

DOCUMENT RESUME

02538 - [A1792798] (Restricted)

[Administration and Enforcement of Davis-Bacon Act in Projects in Waycross, Georgia]. May 26, 1977. 5 pp.

Report to William A. Hartman, Jr., Area Director, Department of Housing and Urban Development: Atlanta Area Office, GA; by Kyle E. Hamm (for Marvin Colbs, Regional Manager, Field Operations Div.: Regional Office (Atlanta)).

Issue Area: Consumer and Worker Protection: Standards, Laws, and Regulations Enforcement (903).

Contact: Field Operations Div.: Regional Office (Atlanta).

Budget Function: Education, Manpower, and Social Services: Other Labor Services (505).

Authority: Davis-Bacon Act. Housing Act of 1937, as amended, sec. 16.

The Department of Labor and selected Federal contracting agencies and construction sites in Region IV were reviewed to determine whether their enforcement efforts related to the Davis-Bacon Act ensured that contractors and subcontractors complied with the minimum wage provisions of the act. Findings/Conclusions: Under Federal revenue sharing, the Department of Housing and Urban Development (HUD) provided \$783,165 to the Local Housing Authority in Waycross, Georgia, for the construction of 50 low-rent housing units. Several instances were found of noncompliance with the act and with HUD instructions concerning labor standards. Among the violations disclosed by a limited investigation were misclassification of workers, underpayments, pay at less than prevailing rates, and certified payrolls not submitted. The Local Housing Authority was deficient in securing compliance with the act. Recommendations: HUD should perform a full labor standards compliance review of the Waycross project. (DJM)



UNITED STATES GENERAL ACCOUNTING OFFICE

REGIONAL OFFICE

221 COURTLAND STREET, N.E.
ATLANTA, GEORGIA 30303

MAY 26 1977

Mr. William A. Hartman, Jr.
Area Director, U. S. Department of
Housing and Urban Development
Atlanta Area Office
230 Peachtree Street, N. W.
Atlanta, Georgia 30303

Dear Mr. Hartman:

The General Accounting Office is reviewing the Department of Labor's (DOL) and Federal contracting agencies' administration and enforcement of the labor standards provisions of the Davis-Bacon Act on Federal or federally-assisted construction projects subject to the act. We are making the review at DOL and at selected Federal contracting agencies and contractor sites in various regions including Region IV.

One of the projects we selected for review in Region IV was the construction of 50 low-rent housing units for the Local Housing Authority (LHA) in Waycross, Georgia. The Department of Housing and Urban Development (HUD) provided \$783,165 under section 16 of the Housing Act of 1937, as amended, for the construction of this project.

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. 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 not less than those which the Secretary of Labor determines to be prevailing.

Federal contracting agencies are responsible for enforcing the minimum wage provisions of the Davis-Bacon Act pursuant to regulations and procedures issued by DOL. An objective of our review is to determine whether the enforcement efforts by DOL and the Federal contracting agencies are adequate to insure that contractors and subcontractors are complying with the minimum wage provisions of the act.

The HUD Atlanta Area Office has primary responsibility for enforcing labor standards on HUD-funded construction projects in Georgia, including the Waycross Housing Authority project. Although HUD had delegated the enforcement responsibility to the LHA, the area office is still responsible for advising the LHA concerning the act's and HUD's compliance requirements and procedures and for monitoring the LHA's enforcement activities.

In our opinion, the area office had not effectively monitored the LHA's enforcement efforts on this project. During his monthly visits to the project, the HUD construction analyst questioned the contracting officer and the clerk of the works about whether contractors were paying correct wages and were submitting payrolls, but he did not attempt to examine any payrolls or records of employee interviews. Consequently, he did not discover the lack of enforcement by the LHA.

Under HUD enforcement procedures, the LHA is required to take action, including the following, to insure that contractors and sub-contractors comply with the act:

- require the contractor to submit certified copies of his own payroll and that of each of his subcontractors for each workweek no later than 7 days after the end of the workweek covered by the payroll;
- interview a sufficient number of construction workers to determine the degree of accuracy of the records and the nature and extent of violations, if any;
- conform rates for worker classifications employed on the project but not included in DOL's wage determination;
- examine weekly payrolls to the extent necessary to insure completeness and accuracy of employee names, addresses, job classifications, hourly wage rates, daily and weekly hours worked during the pay period, gross weekly wages earned, deductions made from wages, and net weekly wages paid;
- require a certification by the contractor and each of his subcontractors that they have paid wage rates complying with the terms of the contract; and
- retain, preserve, and enforce all its rights under the construction contract.

One prime contractor and 21 subcontractors worked on the Waycross low-rent housing construction project. We identified the following instances of noncompliance with the act and with HUD instructions concerning labor standards.

- None of the contractors submitted certified payrolls weekly and 11 subcontractors did not submit payrolls at all. The LHA did not have a procedure to insure the timely receipt of all certified payrolls.
- Neither LHA nor HUD representatives interviewed construction workers.
- The LHA and the prime contractor did not follow conformance procedures. The certified payrolls, or daily construction reports for those subcontractors who did not submit payrolls, included eight worker classifications that were not shown on the DOL wage determination.
- The LHA made partial payments on the basis of false certifications by the prime contractor that he and his subcontractors had complied with the wage rate provisions of the contract.
- Payroll examinations by the clerk of the works were inadequate to insure that contractors complied with labor standards. Although the clerk of the works told us that he reviewed the payrolls, there was no evidence that he identified and corrected any violations. Also, there was no evidence of when the clerk of the works received or reviewed the payrolls. Early detection and correction of the violations noted below could have saved time and money for everyone involved.

Our limited examination of certified payrolls submitted to the LHA disclosed the following wage payment violations and inaccuracies.

- Hutto Brothers Paint Contractors classified two employees as painter helpers although the classification was not included in the wage determination. Because the contractor and the contracting officer did not conform a rate for this classification, the employees should have been paid at the rate issued for the classification of work actually performed. Based on the painter rate issued in DOL's wage determination, these employees were underpaid about \$543.

--Do Good Tile Company classified one employee as a tile setter helper although the 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 the rate issued for the classification of work actually performed. Based on the tile setter's rate issued in DOL's wage determination, this employee was underpaid about \$264.

--Douglas Tile Company paid four soft floor layers \$0.63 an hour less than the prevailing wage rate, resulting in an underpayment of about \$198.00.

--Glen DeLoach Construction Company and Murray Staples Garden Center classified employees as form setters and agriculture workers, respectively. The wage determination did not include rates for either of these classifications and the contractors and contracting officer did not conform the rates.

For those subcontractors who did not submit payrolls, we reviewed the Daily Construction Reports prepared by the clerk of the works, visited one subcontractor, and contacted four other subcontractors by telephone. Our review disclosed that Davis Roofing Company paid one roofer \$3.00 an hour and three roofers \$3.50 an hour rather than the predetermined wage rate of \$5.00 an hour. On the basis of work hours recorded in the daily construction reports, we estimate that these four employees were underpaid more than \$740.

Four subcontractors classified employees in crafts not included in the wage determination as follows:

--Economic Exterminators classified two employees as termite spray operators;

--Boyd Dry Wall Company classified six employees as drywall hangers or drywall finishers;

--Waycross Insulating Company classified two employees as insulators; and

--Chauncy Brothers Dry Wall Company classified four employees as drywall hangers or drywall finishers.

The LHA contracting officer and the prime contractor did not conform wage rates for any of these classifications. Because certified payrolls were not prepared and wage rates for these classifications were not obtained in our survey, we did not determine if these employees were underpaid.

In view of the contractors' violations found in our limited test and the deficiencies in the LHA's handling of labor standards enforcement, adequate assurance of compliance with the provisions of the Davis-Bacon Act—as implemented by DOL and HUD regulations—was lacking. We discussed our findings with your labor relations specialist, who said that he would look into the violations.

We believe that HUD, as the primary enforcement agency, should perform a full labor standards compliance review of the Waycross housing project to insure that all provisions of the act have been met and that all violations are uncovered. When this review is completed, we would appreciate being advised of the results and of any actions taken by HUD on noncompliance and contractor violations. We would also like to know what steps are planned to insure that the Davis-Bacon Act is adequately enforced on future projects.

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

Sincerely yours,

Kyle E. Haman

for Marvin Colbs
Regional Manager

cc: Acting Regional Administrator, HUD, Region IV
Regional Administrator, ESA, DOL, Region IV