

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

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

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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 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 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 contracts executed by UC Davis’ Office of Real Estate Services (Real Estate). We interviewed administrators, reviewed processes, examined lists of contracts, and conferred with audit colleagues from UCOP and other campuses.

Conclusion

Real Estate does not yet have a documented process in place to monitor and track all leases and licenses that are subject to the FW/FW Plan. We identified areas for improvement in how Real Estate identifies, tracks, and reviews leases and licenses that are subject to The Plan. Real Estate will need to implement separate solutions to address leases and licenses executed before the date of this report, as well as taking appropriate measures for future leases and licenses. Finally, Real Estate will need to develop a process for maintaining annual verification documentation and following-up with landlords to ensure annual verification forms are completed and returned within 90 days of the agreement anniversary date.

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT CORRECTIVE ACTIONS

A. Methodology to Manage Fair Wage/Fair Work Leases and Licenses

Real Estate does not maintain a catalog of leases and licenses subject to the FW/FW Plan.

UCOP mandates that all campuses prepare and maintain lists of leases and licenses that are subject to the FW/FW Plan. Lists should also include all active leases and licenses that have been renewed, amended, or extended since the May 1, 2016 FW/FW Plan implementation date.

During our review, we determined that Real Estate does not have a process in place to catalog active leases and licenses that are subject to The Plan.

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

Recommendation

UC Davis Real Estate should develop a process to catalog leases and licenses that are subject to the FW/FW Plan.

Management Corrective Action

1. By December 31, 2020, Real Estate will develop a process to track and monitor all leases and licenses that are subject to the FW/FW Plan.

B. Tracking of annual verification status.

Real Estate does not follow processes ensuring that it collects the required annual documentation.

The Plan requires Real Estate to track and obtain annual verification forms from landlords in all UC owned or controlled space as well as in space where UC as a tenant or licensee effectively exercises or has the power to exercise control over the operations of a building for a term of more than one year. Prior to the current reporting year, Real Estate was not aware of its obligations under The Plan. As a result, it has not developed processes for compliance.

Recommendation

UC Davis Real Estate should obtain documentation of third-party verification of wages as necessary.

Management Corrective Action

1. By December 31, 2020, Real Estate will develop a process to determine when third-party verifications are required and to obtain them within 90 days of the relevant lease or license anniversary date.