**UC** **RIVERSIDE: AUDIT & ADVISORY SERVICES**

Date: December 14, 2023

To: George Williams, Director of Employee & Labor Relations

Employee and Labor Relations

Subject: Systemwide Contracting Out Audit

Ref: R2023-03

We have completed the Systemwide Contracting Out audit in accordance with the University of California, Riverside (UCR) Audit Plan. Our report is attached for your review

We will perform audit follow-up procedures in the future to review the status of management actions. This follow-up may take the form of a discussion or perhaps a limited review. Audit R2023-03 will remain open until we have evaluated the actions taken.

We appreciate the cooperation and assistance provided by you and your staff. Should you have any questions concerning the report, please do not hesitate to contact me.

Gregory Moore

 Director

cc: Associate Vice Chancellor and Controller, Bobbi A McCracken

 Associate Vice Chancellor/CHRO, Alex Najera

 Ethics & Compliance, Risk and Audit Controls Committee

UNIVERSITY OF CALIFORNIA AT RIVERSIDE

AUDIT & ADVISORY SERVICES

AUDIT REPORT R2023-03

CONTRACTING OUT

December 14, 2023

Approved by:

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Ricardo Pardo Gregory Moore

Associate Auditor Director

**UC RIVERSIDE**

**CONTRACTING OUT**

**AUDIT REPORT R2023-03**

**December 14, 2023**

1. **MANAGEMENT SUMMARY**

Based upon the results of work performed within the limited scope of the audit, we observed some areas noted below that need enhancement to strengthen internal controls and/or effect compliance with University policies and procedures. These issues are noted in the Observations (Section III).

1. Observation III.A - Review and Evaluation of Decisions to Contract Out
2. Observation III.B - UC Career Employment Conversion
3. Observation III.C - Tracking and Reporting Contract Information
4. Observation III.D - Reported Violations
5. Observation III.E - Covered Services Identification
6. Observation III.F - Review and Evaluation of Decisions to Contract Out
7. Observation III.G - Review and Evaluation of Decisions to Contract Out
8. Observation III.H - Displacement of Employees
9. Observation III.I - UC Career Employment Conversion
10. Observation III.J - Grievances
11. Observation III.K - Provision of Notice for Contracting Decisions
12. Observation III.L - Grievances

These items are discussed below. Minor items that were not of a magnitude to warrant inclusion in the report were discussed verbally with management.

In addition to the observations listed above, recommendations for corrective actions applicable to local campuses were identified in the systemwide report. These recommendations and the associated corrective actions for UCR are further described in Appendix A, Systemwide Recommendations and Management Corrective Actions.

1. **INTRODUCTION**

University of California, Riverside (UCR) Audit & Advisory Services (A&AS), as part of a systemwide effort performed an audit of compliance with contracting out 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). A&AS performed this audit of procurement and human resources functions using the standard audit program developed for the systemwide audit.

A&AS developed this report based on information gathered from the audit. It provides findings and a set of corresponding recommendations to address these findings.

* 1. **OBJECTIVE AND SCOPE**

**Objective:** The objective of this assessment was to evaluate processes and controls in place to facilitate compliance with contracting out requirements.

**Scope:** The scope of this audit included evaluation of the design and implementation of the processes and controls that facilitate compliance with contracting out requirements under Regents Policy 5402 and Article 5. While the audit focused on current processes, the evaluation of internal controls included review of documentation supporting implementation of contracting out requirements for the period of February 15, 2020[[1]](#footnote-1) through December 31, 2022. The areas of focus included the following:

* 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 existing contracts with Covered Services providers
	+ 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 update supplier contracts with required wage and benefit parity language and amendments
	+ Procedures to track contractor hours and identify contract workers that meet the insourcing criteria
	+ Procedures to comply with employee displacement requirements
	+ Processes by which QIs are provided options for UC career employment
	+ Provision of notice for contracting out decisions
	+ Tracking and reporting contract information to affected employee organizations and the Regents
	+ Mechanisms to facilitate reporting violations and respond to reported violations
	+ Processes for handling grievances
	+ Supplier audits

The audit scope did not include an assessment of controls and processes related to compliance with California Senate Bill 820, which imposed additional restrictions for contracting out for services performed in buildings that have received state capital funding.

