

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

**Fair Wage/Fair Work  
UC Davis Purchasing  
Audit & Management Advisory Services Project #20-09**

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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 2019-2020 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 Purchasing (Purchasing). We interviewed administrators, reviewed processes, examined lists of contracts, and conferred with audit colleagues from UCOP and other campuses.

#### **Conclusion**

UCD Purchasing should be commended for their efforts in ensuring compliance with FW/FW annual verification process. We determined that UCD Purchasing was active in following up with their suppliers and that all of their annual verification forms were received back timely and demonstrated full compliance with the FW/FW requirements.

We did, however, identify opportunities for enhancement related to the verification period and date of agreement on the annual verification forms, as well as how forms which have been returned are reviewed for completeness, accuracy, and proper signing authority. In addition, we have identified opportunities for improvement related to the inclusion of the FW/FW provision in UCD Purchasing agreements. Our observations, recommendations, and management corrective actions are detailed below.

### **OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT CORRECTIVE ACTIONS**

#### **A. Verification Periods**

**UCD Purchasing should include the annual verification period and date of agreement on the annual verification forms that are sent to suppliers. This verification period must correspond with the correct contract year.**

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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.

Annual verification forms are being sent to suppliers without a verification period or date of agreement 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 and date of agreement on the forms, and that the annual audit process covers an incorrect time period. When forms are returned with an incorrect verification period, UCD Purchasing must follow-up with the supplier to obtain a corrected form, which creates additional work for all involved in the process.

### **Recommendation**

UCD Purchasing should send annual verification forms to suppliers with the appropriate verification period and date of agreement listed on the form. A process should be developed so that UCD Purchasing includes the appropriate contract year and date of agreement prior to submission to the supplier. UCD Purchasing should also follow-up to obtain a corrected form from any supplier who returns a form with an incorrect date of agreement or verification period prior to submitting the forms to AMAS as part of the annual audit.

### **Management Corrective Actions**

- 1.) By December 1, 2020, UCD Purchasing will modify their process to include instructions for prepopulating the full contract year and date of agreement on the annual verification forms that are sent to suppliers.

## **B. Provision Language & Training**

**UCD Purchasing should train Buyers to ensure that the Fair Wage Fair Work provision language that they are including in their agreements is consistent with the language in the applicable version of the UC Standard Terms & Conditions of Purchase.**

When agreements are generated, Buyers are not ensuring that they are including the Fair Wage Fair Work provision language that is consistent with the applicable version of the UC Standard Terms & Conditions of Purchase. When the applicable provision language is not included, it is difficult for UC to enforce its suppliers to follow the guidelines of the FW/FW policy.

### **Recommendation**

UCD Purchasing should ensure that Buyers are reviewing the latest version of the UC's Standard Terms & Conditions of Purchase prior to generating agreement documents. A process should be developed so that UCD Purchasing's Buyers are accessing the most recent version of the Standard Terms & Conditions of Purchase to include the FW/FW language that is consistent with the language in the applicable version of the UC Standard Terms & Conditions of Purchase. In addition, UCD Purchasing should train all Buyers of the new process on at least an annual basis, including having Buyers sign off that they have completed the annual training.

### **Management Corrective Actions**

- 1.) UCD Purchasing has modified their process to include instructions for Buyers to ensure they are including in their agreements the FW/FW language that is consistent with the language in the applicable version of the UC Standard Terms & Conditions of Purchase. No further actions are necessary.
- 2.) By September 1, 2020, UCD Purchasing will train all of their Buyers to ensure that they are including the most recent version of the UC Standard Terms & Conditions of Purchase in all UCD Purchasing agreements.