



### Annual Audit Standards

1. Annual audits must be performed by a registered public accounting firm or the supplier's internal audit department with the appropriate subject matter expertise.
2. Annual audits 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 annual audits are performed by a registered public accounting firm, the accounting firm must have no affiliation with the supplier and demonstrate the appropriate subject matter expertise in their qualifications.

### Annual Audit Procedures

1. Obtain and review a copy of the contract being audited.
2. Identify all supplier and subsupplier employees performing services under the contract with University of California (UC) for one full year from the contract's effective date or most recent audit period end date. If possible, obtain documentation (e.g. project records) to support the list of employees performing services under the contract for the audit period. If documentation does not exist, obtain a written statement from management with the list of employees performing services under the contract during the audit period.
3. Review payroll records for these employees for the time period of service performance and verify that all employees were paid an hourly rate equal to or greater than:
  - \$13 per hour - 10/1/15-9/30/16
  - \$14 per hour - 10/1/16-9/30/17
  - \$15 per hour as of 10/1/17

Note: For salaried employees, divide the employee's annual base salary by 2,080 (or prorated amount) to determine the hourly rate. If the employee received a salary adjustment during the period of service, evaluate each salary level separately.

4. Obtain and review workplace policies and procedures. Identify what processes/mechanisms exist to report complaints about workplace conditions (e.g. discrimination, harassment, safety) or wages.
5. Obtain copies of any complaints submitted by employees regarding workplace conditions or wages for the audit period. Verify that the complaint was appropriately investigated and/or resolved in a timely manner as required by policy.
6. For any exceptions noted:
  - a. Document the exception on the certification form to be sent to UC.
  - b. Document corrective action and a completion target date from management for resolution of the exception in the audit report.