* 1. **BACKGROUND**

On November 14, 2019, the 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 Services[[2]](#footnote-2) 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 CBAs with AFSCME[[3]](#footnote-3) 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 location[[4]](#footnote-4). 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:

* 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)[[5]](#footnote-5). 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 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. The Implementation Guidelines are currently under revision but an updated version of the guidelines has not yet been issued.

* 1. **INTERNAL CONTROLS AND COMPLIANCE**

As part of the review, internal controls were examined within the scope of the audit.

Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

* Effectiveness and efficiency of operations
* Reliability of financial reporting
* Compliance with applicable laws and regulations

Substantive audit procedures were performed during the months of October 2022 through March 2023. Accordingly, this evaluation of internal controls is based on our knowledge as of that time and should be read with that understanding.

1. **OBSERVATIONS, COMMENTS, MANAGEMENT CORRECTIVE ACTION**
	1. **Review and Evaluation of Decisions to Contract Out**

**Criteria:** Requesting departments are required to follow the University’s contracting out for covered services policies and procedures as defined by UC Regents Policy 5402. Requesting departments are required to submit a “Contracting Out for Covered Services Justification Request Form” to the service department and to Employee Labor Relations. Contracts that include covered services will only be allowed sparingly and will require demonstration that all other options to create career UC positions have been exhausted.

As of February 1, 2022, UCR contracting out requests are to be submitted and processed through the UCR Human Resources Management System (HRMS).

**Condition:** During our testing of ten sampled purchase orders, we noted four purchase orders where the requesting department failed to complete the required “UCR Contracting Out for Covered Services Justification Form” prior to contracting out for covered services. The requesting department processed the purchase order and did not follow the University’s contracting out policies and procedures. As a result, the contracting out departments were not in compliance with UC Regents Policy 5402 and Article 5 of the collective bargaining agreements.

**Management Action Plan:** Findings of the four purchase orders (DAPOs) were not under the review or control of Central Procurement. They fell within the low value threshold allowance for departments to transact. With the implementation of the new Oracle Financial system, departments will be able to complete purchase requisitions for professional/personal services themselves, however the requisition will route to Central Procurement for review and approval. Central Procurement will ensure 5402 requirements are included on the purchase order.

At the time these orders occurred, Procurement was still working with Employee Labor Relations (ELR)/Human Resources (HR) on learning what qualified under 5402, etc., and contracting out requests were still being done on a written form prior to the HRMS process being implemented. Central Procurement reached out to departments to provide them with guidance and the process for contracting out requests through the HRMS system. At the time the staffing purchase orders were completed, Procurement had not yet reduced the dollar amount on the internal agreements in eBuy that allowed departments to process low-value purchase authorization (LVPA) orders without Central Procurement involvement. Once Central Procurement had a greater understanding of the 5402 process, those agreement amounts were reduced so that departments could not do LVPA orders but were required to submit purchase requisitions to Central Procurement. Most suppliers are now registered with AgileOne and requirements and processes are in place for any contracting out for covered services requests needed.

As previously noted, with the implementation of the new Oracle financial system, requisitions will be routed to Central Procurement for services, regardless of the dollar amount or they will be sent to Central Procurement for review and approval depending on how the information is inputted into Oracle.

The UC Riverside Contracting Out for Covered Services Justification Request Forms have now been completed for the four purchase orders.

The management corrective action plan described herein is newly implemented and is subject to change based on updates to processes, Oracle system updates, and system stabilization.

**Expected Implementation Date:** Implemented.

* 1. **UC Career Employment Conversion**

**Criteria:** In accordance with UC Regents Policy 5402, “the University shall identify covered services that have been provided on a continuous basis for 12 months or more through service contracts and shall, to the fullest extent possible, in-source that work to be provided by University employees. Individuals employed by service contractors who have provided those services to the University on a continuous basis for 12 months or more may request to be converted to University employment. Requests should be submitted to the location’s Employee/Labor Relations Manager. The University shall establish implementation guidelines by no later than January 31, 2020.”

**Condition:** During our audit procedures, we noted that any requests by qualified individuals for conversion to UC career employment were addressed as asserted by Talent Acquisition. However, we noted no formal documented processes or procedures in place to track requests from qualified individuals for conversion to UC career employment.

**Management Action Plan:** Employment Labor Relations and Talent Acquisition are developing a process to track requests for conversion to UC career employment from qualified individuals. The qualified individuals’ hours are monitored by the departments which the qualified individuals support. UCOP is developing a system for monitoring, tracking, and reporting qualified individuals on UCR campus.

**Expected Implementation Date:** Implemented.

* 1. **Tracking and Reporting Contract Information**

**Criteria:** Locations are required to track covered service contracts and report covered service contract information to affected employee organizations and to the Board of Regents. This includes provisioning the required information to UC Systemwide Procurement Services, production of the annual report of all contracts for covered services, regardless of amount or duration, and provision of the report to the Office of the President. This report will include the following:

* List of existing contracts
* Information on titles and wage/benefit parity rates in effect for each contract

**Condition:**  During our audit procedures, we noted that ELR did not have formal documented internal procedures for analyzing covered service contracts. Although the new HRMS system was put in place to track covered service requests on campus, there is not a local procedure to govern this process campuswide. Additionally, there is not an electronic system in place to report covered service contract information to affected employee organizations and to the Board of Regents. We also noted there was no formal documented campuswide local procedure in place to provision the required information to UC Systemwide Procurement Services, production of the annual report, and provision of the report to the Office of the President.

In addition, during our review of the 2021 AFSCME report, we noted content for various purchase orders from the annual report that did not agree with supporting documentation. These instances occurred prior to implementation of the HRMS system. We noted one purchase order that did not include the required information on titles and wage/benefits parity rates. Furthermore, during our testing of ten sampled purchase orders from the 2021 AFSCME report, we noted the following:

* Three purchase orders did not have the correct carve out reported in the 2021 AFSCME report.
* Three purchase orders did not have the correct contract start date reported in the 2021 AFSCME report.
* Four purchase orders did not have the correct contract end date reported in the 2021 AFSCME report.
* One purchase order did not have the correct wage and benefit parity rates reported in the 2021 AFSCME report.

**Management Action Plan:** The audit findings from this section are all prior to the implementation of the HRMS System. The purchase order lacking the correct Wage & Benefit Parity rate as identified in this section findings will be corrected, and supplier will be notified to make employees whole as identified. This will be remedied by December 31, 2023. The findings related to carve outs, contract start and end dates, have been corrected. Corrections for active contracts will be reported in the next reporting cycle.

ELR will work with Policy, Procurement and Compensation to develop a Campuswide Local Procedure to provide campuswide guidance on the contracting out for covered services process. Additionally, ELR will develop its internal departmental procedures for step-by-step processing of Contracting Out for Covered Services request and steps required to ensure compliance with Article 5 & Policy 5402. This will be remedied by December 31, 2023.

**Expected Implementation Date:** December 31, 2023.

* 1. **Reported Violations**

**Criteria:** Suppliers are required to post notices of Regents Policy and Article 5 of the AFSCME 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 provided 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.

**Condition:** During our audit procedures, we noted there were no processes or procedures in place by Procurement on how the campus helps suppliers providing covered services notify their employees about how contracting out violations can be reported. The campus can provide suppliers with posters that provide information on how to report a violation.

We also noted there was no local intake system in place by ELR to collect local reported violations from supplier employees.

**Management Action Plan:** To satisfy the requirement, Central Procurement will add language to its library of clauses, and petition Office of the President to add the language to its current UC Terms and Conditions so the clause will not be required. The language will include notifying suppliers of their responsibility to notify employees about how contracting out violations can be reported in addition to providing suppliers the notices to post.

