UCLA

SYSTEMWIDE CONTRACTING OUT

AUDIT REPORT #23-4011

Audit & Advisory Services

September 2023

UCLA

SYSTEMWIDE CONTRACTING OUT

AUDIT REPORT #23-4011

# Background

In accordance with the UCLA Campus and UCLA Health fiscal year 2022-23 audit plans, UCLA Audit & Advisory Services (A&AS) participated in a University of California (UC) Systemwide Contracting Out audit.

On November 14, 2019, the UC Board of 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. Furthermore, the policy notes that Contracting for Covered Services 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.

The Regents have made clear that Article 5 of the two Collective Bargaining Agreements (CBAs) with AFSCME takes precedence over the Regents Policy.

# Purpose and Scope

The objective of this assessment is to evaluate processes and controls in place to facilitate compliance with contracting out requirements.

The scope of this audit included a design and implementation evaluation of the processes and controls in place to facilitate compliance with contracting out requirements. 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 the CBA, including:
1. Procedures to identify covered services and amend/terminate existing contracts with covered services providers
2. Processes to review and evaluate decisions to contract out to ensure the University is contracting for services only when permitted by policy and the CBA
3. Processes to monitor suppliers’ compliance with wage and benefit parity requirements
4. Procedures to track contractor hours and identify contract workers that meet the in-sourcing criteria
5. Procedures to comply with employee displacement requirements
6. Processes by which Qualified Individuals (QIs) are provided options of pursuing UC career employment
7. Provision of notice to AFSCME for contracting decisions
8. Tracking and reporting contract information to affected employee organizations and the Regents
9. Mechanisms to facilitate reporting violations of Regents Policy 5402 and AFSCME Article 5 and responding to reported violations
10. Processes for handling grievances
11. Supplier audits

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included interviews, tests of records, and other auditing procedures considered necessary to achieve the audit purpose.

# Summary Opinion

Based on the results of the work performed within the scope of the audit, certain elements of both UCLA Campus and UCLA Health contracting out processes and internal controls are generally conducive to facilitate compliance with contracting out requirements related to Regents Policy 5402 and AFSCME Article 5. However, certain business practices could be further strengthened to improve upon the existing internal controls in the following areas: (C = Campus; HS = Health Sciences)

Identification of Qualified Individuals (QIs)

Most suppliers have not provided UCLA Health monthly records of employee-worked hours to evaluate eligibility for UC career conversion. (HS)

The Supplier summary file is not validated for accuracy. (HS)

While the UC works towards implementing a systematic tracking mechanism, Campus management should ensure that departments have an adequate process in place to request and review contract hours from supplier employees to identify individuals who are eligible for conversion to UC career employment. When the University identifies eligible employees, an option of UC employment should be communicated. (C)

Management should ensure that departments request the employee-worked hours on a regular schedule. For example, if the reports provided by the supplier only contain the total hours for 12- or 36-month rolling periods, management should request the reports frequently, perhaps monthly, to capture whether individuals meet the accumulated hour thresholds in any month of the year. Management should also maintain documentation of the QIs that have met the in-sourcing criteria. (C)

Provision of Notice for Contracting Decisions

AFSCME was not always notified of Health Sciences covered service contracts valued at more than $100,000. (HS)

Management should implement the updated guidance provided by Systemwide Labor Relations on the requirement to share draft notices on decisions to contract out Covered Services with Systemwide Labor Relations prior to issuing them to AFSCME. (C)

Management should remind Campus departments that Purchasing and Employee Labor Relations (ELR) must be notified before entering into, extending, or renewing a contract with covered services, valued at $100,000 or more, so that the decision to contract out is properly reviewed and advance notice is provided to affected employee organizations. (C)

Grievances

LR did not respond to arbitration selection, which resulted in an Arbitrator ruling the grievance was arbitrable because the University did not meet its burden to show Union caused the scheduling delay. Management should establish a regular cadence of review pending items deadlines. (HS)

UC Career Employment Conversion

Invalid contact information was noted on the QI form. (HS)

Management should seek best practice guidance from UCOP for the poster designed to apprise QI’s of the potential for converting to UC career employment to promote consistency. (HS)

Management should use the updated QI Hiring Poster to ensure that the contact information is current. Campus management also should ensure the appropriate QI Hiring Poster is routed effectively. (C)

Information on How to Report Violations

Posters with information on how to report suspected violations of the Regents policy generally prohibiting contracting for services were not distributed. (HS)

Management should seek best practice guidance from UCOP for the poster describing how to report suspected Contracting Out violations to promote consistency. (HS)

Management should take steps to ensure that applicable suppliers receive the UCOP template for the notice to their employees on how to report suspected violations, which notice contains the hotline number and online complaint registration system established to report violations of the Regents Policy and Article 5 of the AFCSME CBA. (C)

Monitoring Supplier Compliance with Wage and Benefit Parity (WBP)

Management should establish a process to work with suppliers so that employees receive retroactive pay for WBP amendments that are executed after the effective date. (HS)

Management should ensure that applicable new and existing contracts include the appropriate Terms and Conditions (T&Cs) for contracting for covered services, and that the required annual amendment is signed to reflect the updates to wage and benefit parity. If the WBP language is incorporated directly into the contract, management should implement the potential updated guidance provided by Systemwide Labor Relations on the required language in the WBP appendix. (C)

Tracking & Reporting Contract Information

The Smartsheet tracker document contained outdated information for several covered service contracts. (HS)

Procurement should update the covered services Smartsheet tracker document as amendments to contracts are executed. By doing this, the most recent information will be reflected in the tracker, which will facilitate more accurate annual reporting to AFSCME. (C)

Covered Services Identification

Campus Procurement should monitor active agreements that include services to assist with identifying contracts with covered services. Identified contracts, including the five sampled agreements discovered during the course of the audit, should be updated with the appropriate T&Cs and the WBP amendment, if still active. (C)

Review & Evaluate Decisions to Contract Out

Management should establish a formal process for documenting the review and evaluation of decisions to contract out, including the details of all efforts to in-source the service. A&AS encourages the use of the Contracting Out Worksheet, or a similar mechanism, to ensure that the necessary elements for evaluating covered service contracts are obtained from the requesting department and adequately documented. (C)

A&AS supports Campus management's efforts to continue streamlining the purchasing process for covered service contracts, specifically by including the following early in the process:

* + Communicating the policy requirement to departments.
	+ Encouraging departments to report when Covered Services are being requested so that Campus Procurement and labor relations are aware.
	+ Requesting the initial information necessary to evaluate contracts for Covered Services.

