



## Stanford University Memorandum

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**Date:** May 4, 2007  
**To:** Diane Peck, Executive Director of Human Resources  
**From:** Rick Moyer, Executive Director of Internal Audit and Institutional Compliance  
**Subject:** **Living Wage Guidelines Compliance Review**

### Overview

In April 2003, President John Hennessy announced the final guidelines for a living wage policy for subcontracted employees who work on the university campus. The guidelines set minimum hourly wage (reviewed on annual basis) as well as other benefits. These guidelines were applied to new, renewed or extended contracts after this date.

The guidelines apply to contractors whose nonunion employees provide basic services such as maintenance, grounds keeping, housing and food services that might otherwise be performed by hourly employees hired directly by Stanford. The value of their contracts with Stanford should exceed \$100,000 per year for a period of at-least one year. Contractors must provide evidence that they are in compliance with the guidelines. The guidelines do not apply to workers represented by a collective bargaining unit or employees at Stanford Linear Accelerator Center, Stanford Hospital and Clinics, or Lucile Packard Children's Hospital.

Living wage benefits include:

- right to work in a safe environment free from unlawful discrimination and harassment and a right to organize.
- at-least 10 compensated days off annually for full time employees who have worked for the contractor for at-least one year. This includes holidays and other paid time off.
- eligible to participate in Stanford-supported English as a Second Language (ESL) classes.

The living wage policy also encourages the new contractor to fill any existing vacancies by qualified employees of the previous contractors, when Stanford changes contractors.

The Office of Procurement (Procurement) included these guidelines in the applicable service contracts in 2003. Starting in 2005, Procurement required quarterly certifications of compliance

from the contractors. The required information on the certification has been specified by Procurement. The certifications are subject to audit by Stanford, or else the contractor should submit an annual statement of compliance signed by a Certified Public Accountant.

As of October 2006, Procurement's record shows 31 contractors, some with multiple contracts, were subject to compliance with Living Wage Guidelines (LWG). As of this date, three certifications should have been submitted to Stanford by the contractors.

### **Scope**

At the request of Procurement, IAD performed a compliance review to determine the accuracy of certifications, as submitted by the contractors for the period of 9/1/2005 to 5/31/2006. We judgmentally selected three contractors and performed detailed testing. Our review procedures included review of certifications and contract files in Procurement, examining the contractors' records, interviews of contractors' and procurement staff.

We also performed testing to determine the internal controls over the process of identifying, obtaining, and reviewing these certifications at Procurement.

### **Conclusion**

Internal Audit issued our final report to management on December 18, 2006. We concluded, with limited exceptions, the contractors' certifications were accurate. One contractor had paid two of its employees less than the minimum required wage. In our opinion, Procurement's internal controls over certification process are adequate. In the future, Procurement should design a more structured follow-up procedure to improve the timeliness of certifications. Internal Audit will follow-up on all recommendations made in our report.