In addition, ELR has submitted a budget request to create an electronic system to collect potential reported violations from supplier employees, University employees or exclusive representatives of SX & EX bargaining unity members.

**Expected Implementation Date:** The Procurement management action plan has been implemented. The ELR management action plan will be implemented by February 1, 2024.

* 1. **Covered Services Identification**

**Criteria:** Requesting departments are required to follow the University’s contracting out for covered services policies and procedures as defined by UC Regents Policy 5402. Requesting departments are required to submit a “Contracting Out for Covered Services Justification Request Form” to the service department and to Employee Labor Relations.

As of February 1, 2022, UCR contracting out requests are required to be submitted and processed through the UCR HRMS.

**Condition:**  During our audit procedures and interviewing of personnel, we identified a risk that purchase orders initiated at the department level as Department Authorized Purchase Orders (DAPOs) may not go through the contracting out module within the HRMS system and thus the required approvals and guidelines from the UC Regents Policy 5402 may not be included in the DAPOs.

**Management Action Plan:** Campus Leadership will meet to develop a plan of action to provide training for all users of the DAPO system to ensure proper usage of the system. Additionally, we will identify the needed components and resources to provide greater oversight of the DAPO system and usage throughout campus.

**Expected Implementation Date:** April 1, 2024.

* 1. **Review and Evaluation of Decisions to Contract Out**

**Criteria:** In accordance with UC Regents Policy 5402, “contracting for covered services only is permitted where contracting out is required by law, Federal requirement, contract or grant requirement, or court decisions or orders, or under the limited, exigent circumstances that comply with the State’s requirements in Government Code section 19130.”

**Condition:** During our audit procedures, we noted that ELR has a process in place to identify and monitor instances in which laws, federal requirements, contract or grant requirements, or court decisions or orders require contracting out for covered services. However, the process is not formally documented.

**Management Action Plan:** ELR leadership will work with legal and policy to develop a formally documented process for monitoring instances in which law, federal requirements, contract or grant requirements, court decisions or orders require contracting out for covered services. Additionally, we will make an adjustment to our HRMS system to include this component as carve out.

**Expected Implementation Date:** December 15, 2023.

* 1. **Review and Evaluation of Decisions to Contract Out**

**Criteria:** All contracts for covered services must be reviewed immediately to determine if the service can be in-sourced, starting with those covered services that have been contracted out for 12 plus continuous months. To determine if a covered service can be in-sourced, the department owning the service contract and the local labor relations team must work together to analyze feasibility for in-sourcing.

**Condition:** During our audit procedures, we noted that ELR has a process in place to identify contracts to be in-sourced along with the required protocols to in-source those contracts. However, the process is not formally documented. In addition, during our testing of ten sampled purchase orders, we identified four contracts where department management working with ELR made the decision to in-source the contract. However, there was no formal process to document the decision.

**Management Action Plan:** A formally documented process will be created and implemented through collaboration with the procurement department. In addition, the decisions to insource the four contracts noted in the finding have been documented.

**Expected Implementation Date:** December 15, 2023.

* 1. **Displacement of Employees**

**Criteria:** Contracts for covered services cannot displace UC employees. This means UC employees cannot be demoted, laid off, or undergo an involuntary reduction in time as the result of a contract for covered services. Any proposed contract for Covered Services that would result in displacement must be canceled.

**Condition:** During our audit procedures, we noted there is not a designated department responsible for enforcing the prohibition of displacing employees due to contracting out for covered services.  We noted that ELR has a process in place to ensure University employees were not demoted, laid off, or had involuntary reductions in time due to entering into a contract for covered services. However, the process is not formally documented.

**Management Action Plan:** ELR will establish a formally documented process and implement within our department. ELR, Procurement and the HR Policy department will determine which department will be responsible for the enforcement of prohibition of displacement of workers due to contracting out.

**Expected Implementation Date:** December 15, 2023.

* 1. **UC Career Employment Conversion**

**Criteria:** 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.

**Condition:** During our audit procedures, we noted there was no process in place on how the University records and responds to requests for UC career employment conversion from supplier employees. In addition, we noted there was no process in place to post the qualified individual hiring poster to notify supplier employees of the requirements for converting to a UC career employee.

**Management Action Plan:** Employment Labor Relations and Talent Acquisition will contact UCOP to obtain the required communication/poster and implement a process to notify supplier employees of the requirements for converting to a UC career employee.

Employment Labor Relations and Talent Acquisition are developing a process to track requests for conversion to UC career employment from qualified individuals. The qualified individuals’ hours are monitored by the departments which the qualified individuals support. UCOP is developing a system for monitoring, tracking, and reporting qualified individuals on UCR campus.

**Expected Implementation Date:** Implemented.

* 1. **Grievances**

**Criteria:**  All grievances except for those alleging a violation of Article 5C are filed with the campus location and handled pursuant to the article grievance procedures. A grievance alleging a violation of Article 5C is handled under the Expedited Grievance Process with the Office of the President as per the Implementation Guidelines for Regents Policy 5402.

**Condition:** During our audit procedures, we noted that ELR follows the process for grievance handling and processing according to the requirements listed in the collective bargaining agreements. However, the process in not formally documented.

**Management Action Plan:** ELR will create and implement a formally documented process for acknowledgement of grievances, reporting to systemwide OPLR and initiating the arbitration process upon receiving an appeal.

**Expected Implementation Date:** December 15, 2023.

* 1. **Provision of Notice for Contracting Decisions**

**Criteria:** AFSCME 3299 must be notified before a UC location enters into, extends, or renews a contract valued at $100,000 or more if that contract includes covered services. The notice must be sent to both the local AFSCME office and the AFSCME 3299 Executive Director. The notice must include the following:

* Duration,
* Scope of work,
* Wage and benefit parity package for covered services to be performed,
* Dollar value of the contract,
* Work locations (if known),
* Justification for contracting out, including relevant carve out in Article 5, Section C.

A draft of the notice should be shared with UCOP Labor Relations and the Office of the General Counsel prior to issuing it to AFSCME.

For Request for Proposal (RFP)s, the UC location will provide AFSCME with a copy of the RFP when it is issued. If a proposed contract for covered services will not go through the RFP process, the UC location will provide AFSCME the relevant non-privileged information reasonably available for the contract at least 30 days before the contract is executed, extended, or renewed.

Within 14 days from the date of the University’s notice, AFSCME may request a meeting to provide alternatives to the contract for covered services. AFSCME may also submit these alternatives in writing within the 14 day period.

If AFSCME requests a meeting or submits a written response, then the University must respond within 45 days of receiving AFSCME’s response. The University must consider in good faith any alternatives proposed by AFSCME. If a meeting is to be held, then UC employees who need to attend the meeting will be released from work and paid straight time to attend. AFSCME may file a grievance challenging the University’s decision to contract for services if it disagrees with the University’s position after the meeting.

**Condition:** During our audit procedures, we noted there was no documented process in place for the following:

1. Providing advance notice to affected employee organizations:
	1. Prior to entering into, extending, or renewing a contract for covered services over $100,000.
2. When issuing an RFP with covered services estimated to be over $100,000.
3. Inclusion of required notice elements (Per the “Employee Organization” section in the Implementation Guidelines).
4. Review of draft notice to UCOP Labor Relations and UC Legal prior to issuing.
5. Providing 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.
6. Upon request, reviewing proposed contract for covered services to determine whether the contract complies with policy requirements (within 45 days of receiving response).

In addition, during our testing of ten sampled purchase orders, we identified two purchase orders over $100,000 not submitted through the HRMS system which did not trigger ELR to provide the affected employee organizations with the appropriate notices prior to contracting out for covered services.

