

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

**Fair Wage/Fair Work
UC Davis Health –
Business Contracts
Audit & Management Advisory Services Project #21-05**

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Background

In July 2015, the University of California (UC) 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 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.

Purpose and Scope

As part of the fiscal year 2020-2021 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 Business 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 continued 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 and pre-certifications;
- Ensures wages are included in all agreements pre-certified for professional services;
- 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.

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.