



Internal Audit Report

Contracting Out (systemwide)

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Laurie Liao
Senior Auditor

Approved
James Dougherty, Director
Audit & Management Advisory Services

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I. EXECUTIVE SUMMARY

Audit and Management Advisory Services (AMAS) has completed an audit of UC Santa Cruz (UCSC) processes on contracting out for covered services.

This audit is included on the campus fiscal year 2023 audit plan and is part of the University of California systemwide effort on evaluating processes and controls in place that facilitate compliance with contracting out for covered services requirements, including Regents Policy 5402: Policy Generally Prohibiting Contracting for Services and Article 5 of the Collective Bargaining Agreements (CBAs) with the American Federation of State, County and Municipal Employees (AFSCME). The results of this work are summarized in the Office of Ethics, Compliance and Audit Services (ECAS) report titled Systemwide Contracting Out Audit issued April 2023. The systemwide recommendations and management corrective actions are in Appendix D, which include five systemwide recommendations to the campus locations in addition to our local campus recommendations.

Based on the results of work performed at UCSC, we noted overall the UCSC process for contracting out for covered services appears to be operating adequately in accordance with contracting out for covered services requirements, as referenced earlier. However, there are opportunities for the campus to be more in line with current Implementation Guidelines for Regents Policy Generally Prohibiting Contracting for Services regarding the posting of public notices to workers contracted for covered services.

The following observation requiring management corrective actions is identified below:

- A. There are no established processes to ensure that the following notices are posted in a place where they can be likely seen by workers contracted for covered services:
- Notices regarding requirements for converting to a UC career employee by departments contracting out for covered services.
 - Notices regarding Regents Policy and Article 5 of the AFSCME CBA requirements by suppliers, which includes information about the hotline number and online complaint registration system UC has established to report violations of the Regents Policy and Article 5 of the AFSCME CBA.

Agreement was reached with management on recommended actions to address risks identified in these areas. The observations and the related recommendation are described in greater detail in section III.

II. INTRODUCTION

Purpose

The objective of this assessment is to evaluate processes and controls in place to facilitate compliance with contracting out for covered services requirements. This audit is included on the campus fiscal year 2023 audit plan and is part of the University of California systemwide effort on evaluating processes and controls in place that facilitate compliance with contracting out for covered services requirements.

Background

On November 14, 2019, the University of California (UC) Regents approved Regents Policy 5402: Regents Policy Generally Prohibiting Contracting for Services. This policy prioritizes the use of UC employees over contract workers to provide covered services whenever possible. Contracting for covered services¹ should be used sparingly and treated as an option of last resort to address specified operational needs – not as a means to replace UC employees with lower-wage contract workers.

In addition, the Regents have made clear that Article 5 of the two collective bargaining agreements (CBAs) with AFSCME² takes precedence over the Regents Policy.

Per Regents Policy, the actual job titles of supplier employees performing covered services do not need to match ASFCME titles; if a supplier employee provides a covered service that is the same as the work done by bargaining unit employees, then that position is covered under the Regents Policy and Article 5 of the CBA. In addition, the service must be currently performed (or have been performed in the immediate past) by union employees anywhere in the UC system.

If UC determines that it needs to contract for covered services, then the suppliers providing such services must pay their employees rates equivalent to the total compensation received by bargaining unit employees performing the same work.

Regents Policy 5402 and Article 5 apply to covered services performed at a UC location³. However, neither the Regents Policy nor Article 5 applies to construction or work typically performed by members of a skilled crafts or trades bargaining unit such as a plumber, electrician, or facilities mechanic.

Collectively, the requirements in Regents Policy 5402 and Article 5 include, but are not limited to:

¹ **Covered Services:** This is work customarily performed by bargaining unit employees at the University, whether in whole or in part, including but not necessarily limited to the following services: cleaning, custodial, janitorial, or housekeeping services; food services; laundry services; grounds keeping; building maintenance (excluding skilled crafts); transportation and parking services; security services, billing and coding services, sterile processing, hospital or nursing assistant services, and medical imaging or other medical technician services.

² **AFSCME:** American Federation of State, County and Municipal Employees is a labor union that represents two University bargaining units, the Service (SX) unit and the Patient Care Technical (EX) unit. AFSCME represented employees perform the majority of Covered Services

³ Current guidance is that UC location means all locations within the UC system (campuses, medical centers, Office of the President, the Lawrence Berkeley Lab, etc.) as well as properties that the University has leased from or to a third party.

