

CONSTRUCTION

**CALIFORNIA STATE UNIVERSITY,
EAST BAY**

PIONEER HEIGHTS STUDENT HOUSING, PHASE III

**Audit Report 10-11
June 30, 2010**

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CONTENTS

Executive Summary	1
Introduction.....	3
Background	3
Purpose.....	5
Scope and Methodology	6

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

Construction Management and Accounting	8
Inspections	8
Labor Rate Worksheets.....	8
Change Order Administration.....	9
Change Order Log.....	9
Labor Rates and Burden	10
Project Completion and Closeout	11
Beneficial Occupancy	11
Documentation	12

APPENDICES

APPENDIX A:	Personnel Contacted
APPENDIX B:	Campus Response
APPENDIX C:	Chancellor's Acceptance

ABBREVIATIONS

A/E	Architect/Engineer
BOT	Board of Trustees
CPDC	Capital Planning, Design and Construction
CRB	Certification Review Board
CSU	California State University
CSUEB	California State University, East Bay
EO	Executive Order
OUA	Office of the University Auditor
Pioneer Heights	Pioneer Heights Student Housing, Phase III
PDC	Planning Design and Construction
SUAM	State University Administrative Manual

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 California State University, East Bay campus and the offices of the general contractor and selected subcontractors from March 8, 2010, through April 9, 2010, and audited the Pioneer Heights Student Housing, Phase III (Pioneer Heights) 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 Pioneer Heights 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 [8]

The campus did not maintain documentation of the project manager's review of all inspection reports and inspection requests made by the general contractor. In addition, the campus did not request certified payroll records and hourly labor rate worksheets for the general contractor and each subcontractor, which prevented the verification of wage rates submitted for change order work.

CHANGE ORDER ADMINISTRATION [9]

The cumulative total of the project's change order log did not include the \$8,388,373 authorized for the construction of the Pioneer Heights dining commons. In addition, labor rate overcharges and/or an erroneous labor burden calculation by two trade subcontractors inflated labor costs by \$28,390.

PROJECT COMPLETION AND CLOSEOUT [11]

The campus did not issue a field instruction and change order to the general contractor when the campus began occupying the Pioneer Heights buildings for their intended use on September 12, 2008, six months prior to filing the Notice of Completion. In addition, the campus did not complete a certificate of completion and a project closeout checklist as part of the final project closing procedures.

INTRODUCTION

BACKGROUND

In March 2007, the California State University, East Bay (CSUEB) Pioneer Heights Student Housing, Phase III (Pioneer Heights) project was approved by the California State University (CSU) Housing Proposal Review Committee. In May 2007, the Board of Trustees (BOT) amended the non-state capital outlay program to include the Pioneer Heights project and approved schematic plans for the project at a construction cost of \$47,441,000 with funding from campus housing reserves and through the CSU Systemwide Revenue Bond Program.

In May 2007, the campus solicited project bids and selected Lathrop Construction Associates, Inc., as the general contractor. CSUEB executed an agreement for site preparation services with Lathrop Construction Associates, Inc. on June 21, 2007, at a cost of \$3 million and issued the Notice to Proceed on the same day, with an expected completion date of July 20, 2007. This agreement allowed the general contractor to begin the extensive site preparation, contractor mobilization, and site demolition. In July 2007, CSUEB executed the base bid agreement with Lathrop Construction Associates, Inc., at a construction cost of \$21,135,000 and issued a Notice to Proceed on July 31, 2007, with an expected completion date of August 12, 2008. Because of the lower than expected construction contract amounts, the campus approved several large change orders to construct the Pioneer Heights dining commons, parking lot, and recreation area. Final construction costs totaled \$37,535,424. The campus received a Certificate of Occupancy for the Pioneer Heights project on November 12, 2008, and filed a Notices of Completion on March 11, 2009, for buildings 9 and 10 and May 22, 2009, for the Pioneer Heights dining commons and El Dorado Hall.

The Pioneer Heights project, designed by gkkworks, consists of two, four-story residential buildings, dining commons, and a support facility totaling 154,800 gross square feet. The project adds 64 units of three and four double-occupancy rooms, with 472 beds for incoming freshman students. The buildings are wood-frame construction with concrete slab foundations, and exterior finishes are cement plaster with an accent band of cedar wood between floors. The project design provides greater density than Phase II housing, thereby reducing its footprint and increasing open space and minimizing construction impacts. The project has a number of sustainable design features, including energy conservation through shading via overhangs in every unit, maximum insulation values for walls and roofs, double-glazed windows, high efficiency light fixtures, low-flow showerheads, and building mechanical systems with energy management control systems in each room. The Pioneer Heights dining commons offers meals during the week from morning to evening, including healthy foods and vegetarian selections, and an after-hours cafe offers beverages and food for late night convenience.

The CSUEB campus managed the Pioneer Heights project, and it chose the Design-Bid-Build delivery method. In this method, the design and construction aspects are contracted for separately, and the project is usually awarded to the lowest bid by a qualified general contractor. The architect/engineer (A/E) develops a schematic design, works with other professionals to complete drawings and specifications, and coordinates the bid documents. The project is advertised and bids are requested for various general contractors, who in turn bid out subcomponents of the project to multiple subcontractors and compile a complete bid for submission. The A/E responds to questions prior to bid opening and evaluates bid

overruns. During the construction phase, the A/E reviews work progress and issues site instructions, change orders, and other documentation necessary to the construction process; and the general contractor manages the construction process and daily activity on the construction site and often provides work with its own forces. The university remains responsible for project inspection and testing, and for generally administering the project.

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 Pioneer Heights 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 Pioneer Heights 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.

INTRODUCTION

- ▶ 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.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CONSTRUCTION MANAGEMENT AND ACCOUNTING

INSPECTIONS

The campus did not maintain documentation of the project manager's review of all inspection reports and inspection requests made by the general contractor.

State University Administrative Manual (SUAM) §9792.04 states, in part, that the project manager will review the reports generated by the construction inspector and review and coordinate all services provided by testing and inspection firms for compliance with service agreement requirements.

The director of planning, design, and construction (PDC) stated that the failure to maintain documentation evidencing the review of all inspection reports and inspection requests made by the general contractor was due to oversight.

Failure to maintain sufficient documentation of the review of all inspection reports and inspection requests increases the risk that deviations from project specifications or building codes may not be detected.

Recommendation 1

We recommend that the campus implement procedures to ensure that sufficient documentation is maintained of the project manager's review of all inspection reports and inspection requests made by the general contractor.

Campus Response

We concur. We will remind appropriate staff via memo and reference statutory requirements by October 31, 2010.

LABOR RATE WORKSHEETS

The campus did not request certified payroll records and hourly labor rate worksheets for the general contractor and each subcontractor, which prevented the verification of wage rates submitted for change order work.

SUAM §9824.01 states that the campus shall request a minimum of the first week's certified payroll records from the general contractor and a minimum of the first week's certified payroll records from each subcontractor of any tier. Additionally, 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 certified payroll records, along with hourly labor rate worksheets, will allow a check on wage rates submitted for change order work.

The PDC director stated that the lack of certified payroll records and labor rate worksheets for the general contractor and trade subcontractors was due to oversight.

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

Recommendation 2

We recommend that the campus reiterate to staff that certified payroll records and hourly labor rate worksheets for the general contractor and each subcontractor should be requested and used to verify wage rates submitted for change order work.

Campus Response

We concur. While requesting such documentation has been the past practice of this university, it had not been formalized in writing, and as noted by the auditor, did not occur in this project. As such, our resubmission of the Capital Outlay Management Plan shall include language requiring, at a minimum, the first weeks' certified payroll records and the hourly labor rate worksheets from the general contractor and each subcontractor. By October 31, 2010, via memo, we will direct appropriate staff to adhere to this practice.

CHANGE ORDER ADMINISTRATION

CHANGE ORDER LOG

The cumulative total of the project's change order log did not include the \$8,388,373 authorized for the construction of the Pioneer Heights Student Housing, Phase III (Pioneer Heights) dining commons.

SUAM §9792.04 states, in part, that the project manager must maintain a change order log that includes a cumulative total of changes to the contract, and reconcile the change order costs with the contractor payment requests.

The PDC director stated that the lack of an accurate change order log was due to oversight.

Failure to maintain an accurate change order log 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 conduct staff training to ensure that a complete and accurate change order log is prepared and maintained.

Campus Response

We concur. The university used several different project managers over the course of this project; and in the absence of written policy, inconsistencies in the documentation did occur. Via memo, and by October 31, 2010, we will direct staff to ensure this requirement is strictly adhered to for all projects. In addition, by October 20, 2010, the university will request that Capital Planning, Design and Construction (CPDC) meet with PDC staff here at California State University, East Bay (CSUEB) to conduct additional training on this issue.

LABOR RATES AND BURDEN

Administration of trade subcontractor labor rates and associated burden needed improvement.

We reviewed labor rates charged by two trade subcontractors and noted variations from the hourly rate worksheets when compared to the certified payroll records reviewed at the subcontractors' offices:

- ▶ The hourly labor rates for one trade subcontractor included inflated rates for fringe benefits, vacation, and holidays. In addition, the trade subcontractor calculated labor burden on the total hourly wage rate, which included all fringe benefits not paid to the employees, instead of on the hourly base wage rate paid to the employees. The inflated rates resulted in a \$5.55 per hour overcharge for foremen and general operators, and an \$11.21 per hour overcharge for general and pipe laborers. The inclusion of these inflated rates increased the labor cost for this trade subcontractor by \$25,768.
- ▶ The hourly labor rates for the second trade subcontractor included inflated rates for federal unemployment taxes and health/welfare fringe benefits resulting in a \$.80 per hour overcharge. The inclusion of this inflated rate increased the labor cost for this trade subcontractor by \$2,622.

The *Contract General Conditions for Design-Bid-Build Projects* §6.01.b (1) states that costs are allowed for the actual payroll costs to the contractor 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 PDC director stated that the lack of review of the labor rate worksheets and payroll records for the general contractor and subcontractors was due to oversight.

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

Recommendation 4

We recommend that the campus:

- a. Pursue recovery of the \$28,390 in inflated labor costs resulting from labor rate overcharges and an erroneous labor burden calculation.
- b. Conduct staff training to ensure that hourly labor rates and the associated labor burden charged by trade subcontractors are appropriate and accurate in accordance with §6.00, Changes in the Work, of the *Contract General Conditions for Design-Bid-Build Projects*.

Campus Response

- a. We concur. By September 20, 2010, we will pursue collection from Lathrop Construction Associates, Inc.
- b. We concur. Via memo, and by October 31, 2010, we will reiterate to staff the importance of reviewing hourly labor rates and the associated labor burden. In addition, by October 20, 2010, the university will request that CPDC meet with staff here at CSUEB to conduct a special training session on this issue.

PROJECT COMPLETION AND CLOSEOUT

BENEFICIAL OCCUPANCY

The campus did not issue a field instruction and change order to the general contractor when the campus began occupying the Pioneer Heights buildings for their intended use on September 12, 2008, six months prior to filing the Notice of Completion.

SUAM §9830.02 states that the Trustees reserve the right to occupy all or any part of a project prior to completion of the contract. In this event, the construction administrator shall issue a field instruction to the contractor, noticing the contractor that the campus will be taking beneficial occupancy of all or portions of the project on a specific date at a specific time. A change order must be executed which will document the date, liability, and start of warranty.

The PDC director stated that the failure to issue a field instruction and change order when the project was occupied for its intended use was due to oversight.

Failure to issue a field instruction and change order to the general contractor when the campus begins occupying the project for its intended use 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 a field instruction and change order should be issued to the general contractor when the campus begins occupying the project for its intended use prior to filing the Notice of Completion.

Campus Response

We concur. Via memo, and by October 31, 2010, we will direct staff to always issue a change order in instances where the university takes occupancy of a building prior to filing a Notice of Completion.

DOCUMENTATION

The campus did not complete a certificate of completion and a project closeout checklist as part of the final project closing procedures.

SUAM §9830 states that the process for inspection and acceptance of completed contract work includes a pre-final 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.

The PDC director stated that the failure to complete a certificate of completion and a project closeout checklist was due to oversight.

Failure to complete the project closeout checklist and certification of completion as part of the final project closing procedures increases the risk of misunderstandings and miscommunication regarding rights and responsibilities.

Recommendation 6

We recommend that the campus reiterate to staff that the project closeout checklist and certification of completion are to be completed as part of the final project closing procedures.

Campus Response

We concur. Via memo, and by October 31, 2010, we will direct staff to complete a project closeout checklist and certificate of completion as part of the final project closing procedures.

APPENDIX A: PERSONNEL CONTACTED

Name

Title

Office of the Chancellor

Elvyra San Juan

Assistant Vice Chancellor,
Capital Planning, Design and Construction

California State University, East Bay

Mohammad Qayoumi

President

Shawn Bibb

Vice President, Administration and Finance and
Chief Financial Officer

Christopher Brown

Associate Vice President, Enterprise Operations and Foundation

Jim Zavagno

Director of Planning, Design and Construction



CALIFORNIA STATE UNIVERSITY EAST BAY

Office of the Vice President, Administration and Finance & Chief Financial Officer

CALIFORNIA STATE UNIVERSITY, EAST BAY 25800 Carlos Bee Boulevard, Hayward, CA 94542-3002 510.885.3803 • 510.885.4745 (fax) • www.csueastbay.edu

RECEIVED UNIVERSITY AUDITOR

AUG 20 2010

THE CALIFORNIA STATE UNIVERSITY

August 18, 2010

Mr. Larry Mandel University Auditor The California State University 401 Golden Shore Long Beach, CA 90802

RE: Campus Responses to Recommendations: Audit Report Number 10-11 Pioneer Heights Student Housing, Phase III, California State University, East Bay

Dear Mr. Mandel, Larry

Enclosed is our response to the recommendations in Audit Report Number 10-11, Pioneer Heights Student Housing, Phase III, at California State University, East Bay.

Upon acceptance of our response, we will follow up with your office, providing supporting documentation for each recommendation.

Please let us know if you have any questions or need additional information.

Sincerely,

Shawn Bibb

Shawn Bibb Vice President, Administration & Finance, CFO

SB/ad

- c: Mohammad H. Qayoumi, President Jim Zavagno, Director, Planning Design & Construction

CONSTRUCTION

**CALIFORNIA STATE UNIVERSITY,
EAST BAY**

PIONEER HEIGHTS STUDENT HOUSING, PHASE III

Audit Report 10-11

CONSTRUCTION MANAGEMENT AND ACCOUNTING

INSPECTIONS

Recommendation 1

We recommend that the campus implement procedures to ensure that sufficient documentation is maintained of the project manager's review of all inspection reports and inspection requests made by the general contractor.

Campus Response

We concur.

We will remind appropriate staff via memo and reference statutory requirements by October 31, 2010.

LABOR RATE WORKSHEETS

Recommendation 2

We recommend that the campus reiterate to staff that certified payroll records and hourly labor rate worksheets for the general contractor and each subcontractor should be requested and used to verify wage rates submitted for change order work.

Campus Response

We concur.

While requesting such documentation has been the past practice of this university, it had not been formalized in writing, and as noted by the auditor, did not occur in this project. As such, our resubmission of the Capital Outlay Management Plan shall include language requiring, at a minimum, the first weeks' certified payroll records and the hourly labor rate worksheets from the general contractor and each subcontractor. By October 31, 2010, via memo, we will direct appropriate staff to adhere to this practice.

CHANGE ORDER ADMINISTRATION

CHANGE ORDER LOG

Recommendation 3

We recommend that the campus conduct staff training to ensure that a complete and accurate change order log is prepared and maintained.

Campus Response

We concur.

The university used several different project managers over the course of this project, and in the absence of written policy inconsistencies in the documentation did occur. Via memo, and by October 31, 2010, we will direct staff to ensure this requirement is strictly adhered to for all projects. In addition, by October 20, 2010, the university will request that CPDC meet with PDC staff here at CSUEB to conduct additional training on this issue.

LABOR RATES AND BURDEN

Recommendation 4

We recommend that the campus:

- a. Pursue recovery of the \$28,390 in inflated labor costs resulting from labor rate overcharges and an erroneous labor burden calculation.
- b. Conduct staff training to ensure that hourly labor rates and the associated labor burden charged by trade subcontractors are appropriate and accurate in accordance with §6.00, Changes in the Work, of the *Contract General Conditions for Design-Bid-Build Projects*.

Campus Response

- a. We concur.

By September 20, 2010, we will pursue collection from Lathrop Construction Associates, Inc.

- b. We concur.

Via memo, and by October 31, 2010, we will reiterate to staff the importance of reviewing hourly labor rates and the associated labor burden. In addition, by October 20, 2010, the university will request that CPDC will meet with staff here at CSUEB to conduct a special training session on this issue.

PROJECT COMPLETION AND CLOSEOUT

BENEFICIAL OCCUPANCY

Recommendation 5

We recommend that the campus reiterate to staff that a field instruction and change order should be issued to the general contractor when the campus begins occupying the project for its intended use prior to filing the Notice of Completion.

Campus Response

We concur.

Via memo, and by October 31, 2010, we will direct staff to always issue a change order in instances where the university takes occupancy of a building prior to filing a Notice of Completion.

DOCUMENTATION

Recommendation 6

We recommend that the campus reiterate to staff that the project closeout checklist and certification of completion are to be completed as part of the final project closing procedures.

Campus Response

We concur.

Via memo, and by October 31, 2010, we will direct staff to complete a project closeout checklist and certificate of completion as part of the final project closing procedures.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

September 8, 2010

CHICO

DOMINGUEZ HILLS

MEMORANDUM

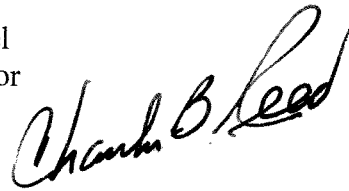
EAST BAY

TO: Mr. Larry Mandel
University Auditor

FRESNO

FULLERTON

FROM: Charles B. Reed
Chancellor



HUMBOLDT

SUBJECT: Draft Final Report 10-11 on *Pioneer Heights, Student Housing, Phase III*, California State University, East Bay

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of September 8, 2010, I accept the response as submitted with the draft final report on *Pioneer Heights Student Housing, Phase III*, California State University, East Bay.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/amd

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS