

**UNIVERSITY OF CALIFORNIA, DAVIS  
AUDIT AND MANAGEMENT ADVISORY SERVICES**

**Fair Wage/Fair Work  
UC Davis Health Contracts  
Audit & Management Advisory Services Project #19-07**

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## Fair Wage/Fair Work

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#### **Background**

In July 2015, President Janet Napolitano announced a new minimum wage plan for UC employees entitled “UC Fair Wage/Fair Work Plan” (“the FW/FW Plan”, or “the Plan”). Under this directive, a wage schedule assured a minimum wage of \$15 per hour by 2017. The Plan requires that contractors doing business with UC on UC owned or leased property guarantee hourly wages per a designated wage schedule. The Plan includes provisions to ensure compliance with its terms. In addition, for services exceeding \$100,000 and not subject to prevailing wage<sup>1</sup> requirements, suppliers must provide certification of an annual independent audit performed by an independent auditor or an independent internal audit department, at the supplier’s expense.

#### **Purpose and Scope**

As part of the fiscal year 2018-2019 audit plan, Audit and Management Advisory Services (AMAS) conducted a review of Fair Wage/Fair Work. Each UC campus was asked to perform audit procedures at the direction of the Office of the President (UCOP). The purpose of this review was to determine compliance with the UC FW/FW Plan. At UC Davis, specialized units provide processing services for contracts that are negotiated and entered into at the Campus and at UC Davis Health. This report addresses UC Davis Health Contracts (UCDH Contracts). We interviewed administrators, reviewed processes, examined lists of contracts, and conferred with audit colleagues from UCOP and other campuses.

#### **Conclusion**

UCDH Contracts should be commended for their efforts to ensure compliance with the Fair Wage/Fair Work plan. During our review, we determined that UCDH Contracts:

- Actively monitors contracts to ensure completeness of their list of contracts with the Fair Wage/Fair Work provision;
- Actively monitors Fair Wage/Fair Work policy exceptions;
- Actively follows-up with suppliers to ensure annual verifications are received for all contracts with services that exceeded \$100,000 in the last contract year;
- Actively follows-up on any noted exceptions; and
- Ensures proper signing authority for all requested Fair Wage/ Fair Work policy exceptions.

We did identify opportunities for improvement related to the verification period on the annual verification forms.

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<sup>1</sup> The prevailing wage is a base compensation rate paid on public works projects that guarantees that certain classes of workers are paid fairly for the services performed.

**OBSERVATION, RECOMMENDATION, AND MANAGEMENT CORRECTIVE ACTIONS****A. Verification Periods**

**UCDH Contracts should include the annual verification period on the annual verification forms that are sent to suppliers. This verification period must correspond with the correct contract year.**

Annual verification forms are being sent to suppliers without a verification period listed. When the verification period is not prepopulated, the risk increases that the suppliers' CPA firms or independent audit departments will include an incorrect verification period on the forms, and that the annual audit process covers an incorrect time period. When forms are returned with an incorrect verification period, UCDH Contracts must follow-up with the supplier to obtain a corrected form, which creates additional work for all involved in the process.

**Recommendation**

UCDH Contracts should send annual verification forms to suppliers with the appropriate verification period listed on the form. A process should be developed so that UCDH Contracts includes the appropriate contract year in the verification period field prior to submission to the supplier. UCDH Contracts should also follow-up to obtain a corrected form from any supplier who returns a form with an incorrect verification period.

**Management Corrective Actions**

- 1.) UCDH Contracts has modified their process to include instructions for the Contract Analyst to ensure that the appropriate contract year is on the annual verification forms that are sent to suppliers. No further actions are considered necessary.
- 2.) UCDH Contracts has followed up with the supplier who returned an annual verification form that included an incorrect verification period and have obtained a corrected form. The verification form for their only other supplier that is subject to the FW/FW Plan has also been received and includes a correct verification period. No further actions are considered necessary.