

**HUMBOLDT STATE UNIVERSITY
WILDLIFE/FISHERIES RENOVATION AND ADDITION**

Final Report

May 19, 2000

**KPMG Construction Cost Review
Humboldt State University Wildlife/Fisheries Renovation and Addition
HU-437**

PROJECT OVERVIEW

The Humboldt State University's Wildlife and Fisheries Project consisted of a renovation and addition of 42,000 sq. ft. to the existing building with project costs of \$8.9M. The project included surgical rooms, environmentally controlled growth chambers, explosion proof laboratory rooms, and preservation facilities. The project was managed by Capital Planning, Design, and Construction (CPD&C), and the CSU Chancellor's Office.

KPMG reviewed project records from the following firms that were involved in the project's development and execution:

Contractor: Danco Builders
Architect/Engineer (A&E): Ehrlich-Rominger
Project Management (PM): O'Connor Construction Management

In addition to the firms above, KPMG reviewed records furnished by campus personnel and CPD&C.

Our review indicates that this was the largest project undertaken by the Contractor to date. Pre-qualification documentation shows that, other than a residential development, the largest commercial project previously undertaken by Danco was a healthcare project in the amount of \$5.2 million. The Contractor alleged they incurred a loss of over \$700,000 on this CSU project.

CONSTRUCTION BID PROCESS

The Wildlife/Fisheries project, designed by Ehrlich-Rominger, was estimated at \$8,300,000. The original Notice to Contractors included an original bid date of July 1, 1997. Through addenda, the bid date was revised to July 29, 1997. Nine bidders were listed on the Abstract of Bids, and five bids were received. The low bidder, Danco Builders, submitted a base bid in the amount of \$8,389,049 and was awarded the construction contract on September 2, 1997. The initial specifications listed nine deductive alternates. None of the deductive alternates was accepted.

Additional findings related to the project bid process include:

- The Abstract of Bids was appropriately completed and signed
- Danco Builders furnished an appropriate Payment and Performance Bond in the original contract amount as required
- Danco Builders is an individual proprietorship
- The original construction period was to cover 560 calendar days

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- Liquidated damages were stated to be \$1,200 per day
- Notice to Proceed was given on September 22, 1997
- Original completion was established as April 4, 1999
- Notice of Completion was recorded as June 17, 1999 (74 days late)
- Extensions of 91 days were included in six change orders throughout the construction period that adequately covered the delayed completion
- There were four allowances established in the original bid documents.

CONTRACTOR COMPLIANCE - SUBCONTRACTING PRACTICES

The "List of Proposed of Subcontractors" (CM Form 701.04) included 41 work divisions. Many subcontractors performed multiple divisions of work. The "Expanded List of Subcontractors" (CM Form 701.04 A), included the same subcontractors. According to California Code¹ a contractor failing to list a subcontract or substituting a listed subcontractor whose work consists of greater than .5% of total construction costs without appropriate approval, is subject to penalty of up to 10% of the amount of the subcontract amount. The amount of that penalty, if any, is determined by the owner. Our review found the following:

- The subcontractor that performed site work was Parker. This was a substitution from Nally Enterprises as proposed. The substitution was appropriately approved in a letter dated November 18, 1997.
- The subcontractor that performed paving work was also Parker. This was a substitution from Redwood Empire Aggregates. We did not find documented approval for this substitution or evidence of assessed penalties.
- A clerical error resulted in the omission of the prestressed concrete pile subcontractor. Foundation Construction, Inc. was awarded a subcontract in the amount of \$245,000, which exceeded ½ of 1% of the construction agreement. Danco Builders was assessed a \$3,000 penalty in accordance with owner's rights under CPCC 4110. The penalty was covered in deductive Change Order 12.
- Tab Products was listed as the mobile storage system subcontractor. Interiors, Inc. performed the work, under a subcontract in the amount of \$57,915, in accordance with Division 10683 of the specifications. Since Interiors, Inc. was listed as a proprietary vendor, KPMG found the substitution appropriate. However, we did not find documented approval for this substitution or evidence of assessed penalties.
- The pre-engineered building subcontractor was listed as Humboldt Sheet Metal. The actual vendor furnishing and installing the specified building was Darin Thomsen. Danco Builders explained that Humboldt Sheet Metal had ceased operations and that

¹ California Public Contract Code (CPCC) Section 4110

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Darin Thomsen, an employee of Humboldt Sheet Metal, had taken over the business and preformed the work. We did not find documented approval for this substitution.

Recommendations:

1. CPD&C should confirm whether or not appropriate substitution documentation was received from Danco to substitute the subcontractors identified in this report. If approvals were not properly requested and approved, the CPD&C should determine appropriate penalties, if any, under Section 4110 of the Public Contract Code.

Management's Response:

1. We agree. CPDC investigated the Contractor's failure to follow normal request and approval procedures in substitution of three subcontractors. We are satisfied with the submitted explanation, and find no penalty assessment to be appropriate. A copy of the explanation will be furnished to you.

CONSTRUCTION CHANGE ORDERS

There were 61 change orders totaling \$496,866 incorporating over 115 Change Proposal Requests (CPR) issued on the project. These changes added 5.92% to the contract amount. We were unable to confirm the exact number of CPRs as the project manager's report was incomplete. Change Order No. 13 represented \$161,057, 32% of the total changes. One subcontractor priced this work.

Work covered in Change Order No. 54, in the amount of \$6,672.36, was not performed. The change order provided for the conversion of the emergency generator to duel fuel capacity. During our on-site walk-through KPMG found that the emergency generator was not fabricated for duel fuel capacity. Change Order 54 indicated that the CPD&C Engineer was to "void" the change order. We found that this work was not performed; yet the Contractor, and subcontractor, were paid for this work.

The "Change Order Summary," a CPM report furnished by CPD&C, was incorrect. The "Change Proposal Detail" report, another CPD&C report, accurately reflected all changes and was sorted by reason code. It is unclear why these two reporting systems are not integrated and do not reconcile. The project manager's "Contingency Status Report" included errors and was incomplete (see below). Further, this report did not indicate the reasons for change and did not include totals by reason code.

The payment history furnished by the accounting department of the Chancellor's Office accurately reported the correct change orders.

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Contract and change order reports are critical in properly reviewing the Contractor's Applications for Payment. This should be an automatic control function when processing construction payments. Both the project manager and CPD&C failed to maintain accurate reports and adequate controls. Although the Accounting Department (Chancellor's Office) did maintain accurate reports, they function as a historical record and not as a means of accounting control.

Change Order Analysis:

The project provided for four allowances. Our review found the following:

- A \$140,000 allowance was included for A/E design services. This amount was credited back to the University in Change Order No. 1. The inclusion of an allowance for A/E design services in a construction contract is not standard practice.
- A \$28,000 allowance was provided for final HVAC system balancing. This was credited back to the University in Change Order No. 1. The assumption was that the University would utilize these funds to hire a test and balance firm directly. We found that the HVAC balancing was added back in Change Order No. 6 in the amount of \$31,641.50. This included \$28,765.00 for Southern Oregon Balancing and a 10% Contractor's fee of \$2,876.50. Since \$28,000 was originally included in the contract, the Contractor's fee was already included for that portion and the correct fee should have only been applied to the \$765 difference.
- A signage allowance provided \$15,700 to cover signage provided and installed by the University. This was credited back to the University in Change Order 36.
- The fourth allowance provided \$42,000 to cover specimen cabinets and the refurbishment of two lobby wildlife display cases. We confirmed that the Contractor incurred these costs and no adjustment to the allowance was required (Cost Code 0104 Cabinetry \$42,622.)

