

SAN DIEGO STATE UNIVERSITY

PARKING GARAGE 5

Final Report

June 14, 2001

PROJECT OVERVIEW

The San Diego State University (SDSU) Parking Garage 5 (PS5) project was developed under a design-build project delivery process. This approach is discussed in detail in the next section of this report. The University was originally open to two options: a 1,100-space garage or a 1,500-space garage. This project involved the demolition of an existing sports field and associated out buildings, construction of a two-story concrete parking structure with 1,478 spaces, and a NCAA regulation track and soccer venue on the top deck. As part of the project scope, the existing public streets were widened and realigned to meet new entries and provided traffic mitigation as dictated by an environmental impact report (EIR) obtained by the University. The project was developed and constructed under the management of SDSU Facilities Planning and Management (FPM).

Prior to construction, numerous consultants were utilized during project development and budgeting phases. They included geotechnical, civil, architectural, structural, estimating and environmental service firms. Additionally, the University looked to peer review groups, non-CSU university data, and CSU Procurement services in early stages of project development in order to obtain competitive information relating to the design-build process and higher education parking facilities.

A Request for Qualification (RFQ) process identified potential candidates to qualify for submission of technical and cost proposals. As a result of the RFQ process, five proposal teams were selected to submit on a Request for Proposal (RFP). KPMG reviewed project records from SDSU and the following firms that were involved in the project's development and execution:

Contractor: Taylor Ball of California
Architect/Engineer (A&E): Walker Parking Consultants
Project Management (PM): Testing Engineers

Additional findings related to the project include:

- Taylor Ball furnished an appropriate Payment and Performance Bond in the original contract amount as required.
- Taylor Ball is an Iowa Corporation.
- The original construction period was to cover 396 calendar days.
- Liquidated damages were stated to be \$2,000 per day.
- Notice to Proceed was given on February 2, 1999, with a start date of February 10, 1999.
- Original completion was established as March 9, 2000.
- Notice of Completion was recorded as December 15, 2000.
- The University took beneficial occupancy on August 28, 2000.
- Extensions of 280 days were included in three change orders that extended the final completion to December 14, 2000.

DESIGN-BUILD PROCESS

This was the first design-build project reviewed within the CSU construction audit program. Because this approach changed the parameters of our established review approach, we find it useful to discuss fundamental differences in capital project delivery between design-build and CSU's traditional approach.

CSU's Traditional Project Delivery System

Under the traditional system, CSU would contract directly and separately with the designer and contractor. Project delivery proceeds in a linear fashion, with the design being completed before construction is bid. The design firm functions as the owner's agent during construction. This provides the owner with the dual safeguards of having an agent guarding the owner against defects in the work and having an arbiter of disputes between the owner and contractor which, by their nature, affect the progress of the work. The owner retains decision making authority for the selection of materials and coordinates the design with the construction. The contractor performs and supervises the construction.

Design/Build Project Delivery System

Under the design/build system, CSU contracts directly with a single design/builder who has full responsibility for developing a design meeting CSU's performance expectations and for implementing that design. The design/builder is responsible for the selection of materials which meet CSU's program needs and coordinating those activities required to produce the project within the budget estimate. Generally, owners may realize cost benefits with design/build approaches by converting the project coordination function from a cost management item controlled by the owner to a profit management incentive for the design/builder. This project incurred lower overall project management costs as compared with traditionally constructed projects. To fully realize the benefits of this approach clear specifications of owner performance requirements and high quality inspection of work in progress are required.

An additional cost benefit of the design/build approach is limited, or no error and omission change orders. In our analysis of the six reviews performed last year and three of the completed projects this year, we found the following average for E/O changes:

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Project	E/O Changes	% of Contract
SM 460	\$254,238	2.27%
SJ 535	287,171	1.55%
SJ 200	189,926	1.55%
HU 437	349,892	4.17%
HA 434	427,101	5.85%
CI 604	802,895	12.70%
PO 261	624,504	2.66%
LA 443	1,581,065	7.24%
SL 98-500	73,834	2.58%
SL 98-500	26,435	5.47%
SL 98-500	13,104	1.10%
Average		4.29%

If the parking garage project had incurred the average of 4.29% for E/O changes, project costs would have increased by an additional \$672,000. Pursuant to Public Contract Code Section 10708, SDSU has the authority to administer design-build construction projects. This section of the code gives CSU latitude in the development of the design-build project delivery approach and anticipates that California legislature will continue to develop guidelines for this delivery process. The code as currently states:

When, in the opinion of the trustees, the best interests of the California State University dictate, the trustees may enter into an agreement with a contractor to provide all or significant portions of the design services and construction of a project under this chapter. The contractor shall design the project pursuant to the scope of services set forth in the request for proposals, build the project, and present the completed project to the trustees for their approval and acceptance.

Work under this section shall be carried out by a contractor chosen by a competitive bidding process that employs selection criteria in addition to cost. Any design work performed pursuant to this section shall be prepared and signed by an architect certificated pursuant to Chapter 3.

The Campus found the immediate need for this parking garage warranted a fast-track approach. In addition, SDSU faced significant issues with the physical location of the garage due to pending traffic improvements and the need to make additional land available for an upcoming student housing project. The University elected to utilize the design/build approach in order to begin construction with a preliminary/schematic design. The traditional CSU project delivery approach requires complete construction documents prior to the start of construction that would have delayed the beginning of construction.

KPMG Observations

In the private sector as well as public sector work, design-build project delivery processes have taken on numerous personalities. In our cursory review of the current March 2000 General Conditions for Design-Build contracts, we made the following observations:

- We found no provision for Errors & Omissions Insurance. This is a potential exposure to CSU. This insurance should be provided by the “design-builder.”
- The current general conditions continue to delineate “contractor” and “architect” responsibilities. In standard design-build environments, all services are provided under the responsibility of the “design-builder.”

Recommendation:

1. CPDC should continue to review and amend documents and guidelines in order to ensure that CSU interests are contractually protected in design-build construction delivery processes.

Management Response:

1. We agree. We will implement design-build documents and guidelines for future projects by November 30, 2001.

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REQUEST FOR PROPOSAL PROCESS

At the time this project was developed, guidelines had been established for RFP procedures dated and distributed March 1985. Since that time, the model and guidelines have been updated. The current policy is dated March 1999.

The RFP was prepared in accordance with the effective policy at the time of bid. Section 24 of the current guidelines provides a sample point system for evaluation purposes. The first step of the bid opening was to post the total points awarded by the selection committee. The second step was to open the sealed cost proposals and match them to the points already awarded. The final step was the computation of each proposer's cost/unit quality, arrived at by dividing the bid price by the total points scored. The cost/unit quality formula determined the apparent finalist and the second, third, fourth, and fifth place awards.

SDSU's evaluation committee that reviewed the five technical and cost proposals received was comprised of CSU Facilities Management, SDSU Contract Management, a SDSU architect, campus master plan architect and a structural consultant. The estimated project cost was established to be \$13,000,000. The five RFP's were evaluated based on criteria established in the RFP that awarded points for six categories as follows:

SDSU Parking Structure 5	Maximum Quality Points	Multiplier	Possible Score
CRITERIA			
Functional efficiency	10	5	50
Design excellence	10	5	50
Parking capacity	10	4	40
Quality of design, systems, materials, specs	10	3	30
Operational factors, efficiency, drainage waterproofing	10	2	20
Design, construction and completion schedule	10	1	10
Total Points			200

Submissions were scored by the evaluation team without knowledge of the identity of the bidders and the total points were divided into the cost estimates presented by the bidders. The lowest cost to quality point ratio was considered the low bid. Taylor Ball was issued a construction contract in the amount of \$15,679,282 to construct a 1,478-space parking garage on December 11, 1998. We believe this approach is a reasonable practice for contractor selection.

