

**UNIVERSITY OF CALIFORNIA, SAN FRANCISCO
AUDIT AND ADVISORY SERVICES**

**Fair Wage/Fair Work Plan
Project #21-043**

July 2021



University of California
San Francisco

Audit & Advisory Services

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SUBJECT: Fair Wage/Fair Work Plan, Project 21-043

At the request of the University of California Office of the President, UCSF Audit and Advisory Services (A&AS) completed a review of the processes and procedures in place at UCSF within Campus Supply Chain Management, UCSF Health Procurement Services, and UCSF Real Estate to ensure compliance with the UC Fair Wage/Fair Work Plan.

Our services were performed in accordance with the applicable International Standards for the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors (the "IIA Standards").

Our review was completed and the preliminary draft report was provided to department management in June 2021. Management provided their final comments and responses to our observations in July 2021. The observations and corrective actions have been discussed and agreed upon with department management and it is management's responsibility to implement the corrective actions stated in the report. A&AS will periodically follow up to confirm that the agreed upon management corrective actions are completed within the dates specified in the final report.

This report is intended solely for the information and internal use of UCSF management and the Ethics, Compliance and Audit Board, and is not intended to be and should not be used by any other person or entity.

Sincerely,

Irene McGlynn
Chief Audit Officer
UCSF Audit and Advisory Services



EXECUTIVE SUMMARY

I. BACKGROUND

At the request of the University of California Office of the President (UCOP), UCSF Audit & Advisory Services (A&AS) completed a review of the processes and procedures in place at UCSF within Campus Supply Chain Management, UCSF Health Procurement Services, and UCSF Real Estate to ensure compliance with the University of California (UC) Fair Wage/Fair Work Plan.

As part of FW/FW compliance, the provision language in contracts must be consistent with the UC terms and conditions of purchase. The standard term and conditions include the prevailing wage, and during the calendar year of 2020, FW/FW Plan requires that contractors doing business with UC to guarantee a \$15 minimum hourly wage for their workers. As of July 1, 2020, employees that perform work in San Francisco, including part-time and temporary employees, must be paid no less than the San Francisco minimum wage at \$16.07. Additionally, the FW/FW Plan requires contractors to implement several measures to help ensure compliance with the FW/FW minimum wage, as well as all federal, state, and UC workplace laws and policies. These measures include a telephone hotline for contract workers to report issues and annual audits by certain vendors to certify their compliance with the FW/FW Plan requirements.

Per UCOP Policy (BFB-BUS 43 Materiel Management), the FW/FW Plan applies to all services to be performed for the University at one or more UC locations. FW/FW requirements do not apply to:

- Contracts funded by extramural awards containing sponsor-mandated terms and conditions, or
- Endowment or investment property where the purpose is to generate income from the general public, except to the extent such property is used by the University in furtherance of its mission.

For the period January 1, 2020 to December 31, 2020 there were 57 Campus contracts, 22 UCSF Health contracts, and 10 UCSF Real Estate contracts subject to the FW/FW annual verification requirements.

II. AUDIT PURPOSE AND SCOPE

The purpose of this review was to assess the adequacy of the processes and procedures in place within Campus Supply Chain Management, UCSF Health Procurement Services, and UCSF Real Estate to ensure compliance with the UC FW/FW Plan, specifically those processes implemented to help ensure that outside contractors comply with the FW/FW Plan's requirements.

This project was conducted as part of a UC system-wide review on FW/FW. Each campus executed this project at the campus level and results will be reported and consolidated at the UC system-wide level. The audit scope, sample selection criteria, and audit program were established by the Office of the President to be consistent at all locations.

Procedures performed as part of the review include: interview of department personnel and walkthrough of their processes to understand processes related to complying with

the FW/FW Plan's provisions; review, on a sample basis, of contract FW/FW terms and conditions; review of verification forms received from contractors; validation of one vendor's auditor verification against supporting documents and all audits with reported exceptions to verify compliance with the Plan's provisions; and review of exceptions granted to the FW/FW provision.

To perform our review, we relied on Campus Supply Chain Management, UCSF Health Procurement Services, and UCSF Real Estate to provide listings of applicable contracts. We also completed an evaluation of the methodology and processes for how the lists were compiled. The scope of the review included all new and contract renewals subject to the FW/FW provisions executed between January 1, 2020 and December 31, 2020.

Work performed was limited to the specific activities and procedures described above. As such, this report is not intended to, nor can it be relied upon to provide an assessment of compliance beyond those areas specifically reviewed. Fieldwork was completed in June 2021.

III. SUMMARY

Campus Supply Chain Management, UCSF Health Procurement Services, and UCSF Real Estate have FW/FW provisions consistent with the applicable language in UC Terms and Conditions of Purchase. Additionally, all units have implemented processes to identify and track contracts subject to annual FW/FW verification and have made substantial progress in systems implementation to help identify contracts subject to FW/FW. The specific observations from this review are listed below for Campus Supply Chain Management Processes.

1. The process for reviewing supplier verifications and following-up on exceptions is insufficient to ensure compliance with FW/FW contract terms.
2. For the fourth year in a row, supplier verifications were not prepared by an authorized party as required by FW/FW Audit Standards, indicating insufficient understanding of FW/FW requirements.

IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS (“MCAs”)

A. Campus Supply Chain Management Processes

No.	Observation	Risk/Effect	Recommendation	MCA
1	<p><i>The process for reviewing supplier verifications and following-up on exceptions is insufficient to ensure compliance with FW/FW contract terms.</i></p> <p>One out of fifty-seven supplier verification forms received by Campus Supply Chain Management indicated exceptions to the FW/FW contract terms. The verification noting the exception was received in January of 2021, but Campus Supply Chain Management did not inquire into the exception until it was identified during the course of this audit in May 2021.</p>	<p>Without a review process to timely review verifications and follow-up on exceptions, Campus Supply Chain Management will not be able to address exceptions to the FW/FW plan and ensure corrections are made with the supplier timely.</p>	<p>Campus Supply Chain Management should review verifications and follow-up on any exceptions timely.</p>	<p>Action: SCM will create a tracking checklist that will record work and prompt analysts to respond by key dates.</p> <p>Responsible Party: Director Strategic Sourcing</p> <p>Target Date: December 2021</p>
2	<p><i>For the fourth year in a row, Campus Supply Chain Management accepted supplier verifications that were not prepared by an authorized party as required by FW/FW Audit Standards¹, indicating insufficient understanding of FW/FW requirements.</i></p> <p>Two out of fifty-seven supplier Auditor Verifications forms reviewed for Campus Supply Chain Management were prepared by "Enrolled Agents"² and did not satisfy the UC FW/FW guidelines. Per the UC FW/FW Annual Audit Standards, the verification form must be prepared by a registered public accounting firm or the supplier’s independent internal audit department.</p> <p>This repeat finding may indicate that Campus Supply Chain Management has insufficient process documentation</p>	<p>Without personnel with the required training and experience preparing the annual verification form, the review procedures may not be appropriately completed and compliance with the FW/FW Plan requirements cannot be ensured.</p>	<p>Completed Auditor Verification forms should be reviewed by Supply Chain Management to determine if qualifications of the personnel performing the review and preparing the Auditor Verification forms on behalf of the suppliers meet the FW/FW Plan requirements.</p> <p>Supply Chain Management should contact the suppliers to remind them of the Verification</p>	<p>Action: SCM will leverage the same team to run next year’s audit. SCM will create a tracking checklist that will require analysts doing the work to check specific aspects of the returned forms.</p> <p>Responsible Party: Director Strategic Sourcing</p>

¹ This is a recurring issue that was noted in the 2018, 2019, and 2020 audit reports, but with different suppliers.

² An Enrolled Agent is a credential awarded by the IRS to individuals, so that they may offer tax preparation and planning services and represent taxpayers before the IRS.

No.	Observation	Risk/Effect	Recommendation	MCA
	<p>and training to ensure personnel understand FW/FW requirements and what is needed for compliance. While past corrective actions have been limited to obtaining new Auditor Verification forms for the non-compliant suppliers, additional corrective actions may be needed to prevent recurrence of this issue.</p>		<p>requirements of the FW/FW Plan.</p> <p>Supply Chain Management should clearly document their procedures for ensuring compliance with FW/FW contract terms, including any prior lessons learned.</p>	<p>Target Date: December 2021</p>