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

March 8, 1977

Mr. John Kane, Area Director
U.S. Department of Housing and Urban Development 769
Milwaukee Area Office
744 N. 4th Street
Milwaukee, Wisconsin 53203

Dear Mr. Kane:

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 standard provisions of the Davis-Bacon Act. The review is being performed at DOL and selected Federal contracting agencies and contractor sites in various regions. In Region V we reviewed two Department of Housing and Urban Development (HUD) funded projects administered by the Milwaukee Area Office.

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 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.

We reviewed enforcement and monitoring practices of the Milwaukee Area Office and the respective grantees for the two HUD funded construction projects shown as follows.

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<u>Project and location</u>	<u>Construction cost</u>	<u>HUD program</u>	<u>Grantee</u>	<u>DOL wage determination</u>
Extension of open pedestrian mall Sheboygan, Wi.	\$125,600	Community development	Sheboygan Dept. of City Development	76-WI-14, 3/18/76a/
One duplex and 13 single family homes, Beloit, Wi.	\$290,000	Section 8	Wisconsin Housing Finance Authority	76-WI-41, 4/5/76

a/ The project determination instructed the grantee to use DOL area wage determination WIS 75-2048, 3/14/75.

ENFORCEMENT EFFORTS NOT FULLY EFFECTIVE

The Milwaukee Area Office is responsible for enforcing wage standards on HUD funded construction projects in Wisconsin and instructing grantees on their responsibilities under the act. Accordingly, the Area Office sponsored training workshops on how to enforce the labor standards and delegated enforcement responsibilities to the grantees.

HUD instructions require grantees take actions, including the following, to ensure contractors and subcontractors comply with the act.

- Obtain and review weekly certified payrolls.
- Interview a sufficient number of employees at the construction site and ascertain that they are paid the proper wage.
- Conform worker classifications that are not covered by the wage determination.
- Obtain written evidence that each apprentice is registered by the appropriate State or Federal agency.

The Area Office retained responsibility for monitoring the grantees' enforcement practices at the Sheboygan and Beloit projects. In addition, the Area Office retained responsibility for interviewing construction workers at the Beloit site. However, HUD representatives visited the Beloit project only once and did not visit the Sheboygan site.

The grantees' enforcement efforts on the Sheboygan and Beloit projects are discussed below.

Sheboygan project

Five prime contractors and one subcontractor worked on the construction project for extending the open pedestrian mall. These contractors employed about 52 laborers and mechanics. Our inquiries identified the following instances of noncompliance with the act.

- Neither the grantee nor HUD representatives interviewed construction workers.
- The grantee did not follow conformance procedures. The certified payrolls included seven worker classifications that were not shown on the wage determination.
- Two contractors did not submit certified payrolls weekly and two did not submit payrolls at all. The grantee did not have a procedure to ensure timely receipt of certified payrolls.
- The grantee did not obtain registration papers for one apprentice who worked on the project.
- The grantee omitted the applicable area wage determination from the contract specifications, although the project wage determination was included.

We examined one certified payroll for three of the five prime contractors and one subcontractor as follows.

<u>Contractor</u>	<u>Location</u>	<u>Pay period ended</u>
Peters Construction	Milwaukee, Wi.	6/26/76
Schielke Electric	Sheboygan Falls, Wi.	6/4/76
R. P. Honold Co.	Sheboygan, Wi.	7/3/76
Buteyn Excavating (subcontractor)	Sheboygan, Wi.	6/19/76

Our limited payroll examination disclosed one wage payment violation and other inaccuracies summarized below.

- Peters underpaid a carpenter \$3.50. The contractor used an obsolete union pay scale which was \$0.20 an hour lower than the wage rate shown in the wage determination.
- Peters, Honold, and Buteyn submitted inaccurate certified payrolls that did not agree with wage rates and/or hours worked shown on supporting payroll and time records.

Beloit project

One prime contractor and 13 subcontractors worked on the project for construction of one duplex and 13 single family homes. The contractors employed 55 laborers and mechanics.

In July and October 1976 HUD representatives reviewed the grantee's enforcement practices on this and other projects. HUD reported that the grantee had not:

- interviewed employees,
- established procedures to ensure that contractors submitted required payrolls; and
- resolved underpayments of wages.

While some corrective actions were initiated by the grantee, our inquiries indicated instances of noncompliance with the act or weaknesses in enforcement as shown below.

- HUD interviewed only one of the 55 employees who worked on the project, and the grantee did not interview any employees.
- The grantee did not follow conformance procedures in every instance. One contractor used an "Insulator" classification for which a wage determination had not been requested. As the result of our inquiry, the grantee requested clarification of two other classifications used by one subcontractor.
- The grantee normally received certified payrolls on a monthly basis instead of weekly.

We examined one certified payroll for 10 of the 13 subcontractors as follows.

<u>Contractor</u>	<u>Location</u>	<u>Pay period ended</u>
City Wide Insulation	Rockford, Il.	8/25/76
Bob Salberg	Rockford, Il.	7/14/76
Kepp Plumbing & Heating	Janesville, Wi.	8/25/76
Wilson & Shipler	Beloit, Wi.	7/17/76
Gary McNeal	Rockford, Il.	9/24/76
McGrath Electric	Janesville, Wi.	9/22/76
S & S Construction	Oregon, Il.	8/28/76
Rockford Floorcrafters	Rockford, Il.	10/29/76
Alpine Decorators	Rockford, Il.	10/22/76
Hallmark Drywall	Madison, Wi.	11/12/76

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

--City Wide paid an insulator \$2.85 an hour less than the rate included in the wage determination. Since the insulator worked 4-1/2 hours on the project, he was underpaid \$12.83.

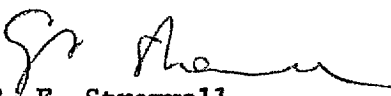
--Hallmark paid two laborers \$3.35 an hour less than the rate included in the wage determination. The two laborers delivered drywall and performed cleaning services at the project site and at other construction sites. Hallmark did not report the two laborers on the certified payrolls and did not allocate their time among the various jobs. Therefore, we could not quantify the underpayment.

In our opinion, the grantees and HUD were ineffective in assuring that contractors complied with the labor standards of the Davis-Bacon Act and that employees working on the Sheboygan and Beloit projects had been paid the wages stipulated by DOL.

Since HUD is responsible for enforcing the provisions of the act, we are referring these matters to you for appropriate investigation of contractors' violations and the grantees' failure to carry out enforcement responsibilities. We would appreciate being advised of the results of any investigations and actions taken by HUD and the grantees on noncompliance and contractors' violations.

A copy of this letter is being sent to the Regional Administrator, Department of Housing and Urban Development, Region V, Chicago, Illinois, and to the Regional Administrator, Employment Standards Administration, Department of Labor, Region V, Chicago, Illinois.

Sincerely yours,


G. F. Stromvall
Regional Manager