As a normal step in reviewing change orders, we reviewed an additional \$372,000 in change orders and traced all subcontractor estimates to the actual subcontractor change orders. Of this sample, we found that Change Order No. 13 covered hillside stabilization work. The subcontractor was paid \$143,688. Change orders of this size should be competitively bid in order to secure fair pricing. We found no evidence that the Contractor received multiple bids for this work.

Change Order Report Analysis:

- O'Connor Construction Management (PM) provided a Contingency Status Report dated June 1999. This report did not include the last five change orders, totaling

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\$50,185.23, nor did it include Change Order No. 36, a credit of \$15,700.00. Additionally, two change orders were listed incorrectly and under-reported by \$156.76 (CO 28 and CO 40.) The PM reported changes of \$462,224.91, rather than the correct amount of \$496,866.90, an understatement of \$34,641.99.

- The CMP (CPD&C) report entitled “Change Order Summary” was overstated by \$280,459.11. This was due to repeated duplication of change orders. In numerous cases, change orders were listed twice or three times.
- From the data provided on the “Change Proposal Detail” CPM report, we were able to confirm that change orders were attributable to the following categories:

Type of Change	C.O. Totals	% of CO	% of Contract
4.1 Errors/Omissions from the Contract Documents	\$349,892	70.4%	4.17%
4.2 Unforeseeable job site conditions	72,427	14.6%	.86%
4.3 Regulatory agency, bldg. code, safety, health	0	0%	0%
4.4 Originated by the University	193,722	39.0%	2.31%
4.5 Unavailability of specified materials	8,372	1.7%	0.10%
4.6 Other	- 127,546	- 25.7%	- 1.52%
Total Change Orders	\$496,867	100.0%	5.92%
Original Contract Amount	\$8,389,049		
Total	\$8,885,916		

Recommendations:

2. When appropriate, competitive pricing should be solicited for change order work involving substantial cost impacts to CSU. This could be accomplished by establishing dollar value limits and a “mini bid” procedure to document costs.
3. CPD&C should request a credit change order in the amount of \$6,672.36 for work not performed in Change Order 54.
4. The CPM system should be “de-bugged” and re-formatted so that it functions as an effective project management tool, or it should be replaced.
5. CPD&C should negotiate Contractors’ fee mark-ups when allowances are credited out of construction contracts and then added back as additive changes, or exercise foresight so that credits are not issued until final determinations are made whether the Contractor will perform the work identified in allowances.

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Management's Response:

2. We agree, when appropriate. This situation was an emergency and the contractor used was already on site.
3. We agree. The value of the non-performed extra work was credited back via Change Order No. 58.
4. We agree. We will either make modifications to CPM or make a decision to implement an alternate cost tracking system by November 30, 2000. Most campuses are using alternate systems of tracking project costs.
5. We agree. Use of allowances and mark-up thereon deserves close attention. We will provide guidance in revision to the Project Administrative Reference Manual by November 30, 2000.

DESIGN COSTS

Anderson DeBartelo Pan originally designed this project. This firm had completed working drawings in 1994 and the project was put on hold. The individual designer, familiar with the project in 1994, had moved to another firm, Erlich Rominger. Due to this individual's familiarity with the project, CSU hired Erlich Rominger for the re-start of the project in 1996.

The scope of the project did not have the traditional components of a new project and, therefore, CSU's standard design fee schedule did not apply. The re-start included Task A to review the design documents and incorporate prior plan review and plan check comments. Task B added a re-design of the front entry stairs and site. The standard Bidding and Construction Administration phases were added and priced through negotiation with the design firm.

The standard CSU Architectural Fee Schedule, if applied, would have resulted in a fee of \$178,040 for the Bidding and Construction Administration phases. The actual agreement was in the amount of \$229,500, a 29% increase over the CSU standard. Although a premium for a re-start is expected, we find this increase higher than expected. Four Extra Service Authorizations amended the agreement.

KPMG did not find a billing phase established for retainage. However, we did find correspondence indicating that it is the normal practice for CPD&C to retain 10% of project fees until all as-built drawings are received.

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We performed a comprehensive review of 54 invoices. Although invoices were thoroughly checked, we had difficulty in reconciling total invoices processed to the accounting records furnished by the accounting department (Chancellor's office.)

Agreement Analysis:

Original Agreement:	Task A - Design Services Re-Start	\$141,500
	Task B – Entry Redesign	62,000
	Bidding Phase	30,000
	Construction Administration (CA)	199,500
	Travel Expenses	<u>18,000</u>
	Total	\$451,000
Contract Amendment (move \$30,000 from CA to Design Phase)		\$ 0
Extra Service #1 – Telecommunications		16,300
Extra Service #2 – Construction Admin. for telecommunications		9,413
Extra Service #3 – Additional Review		38,413
Extra Service #4 – Add for geo-technical pile analysis		3,450
Amendment – Add for additional travel (6 mos.)		<u>6,300</u>
Total Revised Agreement		\$524,876

We found the extra services were adequately supported with clear documentation and appear to have been aggressively negotiated.

The CPM report that tracked the original contract and extra services was incorrect. The report indicated \$266,950 for total fee, \$257,926 less than the contracted fees. This reinforces the need to address this system's deficiencies.

Payment Analysis:

KPMG sampled invoices to compare the construction administration percentages billed on design invoices to percentages of completion presented by the Contractor. All invoices through the Construction Administration phase were appropriately billed or were adjusted to the correct percentage by CPD&C.

KPMG solicited CSU general accounting records in order to confirm payment histories for the selected A/E firm. We found that the CSU general accounting practice is to monitor payments for overall project budget line items, without regard for line item construction budget specificities (i.e. A/E phases, extra services, etc.)

Since the CPM and the CSU general accounting systems are not integrated, there is no single source for contractual obligation and expenditure information. These fragmented systems, as they currently stand, do not provide adequate accounting or financial support for CPD&C, and are a cause for fiduciary concerns for campus managed projects. As

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detailed below, the current accounting system will not recognize an overpayment in a specific design phase, or for an extra service, as long as the total contract value is not exceeded.

In addition to preparing an analysis of paid invoices by phase and extra service, we attempted to determine the totals paid for each category of work, as well as determining the total amount paid to the Architect. As noted above, the condition of project accounting records did not allow for reconciliation of A/E payments. The reports did not provide an adequate reference to determine how much has been billed on certain phases or extra services. The report did not allow us to determine with certainty how much had been paid on the overall contract. Although this report may serve to indicate if a total contract is exceeded, it should not be used as reference tool when approving interim invoices.

Recommendations:

6. Standard Architect agreements should be formally amended to include a provision for adequate retainage that would be payable upon receipt of the issuance of record (as-built) drawings.
7. We recommend that CSU enhance this system to more effectively report construction design expenditures or that CPD&C independently track architectural invoices by service phase, extra services and expenses. (See Recommendation 4).

Management's Response:

6. We agree to amend the standard design professional agreement, and we will make the change by November 30, 2000.
7. We agree. We will either make modifications to CPM, or we will implement a design expenditure tracking system by November 2000.

PROJECT MANAGEMENT SERVICES

O'Connor Construction Management (PM) performed project management services for the Humboldt project. CPD&C solicited pricing from four qualified firms. The agreement was executed on September 12, 1997, in the amount of \$190,500, plus expenses of \$1,500. Subsequent amendments revised this amount to \$225,380, plus expenses of \$3,000. As discussed above in the Change Order section of this report, the firm failed to meet full reporting requirements related to change order tracking. The campus did indicate, however, that they were pleased with the services provided.

