

**UC MERCED AUDIT AND ADVISORY SERVICES**

June 13, 2018

To: Veronica Mendez – Chief Financial and Administrative Officer  
Subject: UC Fair Wage / Fair Work Plan Audit  
Ref: Audit Report No. M18A007

Internal Audit has completed an audit of UC Merced's compliance with the UC Fair Wage / Fair Work Plan, which was part of the 2017 – 2018 Audit Plan.

We appreciate the help we received from the Procurement Services staff during this audit. If you have any questions, please feel free to contact me.



Todd Kucker  
Director of Internal Audit

**Attachment**

cc Senior Vice President and Chief Compliance and Audit Officer Bustamante  
Chancellor Leland  
Associate Chancellor and Senior Advisor Putney  
Assistant Vice Chancellor and Controller Riley  
Chief Procurement Officer Dubroff

**UNIVERSITY OF CALIFORNIA, MERCED  
AUDIT AND ADVISORY SERVICES**

UC Fair Wage / Fair Work Plan Audit  
Report No. M18A007

June 13, 2018

Work completed by:  
Brandi Masasso – Internal Auditor

## **Management Summary**

Internal Audit has completed an audit of UC Merced's compliance with the UC Fair Wage/Fair Work Plan requirements. To help enforce compliance with the plan, Internal Audit departments at UC locations were tasked with reviewing their campus Procurement's management of the UC Fair Wage/Fair Work Plan requirements.

Based upon our audit testing, we concluded that current processes established by UC Merced Procurement Services are adequate to ensure compliance with the UC Fair Wage/Fair Work Plan.

## **Purpose, Scope, and Objectives**

As part of the Fiscal Year 2017 - 2018 Audit Plan, Internal Audit completed a review of the UC Fair Wage Fair Work (FW/FW) Plan at UC Merced. The overall purpose of the audit was to assess compliance with the plan requirements. The audit scope included contracts in place during calendar year 2017.

Our objectives were to:

- Review UC Merced contracts to ensure that applicable contracts contain the required FW/FW provisions;
- Determine whether Procurement Services is reviewing and monitoring contractor compliance with the annual certification requirements; and,
- Determine if exceptions to the FW/FW program were properly approved.

To fulfill the objectives, we completed the following testing:

- Reviewed UC policy and other guidance from the UC Office of the President concerning the UC Fair Wage/Fair Work Plan and evaluated UC Merced's processes to comply with the requirements;
- Evaluated a sample of applicable contracts for compliance with the UC Fair Wage/Fair Work Plan; and,
- Selected one supplier that submitted an annual audit certification form to review and verified that procedures were properly followed.

## **Background**

On July 22, 2015, University of California President Janet Napolitano announced a new minimum wage plan for UC employees. Titled the "UC Fair Wage/Fair Work Plan", the program guaranteed that by October 2017 UC employees hired to work at least 20 hours a week would be paid at least \$15 per hour.

Outside contractors providing services to the UC are required to pay workers providing services to UC a wage equal at least to the UC minimum wage, upon the renewal of their contract or establishment of a new contract after October 1, 2015. The UC minimum wage equals:

- At least \$13/hour beginning October 1, 2015
- At least \$14/hour beginning October 1, 2016
- At least \$15/hour beginning October 1, 2017

UC has created the following mechanisms to ensure contractors comply with this plan:

- Worker hotline - A telephone hotline allows workers employed by UC contractors to report issues related to wages or working conditions.
- Online complaint registration system - An online mechanism for contract workers to register complaints directly with UC.
- Annual and periodic audits - All UC contractors that provide more than \$100,000 of services are subject to an annual audit, paid for by the contractor, to ensure they and their subcontractors are complying with UC's minimum wage plan, as well as all federal, state, and UC workplace laws and policies. UC contractors are also subject to periodic audits to ensure compliance with UC's minimum wage rules and expectations for working conditions. The audits will be implemented as existing contracts come up for renewal and as new contracts are established.

For suppliers whose services exceed \$100,000 annually, an annual independent audit will be completed at the supplier's expense. The supplier will ensure that their auditor:

- Reviews payroll records to confirm Fair Wage/Fair Work compliance
- Reviews workplace policies and procedures and identifies what processes/mechanisms exist to report complaints about workplace conditions or pay
- Verifies that any complaints submitted by employees were appropriately resolved
- Makes available Fair Wage/Fair Work audit work papers to UC internal audit upon request
- Documents any exceptions and management corrective action in audit report
- Documents audit results on UC Fair Wage/Fair Work certification form and sends to UC (Procurement) annually no later than 90 days after each 1-year anniversary of the agreement's effective date

These audits must be performed by an independent auditor or the supplier's internal audit department (if the internal audit function reports directly to an independent board).

## **Conclusion**

Based upon our audit testing, we concluded that current processes established by UC Merced Procurement Services are adequate to ensure compliance with the Fair Wage/Fair Work Plan requirements.