- To the fullest extent possible, in-source covered service work. As part of insourcing, identify supplier employees who meet the criteria for becoming a qualified individual (QI).⁴ The University location must offer QIs career employment when in-sourcing covered service work.
- Contracting for covered services is permitted where contracting out is required by law, federal requirement, contract or grant requirement, or court decisions or orders, or limited circumstances (carve outs) established in the policy.
- Contracts for covered services must include provisions requiring the contractor to provide its employees the equivalent of wages and benefits provided to University employees performing the same work. This requirement only applies to the contractor's employees providing services to the University under the covered service contract.
- Contracts for covered services must not displace University employees.
- Individuals providing services to the University under a covered service contract may request career employment when they meet the QI criteria.
- University locations must provide advance notice to affected employee organizations prior to entering into, extending, or renewing a contract for covered services over \$100,000. University locations must also notice affected employee organizations when issuing an RFP with covered services estimated to be over \$100,000.
- Provide an opportunity to those affected employee organizations, upon receiving the notice, to request review of a proposed contract for covered services to determine whether the contract complies with policy requirements.
- Produce an annual report of all contracts for covered services, regardless of amount or duration, and provide the report to affected employee organizations and the Regents.

On February 15, 2020, the Office of the Chief Procurement Officer also issued Implementation Guidelines for Regents Policy Generally Prohibiting Contracting for Services (Implementation Guidelines), which provide guidance to UC personnel on implementing Regents Policy 5402 and Article 5.

Scope

The scope of this audit included all of the covered services contracts transactions and controls in place since January 2021. The audit included interviews of personnel, review of policies, tests of selected transactions, observations, assessments of current practices and processing techniques, and other auditing procedures considered necessary.

The areas of focus include, but are not limited to, the following:

⁴ QIs are individuals who have provided covered services to the University for 1,000 hours in a rolling 12-month period or 35% (~2,200 hours) in a rolling 36-month period.

- Adequacy and consistency of guidance, training and communication to ensure contracting out requirements are understood and implemented at all organizational levels
- Processes and controls to comply with policy and contractual requirements, including:
 - Procedures to identify covered services and amend/terminate contract with covered services
 - Processes to review and evaluate decisions to contract out to ensure the University is contracting for services only when permitted by policy and contractual requirements
 - Processes to monitor suppliers' compliance with wage and benefit parity requirements
 - Procedures to track contractor hours and identify contract workers that meet the in-sourcing criteria
 - Procedures to comply with employee displacement requirements
 - Processes to in-source qualified contract workers
 - Provision of notice for contracting decisions
 - Tracking and reporting contract information to affected employee organizations and the Regents
 - Mechanisms to facilitate reporting violations and responding to reported violations
 - Processes for handling grievances
 - Supplier audits, which were assessed at the UCOP level and not AMAS
- Scope does not include compliance with SB 820 requirements.

For additional details, please see Appendix B. Summary of Work Performed and Results.

III. OBSERVATIONS REQUIRING MANAGEMENT CORRECTIVE ACTION

A. Posted Notices to Contract Workers		
<p>There are no established processes to ensure that the following notices are posted in a place where they can be likely seen by workers contracted for covered services:</p> <ol style="list-style-type: none"> 1. Notices regarding requirements for converting to a UC career employee by departments contracting out for covered services 2. Notices regarding Regents Policy and Article 5 of the AFSCME CBA requirements by suppliers, which includes information about the hotline number and online complaint registration system UC has established to report violations of the Regents Policy and Article 5 of the AFSCME CBA. 		
Risk Statement/Effect		
<p>The absence of these processes has resulted in the lack of notices being posted, which is not in line with Implementation Guidelines for Regents Policy Generally Prohibiting Contracting for Services. Although the posting of notices is not a requirement in Regents Policy and Article 5 of the AFSCME CBA, it may be prudent to establish this procedure to better inform contracted workers and to be prepared in the event it may become a future requirement.</p>		
Agreement		
A.1	Employee & Labor Relations will establish a procedure to ensure departments contracting for covered services are informed that they are required to post a notice to contract workers with the requirements for converting to a UC career employee, and the notice must be in a place where the contract workers are likely to see it. This may include follow-up procedures for department confirmation of compliance.	Implementation Date
		July 31, 2023
		Responsible Manager
		Acting Associate Vice Chancellor / Chief Human Resources Officer
A.2	Employee & Labor Relations will establish a procedure to ensure suppliers are informed that they are required to post notices of Regents Policy and Article 5 of the AFSCME CBA requirements in line with the updated guidance provided by Systemwide HR on provision of employee notices to suppliers. (in line with Appendix D, MCA 1.f.2, pg. 21)	Implementation Date
		August 15, 2023
		Responsible Manager
		Acting Associate Vice Chancellor / Chief Human Resources Officer

A. Posted Notices to Contract Workers – Detailed Discussion

1. Departments - UC Career Employment Conversion Notice

Through interviews with Employee & Labor Relations (ELR) staff, we found no procedures established to ensure departments contracting for covered services are posting public notices with the requirements for converting to a UC career employee in a place where the contract workers are likely to see it.

The Implementation Guidelines for Regents Policy Generally Prohibiting Contracting for Services (pg. 10) states:

In addition to hiring contract workers as part of in-sourcing a covered services contract, the University must exercise best efforts to identify supplier employees who are eligible for conversion to UC career employment. As part of this effort, departments contracting for covered services must post a notice to contract workers with the requirements for converting to a UC career employee, and the notice must be in a place where the contract workers are likely to see it.

While our work did find campus processes for identifying supplier employees who are eligible for conversion to UC career employment, this did not include procedures for ensuring departments contracting out for covered services are posting public notices with the requirements for converting to a UC career employee in a place where the contract workers are likely to see it. We did note this information is publicly available on the campus website, but this would require contract workers to be already aware of this information and seeking out details.

Staff also stated that they were not aware of this requirement, nor did they receive any UC template of a notice to provide to departments. Through the course of this audit, staff was provided with a UC template of this notice (see Appendix C).

Although the posting of notices is not a requirement in Regents Policy and Article 5 of the AFCSME CBA, it may be prudent to establish this procedure to better inform contracted workers and to be prepared in the event it may become a future requirement.

2. Suppliers - Regents Policy and Article 5 Notice to Contracted Employees

Through interviews with Employee & Labor Relations staff, we found no procedures established to ensure suppliers are posting notices regarding Regents Policy and Article 5 of the AFCSME CBA requirements, which includes information about the hotline number and online complaint registration system UC has established to report violations of the Regents Policy and Article 5 of the AFCSME CBA.

The Implementation Guidelines for Regents Policy Generally Prohibiting Contracting for Services (pg. 14) states:

Suppliers are required to post notices of Regents Policy and Article 5 of the AFCSME CBA requirements in prominent and accessible places (such as break rooms and lunch rooms) where they may be easily seen by the suppliers' employees who perform covered services. UC will provide a template for the notice with a section for the wage and benefit parity agreed to in the service contract(s) as well as the hotline number and online complaint registration system UC has established to report violations of the Regents Policy and Article 5 of the AFCSME CBA.

ELR staff stated that they were not aware of this requirement, nor did they receive any UC template of a notice to provide to suppliers. Through the course of this audit, staff was provided with a UC template of this notice (see Appendix C). We were also made aware of concerns that it may be too burdensome to ensure suppliers are in compliance with posting these notices. Although the posting of notices is not a requirement in Regents Policy and Article 5 of the AFCSME CBA, it may be prudent to establish this procedure to better inform contracted workers and to also prepare suppliers in the event it may become a future requirement.

Appendix A. Other Observations That Did Not Require Management Corrective Action – Detailed Discussion

As part of our work, we also noted the following observations that did not result in a recommendation or require management corrective action:

- During the course of the audit, we were informed that at least six staff with roles in facilitating compliance with contracting out for covered services requirements have left their positions or separated from the campus. As a result, it became very burdensome and challenging for the remaining staff to take on some of these additional roles and research others' actions in response to the audit. The lack of resources is particularly a concern, as it may result in overlooked noncompliance with requirements for contracting out for covered services or lack of efficiency just due to the need to prioritize other responsibilities.
- There is no formal process or staff assigned to monitor instances in which laws, federal requirements, contract or grant requirements, or court decisions or orders require contracting for covered services; however, staff informally rely on and communicate extensively with external parties who keep them aware of such requirements, such as Office of the President, etc.
- We noted that the link to all archived UC Terms & Conditions is no longer accessible to the public. However, this archive is managed by the University of California Office of the President. In addition:
 - It is our understanding that UC Terms & Conditions are attached to contracts in CruzBuy, our campus e-procurement system. Furthermore, we found all contract samples in our testing included a version of the UC Terms & Conditions with the appropriate Article 39 provision.
 - In one case, we found a UC Systemwide contract signed in 2019 and amended to include the appropriate provisions. Our campus issued a purchase order under this contract in 2021 and included a link to the page that hosts the most recent UC Terms & Conditions, that is available for public viewing. This page is managed by UCOP and additionally includes a link to prior UC Terms & Conditions (archived UC Terms & Conditions) that is not accessible to the public. As a result, this could cause some access issues for suppliers wanting to revisit past contract UC Terms & Conditions.
- There is no formal process to ensure there is no displacement of employees, therefore there is no assigned department responsible for enforcement, other than existing staff responsible for managing processes related to compliance with contracting for covered services. However, in our sample, there were no apparent employees displaced as a result of contracting out for covered services.
- Staff stated it is burdensome to obtain contact information about a QI for notification purposes, as there is no incentive for the supplier to easily cooperate. However, campus regularly tracks whether a supplier employee is close to reaching QI status, and begins preparing ahead of time in case the supplier employee does reach QI status.
- Staff stated that obtaining information from suppliers for hours worked by contract employees was particularly burdensome, but there is a systemwide response in progress to help alleviate this burden.
- AMAS observed that contract dates in the AFSCME Contracting Out Report tend to slightly deviate from actual dates. Staff explained that the dates of the contract in the AFSCME List was an estimate at the start of the contract, and that the actual dates of service can vary by a few days. However, this can be burdensome in

identifying which contracts are associated with the AFSCME Contracting Out Report, as there must be a manual checking of several systems and any potential clerical errors may result in more confusion and cause researching historical information to be more burdensome.

- For one sample, we noted that the Wage and Benefit Parity page in the contract was a different rate than what is reported in the AFSCME report. However, we found documents related to the department submitting a request for contracting out services that includes the same WBP rate as the AFSCME report. Staff stated this may have just been a clerical error when submitting the request, as it is manually entered in the form. We did not find any other instances of this type of clerical error.
- The staff responsible for in-sourcing existing contracts upon implementation of UC Regents Policy 5402 separated from the campus. To current staff knowledge, the COVID-19 pandemic caused all covered services contracts to naturally terminate due to lack of campus activity. Therefore, staff believes that they have fulfilled their task to review all covered services contracts to determine if they can be in-sourced. However, there is no one available who worked on this process that can confirm this, as at least six staff involved in the contracting out process have all left their roles or separated from the campus.

APPENDIX B. SUMMARY OF WORK PERFORMED AND RESULTS

Fieldwork	
Work Performed	Results
Reviewed UC and UC Santa Cruz policies, best practices, and other relevant guidance.	<ul style="list-style-type: none"> • Regents Policy 5402: Regents Policy Generally Prohibiting Contracting for Services • Article 5 of the AFCSME CBA • Implementation Guidelines for Regents Policy Generally Prohibiting Contracting for Services (Implementation Guidelines)
Identified personnel with roles in facilitating compliance with contracting out for covered services.	Identified personnel in the following units: <ul style="list-style-type: none"> • Real Estate & Contract Services (Real Estate) • Procurement & Supply Chain Services (Procurement) • Employee & Labor Relations (ELR)
Covered Services Identification	
<ul style="list-style-type: none"> • Obtained a list of all active purchase orders since November 2019 that have been categorized as services. • Obtained list of all covered services contracts through September 21, 2022, which includes contracts active as of December, 31, 2021. • Performed a walkthrough of the process by which campus identifies contracts that include covered services and ensures the completeness of that list. • Judgmentally selected 15 contracts/purchase orders that could be a covered service starting on or before December 31, 2021 and manually verified those that specified covered services. • Verified that covered services contracts identified in prior step are included in the list of all covered services contracts obtained earlier. 	<ul style="list-style-type: none"> • Based on the walkthrough, the campus formalized the process for contracting out requests (COR) through ServiceNow, a workflow management system. Procurement reviews all purchase orders with a request for services, which helps prevent departments from accidentally bypassing the COR process. The campus also provided training to personnel on the contracting out process. We did not identify any efficient opportunities for improvement in this process. • We found adequate controls exist to reasonably mitigate the risk of contracts being omitted from the list of such contracts, and we did not identify any efficient opportunities for improvement in this process. • Out of 15 samples, we found three included covered services, which were included in the list of all active covered services contracts as of the most recent report submission to AFSCME (February 2022 report of contracts active as of December 31, 2021).

Fieldwork	
Work Performed	Results
Review and Evaluation of Decisions to Contract Out	
<ul style="list-style-type: none"> • Reviewed relevant policies governing carve out/exceptions to UC contracting out requirements. • Performed a walkthrough of the campus processes for contracting for services when permitted by policy and contractual requirements. • Judgmentally selected a sample of five contracts out of a total of 40 and verified whether there was documented justification supporting the decision to contract out for services that is consistent with policy requirements. For each sample, also inquired if management made the decision to insource the contract. • Performed inquiry to gain an understanding of progress in identifying contracts to be in-sourced. 	<ul style="list-style-type: none"> • Campus policies align with systemwide criteria. Thresholds for granting carve out/ exceptions were identified. Campus units responsible for reviewing/ evaluating decisions were identified. • Walkthrough was performed, and controls are adequate for: <ul style="list-style-type: none"> ○ Requesting carve outs in accordance with systemwide criteria ○ Evaluating and documenting carve out and exceptions justifications (decisions to contract out for services) ○ As stated earlier, there is no formal process or staff assigned to monitor instances in which laws, Federal requirements, contract or grant requirements, or court decisions or orders require contracting for covered services; however, staff informally rely on and communicate extensively with external parties who keep them aware of such requirements, such as Office of the President, etc. • For all samples, we verified there is documented justification supporting the decision to contract out for services that is consistent with policy requirements. Management did not insource any of our sample contracts. • As stated earlier, the staff responsible for in-sourcing existing contracts upon implementation of UC Regents Policy 5402 separated from the campus. To current staff knowledge, the COVID-19 pandemic caused all covered services contracts to naturally terminate due to lack of campus activity. Therefore, staff believes that they have fulfilled their task to review all covered services contracts to determine if they can be in-sourced. However, there is no one available who worked on this process that can confirm this, as at least six staff involved in the contracting out process have all left their roles or separated from the campus.

Fieldwork	
Work Performed	Results
Monitoring Suppliers' Compliance with Wage and Benefit Parity Requirements	
<ul style="list-style-type: none"> • Inquired about the process to ensure the contracts for covered services include required provisions for contracting out policy requirements. • Judgmentally selected a sample of five contracts out of a total of 40 and verified that the covered services provision language is consistent with the language in the applicable version of the standard terms and conditions. • From the same five samples above, we noted none were multi-year contracts. 	<ul style="list-style-type: none"> • Procurement Services ensures the contracts for covered services include required provisions for contracting out policy requirements through the existing procurement processes, which require UC Terms and Conditions to be included in every supplier contract. We also noted that for every purchase order, a link is included that directs the supplier to a webpage that includes the most recent version of UC Terms & Conditions. This webpage also contains a link to archived UC Terms & Conditions, which we believe to be updated accordingly and maintained by the Office of the President. However, during the audit, we noticed that the link to archived UC Terms & Conditions is not accessible to the public. • For all five samples, we found that the covered services provision language is consistent with the language in the applicable version of the standard terms and conditions. However, the link to the UC Terms & Conditions archives hosted by UCOP is not accessible to suppliers or the public.
Identification of Qualified Individuals (QIs)	
<ul style="list-style-type: none"> • Conducted a walkthrough on the current process to identify QIs. • Obtained the current list of all supplier employees that were deemed QIs. Inquired about the process by which ELR ensures the completeness of the list of supplier employees. • Selected five supplier employees that were deemed QIs and reviewed relevant documentation to support they met the in-sourcing criteria. This included steps such as reviewing a sample of supplier provided hours and campus documentation of calculating supplier employee hours. 	<ul style="list-style-type: none"> • We conducted a walkthrough and noted there were several detailed, documented procedures, and use of templates, such as the one to request suppliers to provide staff hours. We did not identify any apparent opportunities for improvement. • ELR follows UCOP guidance to develop campus procedures to ensure the completeness of the list. We did not identify any apparent opportunities for improvement. • For all five samples of supplier employees that were deemed QIs, we found that supplier employees met the in-sourcing criteria for 1000 hours in a rolling 12-month period.

Fieldwork	
Work Performed	Results
<ul style="list-style-type: none"> Selected a judgmental sample of 11 supplier employees out of 119 who have not met the QI requirements and reviewed documentation to verify that they have not met the in-sourcing criteria listed above. 	<ul style="list-style-type: none"> For all 11 samples of supplier employees who did not appear to have met the QI requirements, we verified that supplier employees did not meet any of the in-sourcing criteria.
Displacement of Employees	
<ul style="list-style-type: none"> Inquired about the department responsible for enforcing the prohibition on displacing employees due to contracting for covered services. Also inquired about current process to ensure campus employees were not demoted, laid off or had involuntary reductions in time due to entering a contract for covered services. Obtained a list of all AFSCME-represented individuals who perform covered services (SX and EX) and had been involuntarily terminated or laid off (temporary or indefinite) for the period September 1, 2021 to present. Selected a judgmental sample of five involuntarily terminated employees and requested documentation to assess whether or not employees were displaced due to a contract for covered services. 	<ul style="list-style-type: none"> There is no formal process to ensure there is no displacement of employees, therefore there is no assigned department responsible for enforcement, other than existing staff responsible for managing contracting out for covered services. From our sample, we found no involuntarily terminated employees were displaced due to a contract for covered services. Specifically, three employees were released from their probationary period, one employee was released due to not returning to work, and one employee took a break from his partial-year position to work another temporary position on campus over the summer.
UC Career Employment Conversion	
<ul style="list-style-type: none"> Performed a walkthrough of the current processes by which QIs are provided options of UC career employment and how the University records and responds to requests for UC career employment conversion. Selected a sample of five supplier employees and reviewed documentation to verify that an option of employment was communicated to QIs. 	<ul style="list-style-type: none"> Through interviews with Employee & Labor Relations staff, we found no procedures established to ensure departments contracting out for covered services are posting public notices with the requirements for converting to a UC career employee in a place where the contract workers are likely to see it. Although this information is available on the campus website, this is still not posted in an area where the supplier employee would likely see it.

Fieldwork	
Work Performed	Results
<ul style="list-style-type: none"> Obtained a list of requests by QIs for UC career employment. Inquired about the process by which campus ensures the completeness of the list of requests made by QIs. In this list, we observed there were only two QIs who submitted requests for UC career employment conversion, but they did not pass the background check requirement. 	<ul style="list-style-type: none"> For all five samples, we verified that an option of employment was generally communicated to QIs when appropriate. Specifically, for three samples, Staff HR Talent Acquisition communicated an option of employment to the QI. For one sample, the supplier employee had already been hired into a position prior to reaching QI status. For another sample, the employee contact information is still being obtained by the department. We observed the list of requests by QIs for UC career employment is tracked in a master spreadsheet, where status updates of the supplier employee are detailed in the staff comments.
Provision of Notice for Contracting Decisions	
<ul style="list-style-type: none"> Conducted a walkthrough to gain an understanding of current process for the provision of notice for contracting decisions. Selected one sample to verify that the appropriate notices were provided to affected employee organizations and included the required elements per the Implementation Guidelines. 	<ul style="list-style-type: none"> During our walkthrough, we noted if a contract amount of \$100,000 or greater is entered in the ServiceNow workflow, it automatically notifies ELR, who then determines whether a notice is necessary. Outside of ServiceNow, an ELR Specialist drafts the notice and routes the draft notice to a Labor Relations Agent for review. Once the notice content is final, ELR Specialist facilitates distribution of the notice to the affected employee organization. <ul style="list-style-type: none"> When reviewing an example of supporting documentation, we observed the campus responds within 45 days of receiving a response to review proposed contract for covered services. We did not find any apparent opportunities for improvement. In our sample, we identified an appropriate notice was provided to the affected employee organization and included the required elements per the Implementation Guidelines. We also identified that notice templates provided by UCOP were used as a guide to help ensure the required elements are included.

Fieldwork	
Work Performed	Results
Tracking and Reporting Contract Information	
<ul style="list-style-type: none"> • Conducted a walkthrough to gain an understanding of current processes for tracking covered contracts and reporting covered contract information. • Obtained a copy of the most recent annual report of contracts for covered services and assessed the accuracy and completeness of the report. • From list above, selected five samples and compared wage and benefit parity (titles and rates) listed with supporting documentation. We also compared the UC carve out explanation listed with supporting documentation. 	<ul style="list-style-type: none"> • Campus relies on ServiceNow and CruzBuy data before this is vetted and manually entered into the systemwide SmartSheet system for submission to University of California Office of the President (UCOP Covered Services Reporting Form). • We assessed the report overall includes the required content. We noted that nine contracts provided information on why wage/benefit parity rates were not applicable. • Overall, the reported information is accurate. Specifically, we found: <ul style="list-style-type: none"> ○ In all samples, the carve out explanation had appropriate supporting documentation. ○ For three samples, we verified that the wage and benefit parity information was accurate based on supporting documentation. ○ For one sample, we noted the wage and benefit parity information was missing. However, it was listed as a systemwide contract and UCOP already had this information. ○ As stated earlier in the report, for one sample, we noted that the Wage and Benefit Parity page in the contract was a different rate than what is reported in the AFSCME report. However, we found documents related to the department submitting a request for contracting out services that includes the same WBP rate as the AFSCME report. Staff stated this may have just been a clerical error when submitting the request, as it is manually entered in the form. We did not find any other instances of this type of clerical error.
Reported Violations	
<ul style="list-style-type: none"> • Interviewed process owners to understand how the campus helps suppliers providing covered services notify their employees about how contracting out violations can be reported. 	<ul style="list-style-type: none"> • We found there is no procedure to help suppliers providing covered services notify their employees about how contracting out violations can be reported. As mentioned in the report, the campus does not

Fieldwork	
Work Performed	Results
<ul style="list-style-type: none"> • Interviewed process owners to understand how the worker hotline and other systems that receive contracting out-related complaints are managed. 	<p>provide these suppliers with posters that provide information on how to report a violation.</p> <ul style="list-style-type: none"> • We performed an inquiry about the complaint process and found a heavy reliance on systemwide policies/ procedures and that only systemwide systems were being used for intake, logging, and tracking complaints, where completeness is ensured by relying on the workflow within the UC systems. Furthermore, they solely follow the procedures stated in the UC Whistleblower Policy and UC Whistleblower Protection Policy and meet regularly to coordinate and manage complaints.
Grievances	
<ul style="list-style-type: none"> • Conducted a walkthrough to gain an understanding of the location’s current processes for handling grievances. • Selected a sample of four grievances related to contracting out to verify that the grievance was appropriately addressed as required by the Contracting Out Implementation Guidelines. Of this, we found two were handled at the UCOP level, one was remanded back to campus, and one was handled at the campus level. 	<ul style="list-style-type: none"> • Generally, campus follows the procedures outlined in Article 9 and 10. • For all samples handled at the campus level, we found that a written acknowledgement was issued and the grievance and/or appeals were appropriately addressed.

APPENDIX C. SAMPLES OF POSTER/ NOTICE TEMPLATES



UC Employment Opportunities for *Covered Service Contract Workers

The University of California is hiring contract workers who are QUALIFIED INDIVIDUALS (QI).



- ◇ A qualified individual (QI) has worked for UC performing the same service (*Covered Service) in the same classification at the same UC location for 1000 hours over at least a 12 consecutive month period, or 35% time over a rolling 36-month period and posses the required skills, certifications and licenses.
- ◇ A qualified individual must submit the QUALIFIED INDIVIDUAL(QI) form to Human Resources. Form may be obtained at [blank]
- ◇ You must submit to a standard University of California background check
- ◇ Placement will occur within 120 days from the date the application is received.

Contact _____ for more information.

*Covered services include but are not limited to: custodial; cleaning; sterile processing; hospital/nursing assistant services; janitorial; medical imaging services; house keeping; security services; billing/coding services; transportation; laundry service; food service; grounds keeping.



ATTENTION: Employees Providing Covered Services* for University of California

The University of California has enacted the Regents Policy Generally Prohibiting Contracting for Services. This policy requires suppliers to pay those employees providing covered services (services listed in the Policy) to the University of California the equivalent of the wages and benefits UC Employees receive for doing similar work.

Each contract for covered services has an appendix listing the UC wage and benefit parity rates for the work covered by the contract. Your supplier can provide you with the appendix if it is not attached to this poster.

To submit a confidential report about wage and benefit parity conditions to UC:

Call **855-WAGES-UC**

Or

go to <http://www.universityofcalifornia.edu/hotline/>

To Learn more about UC's Policy around Wage and Benefit Parity for Covered Services, go to: <https://regents.universityofcalifornia.edu/governance/policies/5402.html>

*Covered services include but are not limited to: custodial; cleaning; sterile processing; hospital/nursing assistant services; janitorial; medical imaging services; house keeping; security services; billing/coding services; transportation; laundry service; food service; grounds keeping.

**APPENDIX D. SYSTEMWIDE RECOMMENDATIONS AND MANAGEMENT
CORRECTIVE ACTIONS FOR UC SANTA CRUZ**

Recommendation to UCOP	Recommendation to Locations	UC Santa Cruz Management Corrective Action	UCSC Target Date
Procurement and Contracting Processes			
1.a.1 Systemwide Procurement should issue guidance to provide clear direction to UC locations on the following contracting out compliance requirements related to procurement and contracting: <ul style="list-style-type: none"> • Requirements for monitoring lower-value purchasing activity (such as purchase orders, automatic purchase orders, purchasing cards, and travel and entertainment reimbursements) to identify procurement of Covered Services • Acceptable practices for documenting Covered Services-related terms and conditions in supplier contracts and purchase orders. 	1.a.2 Locations should implement the updated guidance provided by Systemwide Procurement on contracting out compliance requirements for procurement and contracting.	1.a.2 UC Santa Cruz Procurement and Supply Chain Services will implement the updated guidance provided by Systemwide Procurement on contracting out compliance requirements for procurement and contracting once it has been issued by Systemwide Procurement.	October 31, 2023
Tracking Supplier Employee Hours, Identifying QIs, and Providing QIs Options for UC Career Employment			
1.b.1 Systemwide HR should complete the implementation of the systemwide QI tracking tool with the selected supplier identified in the RFP.	1.b.3 Locations should implement the updated guidance provided by Systemwide HR on contracting out compliance requirements related to Qualified Individuals and implement the QI tracking tool procured by UCOP.	1.b.3 UC Santa Cruz Staff Human Resources will implement the updated guidance provided by Systemwide HR on contracting out compliance requirements related to Qualified Individuals and implement the QI tracking tool procured by UCOP.	March 31, 2024
1.b.2 Systemwide HR should issue guidance to provide clear direction to UC locations on the following compliance requirements for QIs: <ul style="list-style-type: none"> • QI monitoring and identification, including appropriate protocols for instances in which a location determines that a supplier employee reached QI 			

Recommendation to UCOP	Recommendation to Locations	UC Santa Cruz Management Corrective Action	UCSC Target Date
<p>eligibility in the past but has since stopped providing services to the University for an extended period of time</p> <ul style="list-style-type: none"> • QI conversion to UC career employment, including the timeframe in which QIs must be notified of an option for employment and procedures for non-responsive QIs • Any allowable exceptions to required timeframes for QI conversion, such as certain categories of employees that require additional background checks • Posting notices to contract workers with the requirements for converting to a UC career employee, including the appropriate template(s) to be used 			
Compliance with Employee Displacement Requirements			
<p>1.c.1 Systemwide HR should issue guidance to provide clear direction to UC locations on required procedures to comply with employee displacement requirements when contracting out for covered services.</p>	<p>1.c.2 Locations should implement the updated guidance provided by Systemwide HR on contracting out compliance requirements related to employee displacement.</p>	<p>1.c.2 UC Santa Cruz Staff Human Resources will implement the updated guidance provided by Systemwide HR on contracting out compliance requirements related to employee displacement.</p>	<p>October 1, 2024</p>
Article 5 Grievances			
<p>1.e.1 Systemwide Labor Relations should issue guidance to provide clear direction to UC locations on the following compliance requirements related to administration of Article 5-related grievances:</p> <ul style="list-style-type: none"> • Requirements for recordkeeping 	<p>1.e.2 Locations should implement the updated guidance provided by Systemwide Labor Relations on contracting out requirements for</p>	<p>1.e.2 UC Santa Cruz Staff Human Resources will implement the updated guidance provided by Systemwide Labor Relations on contracting out</p>	<p>March 31, 2024</p>

Recommendation to UCOP	Recommendation to Locations	UC Santa Cruz Management Corrective Action	UCSC Target Date
<ul style="list-style-type: none"> • Roles and responsibilities of the locations and Systemwide Labor Relations for grievance administration • Criteria for notifying Systemwide Labor Relations regarding locally filed grievances • Procedures and documentation requirements for instances in which AFSCME is non-responsive during the grievance or appeals process 	<p>Article 5-related grievances.</p>	<p>requirements for Article 5-related grievances.</p>	
<p>Reporting Violations of Contracting Out Requirements</p>			
<p>1.f.1 Systemwide HR should issue guidance to provide clear direction to UC locations on requirements for provision of required employee notices to suppliers, including the appropriate template(s) to be used.</p>	<p>1.f.2 Locations should implement the updated guidance provided by Systemwide HR on provision of employee notices to suppliers.</p>	<p>1.f.2 UC Santa Cruz Staff Human Resources will implement the updated guidance provided by Systemwide HR on provision of employee notices to suppliers.</p>	<p>August 15, 2023</p>