

**CALIFORNIA STATE POLYTECHNIC UNIVERSITY,  
POMONA**

**SCIENCE ADDITION I**

Final Report

June 14, 2001

## **PROJECT OVERVIEW**

The California State Polytechnic University, Pomona project consisted of the construction of a 98,810 square foot science building for teaching geology, biology, and chemistry. The project included teaching laboratories, faculty and administrative offices, conference rooms, miscellaneous support spaces and a freestanding greenhouse. The project was constructed under the management of CSU Capital Planning, Design, and Construction (CPDC).

The Science Building project, designed originally by MBT Architecture under an initial agreement dated in 1992, was suspended in 1994. The contract drawings had been completed and stamped. In May 1996, MBT was brought back to the design team to complete the design process, provide quality control review and update drawings to conform to current building codes.

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

Contractor:	Skidmore Contracting (Rancho Cucamonga, CA)
Architect/Engineer (A&E):	MBT Architecture (MBT)
Project Management (PM):	Consolidated CM (CCM)

**KPMG Construction Cost Review**  
**CSU - Polytechnic University Pomona Science Addition I**  
**PO-261**

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**CONSTRUCTION BID PROCESS**

MBT's estimate for construction cost was \$23,500,000. The bid, originally scheduled for July 2, 1997, was revised through addenda to July 16, 1997. Five bidders responded. The low bidder, Skidmore Contracting, submitted a base bid in the amount of \$23,445,000. The initial specifications listed the following 13 deductive alternates:

<i>Alternate 1:</i> Concrete floors in lieu of vinyl floor covering	\$(112,000)
<i>Alternate 2:</i> Delete environmental rooms	(75,497)
<i>Alternate 3:</i> Change aluminum louvers to galvanized steel	(1,000)
<i>Alternate 4:</i> Delete aluminum grating support structures	(25,000)
<i>Alternate 5:</i> Cement plaster finish in lieu of brick veneer	(95,393)
<i>Alternate 6:</i> Delete audio/visual conduit	(25,000)
<i>Alternate 7:</i> Replace specified trees with smaller trees	(10,000)
<i>Alternate 8:</i> Replace additional brick with cement plaster	(181,150)
<i>Alternate 9:</i> Delete 24 projection screens	(6,450)
<i>Alternate 10:</i> Delete 1 glass washers and small steam sterilizer	(56,394)
<i>Alternate 11:</i> Delete 1 glass washers and 2 small steam sterilizers	(90,668)
<i>Alternate 12:</i> Delete glass washer, generator, sterilizer, dryer	(169,228)
<i>Alternate 13:</i> Delete greenhouse facility	(260,156)
Total	\$(1,107,936)

None of the alternates were accepted in the original construction contract. The State University Administration Manual (SUAM) Section 9721.07.01 states that alternates must stay within 10% of original bid estimate and should cover "big-ticket" items. Even though the total is well within the 10% limit, we found alternates in amounts less than \$25,000 would have been more appropriately handled through the change order process if the work were later deleted from the original specifications. Skidmore Contracting Corporation was awarded the construction contract in the amount of \$23,445,000 on August 25, 1997. Additional findings related to the project include:

- The Abstract of Bids was appropriately completed and signed.
- Skidmore furnished an appropriate Payment and Performance Bond in the original contract amount as required.
- Skidmore is an Arizona Corporation.
- The original construction period was to cover 730 calendar days.
- Liquidated damages were stated to be \$2,000 per day.
- Notice to Proceed was given on September 16, 1997, with a start date of September 22, 1997.
- Original completion was established as September 22, 1999.

**KPMG Construction Cost Review**  
**CSU - Polytechnic University Pomona Science Addition I**  
**PO-261**

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- Notice of Completion was recorded as August 25, 2000 (the Notice of Completion excluded completion of the exterior security door system).
- Extensions of 337 days were included in eight change orders that extended the final completion to August 24, 2000.
- There were four allowances established in the original bid documents.

***Recommendation:***

1. CPDC should identify the meaning of “big-ticket” items contained in SUAM in order to prevent numerous small alternates being included in bid documents.

