

## UC MERCED AUDIT AND ADVISORY SERVICES

July 9, 2019

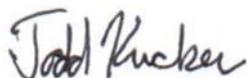
To: Michael Riley – Interim Vice Chancellor and Chief Financial and Administration Officer

Subject: UC Fair Wage/Fair Work Plan Audit

Ref: Audit Report M19A006

Internal Audit has completed the audit of UC Merced's compliance with the UC Fair Wage/Fair Work Plan requirements, which was part of the 2018 – 2019 Audit Plan. The Fair Wage/Fair Work Plan originally stipulated annual involvement by Internal Audit so this audit is completed at all UC campuses.

We appreciate the help we received from the Procurement Services staff during the audit. If you have any questions, please feel free to contact me.



Todd Kucker  
Director of Internal Audit

Attachment

cc Senior Vice President and Chief Audit and Compliance Officer Bustamante  
Chancellor Leland  
Associate Chancellor and Senior Advisor Putney  
Chief Procurement Officer Dubroff



UNIVERSITY OF CALIFORNIA, MERCED  
Audit and Advisory Services

**UC Fair Wage / Fair Work Plan Audit  
M19A006**

July 9, 2019

*Brandi Masasso – Staff Auditor*

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## I. MANAGEMENT SUMMARY

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Internal Audit has completed an audit of UC Merced's compliance with the UC Fair Wage/Fair Work Plan requirements. To help enforce compliance with the plan, Internal Audit departments at UC locations were tasked with reviewing their campus Procurement's management of the UC Fair Wage/Fair Work Plan requirements.

Based upon our testing, we concluded that current processes established by UC Merced Procurement Services are adequate to ensure compliance with the UC Fair Wage/Fair Work Plan.

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## II. BACKGROUND

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On July 22, 2015, University of California President Janet Napolitano announced a new minimum wage plan for University of California (UC) employees titled the "UC Fair Wage/Fair Work Plan." The Fair Wage/Fair Work Plan guaranteed that by October 2017 University of California employees hired to work at least 20 hours a week would be paid at least \$15 per hour.

Outside contractors providing services to the UC are required to pay workers a wage equal at least to the UC minimum wage, upon the renewal of their contract or establishment of a new contract after October 1, 2015. The minimum wage equals:

- At least \$13 per hour beginning October 1, 2015
- At least \$14 per hour beginning October 1, 2016
- At least \$15 per hour beginning October 1, 2017

The UC has created the following mechanisms to ensure contractors comply with this plan:

- Worker hotline – A telephone hotline allows workers employed by UC contractors to report issues related to wages or working conditions.
- Online complaint registration system – An online mechanism for contract workers to register complaints directly with the UC.
- Annual and periodic verifications – All UC contractors will be subject to an annual verification, paid for by the contractor, to ensure they and their subcontractors are complying with the minimum wage plan, as well as all federal, state, and UC workplace laws and policies. UC contractors will also be subject to periodic verifications to ensure compliance with the minimum wage rules and expectations for working conditions. The verifications will be implemented as existing contracts come up for renewal and as new contracts are established.

For suppliers whose services exceed \$100,000 annually, an annual independent verification will be completed at the supplier's expense. The supplier will ensure that their independent accountant or internal auditor:

- Reviews payroll records to confirm Fair Wage/Fair Work compliance
- Verifies that any complaints submitted by employees were appropriately resolved

- Makes available Fair Wage/Fair Work verification work papers to UC internal audit upon request
- Documents any exceptions and management corrective action in verification report
- Documents verification results on UC Fair Wage/Fair Work verification form and sends to UC (Procurement Services) annually no later than 90 days after each 1-year anniversary of the agreement's effective date

These verifications must be performed by an independent accountant or the supplier's internal auditor (if the internal audit function reports directly to an independent board).

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### III. PURPOSE, SCOPE AND OBJECTIVES

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As part of the Fiscal Year 2018 – 2019 Audit Plan, Internal Audit completed a review of the UC Fair Wage/Fair Work Plan (FW/FW Plan) at UC Merced. The overall purpose of the audit was to assess compliance with the plan requirements. The audit scope included contracts in place during calendar year 2018.

Our objectives were to:

- Review UC Merced contracts to ensure that applicable contracts contain the required UC FW/FW Plan provisions;
- Determine whether Procurement Services is reviewing and monitoring contractor compliance with the annual verification requirements; and,
- Determine if exceptions to the UC FW/FW Plan were properly approved.

To fulfill the objectives, we completed the following testing:

- Reviewed UC policy and other guidance from the UC Office of the President concerning the UC FW/FW Plan and evaluated UC Merced's processes to comply with the requirements;
- Evaluate a sample of applicable contracts for compliance with the UC FW/FW Plan; and,
- Select one supplier that submitted an annual verification form to review and verify that procedures were properly followed.

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### IV. CONCLUSION

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Based upon our testing, we concluded that current processes established by UC Merced Procurement Services are adequate to ensure compliance with the UC Fair Wage/Fair Work Plan.