



# UNIVERSITY OF CALIFORNIA

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## Instructions to Audit Firm for 2022 Wage & Benefit Parity Verification Project

### Background:

Consistent with the University of California's (UC's) strong commitment to its workforce and the California community, in November 2019, the Regents enacted [Regents Policy 5402](#), which focused UC work on its current employees and prohibited contracting out certain services except in specific circumstances. In January of 2020, UC and AFSCME agreed to similar language (known as [Article 5](#)) in the Collective Bargaining Agreements (CBAs) for their EX and SX bargaining units.

Consistent with its support for fair wages, Regents Policy 5402 and AFSCME Article 5 also state that suppliers must provide their employees who work at UC locations with wages & benefits of equivalent value to those provided to AFSCME bargaining unit employees performing the same or similar work at the location where the work is being performed (Wage & Benefit Parity or WBP). In accordance with these new policies, UC updated its Terms & Conditions to require suppliers pay the WBP rates issued by UC for each location. The updated Terms & Conditions also mandated that, when requested to do so, suppliers must provide verification of an independent audit of WBP compliance. UC will issue official requests for verification as part of the 2022 Wage & Benefit Compliance Verification project.

To support alignment with its Regent Policy and Article 5, the WBP Compliance Verification project will initially cover 2021 and 2022 agreements for UC's largest covered services suppliers, and auditors will review suppliers' covered services agreements to determine the following:

1. If the supplier paid its employees, at a minimum, the equivalent of the WBP rates in the agreement for the time period specified in the agreement
2. If the agreement was amended to update the WBP rates, then the supplier employee's wage rates were also adjusted to reflect the new WBP rates
3. If the WBP rates listed in the agreement match the WBP rates UC issued for that location, job title, and time period
4. If the agreement was in effect for both the 2021 and 2022 WBP rate periods, then the agreement was amended to reflect the new WBP rates starting June 1, 2022
5. If the actual rates paid to the suppliers' employees were equivalent to the WBP rates in effect for that period, regardless of whether the contract included the appropriate WBP rates.

The UC WBP rates are listed in the Wage and Benefit Parity Appendix (they may also be in a contract clause, amendment, statement of work, or purchase order) attached to each

agreement for covered services, and the rates will vary depending on the type of service and worksite location. Below are the standards and procedures for verifying WBP compliance.

### **Instructions to Suppliers Regarding WBP Rates:**

New WBP rates became effective on the following dates:

April 11, 2021 (2021 WBP rates)

June 1, 2022 (2022 WBP rates)

### **Verification Period**

The verification period is April 11, 2021-, September 30, 2022. Agreements covering April 11, 2021-May 31, 2022 should have the 2021 WBP rates. Agreements covering June 1-September 30, 2022 should have the 2022 WBP rates. If an agreement is effective for both rates (effective January 1, 2022-December 31, 2022, for example), then the agreement must include an amendment, contract clause, or new Statement of Work to indicate that the 2022 rates became effective June 1, 2022.

### **Verification Standards:**

1. WBP verification procedures must be performed by a licensed public accounting firm<sup>1</sup> or the supplier's internal audit department.
2. WBP verification procedures can only be performed by the supplier's internal audit department if the internal audit function reports directly to an independent board.
3. If the WBP verification procedures are performed by a licensed public accounting firm, the accounting firm must have no affiliation with the supplier.
4. The supplier is accountable for ensuring the veracity of the audit report.

### **Verification Procedures**

1. Obtain a copy of the agreement(s) that correspond to the review period. If the UC location is using a master agreement, then obtain copies of all covered services purchase orders for the Verification Period.
2. Identify all supplier and sub-supplier (subcontractor) employees and independent contractors performing covered services during April 11, 2021-September 30, 2022 (the Verification Period). If possible, obtain documentation (e.g., project records) to support the list of employees and independent contractors performing covered services during the Verification Period. If documentation does not exist, obtain a written statement from management with the list of employees and independent contractors performing covered services during the Verification Period.
3. Review supplier and sub-supplier employee payroll records and independent contractor invoices for the Verification Period to verify that all employees and independent contractors providing covered services under the contract(s) were paid the appropriate WBP rate as listed in the agreement
  - a. If the supplier provides benefits, then the supplier may calculate the cost of those benefits and subtract that cost from the UC WBP rate. Obtain and review

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<sup>1</sup> A licensed public accounting firm is a public accounting firm licensed by the board of accountancy of the jurisdiction in which it practices.

source documentation supporting the cost benefit calculation to verify the accuracy of that calculation. Also obtain the adjusted WBP rate for each employee providing covered services and verify the adjusted rate matches the UC WBP rate minus the calculated benefit rate.

The adjusted wage rate must be \$15/hour or higher. Document exceptions where the adjusted wage rate is less than \$15/hour.

- b. If an agreement does not include WBP rates or if the WBP rates were not timely updated, then the auditor must document the lack of rates as a UC exception. In that instance, the auditor should also note whether the contract rates paid were at or above WBP rates in effect for that period.
  - c. The auditor must also document exceptions for any instances where the supplier paid employees less than the WBP rates listed in the agreement. Suppliers that pay more than the WBP rates listed in the agreement will be considered as complying with WBP rates.
4. Compare the rates in the agreement to the published WBP rates (email [contractingout@ucop.edu](mailto:contractingout@ucop.edu) for access to the 2021 and 2022 WBP rate spreadsheets) to confirm if the agreement contains the correct WBP rates
    - a. WBP rates must match the period in which the 2021 and 2022 WBP rates were effective. An agreement that starts August 2022, for example, must have the 2022 WBP rates. An agreement for May 1, 2021-March 30, 2022 must have the 2021 WBP rates. Document as UC exceptions any instances where the WBP rates in the agreements do not match the published WBP rates for that period.
    - b. If an agreement covers both rate periods (January 1-December 31, 2022, for example), then the agreement must include both the 2021 and 2022 WBP rates. Check to see if the agreement was updated to include the 2022 WBP rates starting June 1, 2022. Document as a UC exception any instances where the agreement was not amended or the 2022 WBP rates became effective after June 1, 2022.
  5. For any exceptions noted:
    - a. Document the exception on the Independent Accountant/Internal Auditor WBP Exception Form to be sent to UC.
    - b. Report any corrective action already taken and a completion target date the supplier proposes to implement the recommended remedy.
  6. Send the verification report, along with the verification form(s) to the supplier and to [contractingout@ucop.edu](mailto:contractingout@ucop.edu) when completed. Suppliers are required to provide UC with verification of wage and benefit parity compliance within 90 days of receiving the request for an independent audit, and they must receive the verification report and form(s) in time to comply with the 90 day deadline.