

Why GAO Did This Study

In fiscal year 2009, the federal government obligated over \$500 billion on government contracts. Some in Congress are concerned that private companies may be awarded federal contracts even though they had been cited for violating federal laws that are meant to ensure that employees receive proper wages, have the right to bargain collectively, and are not subject to work-site hazards.

GAO was asked to (1) investigate the extent to which companies that received federal contracts during fiscal year 2009 had been assessed the 50 largest monetary penalties for closed inspections of occupational safety, health, and wage regulations for fiscal years 2005 through 2009, and (2) develop case studies of federal contractors that have been assessed occupational safety, health, wage, and collective bargaining penalties. To perform this work, GAO obtained and analyzed concluded wage and health and safety inspections from the Department of Labor's Wage and Hour Division (WHD) and Occupational Safety and Health Administration (OSHA) for fiscal years 2005 to 2009. GAO also obtained labor union organization and bargaining violations from the National Labor Relations Board (NLRB). To determine the value of contracts awarded to GAO's case-study companies, GAO analyzed Federal Procurement Data System-Next Generation (FPDS-NG) data for fiscal year 2009.

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FEDERAL CONTRACTING

Assessments and Citations of Federal Labor Law Violations by Selected Federal Contractors

What GAO Found

The federal government awarded contracts to companies that previously had been cited for violating wage regulations enforced by WHD and health and safety regulations enforced by OSHA. GAO did not evaluate whether federal agencies considered or should have considered these violations in the awarding of federal contracts, thus no conclusions on that topic can be drawn from this analysis. Of the 50 largest WHD wage assessments during fiscal years 2005 through 2009, 25 wage assessments were made against 20 companies that received federal contracts in fiscal year 2009. From GAO's analysis of OSHA data, GAO also found that 8 of the 50 largest workplace health and safety penalties assessed during the same time frame of fiscal years 2005 through 2009 were assessed against 7 other companies that received federal contracts in fiscal year 2009. Because OSHA and WHD databases do not contain Data Universal Numbering System numbers, GAO's analysis was limited to the 50 largest WHD assessments and OSHA penalties, which GAO manually searched. Because of this, the full extent of the federal government's contracts awarded to companies cited for labor violations is not known.

GAO investigated 15 federal contractors cited for violating federal labor laws enforced by WHD, OSHA, and NLRB. The federal government awarded these 15 federal contractors over \$6 billion in government contract obligations during fiscal year 2009. Several of these companies also had other types of violations, such as hiring undocumented workers, violating environmental standards, and fraudulently billing Medicare and Medicaid.

Examples of Federal Contractors That Were Cited for Violating Federal Labor Laws

Type of service provided	Contracting agencies / fiscal year 2009 contract amounts	Description of citations
Food supplier	Departments of Defense, Agriculture, and Justice (\$500 million)	OSHA cited company for over 100 health and safety violations. For example, OSHA fined company after an employee was fatally asphyxiated after falling into a pit containing poultry debris. In 2009, federal court also ordered the company to properly compensate about 3,000 workers.
Security services	Departments of Defense and Homeland Security, and others (\$200 million)	NLRB found that the company violated fair labor laws when it coerced employees and, in a separate incident, refused to rehire an applicant based on prior union involvement. WHD assessed \$4.4 million in back wages for over 2,100 employees since fiscal year 2005. Company recently agreed to pay about \$290,000 in back wages to over 400 African-Americans for a discrimination suit.
Electrical motors	Departments of Defense and Homeland Security (\$200,000)	In 2007, an employee was killed by machinery that was lacking proper safety devices. OSHA investigators observed machinery without safety devices 1 month after the fatality. OSHA had previously cited the company for not ensuring that machinery had proper safety devices in 1998.

Sources: OSHA, WHD, and FPDS-NG.