

UNIVERSITY OF CALIFORNIA, DAVIS
AUDIT & MANAGEMENT ADVISORY SERVICES

Fair Wage/Fair Work
Audit & Management Advisory Services Project # 17-63

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Fair Wage/Fair Work**Audit and Management Advisory Services Project # 17-63****MANAGEMENT SUMMARY****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 assures a minimum wage of \$15 per hour by 2017. Mentioned in BFB BUS-43 “Materiel Management,” the Plan requires that contractors doing business with UC guarantee hourly wages per a designated wage schedule. The Plan contains built-in exceptions and also allows senior procurement officers to issue exceptions on a case-by-case basis.

The Plan includes provisions to ensure compliance with its terms. Specifically, UC retains the right to reasonably request that interim compliance audits be performed. In addition, for services exceeding \$100,000 and not subject to prevailing wage¹ 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.

At UC Davis, specialized units provide processing services for contracts that are negotiated and entered into at the Campus and at UC Davis Health (UCDH). Such units include, but are not limited to, the Sponsored Programs Office, UC Davis Health Contracts, Contracting Services, and Design & Construction Management.

Purpose and Scope

As a supplemental project to the fiscal year 2016-17 audit plan, Audit and Management Advisory Services (AMAS) conducted a review of Fair Wage/Fair Work. Each UC campus was asked to perform “interim audit procedures” passed down from the Office of the President (UCOP). Sections of the review have been reserved for next fiscal year, when we will perform a follow-up audit. Our review was limited to the following units: Procurement and Contracting Services² (“Procurement Services”), UCDH Purchasing, and UCDH Health Contracts. We interviewed administrators from each unit, reviewed processes, examined lists of contracts, and discussed audit progress with University of California Office of the President (UCOP) and other campuses weekly.

This review focused on two primary areas. First, we were asked to review processes for tracking contracts subject to the Plan, and review a sample of those contracts to ensure inclusion of the Fair Wage/Fair Work clause in the agreement or contract. Second, we were asked to inquire about the status of certifications; part of this inquiry required us to contact a supplier for information about the certification.

¹ 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.

² Nestled under Accounting and Financial Services, Procurement and Contracting Services is charged with “reviewing, negotiating, and establishing legal, binding agreements and contracts....”

Conclusion

Contracts List and Fair Wage/Fair Work Clause

We found that units were proactive in ensuring that contracts subject to the Plan included the Fair Wage/Fair Work clause. Both Procurement Services and UCDH Purchasing instituted a practice of including the clause in every contract. UCDH Health Contracts enlisted the assistance of their legal unit to incorporate the Fair Wage/Fair Work clause into select contracts. We find these practices to be conducive to executing the Plan.

UCOP mandated that units maintain lists of contracts that are specifically subject to Fair Wage/Fair Work requirements. We found that all three units are improving current practices of tracking contracts that are subject to the FW/FW Plan.

Certifications

We found that each unit is at a different stage in notifying suppliers of the annual certification requirement. UCDH Health Contracts has implemented a process for contacting suppliers for certification forms, and their initiative has produced responses. Procurement Services has also notified suppliers, but, at the time of the conclusion of our fieldwork, they had not yet received any responses. Finally, UCDH Purchasing has not yet begun to contact suppliers, but they have developed a process for notification. We intend to review certifications and corresponding audits next year, after units are given an opportunity to formalize their notification process.

During the course of the review, we identified observations and associated recommendations directed to UCOP; these have been reported separately to UCOP. Observations and recommendations for UC Davis are detailed below.

I. OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT CORRECTIVE ACTIONS

A. Develop and Refine Methodology to Manage Fair Wage/Fair Work Contracts

Development of management techniques for contracts subject to the FW/FW Plan will support the units' ability to monitor and track these contracts.

Two of the three units we reviewed have a general practice of including the Fair Wage/Fair Work clause as a standard provision in all contracts; all three units are either currently tracking higher risk contracts that are subject to outside audits or will begin to track these contracts. In anticipation of this review, UCOP mandated that all campuses prepare and maintain lists of contracts that are subject to the FW/FW Plan. The Plan is not codified in policy, so any instructions from UCOP have been passed down through guidance and training material. The units may benefit from developing additional processes for identifying and isolating contracts that are specifically subject to the FW/FW Plan.

Since the announcement of the FW/FW Plan, UCOP has been highly responsive to questions about how to implement its provisions. As additional guidance becomes available, units may benefit from revisiting existing interpretations of the initiative and developing procedures to address the goals of the Plan.

Recommendation

We recommend that units make adjustments as necessary to existing practices to ensure ongoing compliance with the FW/FW Plan and UCOP's instructions.

Management Corrective Actions

All three units are adopting practices that will enhance their methods of tracking contracts that are subject to the FW/FW Plan. Procurement Services plans to extend the use of AggieBuy, a procurement tool that, in its next phase, could be used to identify contracts subject to the Plan. The second phase of AggieBuy, which involves streamlined user interface for procurement and payment, is currently in progress and Procurement Services estimates a release date in 2018. UCDH Purchasing has instituted a practice of tracking contracts in a shared drive where buyers will add to a running list of service contracts. This manual process will be in effect until a materials management project – (“Lawson”) is implemented in 2018. UCDH Health Contracts currently manually tracks procurement service agreements in a database and will continue to do so.

- I. By December 15, 2017, Procurement Services, UCDH Purchasing, and UCDH Health Contracts will provide status update reports confirming continuous refining of processes to comply with the FW/FW Plan.
