

SONOMA STATE UNIVERSITY
DARWIN HALL RENOVATION PROJECT

Final Report

July 12, 2007

CONSTRUCTION PROJECT EVALUATION

SONOMA STATE UNIVERSITY

DARWIN HALL RENOVATION PROJECT

July 12, 2007

Prepared by:



KPMG LLP

801 Second Avenue, Suite 900
Seattle, WA 98104

This report and all associated analysis contained herein are based upon information made available to KPMG LLP. KPMG LLP is not responsible for incomplete or inaccurate information provided during the preparation of this report. This report only presents and summarizes factual data and does not represent an opinion or attestation to the position, approach or representation of information made by any other party involved with this evaluation.

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EXECUTIVE SUMMARY

Summary of Findings

Based upon our evaluation, the Darwin Hall Renovation Project at Sonoma State University was administered consistent with our expectations of a project of this size, scope, and complexity. We uncovered certain minor discrepancies and control issues that should be addressed.

Our observations, associated risks, and recommendations are summarized below. Examples of specific action steps are further detailed in the body of this report.

	Observation	Risk	Recommendation
1.	There was no evidence of counsel signature on any of the amendments to the design contract, as required by SUAM 9210.01.	Modifications to contractual agreements without counsel approval may put SSU at unnecessary contractual or business risk.	In the future, SSU should obtain counsel signature on amendments to design agreements, as required by SUAM 9210.01. (Ownership: SSU)
2.	The CM at Risk pre-construction services agreement was executed for an incorrect amount, exceeding the intended value of the contract.	Agreements executed for incorrect amounts may lead to overbillings.	In the future, SSU should pay careful attention in the preparation of contractual agreements and conduct a more thorough review to the accuracy of the documents prior to execution. (Ownership: SSU)
3.	Mark-up is not always calculated per contract general conditions. The largest deviation occurs on deductive change orders.	SSU may be at risk of overpaying for change order work if mark-up is not correctly calculated.	In the future, the contractor submitted change order should be checked for mark-up errors prior to issuing the change order. (Ownership: SSU)
4.	On one occasion, an approved submittal for a material was not available as required by the contract specifications.	SSU may be at risk of receiving inferior materials if architectural submittal reviews and approvals are not fully documented. Additionally, the architect's responsibility may diminish without an express consent to materials usage or substitution of products.	In the future, SSU should ensure all submittals are complete and contain express approvals. In addition, the architect should be required to track and monitor all contractual submittals and provide regular status updates to SSU. (Ownership: SSU)

INTRODUCTION

Purpose

KPMG LLP (“KPMG”) was retained by California State University’s (“CSU”) Office of the University Auditor on October 29, 2004 to perform an independent project evaluation of Sonoma State University’s (“SSU”) Darwin Hall Renovation (“Project”).

The overall objective of the construction evaluation was to assess construction management practices for the Project and to substantiate that it was managed in accordance with law, Trustee policy, generally accepted business practices, and industry practices.

To the extent they were uncovered as part of our work, this report provides conclusions and recommendations addressing necessary process improvement and recovery of project costs. Recommendations are listed and numbered sequentially throughout this report.

Scope

While the basic scope of our work matches that required by the RFP and that which KPMG has performed in prior years, we also included additional items that we believe may provide benefit to CSU. KPMG identified specific areas within the scope listed below that present the potential for substantive loss or liability for SSU’s Darwin Hall Renovation Project. The various scope categories are outlined in CSU’s Request for Proposal, dated July 14, 2004 and KPMG’s proposal, dated July 27, 2004 and contains the following sections:

- Project Background
- Design Cost
- Construction Bid Process
- Construction Change Orders
- Project Management and Inspection Services
- Major Equipment and Materials
- Close-Out Documentation
- Liquidated Damages
- Accounting

Methodology

KPMG’s approach to this engagement incorporates a work plan shared with the University Auditor’s office as outlined in our agreement with CSU. During the course of our work we expanded on tasks related to scope sections with the greatest potential risk exposure, in our opinion. The work performed by KPMG was conducted in accordance with our aforementioned methodology, but is not limited to, the following tasks:

- Examine financial records, reports, written CSU procedures, CSU contract documents and other material related to the Project and compare current practices and procedures with CSU requirements and best practices in the industry;
- Conduct a preliminary review to determine Project emphasis;
- Interview key individuals involved in the Project;
- Identify significant deficiencies, if any;
- Recommend changes that may result in streamlining the design/construction process, assuring adequate project controls and reducing costs; and
- Prepare a written report of our findings and recommendations.

Exclusions

The services, fees, and delivery schedule for this engagement are based upon the following assumptions, representations, or information supplied by CSU (“Assumptions”).

1. KPMG is not responsible for and will not make management decisions relating to this Project or any other aspect of CSU’s business. CSU shall have responsibility for making all decisions with respect to the management and administration of its real estate and capital projects.
2. CSU management accepts responsibility for the substantive outcomes of this engagement and, therefore, has a responsibility to be in a position in fact and appearance to make an informed judgment on the results of this engagement.
3. Our work under this engagement did not include technical opinions related to engineering, operations, and maintenance.
4. KPMG’s work under this engagement did not include a review, audit, or evaluation of financial statements, tax services, or other services of KPMG not listed in this Statement.
5. We have, and will continue to consider the effect of this engagement on the ongoing, planned, and future audits, as required by *Government Auditing Standards* and have determined that this engagement will not impair KPMG’s independence.

PROJECT BACKGROUND

The Project included pre-construction and construction services to renovate the interior of Darwin Hall. All trades were used to renovate 111,000 square feet in a three-story building including substantial upgrades to laboratories, classrooms, and offices.

During the week of May 14, 2007, KPMG conducted fieldwork at the SSU campus and reviewed records from the following entities involved with the Project:

Contractor	Rudolph and Sletten, Inc.
Architect	Gordon H. Chong & Partners
Inspector of Record	Signet Testing Labs, Inc.
Testing Services	Kleinfelder, Inc.
Project Management and Administration	SSU's Capital Planning, Design & Construction Department

Follow-up discussions to clarify issues and supplement supporting documentation were conducted through the completion of this report.

Delivery Methodology

The Project was delivered using a Guaranteed Maximum Price (“GMP”) contract, where the Construction Manager at Risk (“CM at Risk”) performed significant portions of the design and solicited trade contractor bids to establish the GMP and subsequently acted as the general contractor during construction.

Timeline

Design for the Project started July 31, 2003 when a SSU entered into an agreement with Gordon H. Chong & Partners (“Chong”) to provide design services. In the same time frame, the CM at Risk selection process took place with CM at Risk proposals submitted on August 5, 2003. Rudolph and Sletten (“R&S”) was the successful proposer and was awarded a pre-construction contract effective August 15, 2003. After the pre-construction phase was completed, trade contractors were bid and a GMP was obtained with R&S. Construction began on February 14, 2005 with the formal execution of the construction agreement and issuance of Notice to Proceed.

The initial completion date for the Project was September 3, 2006. A conditional Certificate of Occupancy was issued on April 10, 2006 whereby the campus took beneficial use of the building. At the same time, a Notice of Completion containing exceptions was issued. A second Notice of Completion, also containing some exceptions, was issued July 3, 2006. The final Certificate of Occupancy was issued on July 3, 2006, followed by a Notice of Completion without exceptions, issued January 3, 2007.

PROJECT BACKGROUND

The delay in issuing the unconditional Notice of Completion was attributed by SSU to issues related to commissioning and balancing of the HVAC system. Most of the HVAC balancing issues occurred due to design errors by Chong, according to SSU. As a result, the R&S contract was extended and fee reductions were negotiated with Chong to recover additional expenses to SSU.

Project Costs

The legislature appropriated funds for the Project in an amount of \$26,012,000. Additional funding for Group II Equipment was appropriated in an amount of \$2,221,000. SSU also secured funds from a campus energy loan which in the amount of \$500,000 to finance Project costs in excess of the Board of Trustees approved budget.

At the time of KPMG's fieldwork, the Project had incurred \$28,578,614 in costs of the commitments in the amount of \$28,660,530. A summary of Project costs is as follows:

Description	Budget (2-7)	Commitments	Actual	Variance (Budget - Commitments)
Construction	\$ 21,191,000	\$ 23,012,553	\$ 22,992,870	\$ (1,821,553)
Architect, Engineering and Add'l Services	1,855,000	2,318,065	2,318,065	(463,065)
Contract Management	1,483,000	1,186,838	1,186,838	296,162
Contingency	1,483,000			1,483,000
Subtotal	\$ 26,012,000	\$ 26,517,455	\$ 26,497,772	\$ (505,455)
Additional Funding	\$ 512,602			\$ 512,602
Group II Equipment	2,221,000	2,143,075	2,080,842	77,925
Total	\$ 28,745,602	\$ 28,660,530	\$ 28,578,614	\$ 85,072

DESIGN COSTS

After a competitive selection process, a standard Project Architect/Engineering Agreement was executed between SSU and Chong on August 19, 2003 in the amount of \$1,699,518. Seven extra service agreements (“ESA’s”) and three addenda were subsequently issued bringing the total agreement amount to \$2,018,561. The following table details the design costs:

Description	Date	Total Agreement
Schematic Design (20%)	8/19/2003	\$ 339,904
Preliminary (14%)	8/19/2003	237,933
Construction Documents (38%)	8/19/2003	645,817
Bidding (2%)	8/19/2003	33,990
Construction Phase (22%)	8/19/2003	373,894
As-Builts (4%)	8/19/2003	67,980
Base Agreement Subtotal		\$ 1,699,518
ESA #1 - Laboratory design consulting services	9/8/2003	280,000
ESA #2 - Vibration consulting services	1/22/2004	8,000
ESA #3 - Seismic performance and design, structural engineering	7/8/2004	76,000
ESA #4 - Change floor plans and CD's for telecom	1/7/2005	24,400
ESA #5 - Geology room changes, control areas, clarify final approvals	1/7/2005	8,400
ESA #6 - Revise lighting fixture in basement level classrooms	4/13/2005	2,900
ESA #7 - Revised drawings of electrical system for emergency power	5/20/2005	3,995
Amendment #1 - Correct Mechanical deficiencies	7/3/2006	(78,442)
Amendment #2 - Correct HVAC deficiencies	8/1/2006	(14,260)
Amendment #3 - Partial due to HVAC deficiencies	9/1/2006	8,050
Total Adjustments to the Agreement		\$ 319,043
Total		\$ 2,018,561

The work performed under amendments 1, 2 and 3 pertains to Chong’s scope of work included in base agreement and do not authorize additional work. The amendments consist of cost adjustments to account for SSU extra costs as a result of Chong’s HVAC design deficiencies, but did not add or delete scope. Amendments were utilized in lieu of an ESA in these cases in accordance with SUAM 9201. However, SUAM 9210.01 require signature of CSU general counsel on amendments, which were not obtained.

Observation:

There was no evidence of counsel signature on any of the amendments to the design contract, as required by SUAM 9210.01.

Risk:

Modifications to contractual agreements without counsel approval may put SSU at unnecessary contractual or business risk.

Recommendation:

1. In the future, SSU should obtain counsel signature on amendments to design agreements, as required by SUAM 9210.01.

(Ownership: SSU)

Campus Response:

1. We concur. The campus will obtain signature approval by university counsel on all future design agreement amendments. An additional line will be added on the face of the contract for counsel to sign and date his endorsement.

Estimated completion date: October 1, 2007

The design of the HVAC system presented problems near the end of the Project and delayed completion by nearly six months. While R&S completed a constructability review on the system during the design phase, and had installed the system as designed, the ultimate responsibility remained with Chong. As a result of negotiations with Chong, charge backs in the form of credit amendments were issued in an amount of \$92,702. SSU reported that Chong was accommodating during the process of resolving the HVAC balancing issue and in addition to the reduction in fee, corrected their design mistakes as necessary.

CONSTRUCTION BID PROCESS

The Trustee selection process for a CM at Risk involves an evaluation of technical qualifications factored by fee proposals. CM at Risk contracts are awarded in two phases in which the first phase consists of pre-construction services to perform significant portions of the design and a second phase consists of a construction contract issued after successful bidding of the GMP.

On June 30, 2003 an RFP was issued for a CM at Risk contract with an estimated construction GMP of \$19,319,000 plus fee. An optional site walkthrough and Project discussion for prospective contractors was held on July 8, 2003. Two addenda were subsequently issued providing clarifications to the RFP.

Proposals were received on August 5, 2003 from nine contractors including F.R. Roberts Corporation, ProWest PCM, Inc., Douglas E. Barnhart, Inc., Bovis Lend Lease, Turner Construction, Co., Flintco Construction, McCarthy, Sundt Construction, and R&S.

The bid evaluation process consisted of two parts. First, an evaluation was conducted on the technical proposals determining each proposer's technical quality points. The quality points were then published immediately prior to the public opening of the fee proposals. Secondly, a calculation was performed to establish the dollar amount per quality point for each proposer. The contractor with the lowest dollar amount per quality point would be declared the winning proposer.

R&S received 85.5 quality points with a total fee of \$2,670,000, which calculated to \$31,228 per quality point. The second closest proposer had a \$33,866 per quality point. As a result, R&S was awarded the contract and into a pre-construction service agreement with SSU on September 30, 2003. However, the R&S pre-construction services agreement was incorrectly executed in an amount of \$2,670,000, which represents the total fee amount for all phases of the Project, including both pre-construction services and construction. Only pre-construction services should have been included at the proposed \$193,000 fee, capped at 1% of the estimated construction services per Trustee policy. This error was subsequently corrected by a change order whereby the amount was reduced by \$2,477,000 to the correct amount of \$193,000.

Observation:

The CM at Risk pre-construction services agreement was executed for an incorrect amount, exceeding the intended value of the contract.

Risk:

Agreements executed for incorrect amounts may lead to overbillings.

Recommendation:

2. In the future, SSU should pay careful attention in the preparation of contractual agreements and conduct a more thorough review to the accuracy of the documents prior to execution.

(Ownership: SSU)

Campus Response:

2. We concur. On future CM at Risk projects, SSU will carefully review all figures provided to verify accuracy. The proposed contractual agreements will be checked by a CPDC Project Manager for accuracy and initialed and dated before the documents are endorsed for execution by the Senior Director for Capital Planning, Design and Construction.

Estimated completion date: October 1, 2007

CONSTRUCTION CHANGE ORDERS

The construction services contract between SSU and R&S was executed on February 14, 2005 in the amount of \$22,471,000. Twelve change orders totalling \$268,165 were subsequently executed increasing the total contract value to \$22,739,165. The following table summarizes the R&S change orders:

Change Order	Description	Date	Amount
1	Hazardous material disposal credit and various reimbursements	5/12/2005	\$ (157,052)
2	Enlarge door side lites, new holes in slab for TX-1 duct	6/8/2005	(22,652)
3	Floor sinks, hardware changes, relocate emergency power	7/27/2005	95,033
4	Pure water piping specification, additional wireless access points	9/6/2005	109,789
5	Revision to entry lobby at various first floor rooms	10/19/2005	21,193
6	Unforeseen penetrations in building slab, credit for lead abatement	11/4/2005	65,168
7	Remove all fixed audience seating	2/10/2006	(96,498)
8	Site work, 50 HP fan, VFD, and wiring, duct smoke detectors	5/18/2006	269,848
9	Remove shelves and install new laminate in cabinets	8/1/2006	(8,050)
10	Provide additional power poles, revised schedule, air balance	1/26/2007	-
11	Return on unused general contractor contingency funds	3/12/2007	(8,614)
12	Final settlement	3/12/2007	-
Total			\$ 268,165

Twelve change order line items representing the absolute value of \$564,360 and including both additive and deductive changes were tested. Mark-up calculation testing performed on the sampled line items resulted in an \$8,462 discrepancy. The majority of the discrepancy, \$7,065, occurred due to miscalculations of mark-up on deductive change orders. Section 6.01c (7) of the contract general conditions explains that at least 6% mark-up shall be added for saved overhead, bonds, and insurance when an entire item or section of work is deleted, provided that these items were not already included in the corresponding schedule of value line item. In two of the three deductive changes tested some allowance for mark-up was made, however it was not at least 6% as required.

Observation:

Mark-up is not always calculated per contract general conditions. The largest deviation occurs on deductive change orders.

Risk:

SSU may be at risk of overpaying for change order work if mark-up is not correctly calculated.

Recommendation:

3. In the future, the contractor-submitted change order should be checked for mark-up errors prior to issuing the change order.

(Ownership: SSU)

Campus Response:

3. We concur. The campus will, in the future, carefully review the accuracy of the contractor-submitted change order for mark-up errors. The proposed mark-up calculations will be checked by a Project Manager, initialed and dated before the change order is signed by the Senior Director for Capital Planning, Design and Construction.

Estimated completion date: October 1, 2007

Change Order Report Analysis

CSU has historically considered change order costs incurred due to errors and omissions by the architect of up to 3% of the initial award construction cost as falling within the architect’s ‘standard of care’. However, the agreement as executed does not contain any language defining ‘standard of care’, but states errors and omissions insurance shall be secured and maintained in an amount no less than \$1,000,000 per occurrence. SSU provided a change order log that reflected the initiating source of each change order, as summarized in the following table:

Class	Type of change	Amount	% of Total CO	% of Original Contract
4.1	Error in or omission from the contract documents	\$ 276,499	103.1%	1.2%
4.2	Unforeseeable job site condition	25,771	9.6%	0.1%
4.3	Change in the requirements of a regulatory agency	29,735	11.1%	0.1%
4.4	Change originated by the University	(63,840)	-23.8%	-0.3%
4.5	Changes in specified work due to the unavailability of specified materials	-	0.0%	0.0%
4.6	Other	-	0.0%	0.0%
Total Change Orders		\$ 268,165	100.0%	1.2%
Original Contract Amount		\$ 22,471,000		
Total		\$ 22,739,165		

Based on the information provided, change orders attributable to errors and omissions are calculated to 1.23% of the original contract amount, which falls below the 3% of CSU’s acceptable levels of ‘standard of care’. The total dollar amount attributable to errors and omissions is \$276,499.

Recommendation:

None

INSPECTION SERVICES

Inspection services for the Project were provided by Signet Testing Labs, Inc. (“Signet”) with a service agreement between Signet and SSU executed on March 9, 2005. The agreement consists solely of a not-to-exceed base amount of \$74,784 for Inspector of Record services. No amendments or extra services agreements were issued to this agreement.

In addition to Signet, Kleinfelder, Inc. (“Kleinfelder”) was retained by SSU to provide materials observation and testing services. The agreement between Kleinfelder and SSU was a not-to-exceed agreement entered into on March 1, 2005 in the amount of \$41,330.

The billings for both Signet and Kleinfelder were in accordance with the agreed upon hourly rates, contained appropriate signature approvals, and included support for the hours billed.

The total billings against the Signet contract were \$45,686, leaving a balance of \$29,068. The full amount of the balance was disencumbered within a month of the final invoice. Kleinfelder billed for \$41,074 worth of services leaving \$256 remaining to be disencumbered.

Recommendation:

None

MAJOR EQUIPMENT/MATERIALS REVIEW

We selected and reviewed a sample of materials and equipment based on construction cost and accessibility to the installed items. The Project consisted of a functional facility at the time of KPMG's fieldwork, consideration was given to equipment and materials located in occupied areas in order not to interrupt any student or faculty activities.

SSU allowed full and complete access to drawings, specifications, samples and submittals, which were organized and contained sufficient information. The equipment and materials located in the field were compared to submittals approved by the architect and/or engineer and were verified against performance specifications, submittals, and drawings.

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

Division	Drawing No.	Brand	Model No./ Capacity	Description
15854	MO.05	Des Champs Technologies	PV-MZP-8740-OAS	Air Conditioning Unit
15736	MO.05	Patterson Kelly	N2000-M	Packaged Water Tube Hot Water Boilers
15160	MO.05	Bell & Gossett (B&G)	1510 2 1/2 BB	Pump
15860	MO.05	Greenheck	44-BISW-21	Exhaust Fan
15860	MO.05	Greenheck	9-IPA	Exhaust Fan
16470	E2.056	GE Industrial Systems	DPH-PA	Spectra Bolt-On Panel
09511	A6-036	USG Interiors	2' X 4' X 5/8	Ceiling; Clean room Clima plus; color: 56090 / White; 10M-100M ceilings; non-sag warranty
09300	A10.02B	SolhHofen Natural Stone	Beige Honed, 12 X 12 square	Tile
10101	10101	Kicker Pan	"kicker panel - Beechwood"	Specialties: Vertical Sliding Unit (flooring)
11601	LF1-2	Fisher Hamilton	8' CFH / 54L822	Fume Hoods & Cabinets

The equipment and materials observed in the field generally conformed to the specified requirements, drawings, specifications and submittals, based on a visual inspection of equipment labelling, and comparison to physical materials samples provided and approved by Chong.

One minor discrepancy was observed where ceiling tiles had been replaced by a brand different than what was specified. Equal replacements are allowed with appropriate approvals. However, an approved submittal for the substitution was missing from the files. Although both Chong and SSU recalled conversations on the topic, both SSU's files and the Chong's files did not contain the approved submittal.

Observation:

On one occasion, an approved submittal for a material was not available as required by the contract specifications.

Risk:

SSU may be at risk of receiving inferior materials if architectural submittal reviews and approvals are not fully documented. Additionally, the architect's responsibility may diminish without an express consent to materials usage or substitution of products.

Recommendation:

4. In the future, SSU should ensure all submittals are complete and contain appropriate approvals. In addition, the architect should be required to track and monitor all contractual submittals and provide regular status updates to SSU.

(Ownership: SSU)

Campus Response:

4. We concur. The campus will, in the future, carefully review and ensure that all submittals are complete and contain appropriate Architect/Engineer approvals. As part of the on-site construction meeting, the submittal logs will be examined and checked for completeness by personnel from SSU CPDC and the associated Architect/Engineering firms. The review and needed corrections are noted in the meeting minutes.

Estimated completion date: October 1, 2007

CLOSE-OUT PROCESS

KPMG verified the Project close-out requirements established by the contract General Conditions and SUAM.

The punch list was issued on April 5, 2006, followed by a Conditional Certificate of Occupancy and a partial Notice of Completion on April 10, 2006. The exceptions contained in this Notice of Completion included HVAC balancing, commissioning, fume hood certification and a late exterior site work package. The issues related to HVAC balancing, commissioning, fume hood certification were part of an architectural and engineering design deficiency undergoing correction at the time of our fieldwork. The site work related to a late change order in the field with the understanding that this work would not hold up close-out of the base contract.

A final Certificate of Occupancy was issued on July 3, 2006 along with a new Notice of Completion marking completion of the above items with the exception of commissioning. The final unconditional Notice of Completion was issued on January 3, 2007 stating the total contract work was 100% complete.

The CSU standard close-out checklist was used to track close-out items. KPMG reviewed operation and maintenance manuals, warranties, punch list, operating permits, pre-final and final inspections and other relevant Project close out documentation. Nothing came to KPMG's attention indicating an issue with the close-out process, aside from HVAC balancing, commissioning, fume hood certification.

Recommendation:

None

LIQUIDATED DAMAGES

The Notice to Proceed to R&S dated February 14, 2005 establishes the original term of the construction contract as 566 consecutive days, with work beginning on February 14, 2005 and to be completed on September 3, 2006. As a result of ongoing issues related to HVAC balancing, commissioning, fume hood certification, R&S's continued involvement was required. R&S assisted in correction of the design by making adjustment to the installed system per Chong's directive. As a result, R&S's involvement in the Project was extended 122 days through change orders with a new completion date of January 3, 2007. The final Notice of Completion was issued on January 3, 2007. As a result, liquidated damages are not warranted.

Recommendation:

None

ACCOUNTING

KPMG reviewed the accounting process on the Project with SSU, including performing an analysis of the budget, encumbrances and expenditures on the Project. Project data had one funding source and was tracked in one account, and as such, it was easily downloadable into an Excel spreadsheet that provided concise and relevant information on budgets, encumbrances and actual costs. The Project information was not maintained in a shadow system, as is the practice among many other campuses.

SSU accounts for campus construction management costs in a separate account and allocates a portion of for these costs to each project. KPMG did not find a discrepancy with the method described by SSU to allocate campus construction management costs to the Project.

KPMG reviewed SSU's accounts payable process, authorization and recording of contract agreements, and reconciliation of invoices to the general ledger. No discrepancies were noted.

Recommendation:

None



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Rohnert Park, CA 94928-3609

OFFICE OF THE CHIEF FINANCIAL OFFICER AND
VICE PRESIDENT FOR ADMINISTRATION AND FINANCE

707.664.2035 • Fax 707.664.2080

August 7, 2007

RECEIVED
UNIVERSITY AUDITOR

AUG 10 2007

THE CALIFORNIA STATE
UNIVERSITY

Larry Mandel
University Auditor
The California State University
401 Golden Shore, 4th Floor
Long Beach, CA 90802-4210

Dear Mr. Mandel: *Larry*

On behalf of President Armiñana, I am submitting the campus response to the recommendations of the KPMG Construction Project Evaluation, *Darwin Hall Renovation Project* at Sonoma State University.

The electronic version of the response has been sent via email to adouglas@calstate.edu.

Documentation demonstrating implementation of recommendations will be forwarded to you separately.

Sincerely,

Laurence Furukawa-Schlereth
Chief Financial Officer and
Vice President for Administration and Finance

Enclosure

c: Ruben Armiñana, President
Letitia Coate, University Controller and Associate Vice President
Christopher Dinno, Senior Director, CPDC
Ruth McDonnell, Deputy Controller, Contracting and Procurement
Kurt Koehle, Director, Internal Operations, Analysis and Review

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CONSTRUCTION PROJECT EVALUATION

SONOMA STATE UNIVERSITY

DARWIN HALL RENOVATION PROJECT

DESIGN COSTS

Recommendation:

1. In the future, SSU should obtain counsel signature on amendments to design agreements, as required by SUAM 9210.01.

(Ownership: SSU)

Campus Response:

We concur. The campus will obtain signature approval by university counsel on all future design agreement amendments. An additional line will be added on the face of the contract for counsel to sign and date his endorsement.

Estimated completion date: October 1, 2007

CONSTRUCTION BID PROCESS

Recommendation:

2. In the future, SSU should pay careful attention in the preparation of contractual agreements and conduct a more thorough review to the accuracy of the documents prior to execution.

(Ownership: SSU)

Campus Response:

We concur. On future CM at Risk projects, SSU will carefully review all figures provided to verify accuracy. The proposed contractual agreements will be checked by a CPDC Project Manager for accuracy and initialed and dated before the documents are endorsed for execution by the Senior Director for Capital Planning, Design and Construction.

Estimated completion date: October 1, 2007

CONSTRUCTION CHANGE ORDERS

Recommendation:

3. In the future, the contractor submitted change order should be checked for mark-up errors prior to issuing the change order.

(Ownership: SSU)

Campus Response:

We concur. The campus will, in the future, carefully review the accuracy of the contractor submitted change order for mark-up errors. The proposed mark-up calculations will be checked by a Project Manager, initialed and dated before the change order is signed by the Senior Director for Capital Planning, Design and Construction.

Estimated completion date: October 1, 2007.

MAJOR EQUIPMENT/MATERIALS REVIEW

Recommendation:

4. In the future, SSU should ensure all submittals are complete and contain appropriate approvals. In addition, the architect should be required to track and monitor all contractual submittals and provide regular status updates to SSU.

(Ownership: SSU)

Campus Response:

We concur. The campus will, in the future, carefully review and ensure that all submittals are complete and contain appropriate Architect/Engineer approvals. As part of the on-site construction meeting, the submittal logs will be examined and checked for completeness by personnel from SSU CPDC and the associated Architect/Engineering firms. The review and needed corrections are noted in the meeting minutes.

Estimated completion date: October 1, 2007

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR



BAKERSFIELD

September 25, 2007

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HILLS

EAST BAY

TO: Mr. Larry Mandel
University Auditor

FRESNO

FROM: Charles B. Reed
Chancellor

FULLERTON

HUMBOLDT

SUBJECT: KPMG Draft Final Report on the *Darwin Hall Renovation*
Construction Project at Sonoma State University

LONG BEACH

LOS ANGELES

In response to your memorandum of September 25, 2007, I accept the response as submitted with the draft final report on the *Darwin Hall Renovation* construction project at Sonoma State University.

MARITIME ACADEMY

MONTEREY BAY

CBR/amd

NORTHRIDGE

Enclosure

POMONA

cc: Ms. Erika Alvord, KPMG

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