***Management Response:***

1. We agree. The objective of the current language in SUAM is to help ensure that the alternates contained in the bid documents are distinct, clear and obvious to the University and the bidders, and coordinated with the rest of the bid documents. Simply prohibiting small alternates does not meet any of those underlying objectives. CPDC will revise the SUAM language to better reflect the true underlying objectives. We will implement procedures for future projects by November 30, 2001.

## **SUBCONTRACTOR BIDDING PRACTICES**

Skidmore provided KPMG with all subcontract files that contained original bids from subcontractors. They did not provide a detailed estimating spreadsheet that reflected each trade line item, however we were able to review the complete project files and documentation from the successful and unsuccessful bidders.

Skidmore cooperated with the subcontractor bid review process and provided all relevant documentation. We found no evidence of in-house estimating and Skidmore relied on competitive bids from usually two to four subcontractors. We examined the following trades:

- **Structural Steel:** Three bids were received ranging from \$2,519,000 to \$4,300,000. The low bidder did not acknowledge one of the Addendums. A subcontract was issued to the second lowest bidder, M L Steel Construction Inc. in the amount of \$2,761,000.
- **HVAC:** Skidmore solicited and received two bids that were \$227,000 apart. The low bidder Superior Air Handling Corp. was issued a subcontract in the amount of \$3,860,000.
- **Landscaping:** There was only one bid received in the amount of \$86,323 and Terrascape Construction was awarded the contract.
- **Carpet:** Skidmore received seven bids for carpet ranging from \$280,000 to 506,494. They awarded the contract to the low bidder, Three Brothers.
- **Elevators:** Two bids were received in the amounts of \$252,880 and \$330,000. The low bidder, Thyssen Elevator Corp. was awarded the contract.

KPMG found the subcontracting bidding practices adequately documented.

## **CONTRACTOR COMPLIANCE - SUBCONTRACTING PRACTICES**

The "List of Proposed of Subcontractors" (CM Form 701.04) identified 21 work divisions and subcontractors. The "Expanded List of Subcontractors" (CM Form 701.04 A), included the same 21 subcontractors. We found no substitutions. All subcontracts over \$117,225 should have been listed. The legal requirement to list subcontractors protects the integrity of state bidding processes and prevents prime contractors from bid shopping a listed subcontractor. The requirement forces the prime to utilize the services of the listed subcontractor. Public Code 4106 states, that if no subcontractor is listed and "if after award of contract, the prime contractor subcontracts, except as provided for in Sections 4107 or 4109, any such portion of the work, the prime contractor shall be subject to the penalties named in Section 4111." It is the right of any subcontractor to protest that a subcontractor was not listed if their work exceeded more than 1/2 of 1% of the bid. We found that 16% of the subcontracts were not listed as required by Public Contract Code. They are as follows:

- Saunders & McMillin (Painting) - \$151,000
- CWI (Waterproofing) - \$146,685
- American Tile - \$207,000
- R. P. Flynn (Site Utilities) - \$178,000

It has been standard practice for CSU to rely on the contractor and subcontractors to comply with Public Code 4100. Subsequent to the review of this project, SUAM (revised 11/00) now requires the University to:

*...police the use of subcontractors. The University shall compare a subcontract status report with the Expanded List of Subcontractors. If any listed firms have been substituted without approval in accordance with Public Contract Code, Section 4107(a) (SUAM, Section 9821), penalties are applicable per Public Contract Code, Section 4110 (SUAM, Section 9823).*

### ***Recommendation:***

2. CPDC should consider whether a penalty assessment is appropriate due to the subcontract amounts and the number of subcontracts not listed.

### ***Management Response:***

2. We agree to demand an explanation from the Contractor. If no valid explanation is produced, we agree to pursue assessment of penalty or other sanctions as allowed. We will reach a conclusion to this matter by November 30, 2001.

## **CONSTRUCTION CHANGE ORDERS**

There were 104 change orders totaling \$197,238 incorporating over 340 Change Order Requests (COR's) approved on the project. These changes added less than 1% to the contract amount. Included in the total amount was a credit change order in the amount of \$850,000 for allowances credited to the contract. Excluding this change order from the total, change orders would have added 4.5% to the contract amount.

CCM project manager's change order log reflected the reason for changes and was within \$543 of the actual change orders approved.

### **Labor Burden:**

Skidmore and their subcontractors often provided change order documentation that showed labor burden breakdowns. For those that did not, CPDC staff was able to discern an approximate amount charged for labor burden based on knowledge of prevailing wage rates and comparison with rates included on change orders. We found this methodology of evaluating labor costs could present challenges for campus personnel not as familiar with prevailing wages. A standard document for submitting change order costs would assist project managers in the change order review process.

Skidmore had limited self-perform work; therefore labor/burden costs were insignificant to the overall change order costs. Skidmore's payroll system automatically builds the burden into each employee's labor rate based on actual costs. To each employee's hourly rate the burden charged is: social security (7.65%), Federal Unemployment Tax Act (FUTA) tax (.08% up to the first \$7,000 of earnings per year), and workman's compensation (actual premium rate for the classification of the employee ranging from 8% - 16%). In speaking with Skidmore's corporate office in Arizona, the CFO confirmed that they did not charge State Unemployment Insurance, fringe benefits or insurances to the labor rates, as these costs were covered through their overhead and profit margins. Due to Skidmore's limited self-performed work and change order costs for labor, we found their method for calculations reasonable.

### **Change Order Analysis:**

The project included provisions for four allowances. Two of the four, Allowance 2 and 4, were credited back to the University in Change Order No. 1. Change Order 89 credited Allowance 1 back to the project. Following is an itemization of the allowances:

1. A \$30,000 allowance was established for asphalt paving repairs to University Drive and Camphor Lane, which are beyond/outside the construction fence boundaries as depicted on the contract drawings.
2. A \$50,000 allowance was included for University retained consultants. The Contractor was to make a check payable to Capital Planning and Project

**KPMG Construction Cost Review**  
**CSU - Polytechnic University Pomona Science Addition I**  
**PO-261**

---

Development and forward this to the University. However, this did not occur. Skidmore issued a credit change order in this amount.

3. A \$20,000 allowance for utility connections of non-contractor furnished equipment as required by the University.
4. The fourth allowance provided that \$800,000 would be available for the Central Plant Chiller and electrical equipment components to supply chilled water to the Sciences Addition project.

Typically allowances are included in base bids and intended as estimates for work that will become part of the project. It was unusual that the contract specifications (Section 1020) included language stating that Allowance 2 was to be immediately returned to the University in the form of a check. This indicated that the work was never intended to become part of the construction contract. According to the project general conditions, allowances should be reconciled through the change order process. Any costs exceeding the original allowance would result in an additive change order to the contract. Conversely, any savings would be returned to the University should actual costs be less than the allowance.

As a normal step in reviewing change orders, we sampled change orders and traced subcontractor estimates to the actual subcontractor change orders. The Contractor furnished all subcontract files. KPMG reviewed approximately 60% of the total change orders. In 56 COR's, we found there to be one Time and Material (T&M) change order for less than \$9,000. For all other significant costs (over \$5,000), were able to trace all subcontractor quotes/backup to change orders issued to the applicable subcontracts.

**Change Order Report Analysis:**

With the exception of minor errors in CCM's change order log, the report was totaled by reason code. KPMG utilized CCM's data and extracted totals by reason code. Following is the result of that analysis:

Type of Change	C.O. Totals	% of CO	% of Contract
4.1 Errors/Omissions from the Contract Documents	\$624,504	316.62%	2.66%
4.2 Unforeseeable job site conditions	357,451	181.23%	1.52%
4.3 Regulatory agency, bldg. Code, safety, health	8,483	4.30%	0.04%
4.4 Originated by the University	42,481	21.54%	0.18%
4.4 Originated by the University – Allowances	-850,000	-430.95%	-3.63%
4.5 Unavailability of specified materials	14,862	7.54%	0.06%
4.6 Other (errors)	-543	-0.28%	0.00%
Total Change Orders	\$197,238	100.00%	0.84%
Original Contract Amount	23,445,000		
Total	\$23,642,238		

***Recommendations:***

3. For general contractors and major subcontractors, CPDC should include guidelines for auditing labor burdens at the time construction contracts are awarded. This would establish acceptable mark-ups at project start-up. This should be included in the construction procedural manual distributed to the campuses.
4. CPDC should develop a standard form for submission of change order costs for use on campus-managed projects. This should be included in the construction procedural manual distributed to the campuses.
5. Although construction specifications often include construction allowances when scope of work is indefinable, we found instructions for contractors to issue “refund checks” to the University inappropriate. CPDC should more clearly define in SUAM appropriate uses and processes for establishing allowances.

***Management Responses:***

3. We agree. We will implement guidelines for future projects by November 30, 2001.
4. We agree. We will develop a standard form for inclusion in our procedures manual by November 30, 2001.
5. We agree. We will implement guidelines for future projects by November 30, 2001.

**KPMG Construction Cost Review**  
**CSU - Polytechnic University Pomona Science Addition I**  
**PO-261**

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**DESIGN COSTS**

The project was a “re-start” from an earlier designed project. The same design firm, MBT Architecture, was re-introduced to the project team in May 1996. An additional service authorization was issued in the amount of \$182,293 to cover costs to review previous plans and drawings and upgrade construction documents for conformance with current building codes. The original A&E agreement dated July 1992, in the amount of \$1,370,096, was re-instated for bidding phase services and construction administration.

Subsequently, 18 additional services were approved totaling \$203,256 (excluding the re-start costs), which increased the base contract by 13.09%. We found that base contract and re-start costs were appropriately paid according to the agreement. The breakdown for base contract services is as follows:

Base Contract Scope	Amount
Schematic Design	\$260,318
Design Development	191,813
Construction Documents	523,239
Bidding Phase	19,736
Construction Administration	374,989
Subtotal - Original Contract	\$1,370,095
Re-Start Fee	182,293
Total Base Contract	\$1,552,388

We performed a comprehensive review of 28 invoices for additional services. In six cases we were unable to confirm that billings were in accordance with the approved services. We found the following:

Add. #	Description	Authorized	Paid	Difference
4	Constructibility Review	\$30,772	\$31,190	\$(418)
7	Telecommunications 260/361	3,560		3,560
14	Structural Engineering Services	9,350	18,137	(8,787)
16	Greenhouse	3,120	3,442	(322)
17	Greenhouse - Redesign	4,400		4,400
18	Claim Services ( Not Signed)	2,000		2,000
		\$53,202	\$52,769	\$433

Extra service #4 represents cost paid to the A&E to provide a “constructibility review.” This is a structured review of the plans and specifications. The focus is on the buildability, bidability and efficiency of construction. The review should identify problems in: reasonableness of work sequence, comprehensive and completion of construction documents, coordination of the documents among the various engineering disciplines, adequacy of lead time for material and equipment procurement, site

**KPMG Construction Cost Review**  
**CSU - Polytechnic University Pomona Science Addition I**  
**PO-261**

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restrictions and adequacy of access. We have found that significant cost savings and reductions in change orders can be accomplished through properly conducted constructibility reviews. Even though CPDC explained the A/E firm did not perform the review with in-house staff and utilized a sub-consultant, it is very unusual to have the original designer manage the review. It is always best business practice and industry standard to hire an independent third party directly to conduct the review.

Extra service #14, in the amount of \$9,350 was for re-engineering costs relating to steel that was to be backcharged to Skidmore. The A/E billed \$18,137. We found no evidence that an additional extra service authorization was ever issued. We did confirm that \$17,974 (\$163 difference) was backcharged to Skidmore in Change Order 80.

Extra service #16 did not provide for a mark-up on the sub-consultant's cost of \$3,120. However the additional service was invoiced and paid including a mark-up of \$322

We were unable to locate invoices for Extra Services 7, 17, or 18.

***Recommendations:***

6. The firm whose work is being reviewed should generally not manage or perform constructibility reviews.
7. If authorizations are issued and it is later determined that the work is no longer required or the scope of service is reduced, CPDC should issue subsequent adjustments (ESAs) so that encumbered funds are not expended against unauthorized invoices.

***Management Responses:***

6. We agree. CPDC concurs that constructability reviews should generally not be done by the firm whose work is being reviewed, and that is our normal practice. It is important to note that the AE firm for the project was not involved in the selection or management of the constructibility reviewer. In this project, the available funds for such services had earlier been encumbered against the AE agreement to prevent their expiration. Authorizing MBT to retain an independent firm to provide the review was the only available means to provide that review.
7. We agree. The issue of Extra Service #14 has been reconciled with the AE.

**KPMG Construction Cost Review**  
**CSU - Polytechnic University Pomona Science Addition I**  
**PO-261**

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**PROJECT MANAGEMENT SERVICES**

Consolidated CM performed project management, on-site inspection, and scheduling services. KPMG reviewed all three amendments issued against the service agreement and 36 invoices processed throughout the project. We found the term of services consistent with the actual construction term. Billings against the agreement were \$9,274 less than the authorizations.

The original inspection and testing agreement with CCM was executed on August 29, 1997 in the amount of \$503,000. Four subsequent amendments increased the final agreement by \$255,000. The original agreement provided \$1,000 for supplies and \$15,000 for "Other Direct Costs" (travel, cell phones, courier services, etc.).

The project agreement and payments are as follows:

Base Contract Scope	Amount
Original 1 – From 9/1/97 to 9/30/99	\$503,000
Amend. 1 – Extension through 2/00 and fire proofing insp.	202,000
Amend. 2 – Extension through 6/00	8,000
Amend. 3 - Extension thru 8/00	30,000
Amend. 4 - Assist with claim and doors	15,000
Total Revised Agreement	\$758,000

Services Paid	Amount
Project Management	\$218,886
Asst. Project Manager	13,184
Construction Manager	37,870
Inspector – Civil	187,553
Inspector - Elec/Mech	108,062
Scheduling	33,670
Clerical	104,060
Engineering Student	13,240
Other Direct Costs	14,698
Testing/Lab	12,396
Reimbursable Expenses	5,108
Total Amounts Paid	\$748,726

KPMG excluded testing/lab costs when comparing services rendered to total construction costs. Total fees paid for management services were \$736,330 (\$748,726 less \$12,396) and represented 3.11% of total construction costs. This amount is within industry standards of 2.5% to 3.5% for project management/inspection services. The table below places the project PM fees in the context of other projects reviewed as part of our CSU construction assurance work:

**KPMG Construction Cost Review**  
**CSU - Polytechnic University Pomona Science Addition I**  
**PO-261**

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Project	Final Construction	Final PM Costs	Percent	Year
SL-98-500	\$9,000,000	\$839,943	9.33%	00-01
LB-610	10,651,263	680,000	6.38%	98-99
HA-434	8,908,995	360,878	4.05%	99-00
ST-462	13,040,983	501,048	3.84%	98-99
SJ-535	22,754,755	783,431	3.44%	99-00
SF-454	8,848,007	297,277	3.36%	97-98
PO-261	23,642,238	736,330	3.11%	00-01
CH-604	8,890,473	245,000	2.76%	99-00
LA-443	22,895,615	614,353	2.68%	00-01
SD-965R	32,521,297	860,892	2.65%	97-98
HU-437	8,885,916	224,243	2.52%	99-00
SL-475	26,084,489	590,187	2.26%	98-99
NO-496R	24,271,292	531,500	2.19%	98-99
SA-448	12,045,295	259,698	2.16%	00-01
SF-476	27,847,804	543,477	1.95%	98-99
LA-442	18,881,340	336,340	1.78%	97-98
CO-627B	26,112,338	459,451	1.76%	98-99 (Pre Completion)
SSU-1878	35,417,507	523,630	1.48%	00-01
SJ-200R	13,795,810	190,000	1.38%	99-00 (Limited Scope)
SM-460	12,534,361	160,643	1.28%	99-00 (Limited Scope)
SD-001-98	17,916,852	114,286	0.64%	00-01 (Limited Scope)
LB438	(Not Evaluated)			97-98 (Not Evaluated)
Totals	\$384,946,630	\$9,852,607	2.56%	

**Recommendation:**

- When authorizations are issued and it is later determined that the work is no longer required or the scope of service is reduced, CPDC should issue amendments to document actual services so that encumbered funds are not expended against unauthorized invoices.

**Management Response:**

- We agree. In this particular case, services were continuing after the time of the audit, for example, the Project Management Company participated in producing the rebuttal to the Contractor's Claim and attended the subsequent Claims Review Board.

## **LIQUIDATED DAMAGES**

The original contractual completion date was extended by 337 days revising the completion date to August 24, 2000. The Notice of Completion indicated August 25, 2000, as the completion date. We found no record that liquidated damages were assessed and had actually been waived through change orders issued throughout the project and in a final settlement change order No 103. Of the 337 days granted, 53 were due to adverse weather conditions.

Change Order 40 addressed 19 open Change Order Requests in the amount of \$1,003,430 and a request for a 256-day extension. The original breakdown of this change is:

<b>Change Order 40</b>	<b>Amount</b>
Steel Subcontractor	\$204,631
Calex Engineering	216,058
Misc. Subcontractors	87,658
Skidmore Extended General Conditions	418,831
Contractor's Fee	76,252
<b>Total (256 days requested)</b>	<b>\$1,003,430</b>

CPDC negotiations settled all extended overhead costs and all claims for the electrical duct bank issues, additional costs due to excessive water in drilled caissons, and steel fabrication costs. Skidmore and CSU settled the change order in the amount of \$225,630 and the project completion date was extended by 180 days.

The final settlement change order added 93 days to the construction schedule. This was a zero cost change order. Skidmore had requested in excess of \$200,000 for additional costs related to outstanding subcontractor claims. These related to drywall escalation costs, epoxy holders, electrical costs, and paving material cost escalations. Liquidated damages for the 93 days would have equated to \$186,000, if assessed. Rather than assessing damages, CSU waived damages in exchange for no financial responsibility towards the \$200,000 in outstanding claims. As a part of this settlement, Skidmore agreed to perform additional work at no cost. KPMG reviewed a memorandum that explained the terms of the settlement that was approved by the Chief of Construction Management (CPDC). It appeared the final settlement was fair and equitable.

**KPMG Construction Cost Review**  
**CSU - Polytechnic University Pomona Science Addition I**  
**PO-261**

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The following change orders added time extensions:

Change Order Number	Reason for Ext.	Tt. Days	Date
Original Completion Date		730	22-Sep-99
Change Order 26	Extend contract time	11	3-Oct-99
Change Order 39	Rain in January 99	5	8-Oct-99
Change Order 40	Additional time	180	5-Apr-00
Change Order 56	Time for rain	16	21-Apr-00
Change Order 88	Time for Weather	7	28-Apr-00
Change Order 91	Rain days	20	18-May-00
Change Order 97	Rain for March	5	23-May-00
Change Order 103	Settlement	93	24-Aug-00
Total Change Orders		1,067	

***Recommendation:***

None

**KPMG Construction Cost Review  
 CSU - Polytechnic University Pomona Science Addition I  
 PO-261**

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**MAJOR EQUIPMENT REVIEW**

The initial review of Contract Documents and Specification was performed in the office of CPDC on November 28-29, 2000. Submittal records were provided and reviewed on November 30 and December 1, 2000 at Skidmore's office.

Of the submittals reviewed, all were traced from Project Specifications through submittal data and final acceptance. We found that the equipment specified was supported with required acceptance documentation. A project walk-through was conducted on February 22, 2001, with representatives from campus personnel. The intent of this walk-through was to verify that specified and approved equipment had been provided and installed by the Contractor. Of the areas selected for review, all sampled specified equipment had been installed.

The following equipment items and specific model data, were approved and visually confirmed as installed at the campus:

Submittal	Division Section	Equipment Description	Specified Manufacturers
94	8330	Coiling Doors	Cookson Belt Drive, Insulated
87	10680	Mobile Shelving	Murray & Stern
74	14241	Elevators	Performance Specd - Thyssen Installed
26	16495	Automatic Transfer Switch	Kohler Transfer Switch K Series -K566343-1000
26	16495	Transfer Switch (Logic)	Kohler M340 Logic (Should be on a CalDyne RJS Spring Isolators)
26	16620	Engine Generator System	Kohler Generator Model 450ROZD (Diesel)
26	16620	Digital Voltage Regulator	Marathon Electric DVR2000
26	16620	Battery Charger	Kohler PAD-292865
26	16620	Decision Monitor	Kohler D6-1

***Recommendation:***

None

# Memorandum

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

**Date:** July 17, 2001

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

**RECEIVED**  
University Auditor

JUL 19 2001

The California State  
University

**Subject:** **Audit Report**  
Science Addition I, Project No. PO-261  
California State Polytechnic University, Pomona

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.

### Construction Bid Process

#### Recommendations:

1. We agree. The objective of the current language in SUAM is to help ensure that the alternates contained in the bid documents are distinct, clear and obvious to the University and the bidders, and coordinated with the rest of the bid documents. Simply prohibiting small alternates does not meet any of those underlying objectives. CPDC will revise the SUAM language to better reflect the true underlying objectives. We will implement procedures for future projects by November 30, 2001.

### Contractor Compliance – Subcontractor Practices

#### Recommendations:

2. We agree to demand an explanation from the Contractor. If no valid explanation is produced, we agree to pursue assessment of penalty or other sanctions as allowed. We will reach a conclusion to this matter by November 30, 2001.

### Construction Change Orders

#### Recommendations:

3. We agree. We will implement guidelines for future projects by November 30, 2001.
4. We agree. We will develop a standard form for inclusion in our procedures manual by November 30, 2001.
5. We agree. We will implement guidelines for future projects by November 30, 2001.

Memo to Mr. Mandel  
July 17, 2001  
Page Two

Design Costs

Recommendations:

6. We agree. CPDC concurs that constructability reviews should generally not be done by the firm whose work is being reviewed, and that is our normal practice. It is important to note that the AE firm for the project was not involved in the selection or management of the constructibility reviewer. In this project, the available funds for such services had earlier been encumbered against the AE agreement to prevent their expiration. Authorizing MBT to retain an independent firm to provide the review was the only available means to provide that review.
  
7. We agree. The issue of Extra Service #14 has been reconciled with the AE.

Project Management Services

Recommendations:

8. We agree. In this particular case services were continuing after the time of the audit, for example, the Project Management Company participated in producing the rebuttal to the Contractor's Claim and attended the subsequent Claims Review Board.

RPW:JRC:su

cc: Mr. J. Patrick Drohan  
Mr. James R. Corsar  
Mr. Robert Schulz

THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

October 4, 2001

CHICO

MEMORANDUM

DOMINGUEZ HILLS

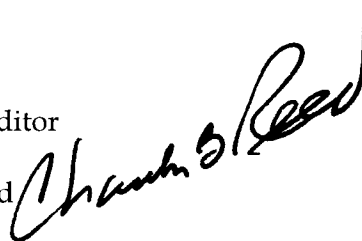
FRESNO

TO: Larry Mandel  
University Auditor

FULLERTON

HAYWARD

FROM: Charles B. Reed  
Chancellor



HUMBOLDT

SUBJECT: KPMG Peat Marwick Draft Final Report on the *Science Addition I*  
Project (PO-261) at California State Polytechnic University,  
Pomona

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of October 4, 2001, I accept the response as submitted with the draft final report on the *Science Addition I* Project at California State Polytechnic University, Pomona.

MONTEREY BAY

NORTHBRIDGE

CBR:amd

POMONA

Enclosure

SACRAMENTO

cc: Dr. Bob Suzuki, President  
Richard P. West, Executive Vice Chancellor and  
Chief Financial Officer

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS