

SONOMA STATE UNIVERSITY

LIBRARY

Final Report

September 10, 2001

PROJECT OVERVIEW

The Sonoma State University project consisted of a new three-story steel framed library and a computing/media/telecommunication services center building of approximately 211,590 square feet. All supporting utilities, site development, landscaping and parking were included in the project. The project was constructed under the management of the Campus.

ED2 International prepared plans and specifications for the project. KPMG reviewed project records from and the following firms that were involved in the project's development and execution:

Contractor:	McCarthy (Newport Beach Office)
Architect/Engineer (A&E):	ED2 International
Project Management (PM):	O'Connor Construction Management
Owner:	Sonoma State University

Our initial assessment of the project revealed a large number of credit changes and two major changes that added over \$4M to the contract price. As a consequence, we placed special attention on review of project change orders.

CONSTRUCTION BID PROCESS

The Library Project was estimated by ED2 International to cost \$30,500,000. The original Notice to Contractors indicated a bid date of June 9, 1998. From 11 bidders, there were seven (7) responsive bidders listed on the Abstract of Bids. The low bidder, McCarthy, submitted a base bid in the amount of \$33,477,083. The initial specifications listed seven (7) deductive alternates:

<i>Alternate 1.1:</i> Deduct all landscape planting. Topsoil and and testing shall not be deducted.	
<i>Alternate 1.2:</i> Deduct irrigation system, replace with sleeves and piping. Electrical controllers and copper piping shall not be deducted.	\$ (193,566)
<i>Alternate 2.1:</i> Deduct trellis assembly over first floor plaza. <i>Alternate 2.2:</i> Deduct trellis assembly over third floor roof terrace.	\$ (179,994)
<i>Alternate 3:</i> Deduct hipped standing seam metal roof and replace with built-up roofing.	\$ (119,649)
<i>Alternate 4:</i> Deduct interior finishes, mechanical, plumbing and electrical and replace with shelled spaces as shown on drawings.	\$ (273,720)
<i>Alternate 5:</i> Deduct interior finishes, mechanical, plumbing and electrical and replace with shelled spaces as shown on drawings.	\$ (520,965)
<i>Alternate 6:</i> Deduct interior finishes, mechanical, plumbing and electrical and replace with shelled spaces as shown on drawings.	\$ (1,123,704)
<i>Alternate 7:</i> Deduct interior finishes, mechanical, plumbing and electrical and replace with shelled spaces as shown on drawings.	\$ (1,582,922)

Alternates 1,2,3 and 7 were accepted and incorporated into the original construction contract. A total of \$2,076,130 was deducted from the original bid and McCarthy was awarded the construction contract in the amount of \$31,400,952 (\$33,477,083 less the deductive alternates) on June 23, 1998.

Additional findings related to the project include:

- The Abstract of Bids was appropriately completed and signed.
- McCarthy furnished an appropriate Payment and Performance Bond in the original contract amount as required.
- McCarthy is a Missouri Corporation, registered to do business in California.
- The original construction period was to cover 730 calendar days.
- Liquidated damages were stated to be \$2,000 per day.

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- Notice to Proceed was given on July 22, 1998, with a start date of August 3, 1998.
- Original completion was established as August 2, 2000.
- Notice of Completion was recorded as November 3, 2000 (93 days after the original completion date).
- Extensions of 17 days were included in four change orders that extended the final completion to August 19, 2000.
- There were no allowances included in the original bid documents.

CONTRACTOR COMPLIANCE - SUBCONTRACTING PRACTICES

For this project, the "List of Proposed of Subcontractors" (CM Form 701.04) identified 25 work divisions and subcontractors. The "Expanded List of Subcontractors" (CM Form 701.04 A), included 24 subcontractors, as one subcontractor was to perform two trades. Our review found the following:

- Keith J. Gale Engineering was listed as the underground utilities subcontractor. On October 19, 1998, McCarthy requested a substitution of Swindle Construction and Equipment Rental who was performing the earthwork. The University appropriately approved the substitution on November 2, 1998.
- B.T. Mancini was listed as the metal decking subcontractor. On June 11, 1998, McCarthy requested a substitution of Pacific Erectors. The University appropriately approved the substitution on June 23, 1998.

Recommendation:

None

CONSTRUCTION CHANGE ORDERS

There were 47 change orders totaling \$4,016,555 incorporating 336 Change Proposals (CPs) approved on the project. These changes added 12.79% to the contract amount. Included in the total amount was a change order in the amount of \$2,264,050 to incorporate Alternate 7 that was deducted from the original bid amount. Another change added \$801,851 for a scope change to the original contract. Excluding these change orders from the total, change orders would have added 3.02% to the contract amount.

Labor Burden:

KPMG reviewed 76% of the total change orders and found that McCarthy was paid a total of \$69,914 in labor costs, or 2.3% of the change orders reviewed.

McCarthy charged hourly labor rates on change orders that included all burden costs. In order to confirm the composition of these hourly rates, we selected specific payroll periods to review. We found their method for calculations included mark-ups for retirement and bonuses in the amount of 18.5% that seemed excessive and not allowable by contract. We anticipate the actual amount should only include retirement benefits of approximately 3%. Since bonuses are typically discretionary, the inclusion of this cost is in violation of the General Conditions that allows for only direct costs for payroll taxes, unemployment tax assessments, benefits, workman's compensation, etc. While the impact of this overcharge was not material due to the relatively small amount of labor provided by the contractor on this project¹, we note that such practices, if not monitored or reviewed, can result in significant non-allowable payments in cases where substantial labor charges are incurred.

Their payroll system posted actual costs to each payroll period. For example, once an employee's wages exceeded the State Unemployment Insurance (SUI) limit the system would discontinue charging that cost. Additionally, it was obvious from the payroll data, only employees entitled to benefits were charged for them. Labor burden charged was as follows:

¹ KPMG Consulting calculates the overcharge cost the University about \$11,800 on the total labor charge of \$70,000.

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Management Employees Labor Burden Analysis	Burden Charged	to	Burden Charged	Average
Payroll Taxes – FICA	7.65%		7.65%	7.65%
Payroll Taxes – FUTA	0.08%		0.08%	0.08%
Payroll Taxes - State Unemployment	5.40%		5.40%	5.40%
Worker's Comp & Liability	0.66%		0.66%	0.66%
Health Benefits (management)	7.95%		12.06%	10.01%
Dental & Vacation (management)	6.36%	to	16.77%	11.57%
Overhead (401(k) and bonus accrual for mgmt.)	18.50%		18.50%	18.50%
Total	46.60%		61.12%	53.86%
Union Employees Labor Burden Analysis	Burden Charged	to	Burden Charged	Average
Payroll Taxes - FICA	7.65%		7.65%	7.65%
Payroll Taxes - FUTA	0.08%		0.08%	0.08%
Payroll Taxes - State Unemployment	5.40%		5.40%	5.40%
Worker's Comp & Liability	4.07%	to	8.41%	4.54%
Union Fringe	19.42%	to	35.15%	27.29%
Total	33.21%	to	56.69%	44.95%

Change Order Analysis:

Change Order 8 added \$2,264,050 to the contract amount to incorporate an alternate that had been deleted in the original contract. The original Alternate No. 7 was a \$1,582,922 credit to the contract. The University later decided to complete the deleted work and the contractor was issued a change order in the amount of \$2,264,050. The original deductive alternates were guaranteed for 60 days after the original bid, or August 8, 1998. In February 1999, the decision was made to add the work back to the contract and pricing was solicited from the existing subcontractor's working on the main portion of the project rather than from competitive bidding. Due to the six-month delay in pricing, the University incurred a 43% increase in price. This amount appears excessive. Additionally, McCarthy added \$44,919 for general condition costs. General conditions include supervision, equipment rental, jobsite expenses, clean up, etc. Although we find that McCarthy would have incurred some additional General Condition costs for this work they should not have included supervision.

Change Order 17 added \$801,851 to the contract amount for the addition of a telecommunications system throughout the building. Upon reviewing the cost detail, we found that the contractor added \$15,251 for additional staffing. Supervision should not have been included as additional cost as it is covered by the Contractor's mark-up. These two change orders (Nos. 8 and 17) included overcharges of \$17,482 for supervision plus a 15% mark-up of \$2,622.

Although the scope of Change Order 17 was a change to the original design, McCarthy did not bid the work. The University informed us that the vendor was a CMAS

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(California Multiple Award Schedule) vendor. Although they did not require bidding, we suggest that work of this dollar volume should be bid in order to promote fair competition and best pricing for the University. In support of our position, a California State Auditor’s memo (dated August 26, 1999) indicated that CMAS should be used as a *ceiling* price guideline and does not ensure the best or lowest pricing. To review the State Auditor’s opinion and report, visit <http://www.bsa.ca.gov/bsa/pdfs/99500.pdf>.

On both change orders, the University allowed the contractual 15% mark-up, equating to \$399,900. This was in conformance with the contract language at the time. However, we often find it standard practice that on large dollar changes, owners will negotiate a lesser fee closer to what a contractor would have included in the original contract for projected overhead and profit. We were able to confirm that McCarthy had estimated approximately 4.5% for overhead and profit.

We performed a detailed review of all credit change orders when we discovered that McCarthy failed, in most cases, to return the 6% fee according to the contract General Conditions. Our analysis showed that the University did not receive credits of \$33,087. The University and/or the PM should have adjusted this at the time the change was reviewed and approved. The following is an itemization of the credits due on changes:

Change Order	RFI #	PCO #	Total PCO	Credit Due
3	32	36	5,020	(301)
3	34	38	11,996	(720)
6	70		20,872	(1,252)
7		23	3,658	(219)
7		25	1,985	(119)
10	15	20	4,363	(262)
13	96	106	24,726	(1,484)
15		125	7,471	(1,329)
15	117	127	18,649	(1,452)
15	121	131	8,161	(490)
15	126	136	9,150	(549)
16	73	82	4,240	(254)
18	82	92	4,312	(1,745)
20	155	167	3,392	(204)
22	134	146	6,632	(398)
22	146	158	9,999	(1,225)
22	184	200	29,892	(1,794)
23	204	220	4,000	(240)
27	130.1	141	20,002	(4,433)
27	169	182	9,355	(762)
28	180	194	8,019	(402)
29	133	145	12,675	(390)
29	141	153	9,860	(592)
29		154	2,209	(77)
30	137.1	149	9,076	(1,456)
33	238	257	6,269	(376)
35	245	264	7,966	(478)

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37		254	(2,039)	(1,043)
40	CRB 22	295	19,552	(1,173)
42		317	5,151	(309)
43	CRB16	197	6,065	(1,586)
44	185	201	12,199	(732)
46.1	170	183	4,300	(258)
46.1	181	195	3,388	(203)
46.1	220.1	237	5,928	(470)
46.1	244	263	4,375	(263)
46.1	277	299	1,955	(216)
46.1		345	40,516	(2,431)
46.1		346	6,700	(402)
Total Credit Due				(32,087)

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 113 Change Proposals, 34% of the total CPs and, for all significant costs (over \$5,000), was able to trace subcontractor quotes to change orders issued to the applicable subcontracts.

Change Order Report Analysis:

O'Connor Construction Management provided an accurate change order contingency log reflecting the reason for each change. Following is the result of that report:

Type of Change	C.O. Totals	% of CO	% of Contract
4.1 Errors/Omissions from the Contract Documents	\$780,574	19.43%	2.49%
4.2 Unforeseeable job site conditions	70,672	1.76%	0.23%
4.3 Regulatory agency, bldg. code, safety, health	65,417	1.63%	0.21%
4.4 Originated by the University	16,108	0.40%	0.05%
4.4 Originated by the University - Alternate	2,264,050	56.37%	7.21%
4.4 Originated by the University - Telecom	801,851	19.96%	2.55%
4.5 Unavailability of specified materials	17,883	0.45%	0.06%
4.6 Other (errors)		0.00%	0.00%
Total Change Orders	\$4,016,555	100.00%	12.79%
Original Contract Amount	31,400,952		
Total	\$35,417,507		

Recommendations:

1. The University should pursue a credit to recover the supervision costs included in Change Orders Nos. 8 and 17 in the amount of \$20,104.
2. When practical, major scope changes should be competitively bid.

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3. On major change orders, the University should attempt to negotiate a more favorable fee for the contractor's overhead and profit than what is provided for on standard changes.
4. The University should pursue a refund of \$32,000 for the credit fee not returned on change orders.
5. For general contractors and major subcontractors, CPDC should include guidelines for auditing labor burdens at the time construction contracts are awarded. Such provisions should be included in the construction procedural manual distributed to the campuses. This would establish acceptable mark-ups at the project start-up (See footnote 1 above).

Campus Responses:

1. The University will issue a demand letter to recover the supervision costs included in the change orders.
Target Completion Date: November 30, 2001
2. The Senior Director for SSU Capital Planning, Design and Construction (SSU-CPDC) will be issued instructions requiring that all major scope changes be subjected to the competitive bid process. In the event circumstances are such that a competitive bid is not deemed practical, substantiating documentation will be prepared and submitted to the Vice President for Administration and Finance (or designee) for approval and retention in the project file.
Target Completion Date: November 30, 2001.
3. The Senior Director for SSU Capital Planning, Design and Construction (SSU-CPDC) will be issued instructions requiring the examination of all major change orders and document the procedures and efforts made to solicit a more favorable fee for a contractor's overhead and profit than what is provided for on standard changes.
Target Completion Date: November 30, 2001
4. The Senior Director for SSU Capital Planning, Design and Construction (SSU-CPDC) has been directed to issue a demand letter to the contractor for a refund of the credit fees not returned on change orders.
Target Completion Date: November 30, 2001

Management Response:

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

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DESIGN COSTS

This project was a “re-start” from an earlier designed project. ED2 International’s contract dated July 1, 1992, was for \$1,679,018. The initial management for the A/E contract was performed by CPDC. The University took over management during the bidding phase of the contract and completed it through project close-out. Subsequently, two additional services were approved totaling \$51,200, which increased the base contract by 3.04%. We performed a detailed review of base contract and additional services. Following is a recap of the total commitment and payments:

Design Phase	Agreement Amount	Amount Paid	Difference
Schematic Design	319,013.48	319,013.48	-
Preliminary Design	235,062.56	235,062.56	-
Working Drawings	641,217.09	641,217.09	-
Bidding/Negotiations	67,496.54	67,496.54	-
Construction Administration	416,228.64	399,579.49	16,649.15
Subtotal Base Contract	1,679,018.31	1,662,369.16	16,649.15
Reimbursable Expenses	6,299.53	6,299.53	-
Subtotal Base Contract W/Expenses	1,685,317.84	1,668,668.69	16,649.15
Extra Service 1 (Telecomm/Mechanical changes)	21,200.00	21,200.00	-
Extra Service 2 (Various changes)	30,000.00	30,371.00	(371.00)
Total A/E Services	1,736,517.84	1,720,239.69	16,278.15

We performed a review of the invoices processed by the University and confirmed that one month had not been paid for Construction Administration services and that Extra Service 2 was overpaid by \$371. Although not material, the overpayment, without amendment to the additional service agreement, suggests that appropriate controls may be insufficient to prevent larger discrepancies.

Recommendation:

None

PROJECT MANAGEMENT SERVICES

O’Connor Construction Management performed project management and on-site inspection services. There were no amendments issued against the service agreement. We found the term of services consistent with the actual construction term. Billings against the agreement were \$523,630.21, \$11,369.79 less than the agreement. We found no agreement or amendment reducing the scope of PM services commensurate with the fee reduction.

The original inspection and testing agreement with O’Connor was executed on July 27, 1998 in the amount of \$535,000. The original agreement did not include any provisions for reimbursable expenses. At the time of our review, the University had paid \$521,475.50 for management services and \$2,154.71 for expenses, mainly travel. Total fees paid for these services were \$523,630.21 and represented 1.47% of total construction costs. This amount is below 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:

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	
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>
SSU-1878	35,417,507	523,630	1.48%	00-01	
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	372,901,335	9,581,261	2.57%		

Recommendations:

6. When authorizations are issued and it is later determined that the work is no longer required or the scope of service is reduced, the University should issue an amendment to document actual services so that encumbered funds are not expended against unauthorized invoices.
7. Service agreements/amendments should clearly state what expenses are allowable and how they will be reimbursed.

Campus Responses:

6. The Senior Director for SSU Capital Planning, Design and Construction (SSU-CPDC) will be issued instructions requiring that change orders be issued to formally amend the contract where specific work is deleted or scope is reduced and to disencumber respective funding.
Target Completion Date: November 30, 2001
7. The Director of Purchasing and Contracts will be issued instructions to specify how reimbursable expenses are to be compensated in consulting agreements.
Target Completion Date: November 30, 2001

LIQUIDATED DAMAGES

The original contractual completion date was extended by 17 days beyond the original completion date, which revised it to August 19, 2000. Notice of Completion indicated a November 3, 2000 completion date. There were no liquidated damages assessed. The University explained that they had actually taken beneficial occupancy and began using the Library in the beginning of August. There was no change order to document the actual occupancy date. The University furnished us with a number of news articles that confirmed that they began moving into the new building late July. The Library was operational in time for the fall semester that began August 23.

The following shows the number of days for each overlapping phase and specific change orders that included time extensions:

Description of CO	Tt. Days	Completion Date
Original Completion Dates by Contract	730	2-Aug-00
Change Order 31 – Weather/Picketing	2	4-Aug-00
Change Order 34 – Weather	3	7-Aug-00
Change Order 38 – Weather/First Fl. So. Wing	11	18-Aug-00
Change Order 41 – Weather	1	19-Aug-00
Total Change Orders	17	

Recommendation:

8. According to the contract General Conditions beneficial/early occupancy should be documented by change order.

Campus Response:

8. The Senior Director for SSU Capital Planning, Design and Construction (SSU-CPDC) will be issued instructions that a change order formally documenting beneficial and or early occupancy must be prepared and distributed.
Target Completion Date: November 30, 2001

MAJOR EQUIPMENT REVIEW

The initial review of Contract Documents and Specification was performed at the University the week of April 2, 2001. Submittal records were provided and reviewed at the campus also.

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 April 4, 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 manufacturers equipment had been installed.

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

Sub. #	Div. #	Brand	Model #	Discription
132	15440	Sloan Royal	111	Sloan Royal Model 111 Low Consumption Flushometer
132	15440	Haws	1114	Wall mounted drinking fountains duel ht
92.4	15130	Trerice	500X	Pressure Gauge white casing black dial (filter gauge 4.5")
209	8330	Cornell Iron Works	Thermiser 6F	Coiling Doors (service type A)
209	8330	Cornell Iron Works	M105A	Annunciator Button 24 volt ,dc, point 0176 amps
89	16200	Catepillar	3412	Generator set, 1800rpm, 500kw, 6hz, v12
89	16200	Woodward	2301A	Speed controls
148	15734	Data Aire	DACD07-34	computer room AC system (AC 4) 460v, 3 phase, 60HZ

Recommendation:

None

Memorandum

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

Date: October 4, 2001

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

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University Auditor

OCT 12 2001

The California State
University

Subject: **Audit Report**
University Library, Project No. SSU-1878
Sonoma 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.

Construction Change Orders

Recommendations:

5. 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

SONOMA STATE UNIVERSITY
Vice President for Administration and Finance

1801 East Cotati Avenue
Rohnert Park, California 94928-3609

FAX TRANSMISSION – 4 pages


October 12, 2001, 6:10 PM

To: Jim Usher
Office of University Auditor
401 Golden Shore, 4th Floor
Long Beach, California 90802
FAX 562.951.4955

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University Auditor

OCT 12 2001

**The California State
University**

From: Laurence Furukawa-Schlereth 
Chief Financial Officer and Vice President

Subject: Revised Response to Construction Project Number SSU 1878-CSU
Sonoma State University Library

As requested please accept SSU's revised responses to the subject report.

The original copy will be sent to your attention on Monday, October 15 via overnight mail.

If you should have questions or desire clarification, please contact Steve Wilson on Tuesday, October 16 at 707.664.2834 or via email: steven.wilson@sonoma.edu

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**KPMG Review of Construction Project Number
Sonoma State University 1878
CSU Sonoma State University Library
Jean and Charles Schulz Information Center**

CONSTRUCTION CHANGE ORDERS

Recommendation 1:

The University should pursue a credit to recover the supervision costs included in Change Orders Nos. 8 and 17 in the amount of \$20,104.

Campus Response:

The University will issue a demand letter to recover the supervision costs included in the change orders.

Target Completion Date: November 30, 2001

Recommendations 2:

When practical, major scope changes should be competitively bid.

Campus Response:

The Senior Director for SSU Capital Planning, Design and Construction (SSU-CPDC) will be issued instructions requiring that all major scope changes be subjected to the competitive bid process. In the event circumstances are such that a competitive bid is not deemed practical, substantiating documentation will be prepared and submitted to the Vice President for Administration and Finance (or designee) for approval and retention in the project file.

Target Completion Date: November 30, 2001.

Recommendation 3:

On major change orders, the University should attempt to negotiate a more favorable fee for the contractor's overhead and profit than what is provided for on standard changes.

Campus Response:

The Senior Director for SSU Capital Planning, Design and Construction (SSU-CPDC) will be issued instructions requiring the examination of all major change orders and document the procedures and efforts made to solicit a more favorable fee for a contractor's overhead and profit than what is provided for on standard changes.

Target Completion Date: November 30, 2001

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Jean and Charles Schulz Information Center**

Recommendation 4:

The University should pursue a refund of \$32,000 for the credit fee not returned on change orders.

Campus Response:

The Senior Director for SSU Capital Planning, Design and Construction (SSU-CPDC) has been directed to issue a demand letter to the contractor for a refund of the credit fees not returned on change orders.

Target Completion Date: November 30, 2001

Recommendation 5:

For general contractors and major subcontractors, CPDC should include guidelines for auditing labor burdens at the time construction contracts are awarded. Such provisions should be included in the construction procedural manual distributed to the campuses. This would establish acceptable mark-ups at the project start up.

CPDC Response:

To be provided by CPDC

PROJECT MANAGEMENT SERVICES

Recommendation 6:

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

Campus Response:

The Senior Director for SSU Capital Planning, Design and Construction (SSU-CPDC) will be issued instructions requiring that change orders be issued to formally amend the contract where specific work is deleted or scope is reduced and to disencumber respective funding.

Target Completion Date: November 30, 2001

**KPMG Review of Construction Project Number
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CSU Sonoma State University Library
Jean and Charles Schulz Information Center**

Recommendation 7:

Service agreements/amendments should clearly state what expenses are allowable and how they will be reimbursed.

Campus Response:

The Director of Purchasing and Contracts will be issued instructions to specify how reimbursable expenses are to be compensated in consulting agreements.

Target Completion Date: November 30, 2001

LIQUIDATED DAMAGES

Recommendation 8:

According to the contract General Conditions beneficial/early occupancy should be documented by change order.

Campus Response:

The Senior Director for SSU Capital Planning, Design and Construction (SSU-CPDC) will be issued instructions that a change order formally documenting beneficial and or early occupancy must be prepared and distributed.

Target Completion Date: November 30, 2001

THE CALIFORNIA STATE UNIVERSITY
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BAKERSFIELD

CHANNEL ISLANDS

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FULLERTON

HAYWARD

HUMBOLDT

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

NORTHRIDGE

POMONA

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

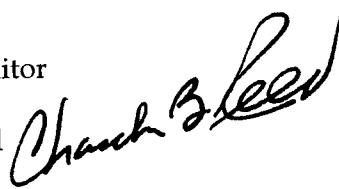
STANISLAUS

October 17, 2001

MEMORANDUM

TO: Larry Mandel
University Auditor

FROM: Charles B. Reed
Chancellor



SUBJECT: KPMG Peat Marwick Draft Final Report on the *Library* Project
(SSU-1878) at Sonoma State University

In response to your memorandum of October 17, 2001, I accept the response as submitted with the draft final report on the *Library* Project at Sonoma State University.

CBR:amd

Enclosure

cc: Ruben Armiñana, President
Richard P. West, Executive Vice Chancellor and
Chief Financial Officer