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UNITED STATES GENERAL ACCOUNTING OFFICE  
REGIONAL OFFICE  
FEDERAL BUILDING 16TH FLOOR WEST  
230 SOUTH DEARBORN STREET  
CHICAGO, ILLINOIS 60604

25 FEB 1977

Mr. George R Holland, Acting Regional Director  
Department of Health, Education, and Welfare  
Region V  
300 South Wacker Drive  
Chicago, Illinois 60606

Dear Mr. Holland:

The General Accounting Office is making a review of the Department of Labor's (DOL) and Federal contracting agencies' administration and enforcement of minimum wage rate determinations issued for Federal or federally-assisted construction projects subject to the labor standard provisions of the Davis-Bacon Act. Our review is being performed at DOL and selected Federal contracting agencies and contractor sites in various regions, including Region V in Chicago, Illinois.

One of the projects we selected for review in Region V was the construction of educational facilities for the Wisconsin Indianhead Technical Institute at Rice Lake, Wisconsin. Federal and local funds of \$2.7 million were used for the project including \$347,000 funded under the Department of Health, Education, and Welfare's (HEW) block grant program.

The Davis-Bacon Act requires that all workers employed on a construction project costing in excess of \$2,000 be paid minimum wages and fringe benefits and that these be based on rates the Secretary of Labor determines as prevailing on similar projects in the area. Every construction contract subject to the act must contain a provision stipulating that contractors and subcontractors must pay the workers at least once a week wages not less than those determined by the Secretary to be prevailing

Federal contracting agencies are responsible for enforcing the minimum wage provisions of the Davis-Bacon Act. Enforcement is carried out pursuant to regulations and procedures issued by DOL which is also responsible for coordinating and monitoring the enforcement activities of Federal agencies. An objective of our review was to determine whether the enforcement efforts by DOL and Federal contracting agencies are adequate to ensure that contractors and subcontractors are complying with the minimum wage provisions of the act.

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[Signature]

ENFORCEMENT EFFORTS LACKING ON  
THE RICE LAKE PROJECT

The Regional Office of Facilities Engineering and Construction in Region V has primary responsibility for enforcing the minimum wage standards on HEW funded construction projects, including the Rice Lake project. Although the Office had delegated enforcement responsibility on the project to the grantee, the Wisconsin Board of Vocational, Technical and Adult Education, it is still responsible for advising the grantee on the act's and HEW's compliance requirements and procedures, and monitoring the grantee's enforcement activities.

We found that the Regional Office of Facilities Engineering and Construction had not monitored the grantee's enforcement efforts on the project. Further, under HEW enforcement procedures, grantees are required to ensure contractors and subcontractors are in compliance with the act by, among other things, obtaining and reviewing weekly certified payrolls, and interviewing a reasonable number of employees at the construction site to see if they are being paid at the proper rates.

There were five prime contractors and 20 subcontractors employing about 128 workers of various classes on the Rice Lake project. To test whether employees were being paid in accordance with minimum rates established by DOL, we examined one weekly payroll for three prime contractors and five subcontractors. Although our test was very limited, we found several examples where contractors violated the act by paying employees less than the rates DOL had determined as prevailing in the locality. For example,

--One subcontractor, General Blacktopping, Inc., of Cameron, Wisconsin, paid \$3.50, \$4.50, and \$5.00 per hour to three employees. The DOL established rates for these workers were \$9.32, \$9.67, and \$6.42, respectively. The underpayments for the three men totaled \$1,009. The subcontractor stated that he subsequently paid a bonus to the three men after the project was completed to make up for the difference in the rates. However, two of the employees were still underpaid by \$125 and \$17. Other employees who did not work on the project also received bonuses.

--Another subcontractor, Sheetmetal Enterprises, Inc., of Chetek, Wisconsin, paid one of his employees for only 6 hours of work for the one week we tested (ending July 3, 1976) when the employee worked 30-1/2 hours that week. The contractor reimbursed the employee over a period of about 2 months for the remaining 24-1/2 hours.

We also checked to determine whether the grantee was receiving and reviewing weekly certified payrolls as required by HEW procedures. Our review showed that the grantee had not received the required payrolls from any of the 20 subcontractors from the inception of the project in July 1975 to the time of our review in November 1976.

In addition, we reviewed the grantee's records of employee interviews made on the project since the construction began in July 1975. We found that the grantee had interviewed only five employees out of a total work force of about 128 employees. This appears to be below the reasonable minimum required by HEW procedures.

In view of the contractor's violations we found in our limited test, and the deficiencies in the grantee's handling of employee interviews and certified payrolls, adequate assurance was lacking that the employees working on the Rice Lake project have been paid the wages stipulated by DOL. We discussed our findings with the Chief of Facilities Management and Field Operations in the Office of Facilities Engineering and Construction on January 25, 1977, who indicated that he would look into the violations.

Since HEW is responsible for enforcing the provisions of the Davis-Bacon Act, we are referring this matter to you for appropriate investigation of contractors' violations and the grantee's failure to carry out its enforcement responsibilities. We would appreciate being advised of the results of any investigations and actions taken by HEW and/or the grantee on noncompliance and contractors' violations.

A copy of this letter is being sent to the Regional Administrator for Employment Standards, Department of Labor, Region V, Chicago, Illinois.

Sincerely yours,



G. F. Stromvall  
Regional Manager