



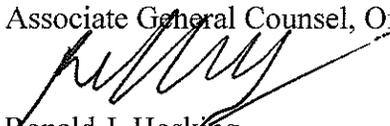
U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

March 30, 2015

MEMORANDUM NO:
2015-SE-1801

Memorandum

TO: Dane M. Narode
Associate General Counsel, Office of Program Enforcement, CACC

FROM: 
Ronald J. Hosking
Assistant Regional Inspector General for Audit, OAGA

SUBJECT: Final Civil Action: Civic Construction, LLC, Settled Allegations of Making False Claims to the Seattle Housing Authority

INTRODUCTION

Based on a referral from the U.S. Department of Housing and Urban Development's (HUD) Seattle Office of Labor Relations, the Office of Inspector General (OIG) performed a review of certain payrolls of the owner of Civic Construction, LLC, of Portland, OR. These payrolls were subject to the Davis-Bacon Act. Civic Construction submitted the payrolls during the construction of Lake City Village, a HUD-funded Seattle Housing Authority project. We completed the review and referred alleged violations to HUD's Office of Program Enforcement for action under the Program Fraud Civil Remedies Act of 1986 (PFCRA).

BACKGROUND

The Davis-Bacon Act requires that all contractors and subcontractors performing on Federal contracts (and contractors or subcontractors performing on federally-assisted contracts under related acts) in excess of \$2,000 pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits listed in the contract's Davis-Bacon wage determination for corresponding classes of laborers and mechanics employed on similar projects in the area. Davis-Bacon labor standards clauses must be included in covered contracts.

Contractors and subcontractors on prime contracts in excess of \$100,000 are required, under the Contract Work Hours and Safety Standards Act, to pay employees weekly and submit weekly certified payroll records to the contracting agency.

The Davis-Bacon Act and related acts provide laborers and mechanics on covered federally-financed or assisted construction contracts the right to receive at least the local prevailing wage rate and fringe benefits, as determined by the U.S. Department of Labor, for the type of work performed.

Contractors or subcontractors found to have disregarded their obligations to employees or to have committed aggravated or willful violations while performing work on Davis-Bacon-covered projects may be subject to contract termination, debarment from future contracts for up to 3 years, and having contract payments withheld in a sufficient amount to satisfy liabilities for unpaid wages. In addition, falsification of certified payroll records or requiring a kickback of wages may subject a contractor or subcontractor to civil or criminal prosecution, the penalty for which may be fines, imprisonment, or both.

RESULTS OF REVIEW

On October 7, 2014, HUD's Office of Program Enforcement issued a complaint to Civic Construction and its owner alleging that they were liable for 17 civil penalties of \$7,500 each under PFCRA. HUD further alleged that Civic Construction failed to pay prevailing wages of \$27 per hour to its employees who worked as carpenters on the project and, instead, misclassified these employees as laborers and paid them \$15.75 per hour during the period September 2010 to April 2011. Civic Construction and its owner denied that they were liable for civil penalties. However, to arrive at a mutually satisfactory resolution of the matter without the expense and uncertainty of further litigation, Civic Construction and its owner agreed to pay HUD \$34,000. The settlement agreement did not constitute an admission of liability or fault by any party.

RECOMMENDATION

We recommend that HUD's Office of General Counsel, Office of Program Enforcement,

- 1A. Allow HUD OIG to post the settlement of \$34,000 to HUD's Audit Resolution and Corrective Actions Tracking System as funds put to better use.