Procurement should consider training additional staff to handle requests for Covered Services. (C)

Displacement of Employees

No significant control weaknesses were noted in this area. (C and HS)

The audit results and corresponding recommendations are detailed in the following sections of this report. The first section presents the observations and recommendations for the Health Sciences (beginning on page 8) while the subsequent section presents those for Campus (beginning on page 18).

**HEALTH SCIENCES**

## Audit Results and Recommendations

| # | FINDING andCRITERIA, where applicable | RECOMMENDATION | MANAGEMENT’S RESPONSE |
| --- | --- | --- | --- |
| Identification of Qualified Individuals (QIs) |
| Audit work included the following:* Discussed with management the process for identifying QIs.
* Reviewed the process for obtaining supplier employee lists for identifying QIs.
* Reviewed a judgmental sample of five of 18 supplier employees deemed QIs to verify their eligibility.
* Reviewed a judgmental sample of six supplier employees deemed not eligible QIs to verify ineligibility.

Observations identified are detailed below. |
| HS1 | Supplier Employee List:Labor Relations (LR) and Talent Acquisition (TA) currently receive information from one supplier about QIs; however, there are 18 others that currently do not provide information tracking hours of supplier employees.   The summary file received from the one supplier that provided a list of employees and hours was not verified for accuracy by LR/TA based on the detailed files received for the sample population. One supplier employee was originally inaccurately identified as ineligible and, as a consequence, did not originally receive notification of eligibility for conversion to University employment. The employee has since received the appropriate notification.\_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria:Article 5 – Contracting Out, Section F #1, “The University will exercise its best efforts to determine employees who meet the criteria to become qualified individuals.” #2 “When an individual worker who works for an outside contractor performing the same services at the same UC location works for 1,000 hours in a rolling twelve (12) consecutive month period, or 35% time over a rolling thirty-six (36) month period, the worker will be deemed a “qualified individual” (QI) for conversion to UC employment.” | UCLA:LR and TA should establish a tracking system to ensure suppliers are providing required information on a monthly basis. Doing so will assist the department in calculating the hours to identify potential QIs in a timely fashion. | We plan to implement the UC tracking system (Agile One) when it becomes available to the medical centers. Currently, for our main vendor, Vaya, we have a tracking system in place that has been implemented. Responsible individual/party: Talent Acquisition; ProcurementTarget date: Implemented for Vaya; when the UC tracking system becomes available to medical centers, UCLA Health will implement. |
| Provision of Notice of Contracting Decisions |
| Audit work included the following: * Discussed with management the process for providing notice to AFSCME prior to entering into, extending, or renewing a contract or RFP for covered services over $100,000.
* Reviewed the notice to AFSCME when the University enters, extends or renews a contract or RFP for covered services to ensure all required elements were present, including the opportunity for AFSCME to request a review of a proposed contract for covered services to determine whether the contract complies with policy requirements.
* Reviewed a judgmental sample of five of 23 contracts deemed to include covered services to validate notification to AFSCME for any contracts over $100,000.

Observations identified are detailed below. |
| HS2 | Contracting Decision Notification:Based on the five contracts reviewed, AFSCME did not receive notice for two contracts.\_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria: Regents Policy 5402 – Policy Generally Prohibiting Contracting for Services, Policy Text, Section D, “Notice to Employee Organization: The University willprovide advance notice to affected employee organizationsprior to entering into, extending, or renewing a contractfor covered services over $100,000.• Where a Request for Proposal will be issued, theUniversity will provide a copy of the RFP at the timeof issuance.• Where no RFP will be issued, the University willprovide notice of at least 30 calendar days prior toentering into, extending or renewing the contract.• The notice also shall provide information about theprovisions of this policy that justify the contract.• During the notice period, upon the employeeorganization's request, the University will providerelevant non-privileged information that isreasonably available pertaining to the contract andthe employee organization may present alternativesto mitigate or avoid the need for the contract whilestill satisfying the University's needs to provide services. The University must consider those alternatives and adopt them when feasible provided that the employee organization provides those alternatives within 14 days of the notice.” | UCLA:LR and Procurement should coordinate a review of all active covered services contracts valued at $100,000 or more to ensure proper notifications are sent to AFSCME. If notice cannot be confirmed, LR should consult with Campus/UCOP Legal on the best way to address the late notification.In addition, existing documented procedures should be revised to include a checklist of pre-execution requirements, among which is union notification prior to signing a contract, to ensure proper notification.  | Labor Relations (LR) and Procurement have established a process for ensuring LR is able to satisfy all notice requirements. This process does include a checklist.Responsible individual/party: Labor Relations; ProcurementTarget date: This has been implemented.  |
| Grievances |
| Audit work included the following: * Discussed with management the process for handling grievances, including addressing and coordinating response efforts with Systemwide Labor Relations (SLR), issuing a written response within 15 calendar days, reporting the grievance to SLR, and initiating the arbitration process.
* Reviewed the grievances log received from Ethics, Compliance, and Audit Services (ECAS) with LR to ensure accuracy.
* Reviewed a judgmental sample of five of 14 grievances to ensure compliance with policy.

Observations identified are detailed below. |
| HS3 | Grievance Procedure: A&AS selected five of 14 local grievances identified as pertaining to UCLA Health for review. Our review of a sample of five grievances identified one grievance where Labor Relations did not respond to an arbitrator selection email from AFSCME until after the 90-day requirement for scheduling of an arbitration hearing after appeal notice per the CBA-SX and CBA-EX. The appeal notice was dated 9/28/21; therefore, the 90th day was 12/27/2021. LR did not respond until 1/4/2022. AFSCME took an additional 161 days from the agreement on arbitrator to schedule. Ultimately the Arbitrator ruled the grievance was arbitrable because the University did not meet its burden to show the Union caused the delay in scheduling.\_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria:CBA - SX – Article 3 – Arbitration Procedure, Step D, “The scheduling of the arbitration hearing date must be accomplished no later than 90 calendar days from the date the grievance was originally appealed to arbitration. Failure to invoke the process described in Sections H. and I. below, within 90 calendar days will render the grievance ineligible for arbitration and the last preceding University written answer shall become final.” | UCLA:LR should conduct a weekly review of grievance items pending and their due dates. In addition, LR should ensure that all material grievance-related events and decisions are documented, where appropriate. To facilitate a weekly review, LR should consider creating internal procedures for handling grievances (or if they already exist, revise such procedures) to document the specific steps involved in the review of pending grievance items and their cadence.  | The recommendation has been implemented.Responsible individual/party: Labor RelationsTarget date: This has been implemented. We have an internal procedure for handling grievances  |
| UC Career Employment Conversion |
| Audit work included the following: * Discussed with management the process by which QIs are provided notice of the option of UC career employment and how the University records and responds to requests for UC career employment conversion.
* Reviewed QI forms – EX and SX versions – to be posted on the general bulletin boards where contractors who perform covered services usually congregate.
* Reviewed a judgmental sample of supplier employees deemed QIs to verify whether an option of employment
* Site visit to nine sites to validate QI forms and posters were present.

Observations identified are detailed below. |
| HS4 | QI Form: The QI form distributed by LR for posting on the general bulletin board where supplier employees usually congregate included the email address of the local University representative for form submission. The employee listed was no longer employed as of March, 2022; however, the form was not updated until January, 2023.   The QI Hiring Poster was not found during any on-site visit. When LR was contacted, they were not aware of the poster. Communication with UCOP determined there is no clear guidance on the requirement to distribute the posters and is pending clarification.\_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria: CBA – SX/EX – Article 5 – Contracting Out, Section E – Insourcing of Work, #3 “Workers who have worked for the contractor performing work at a University location for 1,000 hours over a rolling twelve (12) month period or 35% time over a rolling thirty-six (36) month period, shall be offered UC career employment at the same location or at a location within ten miles of the campus/medical center/lab where they performed the work under the contractor.”Implementation Guidelines, IV. Contracting For Covered Services, Converting Supplier Employees “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.” | UCLA:LR should coordinate with Information Services in creating a general email address with a limited number of staff able to access. Once created, the QI forms should be updated with this new email address and redistributed to UCLA Health management for posting. Moreover, the form would provide an additional avenue for QI self-identification beyond monthly reporting and is aligned with implementation guidelines. The creation of a general email address would also eliminate the need to update the forms where there is turnover, and would not rely on a particular individual’s diligence in following up. | The contact information is up to date. Anyone emailing the former employee identified on the form was redirected to the appropriate university official through an automatic message. As such, there was no gap in vendor employees being able to contact the appropriate individual or the possibility of a missed email. Moreover, the form is largely irrelevant at this time since we have monthly reports on QIs, which results in reaching out proactively to qualified QIs about UCLA positions.Responsible individual/party: Labor Relations; Talent Acquisition Target date: We will update the flyer to reflect a more general HR email address by October 1. |
| Reported Violations |
| Audit work included the following:* Discussed with management how the campus assists suppliers providing covered services when those suppliers notify their employees about how suspected contracting out violations can be reported.
* Reviewed suspected violations report with LR to determine whether the reported violations related to contracting out requirements.

Observations identified are detailed below. |
| HS5 | Violations Poster: There were no posters on how to report suspected violations distributed to the departments with supplier employees. LR was not aware of the poster. Following communication with UCOP, it appears there is no clear guidance on how to distribute the poster, and clarification is forthcoming.\_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria: Implementation Guidelines, VI. Enforcement, Suppliers – Employee Notice “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 will provide 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.” | UCLA:LR should distribute the poster on reporting violations to departments with supplier employees once they are available and received from UCOP.  | Agree.Responsible individual/party: UCOP; UCLA Health Labor RelationsTarget date: Once UCOP provides the poster(s) to UCLA Health Labor Relations, Labor Relations will distribute within 30 days of receiving the poster(s).  |
| Monitoring Supplier Compliance with Wage and Benefit Parity Requirements |
| Audit work included the following:* Discussed with management the process used to ensure covered services contracts include provisions for contracting out requirements and are updated annually.
* Reviewed a judgmental sample of five of 23 covered services contracts to verify Wage and Benefit Parity (WBP) annual amendments were executed, including on multi-year contracts.

Observations identified are detailed below. |
| HS6 | WBP Amendment: One contract had a WBP amendment with an execution date of 11/3/2022 and an effective date of 6/1/2022. Procurement has no mechanism in place to confirm that the employees received retroactive pay reflecting the updated 2022 rates.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria: Implementation Guidelines, IV. Contracting for Covered Services, Wage and Benefit Parity “Contracts for covered services must include UC employee wage and benefit parity for the contract workers providing services to UC… If an existing contract for covered services ends after January 31, 2021 (more than 12 months from AFSCME CBA ratification), then local procurement teams that amend the contracts must include an appendix that lists the parity rates for each title and location covered by the contract. Local procurement teams must also include the appendix listing the parity rates in new contracts. The appendices must be updated annually to reflect the next year’s parity rates. UC Systemwide Human Resources will provide the updated wage and benefits parity package in January of each year.” | UCLA:Procurement should establish a process to ensure vendors provide retroactive pay to employees when WBP amendments have execution dates past the new WBP effective dates.In addition, if the amended contract is still in effect, Procurement should determine whether affected employees have been paid the updated rates.  | Agree. A process is being developed to address remediation and monitoring of WBP pay rates with vendors.Responsible individual/party: ProcurementTarget date: The process has been developed and the implementation will be complete by October 1, 2023.  |
| Tracking and Reporting Contract Information |
| Audit work included the following: * Discussed with management the process used (1) to track covered services contract information and (2) report that information to UCOP for inclusion in the annual AFSCME report.
* Reviewed a judgmental sample of five of 23 covered services contracts to verify the accuracy of reported information.

Observations identified are detailed below. |
| HS7 | Contract Tracking: Review of the Smartsheet tracker document reflected the following deficiencies for the 5 contracts selected for review:* Three contracts had incorrect WBP rates listed.
* Two contracts had incorrect start and end dates listed.
* One contract had an incorrect start date listed.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria: Implementation Guidelines, VI. Enforcement, UC Locations and UCOP – Reporting “There will be an annual report (due on February 15 of each year) of all contracts for covered services, regardless of amount or duration, for the Regents and AFSCME. This report will include the following:• List of existing contracts• Information on titles and wage/benefit parity rates in effect for each contractThe campuses will provide this information to UC Systemwide Procurement Services. The Medical Centers will generate their own reports and send them to UC Systemwide Procurement Services to collate with the campus reports.Locations also need to track before and after costs for the departments affected by the Regents Policy and AFSCME CBA. Current costs for covered services must be captured by February 28, 2020 to create the baseline report. The same report needs to be run on an annual basis to compare to the 2020 report.” | UCLA:When available for editing, Procurement should update the covered services Smartsheet tracker document in real-time, and amendments to contracts as they are executed. This will reflect the most recent information and will assist in the accurate annual reporting to AFSCME. Management should consider revising documented procedures for contract review (or if such a document does not exist, create such a document) to direct the practice of updating the Smartsheet tracker in real-time as amendments are executed.  | Agreed. Smartsheet provided during the audit was not a final version and staff do not have access to Smartsheet throughout the entirety of the year. As the Smartsheet becomes available to the procurement team, updates are made to ensure accuracy.Responsible individual/party: ProcurementTarget date: This has already been implemented |
| Covered Services Identification |
| Audit work included the following: * Discussed with management the process used to identify contracts that include covered services.
* Reviewed a judgmental sample of 15 service contracts to verify if they contained covered services; and if so, they were appropriately identified.

No observations were identified. |
| Review and Evaluation of Decisions to Contract Out |
| Audit work included the following: * Discussed with management the process used for (1) determining exceptions to the contracting out policy and (2) compliance with policy and CBA exception requirements.
* Reviewed covered services contracts to identity those that have been in-sourced and obtain status of those that are still outstanding.

No observations were identified. |
| Displacement of Employees |
| Audit work included the following: * Discussed with management the process used to enforce the prohibition of displacing employees due to covered services contracts.
* Reviewed list of terminated employees and identified those who worked in departments that included covered services.
* Reviewed a judgmental sample of five of 10 terminated employees to ensure they were not displaced due to a covered services contract.

No observations were identified. |

##

## **CAMPUS**

## Audit Results and Recommendations

| # | FINDING andCRITERIA, where applicable | RECOMMENDATION | MANAGEMENT’S RESPONSE |
| --- | --- | --- | --- |
| Identification of Qualified Individuals (QIs) |
| Audit work included the following:  * Discussed with management the process for identifying QIs and the process by which ELR ensures the completeness of the list of supplier employees.
* Reviewed a judgmental sample of five of 47 supplier employees deemed QIs to verify eligibility.
* Reviewed a judgmental sample of 15 supplier employees deemed not eligible QIs, from 1,056 employees listed in the tracking sheets, to verify ineligibility.

Observations identified are detailed below. |
| C8 | Tracking Contract Hours and Communicating the Option of Employment:Employee hours are not tracked for most suppliers providing covered services.Each department identifies QIs in its own operations, resulting in a piecemeal process. Of the 55 campus contracts in the 2021 AFSCME Article 5 CBA Report, three suppliers are tracked in a pilot QI system, and a few are tracked in spreadsheets (ELR provided three spreadsheets). Management explained that the hours are not consistently tracked due to the decentralized nature of the campus and the lack of training for departmental personnel. CHR reported it does not have a dedicated office, or staff, to handle Article 5 matters and that the current process is time consuming. ELR also mentioned that some vendors do not normally track the hours in the way requested by the University, so it takes the suppliers more effort to provide data.Of the 15 selected employees who had not been deemed QIs, 13 were correctly excluded because they had not met the in-sourcing criteria. However, for two selections, the employees had met the criteria for the hours worked between 2020 and 2021 and should have been classified as QIs. At least 42 employees of a supplier had worked at least 1,000 hours in a rolling 12-month period. \_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria:Article 5 – Contracting Out, Section F.1, “The University will exercise its best efforts to determine employees who meet the criteria to become qualified individuals.” | UCLA:While the UC works towards implementing a systematic tracking mechanism, Campus management should ensure that departments have an adequate process in place to request and review contract hours from supplier employees to identify individuals who are eligible for conversion to UC career employment. When the University identifies eligible employees, an option of employment should be communicated. Campus Management should review and, if appropriate address by providing notice to the two employees identified during the audit that should have been designated at Qis, plus the 42 other employees who were identified as having worked at least 1,000 hours in a rolling 12-month period.  | ELR: UCLA will continue to utilize the QI pilot system and contact vendors individually until the systemwide tracking mechanism is fully implemented. Once QIs are identified, UCLA will continue to work with Department stakeholders and talent acquisition in order to make offers of employment to the eligible QIs.Responsible individual/party: ELR, Procurement & Talent AcquisitionTarget date: The recommendation has been implemented. |
| C9 | Contract Hour Records:Of the five selected individuals that were deemed QIs, A&AS was able to verify that one individual met the in-sourcing criteria. Because the frequency for requesting the summarized hours is inconsistent, for the other four QIs, management could not locate the records of the hours worked by the individuals. Campus ELR said that QI criteria was verified prior to making the offers of employment for the four QIs. For two selections, management provided a settlement agreement between UCLA and AFSCME, which contained a list of the QIs being insourced.For the employee with recorded hours, the vendor provided a report with only the total hours of each employee in the 12- and 36-month rolling periods ending 2022. ELR stated that the summarized report was collected at least two times during the year, and that the vendor provides the report upon request. However, because the threshold can be reached in any month of the year, some supplier employees may not be identified if summarized reports are collected from the vendor infrequently. This can apply in situations where the contracted work is seasonal for example.\_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria:Article 5 – Contracting Out, Section F.1, “The University will exercise its best efforts to determine employees who meet the criteria to become qualified individuals.” | UCLA:Management should ensure that departments request the employee-worked hours on a regular schedule. For example, if the reports provided by the supplier only contain the total hours for 12- or 36-month rolling periods, management should request the reports frequently, perhaps monthly, to capture whether individuals meet the accumulated hour thresholds in any month of the year.Furthermore, management should develop written procedures that specify the frequency set for requesting the hours, and that describes how documentation will be maintained for the QIs that have met the in-sourcing criteria. | ELR: UCLA will continue to utilize the QI pilot system and contact vendors individually until the systemwide tracking mechanism is fully implemented. Invitations to the pilot system have been extended to all Article 5 susceptible vendors. Procurement management has developed written procedures that specify the frequency set for requesting the hours, and that describes how documentation will be maintained for the QIs that have met the in-sourcing criteria. Responsible individual/party: Procurement & ELR Target date: The recommendation has been implemented. The campus is currently requiring all vendors to report to the system-wide tracking tool on a monthly basis and is following the procedures drafted by AgileOne. |
| Provision of Notice for Contracting Decisions |
| Audit work included the following: * Discussed with management the process for providing advance notice to affected employee organizations and an opportunity to request review of a proposed contract for covered services.
* Reviewed the notice to AFSCME when the University enters, extends or renews a contract or RFP for covered services to ensure all required elements were present, including the opportunity for AFSCME to request a review of a proposed contract for covered services to determine whether the contract complies with policy requirements.
* Reviewed a judgmental sample of six contracts to verify whether the appropriate notices were provided to affected employee organizations and included the required elements per the Implementation Guidelines.

Observations identified are detailed below. |
| C10 | Draft Notice for Contracting Decisions Review:The Regents Policy requires that AFSCME is notified before a UC location enters into, extends, or renews a contract valued at $100,000 or more if that contract includes covered services. At UCLA, the draft of the notice for contracting decisions goes through several levels of review, including UC Legal; however, the notice review process does not include the UCOP Labor Relations office. According to the Implementation Guidelines for Regents Policy 5402, a draft of the notice should be shared with UCOP Labor Relations prior to issuing it to AFSCME. However, the 2023 Systemwide Contracting Out Audit report states that UCOP stakeholders have indicated that this requirement may no longer be necessary and may consider removing it from the Implementation Guidelines.\_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria:Implementation Guidelines for Regents Policy 5402, IV. Contracting for Covered Services, Employee Organizations, “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.” | UCLA:Management should follow the current guidance provided by Systemwide Labor Relations on sharing draft notices on decisions to contract out Covered Services with AFSCME, and to be aware of potential updates to the guidelines. | ELR: UCLA will circulate all notices to Systemwide Labor Relations and OGC for review prior to issuance moving forward. Once finalized, the notice will then be shared with AFSCME.Responsible individual/party: ELRTarget date: The recommendation has been implemented. |
| C11 | Notice Provision:Based on discussions with ELR, it appears that the advanced notice to affected employee organizations was not provided for 12 contracts with Covered Services, as of February 2023; one other contract is being confirmed with Procurement. ELR and Campus Procurement mentioned that there are rare occasions when departments independently enter into agreements without notifying their office, especially when the need for the service is urgent.A&AS requested and reviewed a list of departments and the contracts for which the campus did not provide advance notice to affected employee organizations and noted that one department was listed for multiple contracts.\_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria:Article 5 – Contracting Out, Section D.1, “The University shall provide notice to AFSCME 3299 prior to entering into, extending or renewing a contract that includes Covered Services valued at over $100,000.” | UCLA:Management should remind Campus departments that Purchasing and ELR must be notified prior to entering into, extending, or renewing a contract with covered services, valued at $100,000 or more, so that the decision to contract out is properly reviewed and advance notice is provided to affected employee organizations. In addition, management should communicate to departments that repeated instances of noncompliance with notification requirements could result in being blocked from entering into future contracts of $100,000 or more.  | ELR & Procurement: ELR and Procurement have established a process to ensure that ELR can satisfy all notice requirements. The new process addresses the risks associated with noncompliance. UCLA has created a campus-wide training, communication, and contracting out resource web page to further educate departments about the relevant requirements. The training has not yet been issued. Responsible individual/party: ELR & ProcurementTarget date: The recommendation has been implemented. The training will be issued no later than December 31, 2023.  |
| Grievances |
| Audit work included the following: * Discussed with management the process for handling grievances, including addressing and coordinating response efforts with SLR, issuing a written response within 10 calendar days, reporting the grievance to SLR, and initiation of the arbitration process.
* Reviewed the grievances log received from ECAS with LR to ensure accuracy.
* Reviewed a judgmental sample of five of five campus grievances to ensure compliance with policy.

A&AS was unable to render a conclusion on ELR's processes for handling the five selected grievances because documentation was unavailable for review for multiple selected grievances: * Two Article 5.C. grievances were selected where a response is required within 10 calendar days of receiving the grievance. For one selection, A&AS verified that the Office of the President issued a written response timely, but documentation was unavailable for review for the second case.

 * For two selections, there is evidence that the grievance was appropriately addressed, but documentation was unavailable for review for the other three cases.

 * For one selection, A&AS verified that an arbitration process was conducted as required, but documentation was unavailable for review for the other four cases.

  |
| UC Career Employment Conversion |
| Audit work included the following: * Discussed with management the processes by which QIs are provided notice of the option of UC career employment and how the University records and responds to requests for UC career employment conversion.
* Performed an inspection for one department to verify whether the posting of notices is consistent with guideline requirements.
* Reviewed a judgmental sample of five supplier employees deemed QIs (sample 3) to verify whether an option of employment was communicated to QIs at the same location, or a location within 10 miles of the campus where the QI performed contractual work. Of the selected employees, A&AS was able to verify that an option of employment was communicated to two QIs. However, the documentation for the remaining three selections was unavailable for review. Therefore, A&AS was unable to render a conclusion on this area.
* Reviewed a Conversion from Contract to UC Employee Qualified Individual Form/Application (QI Form) for the only individual that submitted a request for UC career employment conversion (sample 6) to verify that the QI started employment with UC 120 days.

Observations identified are detailed below. |
| C12 | Posting Notice to Contract Workers:Based on the inspection performed, both the QI Form and the Initial Employee Notification of Policy Form were posted in a place where the contract workers are likely to see it and it included the criteria to become a QI. However, the ELR contact information needs to be updated to ensure the form is routed appropriately. In addition, the link posted on the notice that references Article 5 is broken.Based on a review of the QI Hiring Poster obtained from ECAS, it appears that the template does not include one element in the criteria to become a QI (eligibility to work in the U.S.). ECAS is recommending that SLR share with the locations a poster template that contains the complete criteria to become a QI.\_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria:Implementation Guidelines for Regents Policy 5402, IV. Contracting for Covered Services, Converting Supplier Employees, “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.The supplier employees must meet the following criteria to become qualified individuals (QIs) who can request conversion to a UC career employee:Perform the same services at the same UC location for 1,000 hours in a rolling 12-month period, ORPerform the same services at the same UC location at 35% time over a rolling 36-month period, ANDPass a background checkBe eligible to work in the U.S.” | UCLA:Campus management should request the updated QI poster template from Systemwide LR that includes the complete criteria to become a QI once the poster is available. After Systemwide LR has issued the revised QI poster to campuses, Campus management should verify that the previously broken link that referenced Article 5 has been corrected, and then utilize the updated template and ensure that it is routed appropriately.  | ELR: At the time of the period under audit, systemwide LR had not issued a revised QI Poster.  Campus LR has requested a revised poster, and will continue to do so, but Campus LR cannot issue a poster that does not exist. Once the revised poster is issued, each Department will receive the new posting as recommended. All forms were appropriately redirected to the ELR office.Responsible individual/party: ELRTarget date: ELR will implement the recommendation within 30-days of receiving the notice. |
| Reported Violations |
| Audit work included the following: * Discussed with management how the campus assists suppliers providing covered services notify their employees about how contracting out violations can be reported.
* Reviewed the suspected violations report with ELR to validate if they were related to contracting out.
* Reviewed the log from the local case management system to determine whether there are any local complaints that should be considered for sample testing.

Observations identified are detailed below. |
| C13 | Supplier Employee Notice for Reporting Violations:A notice containing the hotline number and online complaint registration system established to report violations of the Regents Policy and Article 5 of the AFCSME CBA is not provided to the applicable suppliers.According to the Implementation Guidelines for Regents Policy 5402, 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. UCOP created a template for the notice; however, management said that they were unaware of the template.\_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria:Implementation Guidelines, VI. Enforcement, Suppliers – Employee Notice “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 will provide 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.” | UCLA:Systemwide LR should provide UCLA ELR the updated supplier template to ensure visibility to those employees who may be working for suppliers in covered services. After Systemwide LR has issued the revised template to the campuses, management should develop and document procedures to ensure that applicable suppliers receive the UCOP template for the notice to their employees on how to report suspected violations, which notice contains the hotline number and online complaint registration system established to report violations of the Regents Policy and Article 5 of the AFCSME CBA. | ELR: At the time of the period under audit, systemwide LR had not issued a revised template. Campus LR has requested a revised template, and will continue to do so, but Campus LR cannot issue a template that does not exist. Once the revised template is issued, each department will receive the new notice as recommended. Responsible individual/party: ELRTarget date: ELR will implement the recommendation within 30-days of receiving the template. |
| Monitoring Supplier Compliance with Wage and Benefit Parity Requirements |
| Audit work included the following: * Discussed with management the process by which Procurement ensures the contracts for covered services include required provisions for contracting out policy requirements and are updated each year to include the required annual amendment.
* Reviewed a judgmental sample of six contracts to verify whether the covered services provision language in 2021 and 2022 is consistent with the language in the applicable version of the standard terms and conditions.
* All six multi-year contracts were selected to verify whether the required annual amendment was signed in both calendar years to reflect the updates to wage and benefit parity.

Observations identified are detailed below. |
| C14 | WBP Contract Requirements:Of the six contracts reviewed, three contained the covered services provision language, and three reflected the wage and benefit parity updates in both calendar years. The following was noted:* For three selections, the covered services provision language was not included in the contract in either 2021 or 2022.
* For two selections, an annual amendment was not signed to reflect the updates to wage and benefit parity.

 * For one selection, the Pricing section of the contract reflected a pay rate for a Covered Services position that was $0.14 below the established WBP rate. However, the UC Wage and Benefit Parity Rate section of the contract reflected the correct amount.

 One of these vendors did not have an active contract in place in 2021. Procurement explained that the previous contract had expired, but there was an urgent operational need when the campus opened to students. Email communications where the supplier acknowledged the WBP rates served as a compensating control while the expired contract was being amended, and management commented that a good relationship existed with the vendor. The contract was properly amended in 2022. Management also explained that the contract for one of the vendors was not amended in 2021 because meetings were still being held with UCOP to determine whether the services at issue (charter bus services) are considered Covered Services. It was determined in 2022 that these services should be included in the 2021 AFSCME Article 5 CBA Report. During the course of the audit, management held additional discussions with the pertinent department and concluded that going forward, the services provided by the selected vendor should not be regarded as Covered Services. A&AS also observed that on several instances the WBP appendix was not used, but part of the WBP language referenced in the Implementation Guidelines for Regents Policy 5402 was included in the contract or the PO. According to the guidelines the appendix to the contract must be signed by the supplier and should include: * Language stating that suppliers must provide independent verification of policy compliance whenever UC requests it.

 * Agreement that suppliers will, at their own cost, provide verification from either an outside firm or an independent internal audit team within 90 calendar days of receiving the request from UC.

However, the 2023 Systemwide Contracting Out Audit report states that since the guidelines have been issued, some of that language has been incorporated into the Standard T&Cs of Purchase, thereby apparently negating the need to include these terms in the appendix.\_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria:Implementation Guidelines for Regents Policy 5402, VI. Suppliers – Contract (Compliance Confirmation),“Existing contracts must be amended to include the contracting for covered services article in the Terms and Conditions (T&Cs), and any new contracts must include this article as well. | UCLA:Management should ensure that applicable new and existing contracts include the appropriate T&Cs for contracting for covered services, and that the required annual amendment reflecting accurate updates to wage and benefit parity is signed. If the WBP language is incorporated directly into the contract, management should implement the potential updated guidance provided by Systemwide Labor Relations on the required language in the WBP appendix.Management should also develop a documented process for executing contracts in situations when there is an urgent operational need that ensures compliance with the Regents Policy and Article 5 of the CBAs, including the 30 day AFCSME notification waiting period that is required before the contract is executed, extended, or renewed. | Procurement: In addition to following Systemwide guidance, Procurement has implemented a process to track and review all covered services contracts include the appropriate T&Cs for contracting for covered services, and that the required annual amendment is signed to reflect the updates to wage and benefit parity. Responsible individual/party: ProcurementTarget date: The recommendation has been implemented. |
| Tracking and Reporting Contract Information |
| Audit work included the following: * Discussed with management the process used (1) to track covered services contract information and (2) report that information to UCOP for inclusion in the annual AFSCME report.
* Reviewed a judgmental sample of six covered service contracts to verify accuracy and completeness of reported information.

Observations identified are detailed below. |
| C15 | Contract Tracking:The accuracy and completeness of the reported information can be improved. Of the six selections, the reported information was accurate for three contracts; however, the following was noted: * For one selection, the start and end dates specified in the report were not accurately reflected because a contract with the vendor was not in place. The WBP rates were communicated to the vendor via email.
* For one selection, the WBP rate in the report was not specified in the contract. The vendor was paying their staff above the WBP rate.
* For one selection, the work site was 10+ miles from a UC Location, but it was not noted in the report.

 Procurement explained that UCOP requested campuses to report the WBP rates that should be in the contract when the Regents Policy was being implemented. Management also explained that updates to the Smartsheet tracker document are typically performed once a year.\_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria:Implementation Guidelines, VI. Enforcement, UC Locations and UCOP – Reporting, “There will be an annual report (due on February 15 of each year) of all contracts for covered services, regardless of amount or duration, for the Regents and AFSCME. This report will include the following:List of existing contractsInformation on titles and wage/benefit parity rates in effect for each contractThe campuses will provide this information to UC Systemwide Procurement Services.” | UCLA:Procurement should implement procedures that ensure the tracking document is updated as amendments to contracts are executed. By doing this, the most recent information will be reflected in the tracker, which will facilitate more accurate annual reporting to AFSCME. | Procurement: Procurement will update the covered services Smartsheet tracker document as contract amendments are executed, provided the document is editable. Procedures have been implemented to ensure that the tracking document is updated as amendments to contracts are executed.Responsible individual/party: ProcurementTarget date: The recommendation has been implemented. |
| Covered Services Identification |
| Audit work included the following:* Discussed with management the process by which it (a) identifies contracts that include covered services, and (b) ensures the completeness of that list.
* Reviewed a judgmental sample of 15 contracts selected from 297,852 transactions listed in the Order Query report to verify that all contracts that include Covered Services are included in the 2021 AFSCME Article 5 CBA Report. The Order Query report contained all contracts and POs with spend between January 2021 and January 2022.

Observations identified are detailed below. |
| C16 | Reporting Contracts with Covered Services:Contracts with Covered Services were omitted from the 2021 AFSCME Article 5 CBA Report.Of the 15 contracts selected for testing, Campus Procurement indicated that eight of the contracts included Covered Services and seven did not. A dearth of documentation plagued A&AS’ review. Of the selected contracts, A&AS received sufficient supporting documentation for seven contracts, which all included Covered Services. A&AS did not receive adequate documentation for (1) one contract in the sample that allegedly included Covered Services, and (2) the seven contracts in the sample that did not allegedly contain covered services. Of the eight contracts including Covered Services, A&AS verified that two of those selections were in the 2021 AFSCME Article 5 CBA Report; however, the other five contracts with Covered Services do not appear to be reported in 2021, or locally in 2022. One contract for covered services could not be verified for its reporting status. The combined contract value for the five unreported agreements was approximately $2.7 million in 2021.These omissions may be influenced by the overly manual process involved. When a requisition is received, Campus Procurement will review the initial information. If it is a new contract with Covered Services, Procurement will contact Labor Relations and the department to discuss the matter further. Based on conversations with management, the process to identify contracts that include Covered Services is dependent on information provided by departments, which creates the risk that applicable contracts are being omitted from the annual report to AFSCME.It also bears note that A&AS had requested a list of active contracts and purchase orders (POs), but it was not feasible for Procurement to provide the data, so management provided an Order Query report that contained all contracts and POs with spend covering two years from which the relevant agreements were identified. Having access to reports for all active agreements that include services can be helpful for management to identify contracts with covered services.\_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria: Article 5 – Contracting Out, Section D.7, “The University at the Systemwide level shall produce an annual report of all contracts for covered services, regardless of amount or duration, and shall provide the report to AFSCME no later than February 15th of each year.” | UCLA:Campus Procurement should develop and document a process to monitor active agreements that include services to assist with identifying contracts with covered services. Procurement should create contracts that better document whether they involve Covered Services. Procurement should retain all pertinent information regarding such contracts per the UC Records Retention Schedule. Identified contracts, including the five sampled agreements discovered during the course of the audit that were not reported in 2021 or locally in 2022, should be updated with the appropriate T&Cs and the WBP amendment, if still active. Management should evaluate the six contracts not reported in 2021 or 2022, determine whether any are in excess of $100,000, determine whether the prior reports need to be updated or whether new reports disclosing the old agreements are appropriate.Unless and until management has access to a list of active contracts and purchase orders, management should continue to use an Order Query report process to identify active contracts and POs.  | Procurement: Procurement has developed and documented a process that involves monitoring all active agreements for covered services. All are being reviewed and updated with the appropriate T&Cs and the WBP amendment if necessary.Responsible individual/party: ProcurementTarget date: The recommendation has been implemented |
| Review and Evaluation of Decisions to Contract Out |
| Audit work included the following: * Discussed with management the process for determining exceptions to the contracting out policy and compliance with policy and CBA requirements for exceptions.
* Reviewed a judgmental sample of six of 55 contracts selected from the 2021 AFSCME Article 5 CBA Report (approximately 10%) to verify whether there is documented justification supporting the decision to contract out for services that is consistent with policy requirements.

Observations identified are detailed below. |
| C17 | Documentation of Justification and Insourcing Efforts:Documentation reflecting efforts to insource contracts is not adequately maintained.Based on a review of the 2021 AFSCME Article 5 CBA Report, the 2022 Contracting Out Report for the UCLA Campus, the local Article 5 Compliance Chart, and discussions with management, it appears that the campus is making progress in identifying contracts to be in-sourced and in-sourcing those contracts. Initial efforts in 2020 led to insourcing work previously provided by six suppliers. In 2022, the data shows that 21 vendors reported in the previous year were removed from the Contracting Out Report and 19 vendors were added to the list.Management stated that the campus is continuing to bring contracted work in-house and that agreements have been terminated in instances where the suppliers refuse to comply with the contract requirements.There are no local campus policies governing exceptions to UC contracting out requirements because the campus is being guided by Regents Policy 5402 and AFSCME CBA Article 5. There are also no local thresholds for granting carve outs that go beyond Regents Policy requirements. Management also stated that CHR and ELR are responsible for reviewing and evaluating decisions to contract out. When requests are identified as Covered Services, departments are asked to provide additional specifics about the needed service via email or the locally developed Contracting Out Worksheet. The worksheet documents the type of Covered Service, circumstances that apply, reasons for outsourcing, efforts made to insource, and whether the work has been performed by UC staff in the last 12 months. However, it is not a standard practice to request the Contracting Out Worksheet from departments for all covered service contracts. The Worksheet is advantageous for two reasons. First, if the information provided by the department is only documented via email, it may be difficult to track, especially when an employee separates from the University. Second, the worksheet can serve as a control to ensure that the necessary elements for evaluating the covered service contracts are obtained from the requesting department. The worksheet is reviewed by the Buyer, Strategic Sourcing Manager, Commodity Manager, e-Procurement Systems Manager, and if necessary, the Chief Procurement Officer. Campus Procurement and ELR hold biweekly meetings where the contracts are evaluated, and joint decisions are made. If necessary, discussions are held with the requesting department as well. However, the review and evaluation of decisions to contract out are not documented. Based on a review of six selected contracts, A&AS verified that a justification supporting the decision to contract out for services, consistent with policy requirements, was documented for all selections. The justification for outsourcing was recorded in either the Contracting Out Worksheet, email communications, or the notification to AFSCME. However, documentation reflecting efforts to insource contracts is not maintained. Of the six selections, management had initially made the decision to insource one of the contracts, but Procurement did not have documentation reflecting the efforts. According to the Implementation Guidelines for Regents Policy 5402, the rationale for contracting out must be documented, including the details of all efforts to in-source the service. Management explained that the initial decision to include the vendor in the 2021 AFSCME report was based on UCOP undocumented guidance provided in meetings regarding charter bus services. During the course of the audit, ELR conducted further discussions with the department, which led to the conclusion that the services provided by the vendor should not be regarded as a covered service because the work had customarily not been performed by bargaining unit employees.\_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria: Implementation Guidelines for Regents Policy 5402, IV. Contracting For Covered Services, “The rationale for contracting out must be documented – including the specific carve out listed in Article 5 Section C of the AFSCME CBA, the reason why the carve out applies, and details of all efforts to in-source the service. In other words, demonstrate that your location has made every reasonable attempt to in-source the service before contracting out.” | UCLA:Management should establish a formal process for documenting the review and evaluation of decisions to contract out, including the details of all efforts to in-source the service. Management should use the Contracting Out Worksheet, or a similar mechanism, to ensure that the necessary elements for evaluating the covered service contracts are obtained from the requesting department and adequately documented. | ELR & Procurement: UCLA currently circulates a worksheet to each Department that seeks to contract out covered services.Responsible individual/party: ELR & ProcurementTarget date: The recommendation has been implemented. |
| C18 | Timeframe to Process and Execute Covered Service Contracts:The time to review, evaluate, process, and execute covered service contracts takes between six to eight months, three months at the earliest, especially for contract proposals over $100,000 which are required to go through competitive bidding. After Procurement reviews the request, ELR, the requesting department, and Procurement discuss the request. According to Campus Procurement, this process can take weeks or months given vagaries in scheduling meetings with all stakeholders. The campus then initiates the competitive bidding process. Once a vendor is selected, AFSCME is provided an opportunity to request review of the proposed contract for covered services. The lengthy process affects the relationships UCLA has with its vendors, which has led to some not wanting to do business with the campus, management explained.Management stated that training additional Buyers in Procurement to handle covered service transactions would help shorten the processing times. Campus Procurement is reviewing the process to streamline the purchasing experience, including the setup for covered service suppliers. For example, a digital PO Checklist for departments to submit purchase orders is being piloted. This checklist will serve as a dynamic guide to help departments understand the purchase requisition requirements, from documentation to next steps and support channels. During the course of the audit, management added to the PO Checklist an option to select "Covered Services," a summary of the Regents Policy 5402 requirements, and instructions to complete and submit the Contracting Out Worksheet with the requisition.  Allowing departments to indicate when there is a requisition for Covered Services, notifying them about the applicable policy requirements, and requesting and obtaining the completed worksheet early on can help accelerate processing times.   | UCLA:A&AS supports Campus management's efforts to continue streamlining the purchasing process for covered service contracts. Specifically, management should include the following early in the process: * Communicating the policy requirement to departments.
* Encouraging departments to report when Covered Services are being requested so that Campus Procurement and labor relations are aware.
* Requesting the initial information necessary to evaluate contracts for Covered Services.

Procurement should consider training additional staff to handle requests for Covered Services. | Procurement: A website has been developed that provides guidance regarding what covered services are, who needs to be engaged if an agreement is contemplated, and the steps that need to be taken if a covered service is to be utilized. Additionally, two FTE staff have been identified to manage the covered service tracking and reporting process.Responsible individual/party: ELR & ProcurementTarget date: A campus-wide communication has been sent to management regarding the policy requirement and the website is now live. A training has been developed with plans to deploy before December 31, 2023. |

|  |
| --- |
| Displacement of Employees |
| Audit work included the following: * Discussed with management the process used to enforce the prohibition against displacing employees due to covered services contracts.
* Reviewed list of terminated employees and identified those who worked in departments that included covered services.
* Reviewed a judgmental sample of 15 terminated employees to assess whether employees were displaced due to a contract for Covered Services.

No observations were identified.  |

**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. | **Health Sciences:** Working group created to evaluate all new agreements with potential covered services. This group meets weekly and includes representatives from Talent Acquisition, Labor Relations and Procurement. UCOP supplied Article 5 amendment utilized for all updates to WBP rates effective June 1, 2023.Responsible individual/party: ProcurementTarget date: This has already been implemented.**Campus:** Campus has implemented the updated guidance provided by Systemwide Procurement on contracting out compliance requirements.Responsible individual/party: ProcurementTarget date: The recommendation has been implemented. |
| **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. | **Health Sciences:** UCOP is implementing QI tracking tool for Campus locations first with Health to follow by end of the year.Responsible individual/party: Talent Acquisition/ProcurementTarget date: 12/31/2023**Campus:** ELR & Procurement are currently working with AgileOne stakeholders to manage the QI & WBP tracking tool. Responsible individual/party: ELR & Procurement Target date: The tracking tool has been implemented.3 |
| 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. | **Health Sciences:** We agree to implement updated guidance.Responsible individual/party: Talent Acquisition; Labor RelationsTarget date: Once UCLA Health receives necessary guidance, we will endeavor to comply as soon as feasible. Without knowing the guidance and what it involves, we cannot provide a target date for implementation. **Campus:** Once the updated guidance is received, we will endeavor to comply as soon as feasible. Responsible individual/party: ELR & Talent AcquisitionTarget date: Without knowing the guidance and what it involves, we cannot provide a target date for implementation. Once provided, we will implement the guidance within 6-months of receiving it. |
| **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.  | **Health Sciences:** We agree to implement updated guidance. Once UCLA Health receives necessary guidance, we will endeavor to comply as soon as feasible. Responsible individual/party: Labor RelationsTarget date: Without knowing the guidance and what it involves, we cannot provide a target date for implementation. **Campus:** Once the updated guidance is received, we will endeavor to comply as soon as feasible. Responsible individual/party: ELRTarget date: Without knowing the guidance and what it involves, we cannot provide a target date for implementation. Once provided, we will implement the guidance within 6-months of receiving it.  |

|  |
| --- |
| **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. | **Health Sciences:** We agree to implement updated guidance.Responsible individual/party: Procurement; Talent AcquisitionTarget date: Once UCLA Health receives necessary guidance, we will endeavor to comply as soon as feasible. Without knowing the guidance and what it involves, we cannot provide a target date for implementation. **Campus:** Once the updated guidance and templates are received, we will endeavor to comply as soon as feasible. Responsible individual/party: ELRTarget date: Without knowing the guidance and what it involves, we cannot provide a target date for implementation. Once provided, we will implement the guidance within 6-months of receiving it.  |

230317-2

REP