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The basis of the service agreement was a “not-to-exceed” amount and included a project manager/inspector at a rate of \$52 per hour. Although additional charges for a scheduler/estimator did not cause the contract amount to be exceeded, there was no clear approval for this service, which was billed at \$105/\$110 per hour. The total charges for this service cost CSU \$12,845. Although Amendment 3 added \$19,040 for “management services necessary to complete the project . . .,” KPMG was unable to confirm that the amendment was intended to provide the services of a scheduler/estimator. Further investigation revealed that the amendment was added well after the scheduler/estimator costs were incurred.

O’Connor only provided monthly reports through March 1999. The project was not recorded as complete until June 1999. It appears that CSU received diminished project management reporting as the project reached the completion stage.

Although the CPM reporting system accurately reflected the correct agreement amount and two of the approved amendments, it did not include a rate increase (PM from \$52/hour to \$54.08/hr) or the \$3,000 for expenses.

Agreement/Payment Analysis:

The table below summarizes the total encumbrances and costs for project management services:

Source	PM/Inspector	Scheduler	Clerk	Expenses	Total
Original Agreement 11/3/97	\$190,500	\$0	\$0	\$1,500	\$192,000
Amendment No. 1			15,840		15,840
Amendment No. 2 (rate incr)	\$3,440			1,500	4,940
Amendment No. 3	19,040				19,040
Total Agreement	\$212,980	\$0	\$15,840	\$3,000	\$231,820
 Costs	 \$203,276	 \$12,845	 \$4,310	 \$3,812	 \$224,243
 Over/(Under)	 (\$9,704)	 \$12,845	 (\$11,530)	 \$812	 (\$7,577)

Standard practice of CSU management is to monitor total costs against total contract amounts and not according to contractual specificities.

Project management fees as a percentage of total construction costs are presented below in the context of those ratios for other CSU projects reviewed by KPMG:

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Project	Final Construction	Final PM Costs	Percentage	
LB-610	10,651,263	680,000	6.38%	
ST-462	13,040,983	501,048	3.84%	
SJ-535	22,754,755	783,431	3.44%	
SF-454	8,848,007	297,277	3.36%	
SD-965R	32,521,297	860,892	2.65%	
HU-437	8,885,916	224,243	2.52%	
SL-475	26,084,489	590,187	2.26%	
NO-496R	24,271,292	531,500	2.19%	
SF-476	27,847,804	543,477	1.95%	
LA-442	18,881,340	336,340	1.78%	
CO-627B	26,112,338	459,451	1.76%	(Pre Completion)
SM-460	12,534,361	160,643	1.28%	(Diminished Services)
LB438				(Not Evaluated)
Totals	232,433,845	5,968,489	2.57%	

Recommendations:

8. When additional services are warranted, they should be specifically addressed in amendments to the service agreements and costs tracked against specific contract disciplines.
9. CPD&C should require adequate reporting services through project completion.

Management's Response:

8. We agree that specific services should have established unit costs, and service agreements should be amended as appropriate. Services are performed as directed and billed to appropriate unit costs. It is not essential to track use of individual units established by estimates since all services are performed as directed and monitored monthly when billed.
9. We agree, however adequate reports are the responsibility of the Construction Administrator per existing procedures. If reports are not required by the services provider, then the Construction Administrator shall produce the reports. This happens when a Project Manager is not used or is not retained until completion of a project. We will add requirements to SUAM by November 30, 2000, to strengthen the requirement that adequate records or reports must be maintained by the project management team.

LIQUIDATED DAMAGES

The contractual completion date was extended, by agreement, beyond the originally established completion date and therefore liquidated damages were not assessed. Extensions totaling 91 days were included in six change orders throughout the construction period that adequately covered the completion delay of 74 days. On the Humboldt project, there was no “global settlement” change order issued and we found that CPD&C appropriately addressed time extensions as they were generated, rather than at project completion. Although this does not impact liquidated damages, we found that the three (3) day extension was inappropriately allowed in C.O. 54 as the work was not performed and the extension unwarranted (see Recommendation 3, above).

The following change orders added time extensions:

<u>C.O. #</u>	<u>Description of Change</u>	<u>Days Added</u>
3	Owner allowed 2 weeks to move specimens	14
3	Time allowed for Boat Storage building	21
14	Weather related delays	14
38	Remove countertops and utilities and revise	7
53	Dimmer control feature revisions	2
54	Convert emergency generator to dual fuel capacity	3
60	Re-testing, hoist engineering, misc.	<u>30</u>
	Total days added	91

Recommendations:

None

MAJOR EQUIPMENT REVIEW

An initial review of the Project Specification Manuals was performed in the CPD&C office on February 8-9, 2000. The specifications consisted of three volumes. CPD&C was unable to locate Volume 3 at CSU. We obtained Volume 3 from the Contractor records. Submittals, as well as Volume 3 of the Specifications, were reviewed in the office of Danco Builders on March 6-7, 2000.

The following specification sections were reviewed:

Division	08311	Overhead Doors
Division	11601	Fumehoods And Cabinets
Division	14240	Hydraulic Passenger Elevator
Division	15450	Plumbing Fixtures And Trim
Division	15160	Centrifugal Pumps

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Division	15400	Plumbing Systems
Division	15621	Fin Tube Boilers-Forced Draft
Division	15840	Terminal Units
Division	16111	Conduit
Division	16144	Cable Tray
Division	16321	Pad Mounted Transformers
Division	16425	Distribution Switchboards
Division	16460	Transformers (Dry Type)
Division	16620	Engine-Generator Standby System

Submittal logs produced by the Contractor, A&E and PM were reviewed. The logs produced by the Contractor and the PM firm were incomplete.

Of the submittals reviewed, all were tracked from Project Specifications through submittal data and final acceptance. We found that the equipment specified was supported with required acceptance documentation. As part of our review process, KPMG conducted a project walk-through on March 8, 2000 with representatives from campus personnel in attendance. The intent of this walk-through was to verify that specific and approved equipment had been provided and installed by the Contractor. The following equipment items and manufacturers were approved and visually confirmed as installed at the campus:

Div. Section	Equipment Description	Specified/Approved Manufacturers
8331	Overhead Coiling Doors	The Cookson Co.
11601	Fume Hoods and Cabinets	Ly-Line
13120	Pre-Engineered Buildings	Butler Manufacturing Co.
14240	Hydraulic Passenger Elevator	Lodestar*
15160	Centrifugal Pumps	Bell and Gossit
15400	Hot Water Storage Tanks	Rudd
15450	Plumbing Fixtures and Trim Products	American Standard
15450	Domestic Water Fountain	Elray
15621	Fin Tube Boilers Forced Draft	Lochinvar
15840	Terminal Units	Titus
16111	Conduit	Allied
16114	Cabletray	B-Line
16321	Pad Mounted Transformer and Outside switch gear	Cutler-Hammer/Westinghouse
16425	Distribution Switchboards	Cutler-Hammer/Westinghouse
16460	Transformers (Dry Type)	Cutler-Hammer/Westinghouse
16620	Engine-Generator Standby System	Caterpillar

*(*Not on the original list of acceptable manuf., questioned, resubmitted and ultimately accepted)*

Recommendations:

10. CPD&C should maintain a complete set of the Project Specification Manuals as part of their project files.

Management's Response:

10. We agree. Standard procedure is to maintain the contract signature set of plans and specifications with the contract files. We will add requirements to SUAM by November 30, 2000, to strengthen this requirement.

CLOSE-OUT DOCUMENTS

As part of the final review process at the campus, KPMG visited the engineering office and found that the warranties and maintenance manuals were received and on file. We also found that final "as-built" drawings are still pending and, as a result, the Contractor and A&E have monies due. KPMG finds it unusual that the closeout process is not complete 11 months after the Notice of Completion was filed.