SDSU was challenged with one bid protest from a design-builder that suggested that SDSU ignored the requirement to bid within the project cost objective. KPMG found documentation between SDSU, the protester, and CPD&C adequately refuted misapplications of the RFP process. KPMG further found that the appropriate bidder was awarded the construction contract.

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SUAM recognized (Section 9701.07) that design/build approaches are susceptible to protest due to the high cost of the teams competing for selection. Chapter II – Model RFP (for design/build projects), section 21.07 includes the provision to make cash awards to help defray bidders’ cost of proposing in an effort to obtain competitive responsive bids. However, we found no guideline as to the amount of the awards. SDSU awarded the unsuccessful bidders reimbursement for time, effort, and costs for their bid costs. KMPG finds this common practice with private sector clients. The following represents the awards paid:

PLACE	BIDDER	AWARD
2nd place finalist	Neilsen/Dillingham Builders	\$ 10,000
3rd place finalist	C. E. Eylie Construction Co.	7,000
4th place finalist	Douglas E. Barnhart	5,000
5th place finalist	Ninteman Construction Co.	3,000

Recommendation:

None

CONTRACTOR COMPLIANCE - SUBCONTRACTING PRACTICES

For this project, the "List of Proposed of Subcontractors" (CM Form 701.04) identified 12 work divisions and subcontractors. The expanded list of subcontractors was not submitted on the appropriate form although Taylor Ball did submit a typed schedule of subcontractors. This schedule did not include the subcontractor's license number or insurance information as required by CSU CM Form 701.04 A.

Due to the nature of design-build work, specific subcontractors are often not identified until sometime during the construction period. The current Design-Build General Conditions no longer require the listing of "Proposed Subcontractors" and allows that subcontractors be identified as they are selected during the construction process on CM Form 701.04A. The current section 32.06 of the General Conditions states, "as soon as each subcontractor is selected the proposer shall submit it to the Trustees by adding it to and resubmitting the Expanded List of Subcontractors..."

General Conditions for this project did not require that subcontractors be resubmitted once they were determined. The following subcontracts were issued after the initial July 1998 bid and did not require listing:

Subcontractor	Cont Date	Amount
Challenger Sheet Metal	Nov-99	\$80,082
Hanson	Oct-99	149,514
Robert Henry	Nov-00	127,000
Real Escape	Jul-00	136,100
Sahara Waterproofing	Mar-00	145,000
Thyssen Elevator	Mar-99	117,480
Underground Utilities	Mar-99	151,200
Western States Caulk	Sep-99	120,000

We were unable to confirm appropriate approvals for the following substitutions:

Listed	Performed	Trade
Whitmore Steel	Olsen Steel	Structural Steel
F. J. Willert	McGrath	Excavation
Brady Co	Plastering Specialties	Stucco/Lath/Plaster

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),

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*penalties are applicable per Public Contract Code, Section 4110
(SUAM, Section 9823).*

Recommendation:

2. SDSU should confirm that appropriate approvals were issued for the substituted subcontractors and consider the assessment of penalties as allowed under Public Contract Code section 4100.

Campus Response:

2. We concur. SDSU will request that the General Contractor provide evidence that approvals for the substitution of the subcontractors has been received or furnish evidence which demonstrates why they should not be assessed penalties. SDSU will determine whether penalties are warranted by November 30, 2001.

CONSTRUCTION CHANGE ORDERS

There were 18 change orders totaling \$2,237,570 incorporating over 45 Change Order Requests (CORs) approved on the project. These changes added 14.3% to the contract amount. Included in the total were a number of University generated changes due to changes in programming and University requirements. They were as follows:

Description	CO #	Amount
Traffic Mitigation	CO 3	\$1,189,000
Bleacher Addition	CO 9	160,761
Street Revisions	CO 14, PCO 36	198,605
Sports Field Changes/Bleacher Credit	CO 15	71,623
Soccer Field Improvements	CO 1	122,966
Soccer Field Improvements	CO 2	205,263
Total Scope Changes		\$1,948,218

Excluding these changes from the total project, change orders would have added 1.85%.

Labor Burden:

Most change orders were supported by lump sum amounts quoted from subcontractors. Taylor Ball included minimal labor cost on change orders. Typically, Taylor Ball supported change requests from subcontractors that did not include detailed breakdown of hours, rates, labor burden, material or mark-ups. Although a “lump-sum” approach to pricing change orders is allowed as an option in the General Conditions Section 37, we suggest that this approach should be the exception rather than the norm. This makes it virtually impossible to evaluate whether or not subcontractors are adhering to mark-ups allowed by contract and whether labor burdens and equipment rental rates are reasonable.

We were able to sample some change orders that did include Taylor Ball’s breakdown for labor burden. We found their method for calculations included mark-ups for small tools and safety programs. This is in violation of the General Conditions that provides for only direct costs for payroll taxes, unemployment tax assessments, benefits, workman’s compensation, etc. KPMG requested detailed support from Taylor for their 35% burden rate on January 24th and again on February 19th. We prepared a sample of 50% of the change orders including those with additional supervision for time extensions. An adjustment for small tools and safety are insignificant (less than \$1,500). Due to the small amount of labor charged in change orders and minimal chance of significant overpayments, we do not find it necessary pursuing any further review of Taylor Ball’s burden support. Labor burden charged was as follows:

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Labor Burden Analysis	Percentage
Payroll Taxes - FICA	7.65%
Payroll Taxes - FUTA	0.08%
State Unemployment/Worker's Comp	12.27%
Fringes	11.00%
Small Tools	3.50%
Safety Program	0.50%
Total	35.00%

Change Order Analysis:

The project included provisions for three allowances, two of which were adjusted in change orders. The contractor's cost exceeded one allowance by \$1,186 and did not request the difference. Following is an itemization of the allowances as shown in specification section 1020:

1. A \$100 per key allowance was established for re-keying all locks in accordance with the University keying schedule.
2. A \$15,000 allowance was included for the University Plant's coordination and interface during construction.
3. A \$60,000 allowance for signage.

The bid form used on the project indicated that the guaranteed maximum cost should include a lump sum of \$80,000 for the allowances. This indicates that the keying allowance was \$5,000. The contractor and the University approved a change order in the amount of a credit of \$1,100 (11 keys x \$100). The conflict between the specifications and the bid form makes it highly unlikely the University would be able to recover the additional \$3,900.

Typically allowances are included in base bids and intended as estimates for work that become part of the project as with the signage allowance. The contract specifications included provisions for reimbursement to the University for costs normally incurred during any construction process.

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 45% of the total change orders. In the design-build process, often change orders are negotiated on a lump sum basis because some trade work is not contracted at the time of a design change. Therefore, subs did not actually provide quotes and it was up to the Contractor and the University to negotiate overall pricing. For all significant costs that were quoted by subcontractors, we were able to trace all subcontractor quotes/backup to change orders issued to the applicable subcontracts.

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Change Order Report Analysis:

Testing Laboratories provided limited project management services and did not provide a change order log. We were able to obtain this information from the University's FPM staff 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	\$0	0.00%	0.00%
4.2 Unforeseeable job site conditions	81,914	3.66%	0.52%
4.3 Regulatory agency, bldg. code, safety, health	392,332	17.53%	2.50%
4.4 Originated by the University	1,763,324	78.81%	11.25%
4.5 Unavailability of specified materials	0	0.00%	0.00%
4.6 Other (errors)	0	0.00%	0.00%
Total Change Orders	\$2,237,570	100.00%	14.27%
Original Contract Amount	15,679,282		
Total	\$17,916,852		

Recommendation:

- In most cases, the University should utilize the General Conditions provision for contractors to furnish "detailed estimates of cost" for self performed work and "detailed estimates prepared and signed by subcontractors" for change order work.

Campus Response:

- We concur. The campus has strengthened existing procedures in this area.

Recommendation:

- CPDC should more clearly define in SUAM appropriate uses and processes for establishing allowances.

Management Response:

- We agree. We will implement procedures for future projects by November 30, 2001.

Recommendation:

- SDSU should perform careful reviews of bid forms and specifications relating to allowances to ensure there are no ambiguities within the documents.

Campus Response:

5. We concur. The campus has strengthened existing procedures in this area.

Recommendation:

6. 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 the project start-up. This should be included in the construction procedural manual distributed to the campuses.

Management Response:

6. We agree. We will implement procedures for future projects by November 30, 2001.

Recommendation:

7. We recommend that labor burden allowances include only permissible costs under the General Conditions.

Campus Response:

7. We concur. The campus has strengthened existing procedures in this area.

PROJECT MANAGEMENT/INSPECTION SERVICES

Four qualification packages were received for construction management, inspection and testing services for the project. Testing Engineers was selected to perform limited project management, on-site inspection, and testing services. KPMG reviewed the three amendments issued against the service agreement and invoices processed throughout the project. We found the term of services consistent with the actual construction term. Billings against the agreement were \$2,676 less than the authorizations.

The original inspection and testing agreement with Testing Engineers was executed on December 7, 1998, in the amount of \$206,040. Three subsequent amendments increased the final agreement by \$64,946. The original agreement did not reference the Project Administration Reference Manual as a guide for project inspector responsibilities. Testing Engineer’s project manager performed limited administrative duties and basically provided on-site field inspections. The University performed the majority of the administrative duties associated with the project. It is not consistent with best industry practice to engage the same firm for testing and project management/inspection. Since it is the responsibility of the on-site inspector to oversee and monitor all testing, we recommend the owner’s selected testing firms not employ the owner’s on-site project managers.

The project agreement and payments are as follows:

Base Contract Scope	Amount
Original 1 - From 2/99 to 4/00 (14 months)	\$206,040
Amend. 1 - Additional services and testing	51,000
Amend. 2 - Added additional time	7,797
Amend. 3 - To complete the project	6,149
Total Revised Agreement	\$270,986

Services Paid	Amount
Inspector of Record/PM	\$114,286
Testing	152,429
Reimbursable Expenses	1,595
Total Amounts Paid	\$268,310

During our review at the University, we reviewed their practices of processing invoices and the tracking against contracts. We note that SDSU developed a comprehensive system of spreadsheets to track individual invoices that are consolidated to overall project budgetary information. They further reconciled processed invoices to the University accounting system (Oracle) and resolved differences as they occurred.

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Total fees paid for management services were \$114,286 and represented .64% of total construction costs (KPMG excluded the testing costs when comparing services rendered to total construction costs). This amount, consistent with the diminished project management services provided on the project and in-house project management, is well below the industry standard of 2.5% to 3.5% for project management services. Design-build projects typically do not require full service project management. In addition, a parking structure would not normally experience the complexities of other university buildings. We did not find limited services inappropriate given the project type and the delivery method. The table below places the project PM fees in the context of other projects reviewed as part of our CSU construction assurance work.

Project	Final Construction	Final PM Costs	Percent	Year	
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	
SD-965R	32,521,297	860,892	2.65%	97-98	
LA-443	22,895,615	602,705	2.63%	00-01	
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	
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	<i>(Pre Completion)</i>
SJ-200R	13,795,810	190,000	1.38%	99-00	<i>(Limited Scope)</i>
SM-460	12,534,361	160,643	1.28%	99-00	<i>(Limited Scope)</i>
SD-001-98	17,916,852	114,286	0.64%	00-01	<i>(Limited Scope)</i>
LB438	<i>(Not Evaluated)</i>			97-98	<i>(Not Evaluated)</i>
Totals	\$328,483,828	\$8,217,688	2.50%		

Recommendation:

- On-site project managers acting on behalf of the owner should be hired independently of testing service firms whenever economically practicable.

Management Response:

- We agree. We will implement procedures for future projects by November 30, 2001.

LIQUIDATED DAMAGES

The original contractual completion date was extended by 280 days, revising the completion date to December 14, 2000. However the University took beneficial occupancy on August 28, 2000. The Notice of Completion indicated a December 15th date. Interim change orders revised the completion date to April 29, 2000. We found no record that liquidated damages were assessed. The final settlement change order was a waiver by the contractor for any future claims against the University.

Since the University had taken occupancy in August the project was theoretically behind schedule by 108 days at December 14, 2000. Since no days were included in Change Order 16, 229 were added to Change Order 18 (\$0 cost) to appropriately document actual project completion. The following change orders added time extensions:

Description of CO		Tt. Days	Date
Original Completion Date		396	9-Mar-00
Change Order 2	Soccer Field Modifications	21	30-Mar-00
Change Order 14	Misc Revisions to Road	30	29-Apr-00
Change Order 16	Occupancy August 28, 2000		28-Aug-00
Change Order 18	Settlement	229	14-Dec-00
Total Change Orders		676	

The University furnished a file memorandum that highlighted their reason for not assessing damages. Some of their deciding issues were:

- The contractor proceeded diligently during construction while accommodating University's requests to conduct University activities adjacent to and on the construction site. This included sports camps, athletic practice, special event parking, commencement parking, etc.
- City of San Diego caused delays. Included were inspector delays, curtailed work hours and 7 plan re-checks.
- Since the structure did not incorporate expansion joints due to the sports deck waterproofing requirements, structural bays required a 56-day cure time rather than a normal 28-day cure time.
- Contractor provided a far superior waterproofing system at no cost to the University that required a 30-day cure time not anticipated.
- The application of the mondo track surface over asphalt also required an unanticipated 29-day cure time partly due to hot weather.
- There were 15 known rain days, which were beyond normal conditions.

The unusual nature and changes to the top deck were such that the cure time of the concrete below in the parking garage increased. It was determined that the University was better served to wait until the cure times were proven to be suitable even though days were added to the construction schedule for the task. It was SDSU's position that they

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suffered no monetary damages since the garage was fully operational prior to the fall 2000 semester.

In the spirit of a team effort, the Contractor allowed the University to use the construction site or adjacent sites throughout construction. Even though SDSU considered this in waiving any liquidated damages, the University may have been at risk with regards to liability and warranty issues.

Recommendation:

9. SDSU should issue change orders that document early/partial use of construction projects that identify dates of use, address project liability and that protect the warranty period.

Campus Response:

9. We concur. The campus has strengthened existing procedures in this area.

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MAJOR EQUIPMENT REVIEW

The review of contract documents and project files was performed at the University, Taylor Ball's California operations office, jobsite office and at Testing Engineer's during the period of January 8-17, 2001.

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 Friday, January 5, 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
001-16610 Rev 0	16610	Diesel Generator	Kohler 20ROZJ
001-16700 Rev 0	16700	Sound System	Simplex Model #5100-9414
001-14240 Rev 1a	14240	Elevators	Performance Specd - Thyssen Installed
001-11015 Rev 0	11015	Park Ur Self System	Pacific Parking Systems ATM Style Quick Pick
001-10155 Rev 1	10155	Toilet Compartments	Comtec S200

Recommendation:

None

Memorandum

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

Date: July 17, 2001

REVISED: September 14, 2001

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

RECEIVED
University Auditor

SEP 18 2001

Subject: **Audit Report**
Parking Garage 5, Project No. SD-001-98
San Diego 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. San Diego State University staff are submitting their comments to the auditors' findings (recommendations: 2, 3, 5, 7 and 9) under separate cover.

Design-Build Process

Recommendations:

1. We agree. We will implement design-build documents and guidelines for future projects by November 30, 2001.

Construction Change Orders

Recommendations:

4. We agree. We will implement procedures for future projects by November 30, 2001.
6. We agree. We will implement procedures for future projects by November 30, 2001.

Project Management/Inspection Services

Recommendations:

8. We agree. We will implement procedures for future projects by November 30, 2001.

RPW:JRC:su

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



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THE PRESIDENT

July 17, 2001

Mr. Larry Mandel
University Auditor
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Long Beach, CA 90802

RECEIVED
University Auditor

JUL 17 2001

The California State
University

Dear Mr. Mandel:

The following is San Diego State University's response to KPMG Construction Cost Review Number SD-001-98, *Parking Garage 5*. For ease of reference, the report's recommendations have been included with our responses. Audit recommendations (1, 4, 6, and 8) relevant to Capital Planning, Design and Construction (CPDC) are being submitted under separate cover.

Recommendation 2

SDSU should confirm that appropriate approvals were issued for the substituted subcontractors and consider the assessment of penalties as allowed under Public Contract Code section 4100.

Campus Response

We concur. SDSU will request that the General Contractor provide evidence that approvals for the substitution of the subcontractors has been received or furnish evidence which demonstrates why they should not be assessed penalties. SDSU will determine whether penalties are warranted by November 30, 2001.

Recommendation 3

In most cases, the University should utilize the General Conditions provision for contractors to furnish "detailed estimates of cost" for self performed work and "detailed estimates prepared and signed by subcontractors" for change order work.

Campus Response

We concur. The campus has strengthened existing procedures in this area. A copy of the instructing memorandum to staff from the Director of Facilities and Planning is attached.

Recommendation 5

SDSU should perform careful reviews of bid forms and specifications relating to allowances to ensure there are no ambiguities within the documents.

Mr. Larry Mandel
July 17, 2001
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Campus Response

We concur. The campus has strengthened existing procedures in this area. A copy of the instructing memorandum to staff from the Director of Facilities and Planning is attached.

Recommendation 7

We recommend that labor burden allowances include only permissible costs under the General Conditions.

Campus Response

We concur. The campus has strengthened existing procedures in this area. A copy of the instructing memorandum to staff from the Director of Facilities and Planning is attached.

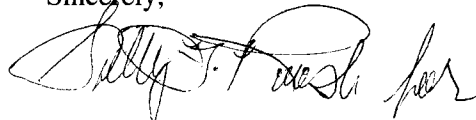
Recommendation 9

SDSU should issue change orders that document early/partial use of construction projects that identify dates of use, address project liability and that protect the warranty period.

Campus Response

We concur. The campus has strengthened existing procedures in this area. A copy of the instructing memorandum to staff from the Director of Facilities and Planning is attached.

Sincerely,

A handwritten signature in cursive script, appearing to read "Stephen L. Weber".

Stephen L. Weber
President

SLW:jlj

cc: Sally F. Roush, Vice President for Business and Financial Affairs
Ellene J. Gibbs, Director, Business Information Management

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

FROM: Charles B. Reed
Chancellor



HAYWARD

HUMBOLDT

SUBJECT: KPMG Peat Marwick Draft Final Report on the *Parking Garage 5*
Project (SD-001-98) at San Diego State University

LONG BEACH

LOS ANGELES

In response to your memorandum of October 4, 2001, I accept the response as submitted with the draft final report on the *Parking Garage 5* Project at San Diego State University.

MARITIME ACADEMY

MONTEREY BAY

CBR:amd

NORTHRIDGE

Enclosure

POMONA

cc: Stephen L. Weber, President
Richard P. West, Executive Vice Chancellor and
Chief Financial Officer

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS