

BRIEFLY...

Highlights of Report Number: 04-04-003-04-420, a report to the Assistant Secretary, Employment Standards Administration. March 30, 2004.

WHY READ THE REPORT

The Davis-Bacon (D-B) Act requires paying prevailing wage rates and fringe benefits to employees working on federally funded or federally assisted construction projects with contracts of \$2,000 or more. Congress passed the law in 1931 to prevent contractors from importing lower-wage workers into a community or driving down wages for local workers.

The Department of Labor's (DOL) Employment Standards Administration (ESA), through its Wage and Hour (WH) Division, conducts surveys to determine the prevailing wage rates. However, prior studies by the Office of Inspector General (OIG) and the General Accounting Office (GAO) raised concerns about the accuracy of the data collected by WH and the adequacy of its procedures. The President's FY 2005 budget request calls for an independent review of the D-B program.

WHY OIG CONDUCTED THE AUDIT

The OIG conducted an audit to determine progress made by WH in addressing past OIG and GAO concerns and recommendations for improving the timeliness and reliability of prevailing wage determinations used in the D-B program. Between Fiscal Years 1997 and 2003, WH spent over \$22 million to improve the D-B wage determination system.

READ THE FULL REPORT

The full report, including the scope, methodology, and agency response, is available on the Internet at:

<http://www.oig.dol.gov/public/reports/oa/2004/04-04-003-04-420.pdf>

MARCH 2004

CONCERNS PERSIST WITH INTEGRITY OF DAVIS-BACON PREVAILING WAGE DETERMINATIONS

WHAT OIG FOUND

While the infusion of \$22 million from FYs 1997-2003 resulted in limited improvements in how D-B wage surveys are processed, OIG found:

Errors in wage data continue. We noted a contractor hired by ESA found one or more errors in nearly 100 percent of the wage reports.

Wage data may be biased. WH considered only data from employers and third parties who volunteered to participate in the surveys.

Timeliness in decisions is still an issue. Some wage determinations were still in force over long periods, one as much as 7 years, because they had not been updated by new surveys.

WH reengineering approaches have not resolved past concerns. WH used the majority of the \$22 million to modify its survey. After its pilot projects using BLS, WH concluded that BLS surveys were not viable options. WH found BLS surveys did not sufficiently cover job benefits, construction types or prevailing rates.

WHAT OIG RECOMMENDED

We recommended the Assistant Secretary for Employment Standards promote changes in how WH performs wage determinations for D-B. Changes should allow using reliable and objective sources of data, such as BLS-type surveys.

ESA questioned several aspects of the audit report, but is taking steps to address our recommendations. ESA agreed that a change to the methodology should involve the use of BLS data and should not overlay an entirely new sample. OIG concludes that changing the fundamental methodology WH uses to complete its surveys is essential to solving persistent problems with accuracy, representativeness, and timeliness of wage decisions