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# Highlights

Highlights of [GAO-06-27](#), a report to the Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate

## Why GAO Did This Study

Recipients of federal government contracts for services are subject to wage, hour, benefits, and safety and health standards under the McNamara-O'Hara Service Contract Act (SCA) of 1965, as amended, which specifies wage rates and other labor standards for employees of contractors. SCA requires the Department of Labor (DOL) to set locally prevailing wage rates and other labor standards for employees of contractors furnishing services to the federal government. DOL's Employment Standards Administration's Wage and Hour Division (WHD) administers the SCA and each year determines prevailing wage and fringe benefit rates for over 300 standard service occupations in 205 metropolitan areas. SCA also authorizes DOL to enforce contractor compliance with SCA provisions. This report describes how DOL (1) establishes locally prevailing wages and fringe benefits and (2) enforces SCA.

## What GAO Recommends

To improve the transparency of its wage determination process and its SCA strategic enforcement planning efforts, GAO recommends that WHD, among other things, make publicly available the basic methodology it uses to issue wage determinations and consider analyzing its historical SCA contractor violation data to help plan its compliance assistance and investigative efforts. In its written comments, DOL agreed with all of the report's recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-06-27](http://www.gao.gov/cgi-bin/getrpt?GAO-06-27).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Robert Robertson at (202) 512-7215 or [robertsonr@gao.gov](mailto:robertsonr@gao.gov).

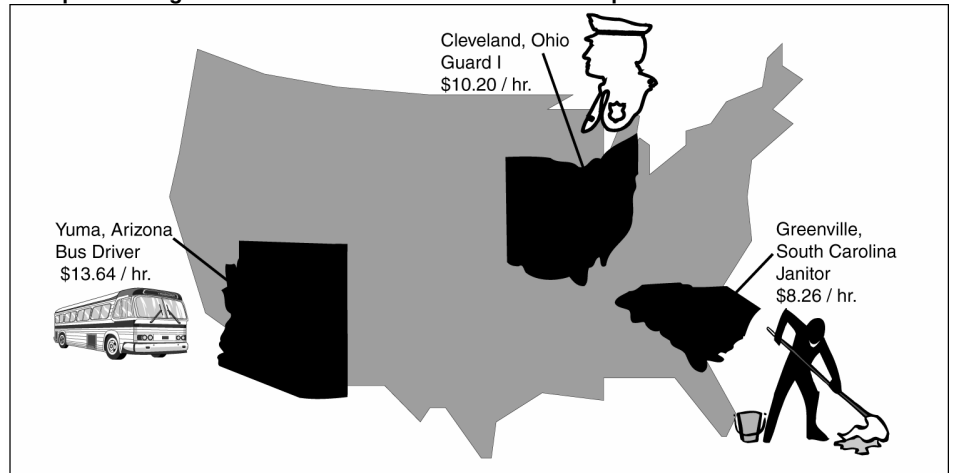
# SERVICE CONTRACT ACT

## Wage Determination Process Could Benefit from Greater Transparency, and Better Use of Violation Data Could Improve Enforcement

### What GAO Found

When making a wage determination, WHD analysts consult several sources of information, such as its SCA directory of occupations and data collected through two Bureau of Labor Statistics national wage surveys, for wage data on occupations. Relying on these tools and their own expertise, analysts calculate prevailing wages and fringe benefit amounts for specific geographic locations. The wage determination process produces a wealth of nationwide wage data for service occupations that WHD makes available online and strives to update annually. However, stakeholders (e.g., unions, contractors, employees, and others) contend that the wage determination process is not transparent and that the resulting wages do not necessarily reflect local wage conditions. For example, WHD does not include a description of the methodology used to derive the wage rates in its wage determinations, such as wage data sources used or the procedures analysts' follow. As a result, analysts spend considerable time responding to inquiries about the methodology used to determine wages.

### Examples of Wages Paid to Selected Service Contract Occupations in Selected Localities



Source: GAO analysis and Art Explosion.

WHD enforces SCA by conducting investigations, ensuring contractor payments, and providing compliance assistance to stakeholders. WHD investigates complaints from service contract employees, federal agencies, unions, and others who allege that contractors have failed to pay either the wages or fringe benefits, or both, specified in SCA contracts. WHD collects violation data, but it does not fully use these data to plan compliance assistance, target specific service industries or geographic locations for SCA investigation, or set strategic enforcement goals. As a result, WHD may be overlooking some SCA violators and industries that need further enforcement. A review of prior SCA violation data could provide WHD assurance that it is using the most effective mix of available compliance assistance and investigative efforts.