**Management Action Plan:** ELR and Procurement will work with campus leadership to identify a plan of action to allocate resources for oversight, training, and auditing of the DAPO system to ensure compliance. Purchase orders processed through the DAPO system, and not the HRMS system, do not trigger notification for the appropriate notices to be sent out by ELR. ELR will work with the HR Policy department and Procurement to develop a local procedure for the requirements noted in the finding. In addition, notices will be sent out to the affected employee organizations by August 30, 2023, for the purchase orders noted in the finding.

**Expected Implementation Date:** December 31st, 2023.

* 1. **Grievances**

**Criteria:** In accordance with Article 10 – Grievance Procedure and Article 9 – Grievance Procedure of the SX and EX collective bargaining agreements with AFSCME, a written response must be issued to the employee and the employee’s representative within 15 calendar days of receiving the grievance.

**Condition:** During our testing of five sampled grievances, we noted two grievances where ELR issued a written response to the grievance. However, the response was not within 15 calendar days of receiving the grievance.

**Management Action Plan:** ELR will create and implement an officially documented process to ensure compliance with acknowledgement and responses to grievances within the time period stated within the collective bargaining agreements.

**Expected Implementation Date:** December 15, 2023.

**Appendix A: Systemwide Recommendations and Management Corrective Actions**

| **Recommendation to UCOP** | **Recommendation to Locations** | **Management Corrective Action and 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:* 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. | UCR Procurement Response: UCR Procurement will implement the guidance provided by UCOP on the requirement for monitoring low-value purchasing activities, and acceptable practices for documenting Covered Services as necessary.UCR is already using a home-grown system (HRMS) to document the Contracting Out for Covered Services review and approval process. Should additional documentation be required by the guidance, we will see if it could be included in our current system.Target Date: The target date for compliance with the guidance is 4 to 6 weeks after it is provided by UCOP.  |
| **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. | UCR Talent Acquisition Response: The location has developed and implemented a local QI Identification and monitoring procedure. The location included the appropriate procedures to determine whether a supplier employee reached QI eligibility. The location developed and implemented allowable exceptions to required timeframes for QI conversion, such as specific employee categories requiring additional background checks. The location posted notices to contract workers with the requirements for converting to a UC career employee. Target Date: Implemented.  |
| 1.b.2 Systemwide HR should issue guidance to provide clear direction to UC locations on the following compliance requirements for QIs:* QI monitoring and identification, including appropriate protocols for instances in which a location determines that a supplier employee reached QI eligibility in the past but has since stopped providing services to the University for an extended period of time
* 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** |
| 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. | 1.c.2 Locations should implement the updated guidance provided by Systemwide HR on contracting out compliance requirements related to employee displacement. | UCR Employee & Labor Relations Response:UCR ELR will implement the updated guidance provided by Systemwide HR related to employee displacement. Target Date: 12/31/2024 |
| **Article 5 Grievances** |
| 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:* Requirements for recordkeeping
* 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
 | 1.e.2 Locations should implement the updated guidance provided by Systemwide Labor Relations on contracting out requirements for Article 5-related grievances. | UCR Employee & Labor Relations Response:UCR ELR will implement the updated guidance provided by Systemwide Labor Relations for Article 5-related grievances. Target Date: 05/31/2024 |
| **Reporting Violations of Contracting Out Requirements** |
| 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. | 1.f.2 Locations should implement the updated guidance provided by Systemwide HR on provision of employee notices to suppliers. | UCR Procurement Response: UCR Procurement has implemented the guidance provided by Systemwide HR on provision of employee notices to suppliers. Suppliers were provided with pdf flyers to post in their workplaces. Target Date: Implemented.  |

1. Effective date of the Implementation Guidelines for Regents Policy Generally Prohibiting Contracting for Services. Audit periods for tests of internal controls varied. For example, testing of Covered Services identification involved sample selections from active contracts as of December 31, 2021, while testing of QIs involved selection of supplier employees for all Covered Services contracts dating back to February 15, 2020. [↑](#footnote-ref-1)
2. **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. [↑](#footnote-ref-2)
3. **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 Covered Services [↑](#footnote-ref-3)
4. 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. [↑](#footnote-ref-4)
5. 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. [↑](#footnote-ref-5)