Austin
City Auditor's Office

Audit Report

Living Wage Program

October 2026



Austin's Living Wage Program monitoring is inconsistent due to insufficient training and guidance. We found that City staff did not consistently collect required program documentation nor did they consistently conduct spot checks for contractor compliance. We also found City staff had a lack of awareness regarding program requirements due to insufficient training and guidance.

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Austin City Auditor's Office

Audit Highlights
October 2026

Living Wage Program

Objective

The objective of this audit was to determine whether departments are monitoring their contracts to ensure compliance with the Living Wage requirements.

What We Found

The Living Wage Program was created in 2016 by the City of Austin to establish a minimum wage for contracted non-construction employees. We found that monitoring for the City's Living Wage Program is inconsistent due to insufficient training and guidance.

Contract managers did not consistently collect the required Program documentation or perform randomized spot checks. Even if the City consistently collected these forms, the forms rely on the contractor and employees' attestation as opposed to verifying employees' pay.

The City's training and guidance for the Living Wage Program are limited. The only training provided to staff regarding the Living Wage Program is one part of an overall purchasing refresher training which is high-level and focuses on program updates as opposed to how to apply Living Wage monitoring procedures.

As a result, some staff responsible for managing contracts were unaware of Program requirements, monitoring procedures, and responsibilities, and 5% of employees in our sample were not paid a living wage.

What We Recommend

We recommend to help ensure Living Wage contracts are consistently managed across departments, the Director of Austin Financial Services should improve training and guidance for City staff responsible for monitoring so they know what the Living Wage requirements are and how to monitor contractor compliance.

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Cover: Living Wage - words on wooden blocks on the background of a graph and a magnifying glass, Zhanna/Adobe Stock

Objective

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Background

The City adopted the Living Wage Program under a City Resolution and the City enforces the Program through City rules.

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The Program was launched in 2019 and is administered by Austin Financial Services (AFS). AFS and individual City departments with contracts in the Program are responsible for monitoring.

The Living Wage Program requirements apply to contracts that meet all of the following criteria:

1. The contract is for non-construction services performed on City Property or on City Vehicles.
2. The contract comes from a competitive bidding process.
3. The contract requires authorization by City Council.
4. The Program applies to directly assigned Contractor Employees of the primary contractor and all subcontractors.

Austin City Council annually revises and adopts the Living Wage rate during the budget process for the upcoming fiscal year. Since fiscal year 2021-2022, the Living Wage rate has increased from $15 per hour to the current rate of $22.05 per hour.

When a contractor submits a bid for a Living Wage contract, they must include a signed Contractor Certification Form which affirms the contractor understands and agrees to the program requirements. The form also instructs the contractor to list all employees assigned to the work. Then, contract managers collect an Employee Certification Form acknowledging that the contractor will pay the employee the living wage rate. Contract managers should collect these Employee Certification Forms with the contractor's first invoice and annually thereafter throughout the contract term. The City's Procurement Manual lists the expected Living Wage monitoring activities at each stage of the procurement and contract management processes:

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Exhibit 1: The City's Procurement Manual Lists Living Wage Monitoring Procedures

Stage	Responsible Party	Procedure
1. Pre-Contract Award	Procurement Specialists (AFS)	Include Living Wage language in the contract
		Include Living Wage Contractor Certification form
		Verify Living Wage Contractor Certification was signed and included in the Vendor's offer
		Check the Living Wage checkbox in the contracting system
2. Post-Contract Award	Contract Managers	Add Living Wage deliverables in contracting system
		Periodically review submitted data form compliance (annually or as stated in contract)
		Upload signed Contractor Certification and signed Employee Certifications in the contracting system
		Report noncompliance issues
		Conduct spot checks by randomly requesting the Employee Certifications throughout the contract's term

Source: ACAO's review of living wage procedures in AFS's Procurement Manual, September 2026

Austin Energy, Austin Water, and Austin Fleet Mobility Services managed the most active Living Wage contracts in our scope period.

Finding 1

Austin's Living Wage Program monitoring is inconsistent due to insufficient training and guidance.

We found that City staff did not consistently collect required program documentation nor did they consistently conduct spot checks for contractor compliance. We also found City staff had a lack of awareness regarding program requirements due to insufficient training and guidance. As a result, 5% of employees in our sample were not paid a living wage.

Contract managers did not consistently collect required program documentation. We took a random sample of 59 contracts. For 50 contracts, the City received a Contractor Certification Form. However, six forms did not list the specific employees working on the contract and said general statements such as "all employees will be provided a living wage." The City did not collect a Contractor Certification Form for nine contracts. Without these forms, monitoring staff may have difficulty confirming who is assigned or whether those employees are being paid the required wage.

Contract managers are also supposed to collect Employee Certification Forms with the contractor's first invoice and annually thereafter. However, contract managers did not collect Employee Certification Forms for 46% of the employees listed on the Contractor Certification Forms in our sample.

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Additionally, one Employee Certification Form listed an incorrect living wage rate of $11 per hour instead of the correct $21.63. This error may cause employees to be unaware of how much they are supposed to be paid. Additionally, while monitoring procedures require random spot checks to request the Employee Certification Form throughout the contract term, some contract managers said they do not consistently conduct these random spot checks.

Employees can submit complaints by emailing the City's Wage Theft Team, which investigates potential noncompliance.

Even if the City consistently collected these forms, the forms rely on the contractor and employees' attestation as opposed to verifying employees' pay. We obtained pay information for employees working with 36 contracts. Across four contracts, 5% (15 of 285) of employees did not receive the living wage as required. We referred these 15 instances of noncompliance to the City's Wage Theft team.

The City's training and guidance for the Living Wage Program are limited. The City's Procurement Manual and Contract Monitoring Guide provide some information regarding monitoring for the Living Wage Program. The only training provided to staff regarding the Living Wage Program is one part of an overall purchasing refresher training which is high-level and focuses on program updates as opposed to how to apply Living Wage monitoring procedures.

Some staff responsible for managing contracts were unaware of Program requirements, monitoring procedures, and responsibilities. Furthermore, when we requested pay information and Employee Certification Forms from department staff for our sample of Living Wage contracts, it was evident that City staff did not have a strong awareness of the Living Wage Program. The following are some examples the audit team observed:

- One contract manager did not know what a Contractor Certification Form was.
- One division manager did not know that it is also the responsibility of departments to monitor contracts for the Living Wage requirements.
- One contract manager did not know when to collect forms.
- One procurement manager did not know how to apply the Program's eligibility requirements.
- One contract manager did not know it was their responsibility to collect the Employee Certification Form.

Additionally, some program guidance is unclear. Living Wage Program materials do not clearly state whether requirements apply only to employees with taxes withheld by the employer or independent contractors responsible for paying their own taxes. Program rules define employees broadly, but while Austin Financial Services said an independent contractor responsible for paying their own taxes is not exempt from the program, some contract managers said they were told otherwise by Austin Financial Services. Program guidance also does not clarify how to determine compliance with the living wage for employees who are paid on a salary, commission, or project basis.

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Additional Observation

Austin's monitoring efforts do not focus on employees who earn near the living wage rate. Current monitoring practices require contract managers to spend time monitoring contracts for employees who already earn well above the living wage rate. Of the employees in our sample for whom we could confirm pay information, 65% are paid more than $25 an hour. Contract managers said this is unnecessary and inefficient.

Exhibit 2: More than half of employees in our sample were paid above $25 per hour



Source: ACAO analysis of sampled employee payment information, September 2026

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Recommendations and Management Response

1 We recommend to help ensure living wage contracts are consistently managed across departments, the Director of Austin Financial Services should improve training and guidance for City staff responsible for monitoring so they know what the Living Wage requirements are and how to monitor contractor compliance.

Management Response: Agree

Management agrees that training and guidance for City staff monitoring Living Wage contracts, while generally effective currently, can be further improved.

While we agree with the recommendation, we would like to include the following points that were not mentioned in the audit.

1. **Existing Contract Management Training.** In addition to the Annual Procurement Education Refresher and Training (APERT) which also addresses the monitoring of Living Wage contracts, Austin Financial Services – Central Procurement (AFS) also addresses Living Wage monitoring in our Advanced course within our three-level Contracts Management training program (Beginner, Intermediate and Advanced).

2. **Required Contract Kick-off Meetings for Living Wage Contracts.** Before a department may proceed with a contract that includes Living Wage requirements, a mandatory kick-off meeting is held. This meeting ensures both the department's contract manager/monitor(s) and the contractor understand their roles and obligations with respect to the contract's Living Wage requirements.

3. **Large majority of sampled employees were paid in compliance with Living Wage requirement.** The audit identified a small number of contracts that may not be compliant with the Living Wage requirement – AFS is investigating these now. For context, a large majority of sampled contractor employees, as much as 95%, appear to be compliant with the Living Wage requirement.

Proposed Implementation Plan:

Several Initiatives already underway will address the recommendation by strengthening training, guidance, oversight, and accountability City staff monitoring contracts with Living Wage requirements.

1. **New Sourcing and Contract Management System (FY27).** A new City procurement system to be implemented in FY27 will improve the City's ability to track, report, and manage contract requirements, including Living Wage compliance.

2. **Contract/Vendor Performance Evaluation (CPE/VPE) Expansion (Early 2027).** Performance evaluations will be expanded to all City contracts. Such evaluations have been applied to design and construction contracts for several years. With this expansion, Living Wage compliance will be included as a specific evaluation criterion. Contract managers will be required to collect documentation to support their evaluations of contracts with Living Wage requirements.

3. **Updated Contract Management Training Program (Late FY27).** The overall training program will be revised to ensure full alignment with policies and requirements, including Living Wage. Features will include:

    - Mandatory annual refresher training, specifically for City staff monitoring contracts with Living Wage requirements, and
    - Contract monitoring certification requirement for all staff monitoring contracts, including contracts with Living Wage requirements.

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Scope

The audit scope included all executed contracts within Fiscal Years 2023-2025.

Methodology

To complete this audit, we performed the following steps:

- Reviewed policies, procedures, and other relevant documentation related to the City's Living Wage Program
- Interviewed staff from Austin Financial Services; Austin Fleet Mobility Services; Austin Water; Austin Energy; Austin Culture, Music, and Entertainment; Austin Police Department; Austin Parks and Recreation; Wage Coordination and Wage Theft Teams
- Selected a random sample of 59 Living Wage contracts executed within fiscal years 2023-2025 to determine if they were correctly exempted from or included in the City's Living Wage Program based on the Program's requirements – due to the sampling method, the results should not be projected to the population
- Reviewed documentation of Living Wage contracts from the sample to identify if Contractor Certification Forms and Employee Certification Forms were present – due to the sampling method, the results should not be projected to the population
- Analyzed employee payment information from Living Wage contracts from the sample to determine whether employees were paid the living wage
- Referred potential cases of noncompliance to the City's Wage Theft Team
- Evaluated the risk of fraud, waste, and abuse related to the City's Living Wage Program
- Evaluated internal controls related to the City's Living Wage Program management efforts and practices

Audit Standards

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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The Austin City Auditor's Office was created by the Austin City Charter as an independent office reporting to City Council to help establish accountability and improve City services. We conduct performance audits to review aspects of a City service or program and provide recommendations for improvement.

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