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UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
221 COURTLAND STREET N E
ATLANTA, GEORGIA 30303

MAY 26 1977

Mr Hugh B. Campbell, Assistant Regional Administrator
Wage and Hour Division
U.S Department of Labor
Room 331, 1371 Peachtree Street, NE
Atlanta, Georgia 30309

Dear Mr. Campbell.

The General Accounting Office is reviewing 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 standards provisions of the Davis-Bacon Act. We are making the review at DOL and at selected Federal contracting agencies and contractor sites in various regions, including Region IV.

The Davis-Bacon Act requires that all workers employed on a Federal or federally-assisted construction project costing in excess of \$2,000 be paid at least the wages and fringe benefits which the Secretary of Labor determines as prevailing on similar projects in the area. On construction projects funded under the State and Local Fiscal Assistance Act of 1972 (Federal Revenue Sharing Act), Davis-Bacon Act coverage applies where 25 percent or more of the project cost is paid out of federal revenue sharing funds and the total cost of the project exceeds \$2,000.

Every construction contract subject to the act must contain a provision stipulating that contractors and subcontractors pay their workers, at least once a week, wages that are not less than those which the Secretary of Labor determines to be prevailing. By agreement between the Secretary of Labor and the Secretary of Treasury, DOL is responsible for enforcing the minimum wage provisions of the Davis-Bacon Act on covered projects financed under the Federal Revenue Sharing Act.

An objective of our review is to determine whether the enforcement efforts by DOL and the Federal contracting agencies are adequate to ensure that contractors and subcontractors are complying with the minimum wage provisions of the act.

One of the projects we selected for review in Region IV was the interior renovation and roof repair to certain buildings at the Western Carolina Center, a state operated custodial care facility in Morganton, North Carolina (Burke County). Total construction cost of this project--

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about \$899,730--was paid with funds received under the Federal Revenue Sharing Act

The Wage and Hour Division of the Atlanta Regional Office for Employment Standards Administration has overall responsibility for enforcing labor standards on covered projects financed with revenue sharing funds in North Carolina. For Western North Carolina, this responsibility has been delegated to the Charlotte, North Carolina, Wage and Hour Area Office. Although Department of Treasury regulations provide that recipient governments shall require that all laborers and mechanics working on construction projects subject to the act be covered by labor standards specified by the Secretary of Labor, the area office is still responsible for investigating complaints of noncompliance with labor standards, making such investigations as may be necessary to assure compliance with the act, and educating recipient governments regarding their responsibilities under the act.

On the Western Carolina Center project, the North Carolina Department of Administration was the recipient of the revenue sharing funds. The state contracted with Odell Associates, Inc --an architect and engineering firm-- to act as its Project Architect/Engineer and to enforce the labor standards.

Under Treasury and DOL enforcement standards, recipient governments are required to insure that contractors and subcontractors are in compliance with the act. Among other enforcement activities, they are to obtain and review weekly certified payrolls, to interview a reasonable number of workers at the construction site to see if they are being paid at the proper rates, to conform rates for classifications employed on the project but not included in the DOL wage determination and to determine that laborers and mechanics are paid for all hours worked in excess of 8 hours in any calendar day at not less than one and one-half times their basic rate of pay.

Two general contractors, two prime contractors, and six subcontractors worked on the interior renovation and roof repair project at the Western Carolina Center. Except for the installation of some electrical equipment by Dallas Electric Contractors, Inc, all of the work on this project had been completed at November 8, 1976. Our inquiries identified the following instances of noncompliance with the act and with DOL instructions concerning labor standards.

--Only one prime contractor submitted certified payrolls. The architect told us that this contractor submitted 42 payrolls at one time, after he had completed work on the project. After being told that GAO was going to review this project, the architect sent a letter, dated October 5, 1976 to the two general contractors and the other prime contractor requesting them to provide the required payrolls to the owner. In response to this letter one general contractor, one prime contractor, and four subcontractors submitted their payrolls to the Western Carolina Center. At the completion of our review of this project on November 11, 1976, one general contractor, Burke Construction Company, Inc, and two subcontractors, Gate City Roofing Company and Eugene Ford Painting had not submitted their certified payrolls.

--Neither recipient government nor DOL representatives interviewed construction workers

--The recipient government did not follow conformance procedures. Three contractors used workers in five classifications that were not included in the wage determination

--Five contractors paid employees less than the prevailing wage rates as determined by DOL.

Our limited payroll examination and related inquiries identified the following wage payment violations

--Two contractors did not pay their employees overtime for work in excess of 8 hours in a calendar day. Dallas Electrical Contractors, Inc underpaid four employees about \$240. Gate City Roofing Co. did not submit certified payrolls. However, by applying the DOL decision wage rates to overtime hours worked by employees in three classifications, we estimate that these employees were underpaid at least \$1,400

--Dallas Electrical Contractors, Inc. underpaid an electrician about \$56. The contractor paid the employee \$2.75 an hour instead of the \$4 14 wage rate required by the wage determination.

--Anchor Construction Corporation underpaid six laborers and one carpenter about \$10. The laborers were paid \$0 02 an hour less than the predetermined wage rate and the carpenter was paid \$0.06 an hour less than the predetermined wage rate

--Miller-Brooks Roofing Company underpaid two sheet metal workers about \$11. The contractor paid these two workers \$3 15 and \$3 75 an hour respectively, instead of the \$4 15 wage rate required by the wage determination

In addition to our examination of certified payrolls, we reviewed the payroll records of two contractors who did not submit the required payrolls. Our review disclosed the following wage payment violations and inaccuracies

--Burke Construction Company, Inc classified and paid one employee as a carpenter helper although this classification was not included in the wage determination. In the absence of a conformance agreement between the contractor and the contracting officer, this employee should have been paid at rates issued for the classification of work actually performed. Based on the rate issued in DOL's wage determination for carpenters, this employee was underpaid about \$31

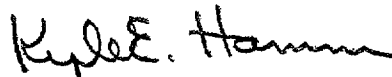
--Burke Construction Company, Inc. underpaid seven carpenters about \$23. The contractor paid six of these employees \$4.00 an hour and the other one \$3 75 an hour instead of the \$4.06 wage rate required by the wage determination.

--Gate City Roofing Company classified and paid three employees as sheet metal helpers and two employees as roofer helpers although these classifications were not included in the wage determination. In the absence of a conformance agreement between the contractor and the recipient government, these employees should have been paid at the wage rate for the classification of work actually performed. We did not compute the total underpayment but it could be as much as \$0 90 an hour for sheet metal workers and \$0.25 an hour for roofers.

Since DOL is responsible for enforcing the provisions of the act on revenue sharing projects, we are referring these matters to you for appropriate investigation of the contractors' violations and of the recipient government's failure to effectively carry out its enforcement responsibilities. We would appreciate being advised of the results of any investigations and actions taken by DOL and the recipient government in connection with the matters discussed herein.

A copy of this letter is being sent to the Regional Administrator, Employment Standards Administration, Department of Labor, Region IV, and to the Office of the Assistant Secretary, Employment Standards Administration, Washington D C

Sincerely yours,



for
Marvin Colbs
Regional Manager