor?

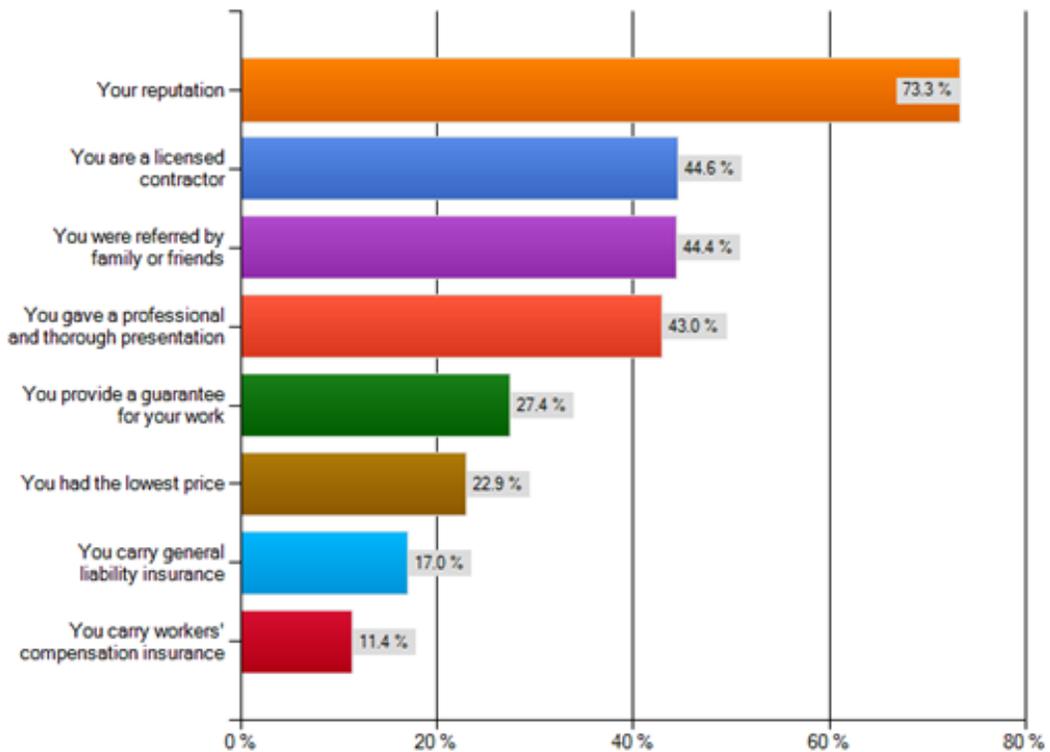




How important does it appear to your potential clients that they hire a licensed contractor?

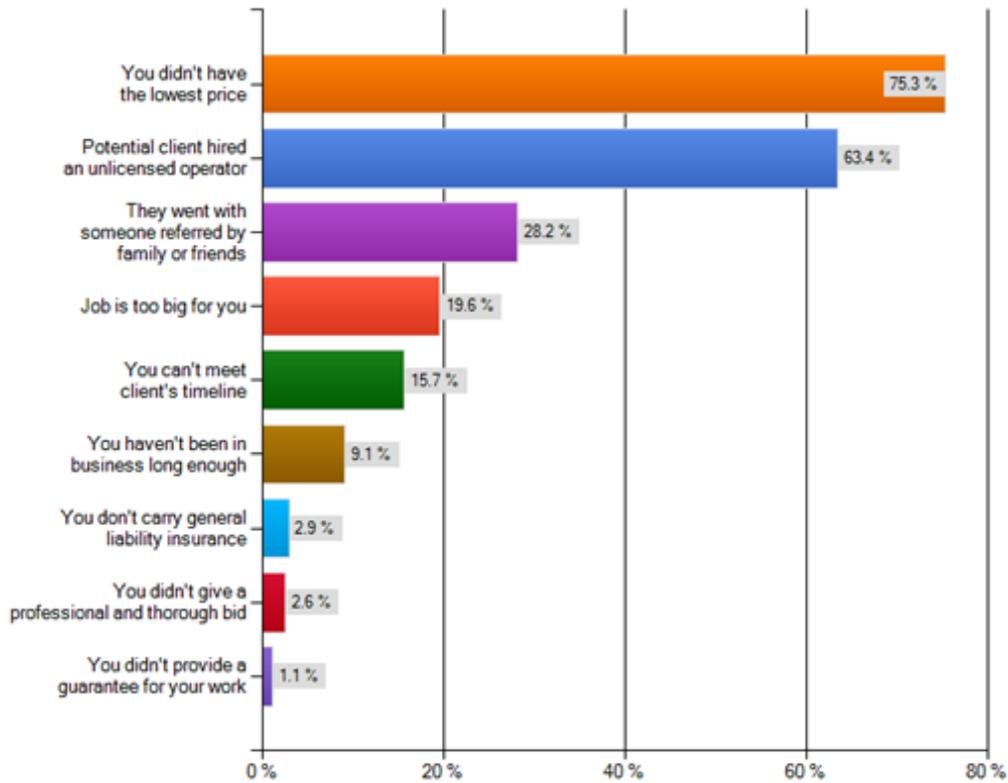


What are the three main reasons you get new jobs?

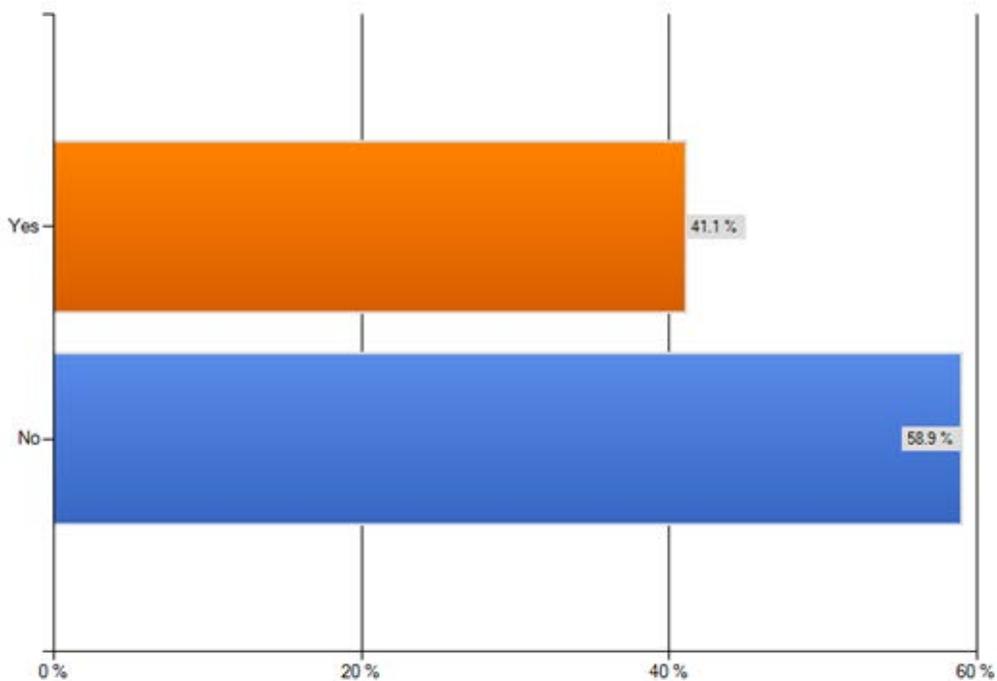




What are the three main reasons you don't get new jobs?

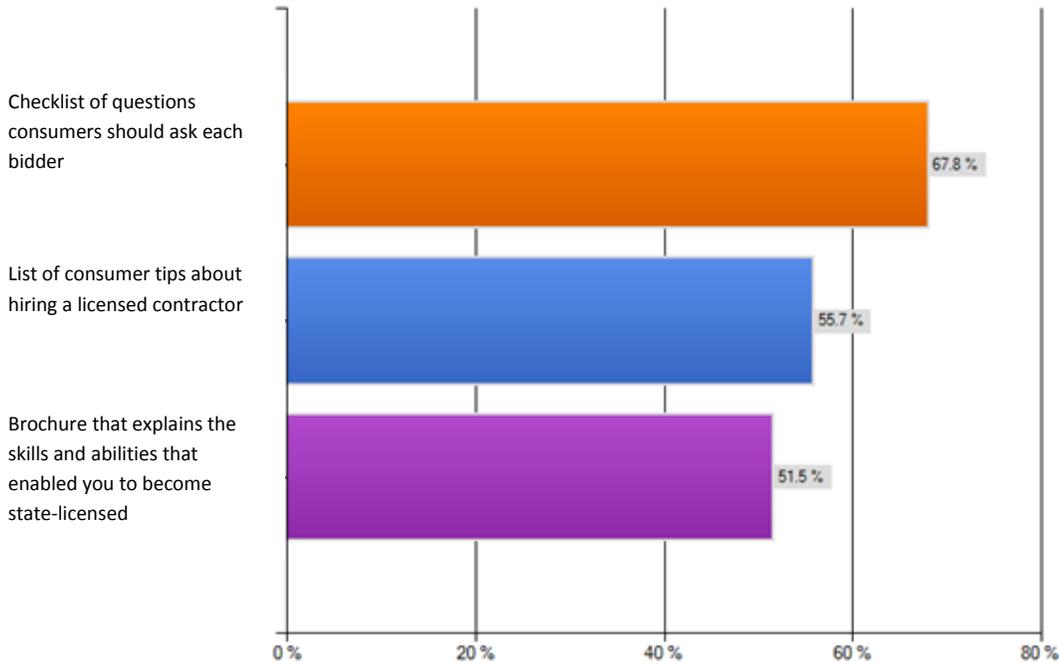


Are you aware that CSLB has a variety of educational materials available to use when presenting bids to potential clients?





If made available, which consumer education materials would you use when presenting bids to potential clients?

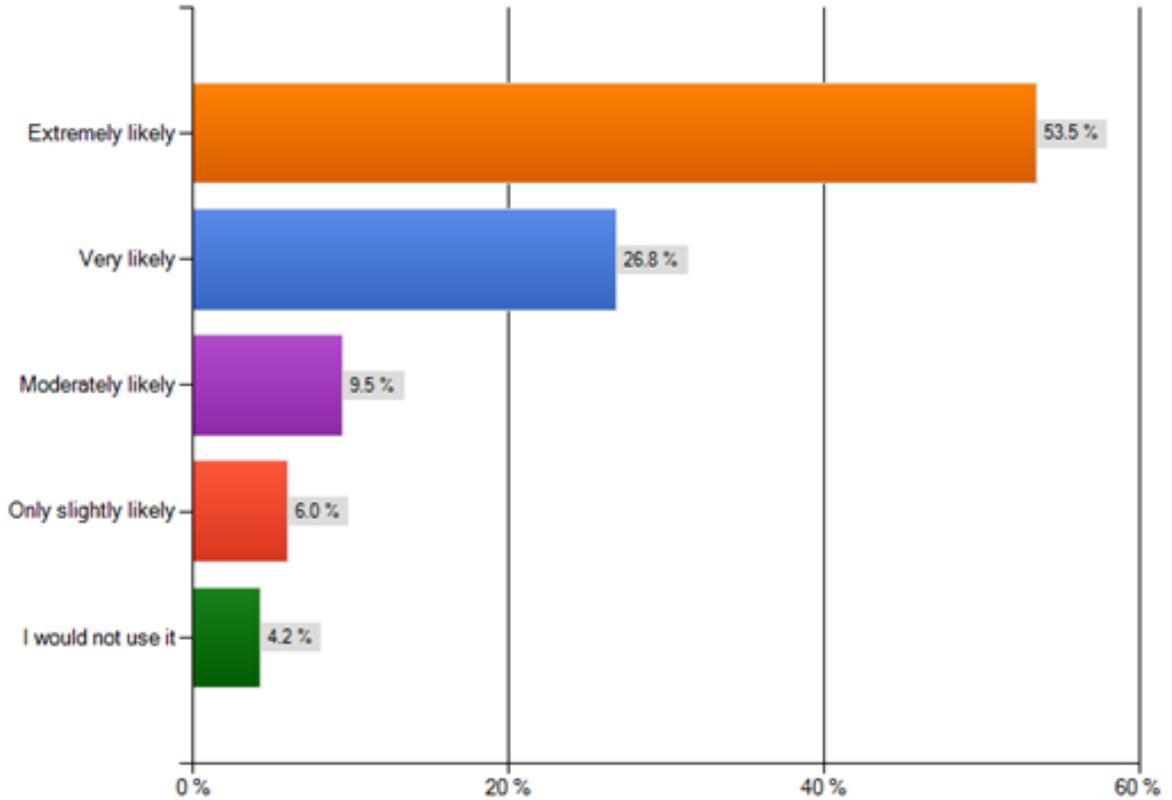


### Other Responses

- Why building permits are worth the cost
- How to compare bids
- Liabilities of hiring unlicensed contractors
- Issues when selling home if work done by unlicensed contractors
- Title 24 upfront costs vs. real cost increases
- Explain current lien laws
- Difference between a bid and estimate
- Workers' compensation and general liability insurance
- Why it costs more to hire a licensed contractor
- Why consumers should look at more than price
- Necessary forms to give consumers



If CSLB created a state contractor-specific logo that you could include in your marketing materials, rate your likelihood of using it.



As indicated above, 89.5% of respondents said they would either be extremely likely, very likely, or moderately likely to use a new CSLB contractor-specific logo.



**Next Steps/Timeline**

- **Determine print materials to be created**
- Deadline: December 2012
  1. Checklist of consumer questions to ask during bid
  2. Why you should hire a state-licensed contractor
  3. Building permit information
  4. Contractor insurance and bond information
  5. Contractor reference form
  
- **Develop *State of California Licensed Contractor* logo**
- Deadline: January 2013
  
- **Build website feature to display new/updated materials**
- Deadline: late February 2013
  
- **Launch new contractor collateral on CSLB website**
- Deadline: March 2013
  
- **Determine other program elements**
- Deadline: May 2013
  1. Print materials for licensee website
  2. Video communications with licensees
  3. Live Web chats on CSLB website
  4. Opt-in “Find a Contractor” feature
  
- **Determine if Outside Contracts are Needed**
- Deadline: June 2013

# AGENDA ITEM E

Adjournment