Recommendations:

11. KPMG suggests a more aggressive approach to induce the Contractor and A&E firms to provide required record drawings. This could be accomplished with "lump-sum" fee retentions for the security of final drawings.

Management's Response:

11. We agree. Funds are retained from both the Contractor and the design professional until record drawings (as-builts) are provided in accordance with contract requirements. We will add guidelines to the Project Administrative Reference Manual by November 30, 2000.

Memorandum

To: Mr. Larry Mandel
University Auditor
Office of University Auditor

Date: July 5, 2000
Revised August 1, 2000

From: Richard P. West
Executive Vice Chancellor and Chief Financial Officer
Business and Finance Division

RECEIVED
University Auditor

AUG 03 2000

Subject: **Audit Report**
Wildlife/Fisheries Renovation and Addition, HU-437
Humboldt State University

**The California State
University**

I am pleased that the overall report is positive and found general compliance with established procedures. I have reviewed the report's findings with my Capital Planning, Design and Construction (CPDC) staff and our specific comments to the auditors' findings and recommendations follow.

Contractor Compliance – Subcontracting Practices

Recommendations:

1. We agree. CPDC investigated the Contractor's failure to follow normal request and approval procedures in substitution of three subcontractors. We are satisfied with the submitted explanation, and find no penalty assessment to be appropriate. A copy of the explanation will be furnished to you.

Change Orders

Recommendations:

2. We agree, when appropriate. This situation was an emergency and the contractor used was already on site.
3. We agree. The value of the non-performed extra work was credited back via Change Order No. 58.
4. We agree. We will either make modifications to CPM or make a decision to implement an alternate cost tracking system by November 30, 2000. Most campuses are using alternate systems of tracking project costs.
5. We agree. Use of allowances and mark-up thereon deserves close attention. We will provide guidance in revision to the Project Administrative Reference Manual by November 30, 2000.

6. We agree to amend the standard design professional agreement, and we will make the change by November 30, 2000.
7. We agree. We will either make modifications to CPM, or we will implement a design expenditure tracking system by November 2000.

Project Management Services

Recommendations:

8. We agree that specific services should have established unit costs, and service agreements should be amended as appropriate. Services are performed as directed and billed to appropriate unit costs. It is not essential to track use of individual units established by estimates since all services are performed as directed and monitored monthly when billed.
9. We agree, however adequate reports are the responsibility of the Construction Administrator **per existing procedures**. If reports are not required by the services provider, then the Construction Administrator shall produce the reports. This happens when a Project Manager is not used or is not retained until completion of a project. **We will add requirements to SUAM by November 30, 2000, to strengthen the requirement that adequate records or reports must be maintained by the project management team.**

Major Equipment Review

Recommendations:

10. We agree. Standard procedure is to maintain the contract signature set of plans and specifications with the contract files. **We will add requirements to SUAM by November 30, 2000, to strengthen this requirement.**

Close-Out Documents

Recommendations:

11. We agree. Funds are retained from both the Contractor and the design professional until record drawings (as-builts) are provided in accordance with contract requirements. We will add guidelines to the Project Administrative Reference Manual by November 30, 2000.

JRC:su

cc: Mr. J. Patrick Drohan
Mr. W. Clifford Hahn

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

August 15, 2000

CHICO

DOMINGUEZ HILLS

MEMORANDUM

FRESNO

TO: Larry Mandel
University Auditor

FULLERTON

HAYWARD

FROM: Charles B. Reed 

HUMBOLDT

SUBJECT: KPMG Peat Marwick Draft Final Report on the
Wildlife/Fisheries Renovation and Addition Project at Humboldt
State University

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of August 15, 2000, I
accept the response as submitted with the draft final report
on the *Wildlife/Fisheries Renovation and Addition Project*,
Humboldt State University.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/cw

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Richard P. West, Executive Vice Chancellor and Chief
Financial Officer/Business and Finance

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS