VERMONT

Vermont Department of Environmental Conservation
WATER INVESTMENT DIVISION
CONSTRUCTION SECTION

Agency of Natural Resources

FACT SHEET #12 - PAYROLL FALSIFICATION INDICATORS

DAVIS-BACON PROVISIONS FOR CLEAN AND DRINKING WATER SRF PROJECTS

Activities that take place during construction to ensure contractor compliance with Davis-Bacon

1. **COMPLIANCE FACTORS.** Certified payroll reports are records of the classification of work performed, number of hours worked, prevailing wage rate for that classification and the actual payment of wages

2. **PAYROLL FALSIFICATION INDICATORS.** In order to conceal underpayments, a willfully violating employer must falsify the payroll report as it pertains to one or more of these factors. There are four falsification indicators that are easy to detect on certified payrolls in a "spot-check":

   a. **Ratio of laborers to mechanics.** Look for excessive use of laborers over mechanics. Generally, there should be no more than one laborer for each mechanic (1:1) except for landscaping or cement/other paving work.

   INDICATES: MISCLASSIFICATION Workers are performing higher-paying Mechanic duties but are misclassified so they can be paid at lower Laborer rates.

   b. **Too few or irregular hours.** Look for employees that never work 40 hours per week; for crews that work in a scattered fashion, for hours reported in tenths or hundredths (13.6 hours). Most people work a 40-hour work week; most crews work together on a job site; and most employers and employees track work hours by whole, half, and quarter hours not by tenths and hundredths.

   INDICATES: REDUCTION OF HOURS Actual hours worked are reduced to "fit" in a fabricated calculation: (Reduced hours) x (Rate required on wage decision) = Substandard wages actually paid based upon a lower rate of pay.

   c. **Discrepancies in wage computations.** Look for gross wages paid in "round" numbers (i.e. $700) that don't agree with the product of reported hours multiplied by the rate of pay. (For example, a payroll showing 20 hours x $33.68 [the rate on wage decision] and gross wages of $700.)(20 hours x $33.68 = $676.60, not $700.)

   ***INDICATES: FALSIFICATION OF RATE OF PAY* for example**. The wage decision requires $33.68/hour for the lower type of work performed but the employer chooses to pay $17.50/hour. (40 hours' time $17.50 = $700.) The employer can't make the fabricated calculation "fit" precisely because the Davis-Bacon wage rate is not an even figure.

   d. **Extraordinary deductions.** Look for unidentified or disproportionate deductions, for example, an employee whose savings account deduction is nearly as much or more than weekly take-home pay.

   INDICATES: KICKBACKS OR BASIC UNDERPAYMENT The employer takes his "cut" from the back end of the computation (after gross earnings) rather than the front end (falsifying classification, hours or wage rate).

If these indicators appear on payrolls, you will want to take preliminary steps to test whether the payrolls are accurate or false.