

**CONSTRUCTION**  
**SONOMA STATE UNIVERSITY**  
**HOUSING PHASE II, TUSCANY VILLAGE**

**Audit Report 10-09**  
**May 24, 2010**

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## **ABBREVIATIONS**

BOT	Board of Trustees
CPDC	Capital Planning, Design and Construction
CRB	Certification Review Board
CSU	California State University
EO	Executive Order
FM/CPDC	Facilities Management/Capital Planning, Design and Construction
LEED	Leadership in Energy and Environmental Design
OUA	Office of the University Auditor
SSU	Sonoma State University
SUAM	State University Administrative Manual
Tuscany Village	Housing Phase II, Tuscany Village

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## **EXECUTIVE SUMMARY**

At its January 2010 meeting, the Board of Trustees directed the Office of the University Auditor (OUA) to review construction activity. Construction auditing had been performed by KPMG since fiscal year 1997/98 with coordination from the OUA. In fiscal year 2008/09, OUA staff began performing construction audits.

We visited the Sonoma State University campus and the offices of the design-builder and selected subcontractors from January 25, 2010, through February 17, 2010, and audited the Housing Phase II, Tuscany Village (Tuscany Village) project, focusing on the construction management policies and procedures and internal controls and processes in effect at that time.

Our study and evaluation did not reveal any significant construction management or internal control problems or weaknesses that would be considered pervasive in their effects on construction activity controls. However, we did identify other reportable weaknesses that are described in the executive summary and body of this report. In our opinion, the operational and administrative controls in effect for the Tuscany Village project were sufficient to meet the overall audit objective stated below.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

The following summary provides management with an overview of conditions requiring attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [ ] refer to page numbers in the report.

### **CONSTRUCTION MANAGEMENT AND ACCOUNTING [7]**

The campus did not request hourly labor rate worksheets for the design-builder and all trade subcontractors, which prevented the verification of wage rates submitted for change order work.

### **CHANGE ORDER ADMINISTRATION [7]**

An erroneous labor rate computation by one trade subcontractor inflated labor costs by \$1,474. Further, in one instance the design-builder applied an excessive overhead and profit mark-up that resulted in a \$1,063 overcharge. In addition, in one instance the design-builder charged the campus in excess of cost estimates provided by multiple trade subcontractors that resulted in a \$7,310 overcharge.

## **PROJECT COMPLETION AND CLOSEOUT [11]**

The campus filed the project the Notice of Completion six months prior to completion of the project closeout checklist and certification of completion. In addition, the campus did not require that the design-builder submit a re-drafted and complete set of “as-built” specifications.

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## INTRODUCTION

### **BACKGROUND**

In November 2006, the Housing Phase II, Tuscany Village (Tuscany Village) project was approved by the California State University (CSU) Housing Proposal Review Committee. In May 2007, the Board of Trustees (BOT) approved schematic plans for the Sonoma State University (SSU) Tuscany Village project at a cost of \$58,892,000 with funding financed through the CSU Systemwide Revenue Bond Program. The BOT acknowledged and determined that the project was consistent with the already adopted master plan for the university.

In March 2007, the campus solicited project bids and selected Wright Contracting, Inc., as the design-builder. The campus executed a design and construction agreement with Wright Contracting, Inc. on July 17, 2007, at a cost of \$46,395,000 and issued the Notice to Proceed on July 23, 2007, with a completion date of August 17, 2009. The campus received a Certificate of Occupancy on July 20, 2009, and filed a Notice of Completion on July 31, 2009.

The Tuscany Village project, designed by TWM Architects and Planners, is located on a 12-acre site on the southeast corner of the campus and consists of 114 townhomes within eight, two-story townhouse buildings. Tuscany Village townhomes include two stories with living areas and one double occupancy bedroom downstairs and three bedrooms upstairs. Two of the bedrooms are double occupancy and two are single occupancy. Each bedroom has a private bath. The kitchens have stainless steel appliances and breakfast bars with barstools. The Tuscany Village townhomes are completely furnished and have radiant floor heating, wireless and direct-wire computing connections, cable television, and local phone service. The project was designed to meet the requirements of the Leadership in Energy and Environmental Design (LEED) silver rating and included maximum wall insulation and double-glazed windows with low-emission coating and reclaimed water for landscape irrigation and fire suppression. LEED is a third-party certification program begun in 1999 by the United States Green Building Council and is a nationally accepted benchmark for the design, construction, and operation of high-performance green buildings. LEED promotes a whole-building approach to sustainability by recognizing performance in five key areas of human and environmental health: sustainable site development, water savings, energy efficiency, materials selection, and indoor environmental quality.

The SSU campus managed the Tuscany Village project, and it chose the Design-Build delivery method. In this method, the design and construction aspects are contracted with a single design-builder who has full responsibility for finalizing and implementing a design that meets or exceeds CSU's performance expectations. The design-build entity is responsible for the adequacy of design and any construction defects, which allows the CSU to avoid these types of claims and limits errors and omissions change orders. Further, the design-build approach shortens project completion by overlapping the design and construction project phases. This approach also minimizes the university's need to schedule and coordinate the overall project, although clear specifications of CSU performance requirements and high-quality inspection of work in progress are required to fully realize the benefits of this approach.

Executive Order (EO) 672, *Delegation of Capital Outlay Management Authority and Responsibility*, dated July 25, 1997, delegates to campus presidents the authority to manage directly state and non-state funded capital outlay projects. The chancellor's office issues this delegated authority to the campus

subject to its compliance with the capital outlay certification procedure. To comply, the campus submits a request for Delegation of Capital Outlay Management Authority to the Certification Review Board (CRB) for review. Then the executive vice chancellor and chief financial officer in the chancellor's office must approve the request. The campus president is responsible for ensuring that he or she exercises delegated authority in compliance with applicable statutes, regulations, and policies of the BOT; the campus manages capital projects via a process consistent with the provisions of the State University Administrative Manual (SUAM); and the campus has in place appropriate internal controls and processes to ensure that responsibilities are carried out in a manner consistent with the campus capital outlay management plan submitted with the request for delegated authority.

The certification procedure required by EO 672 includes submission of a capital outlay management plan, which defines the campus organizational and operational structure and expenditure authority, and serves as the campus policies and procedures for the administration of construction activities. Updated plans are to be submitted when campus operational structure changes are made which impact the plan. Certification is continuous unless a Capital Planning, Design and Construction (CPDC) post-project performance review determines that problems were caused by campus negligence, in which case the CRB may recommend that the campus be placed on probation. The CRB may ultimately recommend that certification be withdrawn if identified operational/management deficiencies are not remedied.

For those campuses that are not certified, the chancellor's office may execute a Memorandum of Delegation for a capital outlay project, which delegates administration, including construction management, to the campus. The CPDC construction management unit may also perform construction administration and management.

EO 666, *Delegation of Professional Appointments Related to Capital Outlay Projects and Campus Physical Development*, dated March 7, 1997, delegates the authority to each campus president or designee to make all professional appointments relative to capital outlay projects and campus physical development. Further, the campus president or designee is responsible for ensuring compliance with all applicable statutes and regulations, BOT policies, and SUAM guidelines; and the use of systemwide standardized architectural, engineering, and other professional appointment contract forms.

The SUAM, in part, contains an overview of all CPDC policies and procedures associated with the capital outlay process. SUAM §9700 through §9843, *Construction Management for Public Works Contracts*, describe the requirements for preparing and administering public works contracts under the provisions of Public Contract Code §10700 *et seq.* SUAM §9200 through §9212, *Professional Services for Campus Development*, describe the requirements for developing and administering professional services agreements with service providers such as architects and engineers and for testing services and project-related studies.

The CSU *Construction Management Procedures Manual* contains the CSU construction management policies and procedures that apply to a project, and each construction administrator, project manager, inspector of record, campus representative, and design professional is required to use this manual as appropriate during the construction administration of a project.

## **PURPOSE**

The overall audit objective was to ascertain the effectiveness of construction management policies and procedures and internal controls and processes related to the administration of construction activities and, specifically, the Tuscany Village project.

Within the overall audit objective, specific goals included determining whether:

- ▶ Delegated authority to manage capital outlay projects exists, and the campus capital outlay management plan is current for campus-managed projects.
- ▶ Project development is in accordance with statutory and CSU policy requirements, including required BOT and CPDC approvals.
- ▶ Administration and management of the project provide effective internal controls and processes consistent with the campus capital outlay management plan and the SUAM.
- ▶ Professional appointments are in accordance with statutory requirements, BOT policy, and the SUAM; and systemwide standardized professional appointment contract forms are used, approved by the Office of General Counsel, and fully executed prior to performance of work.
- ▶ Extra services are appropriate, authorized, and separately tracked; and an evaluation is performed for each professional service provided.
- ▶ The bidding process is rigidly controlled, performed in accordance with statutory requirements and the SUAM, and incorporates the contract documents maintained on the CPDC website.
- ▶ Contract documents are complete, routed to the Office of General Counsel as appropriate, and timely executed; required contract bonds and insurance are received; and a Notice to Proceed is issued.
- ▶ Subcontractors are adequately monitored, and requests for subcontractor substitutions are handled in accordance with statutory requirements and the SUAM.
- ▶ Operational and administrative controls ensure maintenance of financial accountability and completion of the project within the approved scope, schedule, and budget.
- ▶ Contract and service agreement payments are adequately supported, appropriately approved, and timely paid; and retention is handled in accordance with statutory requirements and the SUAM.
- ▶ Equipment is procured in the most economical method; purchased materials meet specifications required by construction documents and drawings; and all required inspections and tests are timely and properly performed and adequately documented.

- ▶ Change orders are appropriately approved, supported, accurately priced, and sufficiently tracked; and construction allowances and contingency balances are adequately administered and controlled.
- ▶ Project completion is adequately administered, including completion of pre-final/final inspections, punch list items, project closeout checklist, and Notice of Completion; preservation of project files, equipment manuals/warranties, and spare parts/materials; and resolution of any liquidated damages.

## **SCOPE AND METHODOLOGY**

The scope of audit included, but was not limited to, the review of design budgets and costs; the bid and award process; invoice processing and payment; change orders; construction management, architectural, and engineering services; use of major equipment/materials; the closeout process; administration of liquidated damages; and overall project cost accounting and reporting. This included any transactions or activity performed by the campus, construction management firm, and trade subcontractors.

Our study and evaluation were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that operational and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with state and federal laws, BOT policies, and Office of the Chancellor and campus policies, letters, and directives.

We focused primarily on the operational and administrative controls in effect for the Tuscany Village project with an emphasis on compliance with the CSU *Construction Management Procedures Manual*, SUAM policies and procedures associated with the capital outlay process, the campus capital outlay management plan, and construction contract general conditions. We evaluated the effectiveness of construction management policies and procedures and adequacy of internal controls and processes, and sought opportunities for improvement to further the success of CSU's capital outlay program.

Specifically, we reviewed and tested:

- ▶ Delegation of construction management authority.
- ▶ Review and approval of project design, budget, and funding.
- ▶ Professional services agreements and any extra services changes.
- ▶ Administration of the bid and award process.
- ▶ Contract execution and required contract bonds and insurance.
- ▶ Subcontractors and subcontractor substitutions.
- ▶ Contract and service agreement payment processing.
- ▶ Procurement of major equipment and materials.
- ▶ Performance of required inspections and tests.
- ▶ Review, approval, and tracking of change orders.
- ▶ Direct labor and associated burden.
- ▶ Construction management and overall project cost accounting and reporting.
- ▶ Construction allowances and contingency balances.
- ▶ Administration of the project closeout process and resolution of any liquidated damages.

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## **OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES**

### **CONSTRUCTION MANAGEMENT AND ACCOUNTING**

The campus did not request hourly labor rate worksheets for the design-builder and all trade subcontractors, which prevented the verification of wage rates submitted for change order work.

State University Administrative Manual (SUAM) §9824.01 states that the contractor shall submit to the construction administrator the hourly labor rate worksheet for its entire payroll, as well as for all of its subcontractors. Having hourly labor rate worksheets will allow a check on wage rates submitted for change order work.

The senior director for facilities management/capital planning, design and construction (FM/CPDC) stated that prevailing wages are disclosed in the request for proposals and any unusual wages submitted thereafter for changed work would be investigated.

Failure to request and use hourly labor rate worksheets prevents verification of wage rates submitted for change order work, which may result in the campus being charged excess labor costs.

#### **Recommendation 1**

We recommend that the campus reiterate to staff that hourly labor rate worksheets for the design-builder and all trade subcontractors should be requested and used to verify wage rates submitted for change order work.

#### **Campus Response**

We concur. The senior director for FM/CPDC will conduct a formal training seminar with the CPDC project managers regarding the use of hourly labor wages rate worksheets from a design-builder and all trade subcontractors for verification of wage rates for change order work.

This action will be completed by August 15, 2010.

### **CHANGE ORDER ADMINISTRATION**

#### **LABOR RATES AND BURDEN**

Administration of trade subcontractor hourly labor rates needed improvement.

We reviewed hourly labor rates and the associated labor burden charged by two trade subcontractors and found an erroneous labor rate computation for one trade subcontractor. Specifically, the subcontractor-calculated hourly labor rate was based on an amount that exceeded the actual hourly labor rate on certified payrolls. This error inflated labor costs \$1,474 for one approved change order request from this trade subcontractor.

The *Contract General Conditions for Design-Build Projects* §37.01b (1) states that costs are allowed for the actual payroll costs to the design-builder for labor, field supervision of changed work, and engineering or technical services directly required for the performance of the changed work. Costs include payments, assessments, or benefits required by lawful labor union collective bargaining agreements, compensation insurance payments, liability insurance premiums on labor only, contributions made to the state pursuant to the Unemployment Insurance Code, and for taxes paid to the federal government required by the Social Security Act.

The FM/CPDC senior director stated that the overall cost for the change order was determined reasonable at the time of approval.

Failure to review hourly labor rates and associated labor burden may result in increased project costs.

## **Recommendation 2**

We recommend that the campus:

- a. Pursue recovery of the \$1,474 in inflated labor costs submitted by the design-builder due to the erroneous hourly labor rate charged by the trade subcontractor.
- b. Conduct staff training to ensure that hourly labor rates charged by trade subcontractors are appropriate and accurate in accordance with §37.00, Changes in the Work, of the *Contract General Conditions for Design-Build Projects*.

## **Campus Response**

- a. We agree. A demand letter will be issued to Wright Contracting to request a refund of \$1,474 due to the erroneous hourly labor rate charged by the trade subcontractor.
- b. We concur. The senior director for FM/CPDC will conduct a formal training seminar with the CPDC project managers to ensure that hourly labor rates charged by trade subcontractors are appropriate and accurate in accordance with §37.00, Changes in the Work, of the *Contract General Conditions for Design-Build Projects*.

This action will be completed by August 15, 2010.

## MARK-UPS

Administration of the design-builder overhead and profit mark-ups needed improvement.

We reviewed all seven project change orders and found that in one instance the design-builder applied a ten percent overhead and profit mark-up, as opposed to the allowable seven percent markup, to trade subcontractors' cost exceeding \$50,000. This resulted in a \$1,063 overcharge to the campus.

The *Contract General Conditions for Design-Build Projects* §37.01.b (6) states that the design-builder may add no more than ten percent mark-up to the subcontractor's total direct cost for such work on the first \$50,000 and thereafter the mark-up is seven percent on the balance beyond \$50,000.

The FM/CPDC senior director stated that failure to review the design-builder's profit and overhead mark-ups was due to oversight.

Failure to review design-builder mark-ups increases the risk that errors and irregularities will not be detected and may result in increased project costs.

### Recommendation 3

We recommend that the campus:

- a. Pursue recovery of the \$1,063 overcharge.
- b. Conduct staff training to ensure that design-builder mark-ups are appropriate and accurate in accordance with §37.00, Changes in the Work, of the *Contract General Conditions for Design-Build Projects*.

### Campus Response

- a. We agree. A demand letter will be issued to Wright Contracting to request a refund of \$1,063 due to the misapplication of the design-builder mark-ups.
- b. We concur. The senior director for FM/CPDC will conduct a formal training seminar with the CPDC project managers to ensure that design-builder mark-ups are appropriate and accurate in accordance with §37.00, Changes in the Work, of the *Contract General Conditions for Design-Build Projects*.

This action will be completed by August 15, 2010.

## TRADE SUBCONTRACTORS

Administration of trade subcontractor costs needed improvement.

We reviewed all seven project change orders and found that in one instance the design-builder charged the campus in excess of cost estimates provided by multiple trade subcontractors. This resulted in a \$7,310 overcharge to the campus.

The *Contract General Conditions for Design-Build Projects* §37.01.b (5) states for any portion of the changed work which is to be performed by a subcontractor (any tier), the design-builder shall furnish to the Trustees a detailed estimate prepared and signed by the subcontractor of the cost to subcontractor for performing the changed work.

The FM/CPDC senior director stated that the changed work was for a substantial amount and that the approved change order was a reasonable cost estimate.

Failure to verify design-builder change orders to cost estimates submitted by trade subcontractors increases the risk that errors and irregularities will not be detected and may result in increased project costs.

### Recommendation 4

We recommend that the campus:

- a. Pursue recovery of the \$7,310 overcharge.
- b. Develop, document, and implement procedures to periodically verify change orders to cost estimate documentation or cost reports to ensure appropriate and accurate costs in accordance with §37.00, Changes in the Work, of the *Contract General Conditions for Design-Build Projects*.

### Campus Response

- a. We agree. A demand letter will be issued to Wright Contracting to request a refund of \$7,310 since the campus was charged in excess of costs estimates provided by multiple trade contractors.
- b. We concur. The senior director for FM/CPDC will conduct a formal training seminar with the CPDC project managers to develop, document, and implement procedures to periodically verify change orders to cost estimate documentation or cost reports to ensure appropriate and accurate costs are applied in accordance with §37.00, Changes in the Work, of the *Contract General Conditions for Design-Build Projects*.

This action will be completed by August 15, 2010.

## **PROJECT COMPLETION AND CLOSEOUT**

### **NOTICE OF COMPLETION**

The campus filed the Notice of Completion on July 31, 2009, six months prior to completion of the project closeout checklist and certification of completion.

SUAM §9830 states that the process for inspection and acceptance of completed contract work includes a prefinal inspection of construction, which may include preparation of a punch list for any deviations or delinquencies in the work; and a final inspection, which includes completion of the project closeout checklist and certification of completion by the designer/architect, project manager/construction inspector, and construction administrator. Upon completion, the construction administrator files a Notice of Completion with the County Recorder of the county where the project is located.

The FM/CPDC senior director stated that all significant tasks were complete prior to filing of the Notice of Completion, and the project closeout checklist and certification of completion were not completed due to oversight.

Failure to complete the project closeout checklist and certification of completion prior to filing the Notice of Completion increases the risk of misunderstandings and miscommunication regarding rights and responsibilities.

### **Recommendation 5**

We recommend that the campus reiterate to staff that the project closeout checklist and certification of completion should be prepared prior to filing the Notice of Completion.

### **Campus Response**

We concur. The senior director for FM/CPDC will conduct a formal training seminar with the CPDC project managers to ensure that the project closeout checklist and certification of completion will be prepared prior to filing the Notice of Completion.

This action will be completed by August 15, 2010.

### **“AS-BUILT” DRAWINGS AND SPECIFICATIONS**

The campus did not require that the design-builder submit a re-drafted and complete set of “as-built” specifications.

We found that numerous edits and notes attached to the original design specifications were not incorporated into a final set of “as-built” specifications.

The *Contract General Conditions for Design-Build Projects* §35.20 states that before completion of the project and before release of final retention payments, the “as-built” drawings and specifications shall be transmitted to the Trustee’s construction administrator for further handling.

The FM/CPDC senior director stated that they were in possession of the “as-built” drawings and were satisfied with the construction documents on hand.

Failure to receive a re-drafted and complete set of “as-built” specifications may negatively impact future work on the project or in adjacent areas.

### **Recommendation 6**

We recommend that the campus reiterate to staff and future design-builders that a re-drafted and complete set of “as-built” specifications must be submitted before completion of the project.

### **Campus Response**

We concur. The senior director for FM/CPDC will conduct a formal training seminar with the CPDC project managers to ensure that a re-drafted and complete set of “as-built” specifications must be submitted before completion of the project.

This action will be completed by August 15, 2010.

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## APPENDIX A: PERSONNEL CONTACTED

### Name

### Title

#### Office of the Chancellor

Elvyra San Juan

Assistant Vice Chancellor,  
Capital Planning, Design and Construction

#### Sonoma State University

Ruben Armiñana

President

Letitia Coate

Associate Vice President, Administration and Finance

Christopher Dinno

Senior Director, Facilities Management/Capital Planning, Design and  
Construction

Laurence Furukawa-Schlereth

Vice President, Administration and Finance

Kurt Koehle

Director, Internal Operations Analysis and Review

Ruth McDonnell

Deputy Controller, Contracts, Procurement, Accounts Payable



1801 East Cotati Avenue  
Rohnert Park, CA 94928-3609

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

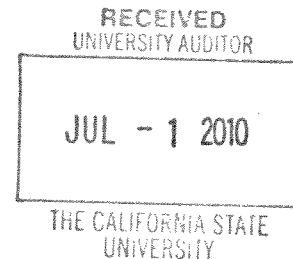
707.664.2035 • Fax 707.664.2080

June 30, 2010

**MEMORANDUM**

**TO:** Larry Mandel  
University Auditor  
California State University  
401 Golden Shore, 4<sup>th</sup> Floor  
Long Beach, California 90802-4200

**FROM:** Larry Furukawa-Schiereth  
Chief Financial Officer and  
Vice President for Administration and Finance



**SUBJECT:** Tuscany Village Housing Phase II Report # 010-09, Campus Response

On behalf of President Armiñana, I am submitting the initial campus response to the recommendations of Audit Report # 10-09, *Construction, Sonoma State University Housing Phase II, Tuscany Village*.

The response will also be forwarded to your staff electronically.

We will provide documentation to demonstrate completion of corrective actions for each recommendation.

Enclosure

**c:** President Ruben Armiñana  
Letitia Coate, Associate Vice President, Administration and Finance  
Christopher Dinno, Sr. Director, Facilities Management/Capital Planning, Design and Construction  
Ruth McDonnell, Deputy Controller, Contract and Procurement, Payables  
Brian Orr, Internal Auditor  
Kurt Koehle, Internal Operations & Analysis

THE CALIFORNIA STATE UNIVERSITY

**CONSTRUCTION**  
**SONOMA STATE UNIVERSITY**  
**HOUSING PHASE II, TUSCANY VILLAGE**  
**Audit Report 10-09**

**CONSTRUCTION MANAGEMENT AND ACCOUNTING**

**Recommendation 1**

We recommend that the campus reiterate to staff that hourly labor rate worksheets for the design-builder and all trade subcontractors should be requested and used to verify wage rates submitted for change order work.

**Campus Response**

We concur. The Senior Director for Facilities Management/Capital Planning, Design and Construction will conduct a formal training seminar with the CPDC project managers regarding the use of hourly labor wages rate worksheets from a design-builder and all trade subcontractors for verification of wage rates for change order work.

*This action will be completed by August 15, 2010*

**CHANGE ORDER ADMINISTRATION**

**LABOR RATES AND BURDEN**

**Recommendation 2**

We recommend that the campus:

- a. Pursue recovery of the \$1,474 in inflated labor costs submitted by the design-builder due to the erroneous hourly labor rate charged by the trade subcontractor.
- b. Conduct staff training to ensure that hourly labor rates charged by trade subcontractors are appropriate and accurate in accordance with §37.00, Changes in the Work, of the *Contract General Conditions for Design-Build Projects*.

**Campus Response**

- a. We agree. A demand letter will be issued to Wright Contracting to request a refund of \$1,474 due to the erroneous hourly labor rate charged by the trade subcontractor.

- b. We concur. The Senior Director for Facilities Management/Capital Planning, Design and Construction will conduct a formal training seminar with the CPDC project managers to ensure that hourly labor rates charged by trade subcontractors are appropriate and accurate in accordance with §37.00, Changes in the Work, of the *Contract General Conditions for Design-Build Projects*.

*This action will be completed by August 15, 2010*

## **MARK-UPS**

### **Recommendation 3**

We recommend that the campus:

- a. Pursue recovery of the \$1,063 overcharge.
- b. Conduct staff training to ensure that design-builder mark-ups are appropriate and accurate in accordance with §37.00, Changes in the Work, of the *Contract General Conditions for Design-Build Projects*.

### **Campus Response**

- a. We agree. A demand letter will be issued to Wright Contracting to request a refund of \$1,063 due to the misapplication of the design-builder mark-ups.
- b. We concur. The Senior Director for Facilities Management/Capital Planning, Design and Construction will conduct a formal training seminar with the CPDC project managers to ensure that design-builder mark-ups are appropriate and accurate in accordance with §37.00, Changes in the Work, of the *Contract General Conditions for Design-Build Projects*.

*This action will be completed by August 15, 2010*

## **TRADE SUBCONTRACTORS**

### **Recommendation 4**

We recommend that the campus:

- a. Pursue recovery of the \$7,310 overcharge.
- b. Develop, document, and implement procedures to periodically verify change orders to cost estimate documentation or cost reports to ensure appropriate and accurate costs in accordance with §37.00, Changes in the Work, of the *Contract General Conditions for Design-Build Projects*.

### **Campus Response**

- a. We agree. A demand letter will be issued to Wright Contracting to request a refund of \$7,310 since the campus was charged in excess of costs estimates provided by multiple trade contractors.
- b. We concur. The Senior Director for Facilities Management/Capital Planning, Design and Construction will conduct a formal training seminar with the CPDC project managers to develop, document, and implement procedures to periodically verify change orders to cost estimate documentation or cost reports to ensure appropriate and accurate costs are applied in accordance with §37.00, Changes in the Work, of the *Contract General Conditions for Design-Build Projects*.

*This action will be completed by August 15, 2010*

## **PROJECT COMPLETION AND CLOSEOUT**

### **NOTICE OF COMPLETION**

#### **Recommendation 5**

We recommend that the campus reiterate to staff that the project closeout checklist and certification of completion should be prepared prior to filing the Notice of Completion.

#### **Campus Response**

We concur. The Senior Director for Facilities Management/Capital Planning, Design and Construction will conduct a formal training seminar with the CPDC project managers to ensure that the project closeout checklist and certification of completion will be prepared prior to filing the Notice of Completion.

*This action will be completed by August 15, 2010*

### **“AS-BUILT” DRAWINGS AND SPECIFICATIONS**

#### **Recommendation 6**

We recommend that the campus reiterate to staff and future design-builders that a re-drafted and complete set of “as-built” specifications must be submitted before completion of the project.

#### **Campus Response**

We concur. The Senior Director for Facilities Management/Capital Planning, Design and Construction will conduct a formal training seminar with the CPDC project managers to ensure that that a re-drafted and complete set of “as-built” specifications must be submitted before completion of the project.

*This action will be completed by August 15, 2010*

THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

August 12, 2010

CHICO

**MEMORANDUM**

DOMINGUEZ HILLS

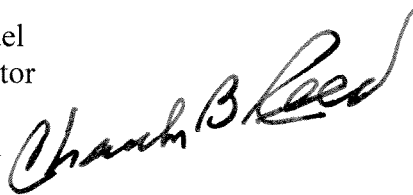
EAST BAY

TO: Mr. Larry Mandel  
University Auditor

FRESNO

FULLERTON

FROM: Charles B. Reed  
Chancellor



HUMBOLDT

SUBJECT: Draft Final Report 10-09 on *Housing Phase II, Tuscany Village*,  
Sonoma State University

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of August 12, 2010, I accept the response as submitted with the draft final report on *Housing Phase II, Tuscany Village*, Sonoma State University.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/amd

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS