# CONTENTS

Executive Summary ...................................................................................................................................... 1

Introduction................................................................................................................................................... 3
  Background ............................................................................................................................................... 3
  Purpose...................................................................................................................................................... 5
  Scope and Methodology ........................................................................................................................... 6

**OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES**

Project Development and Design ................................................................................................................. 7

Construction Management and Accounting .................................................................................................. 8

Change Order Administration .......................................................................................................................... 9

Project Completion and Closeout .................................................................................................................. 10
APPENDICES

APPENDIX A: Personnel Contacted
APPENDIX B: Campus and Management Responses
APPENDIX C: Chancellor’s Acceptance

ABBREVIATIONS

AVP Associate Vice President
BOT Board of Trustees
CM Construction Manager
CM at Risk Construction Manager at Risk
CPDC Capital Planning, Design and Construction
CRB Certification Review Board
CSU California State University
CSUS California State University, Sacramento
ESA Extra Service Authorization
EO Executive Order
FPCS Facilities Planning and Construction Services
GMP Guaranteed Maximum Price
ICSUAM Integrated California State University Administrative Manual
LEED Leadership in Energy and Environmental Design
OUA Office of the University Auditor
RWC Recreation Wellness Center
EXECUTIVE SUMMARY

At its January 2012 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, Sacramento campus and the offices of the construction manager and selected subcontractors from August 6, 2012, through September 14, 2012, and audited the Recreation Wellness Center (RWC) project focusing on the construction management policies and procedures and internal controls and processes in effect at that time.

Our study and evaluation revealed certain conditions that, in our opinion, could result in significant risk exposures for future construction activity if not corrected. Specifically, the campus did not maintain adequate internal controls and processes over the following areas: project development and design, construction management and accounting, change order administration, and project completion and closeout. These conditions, along with other reportable weaknesses, are described in the executive summary and body of this report. In our opinion, except for the effect of the weaknesses described above, the operational and administrative controls in effect for the RWC 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.

PROJECT DEVELOPMENT AND DESIGN [7]

Extra service authorization letters were not always properly approved.

CONSTRUCTION MANAGEMENT AND ACCOUNTING [8]

A procedure to reconcile construction allowances had not been developed to ensure that the amounts used by the construction manager were appropriate, accurately priced, and adequately documented.

CHANGE ORDER ADMINISTRATION [9]

Administration of change orders for time extensions needed improvement. For example, supporting documentation did not provide sufficient detail of the negotiations and time impacts incurred by the CM
and trade subcontractors. In addition, the change orders included handwritten changes that did not agree to the supporting documentation.

**PROJECT COMPLETION AND CLOSEOUT [10]**

The campus did not require the construction manager to submit a final accounting of the guaranteed maximum price construction agreement.
In March 2006, the Board of Trustees (BOT) approved an amendment to the 2005/06 non-state-funded capital outlay program to include a proposed recreation and wellness center for California State University, Sacramento (CSUS). In May 2007, the BOT approved schematic plans for the CSUS Recreation Wellness Center (RWC) project at a cost of $71,333,000, with funding from systemwide revenue bonds and university union reserves.

In December 2006, the campus executed a guaranteed maximum price (GMP) agreement with the construction manager (CM), McCarthy Building Companies, Inc., for preconstruction services, at a cost of $374,390. In September 2008, the campus executed another GMP agreement with the CM for construction phase services, at a construction cost of $50,995,860, and issued a Notice to Proceed on October 9, 2008. The State Fire Marshal granted a Certificate of Occupancy on July 20, 2010, and the campus filed the Notice of Completion on December 13, 2010.

The RWC is a 151,000-square-foot facility that includes four basketball courts, a large multi-activity court, four racquetball courts, a rock-climbing wall, multiple fitness studios, and a wellness center with space for urgent care, examinations, consultation clinics, health planning, administration, education services, laboratory services, medical records, a pharmacy, and clinical services. The project achieved a Leadership in Energy and Environmental Design (LEED) gold rating. 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 sustainable “green” design, construction, and operation of buildings.

The CSUS campus managed the RWC project, and it chose the Construction Manager at Risk (CM at Risk) with GMP delivery method. In this method, a construction management firm chosen by a competitive bidding process provides all or significant portions of design and construction administrative services and takes part in establishing the GMP. The CM at Risk acts as the general contractor during construction, assumes the risk of subcontracting the work, and guarantees completion of the project. The liability for the success in completing the project on time and in budget lies with the construction manager, and not with the university. Further, there is a potential for cost savings should the project be completed below the GMP.

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 Integrated California State University Administrative Manual (ICSUAM); 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 ICSUAM guidelines; and the use of systemwide standardized architectural, engineering, and other professional appointment contract forms.

The ICSUAM, in part, contains an overview of all CPDC policies and procedures associated with the capital outlay process. ICSUAM §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. ICSUAM §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 California State University (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.
INTRODUCTION

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 RWC 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 ICSUAM.

- Professional appointments are in accordance with statutory requirements, BOT policy, and the ICSUAM; 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 ICSUAM, 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 ICSUAM.

- 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 ICSUAM.

- 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 RWC project with an emphasis on compliance with the CSU *Construction Management Procedures Manual*, ICSUAM 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.
OBSERVATIONS, RECOMMENDATIONS, 
AND CAMPUS RESPONSES

PROJECT DEVELOPMENT AND DESIGN

Extra service authorization (ESA) letters were not always properly approved.

We reviewed 33 ESA letters and found that:

- Six ESA letters for more than $50,000 were not approved by the associate vice president (AVP) of facilities services, and two ESA letters for more than $100,000 were not approved by the vice president of administration and business affairs and chief financial officer, as required by the campus delegation of capital outlay management authority.

- None of the 33 ESA letters were countersigned by the service provider.

*CSU Sacramento Delegation of Capital Outlay Management Authority*, dated July 31, 2008, states that the director of facilities planning and construction services (FPCS) has approval authority for contractor and consultant change orders and field instructions not exceeding $50,000. The AVP of facilities services has approval authority for change documents not exceeding $100,000. Approval by the vice president of administration and business affairs and chief financial officer is required for change documents exceeding $100,000.

Integrated California State University Administrative Manual (ICSUAM) §9210.03, *Extra Services Changes to Professional Agreements*, states that ESA letters shall require the approval of the appropriate personnel and a countersignature by the service provider.

The director of FPCS stated that when the delegation of capital outlay management authority was updated in 2008, there was confusion concerning the scope of contract amendments, which made it unclear as to whether the delegation also applied to professional service agreements. He further stated that the lack of service provider countersignatures was due to a management decision to continue the old practice for existing service provider agreements, even though the campus implemented the countersignature process in 2008.

Failure to properly approve ESA letters increases the risk of misunderstandings and miscommunication regarding rights and responsibilities.

**Recommendation 1**

We recommend that the campus reiterate to staff that ESA letters must be approved in accordance with the campus delegation of capital outlay management authority and conduct staff training to ensure that ESA letters are prepared and processed in accordance with ICSUAM §9210.03, *Extra Services Changes to Professional Agreements*.
Campus Response

We concur. By June 19, 2013, the department will provide training to ensure ESA letters are prepared and processed according to ICSUAM §9210.03, Extra Services Changes to Professional Agreements. The department will provide the training agenda and sign-in sheet as support for completion.

CONSTRUCTION MANAGEMENT AND ACCOUNTING

A procedure to reconcile construction allowances had not been developed to ensure that the amounts used by the construction manager (CM) were appropriate, accurately priced, and adequately documented.

We reviewed the campus allowance log and supporting documentation and found that:

- The campus allowance log did not agree to the total allowance amount in the Guaranteed Maximum Price (GMP) construction agreement. The GMP agreement detailed 28 allowances totaling $1,508,000, but the campus allowance log indicated approved allowances of $1,548,749.

- In two instances, cost documentation supporting certain allowance expenditures, totaling $81,312, either did not provide sufficient detail of actual costs incurred by the CM and trade subcontractors or included handwritten changes that did not agree to the amount listed on the campus allowance log.

Executive Order (EO) 672, Delegation of Capital Outlay Management Authority and Responsibility, dated July 25, 1997, states, in part, that the campus shall carry out all construction management activities and complete the project within the approved scope, schedule, and budget.

The FPCS director stated that the discrepancy in the allowance log was due to a credit that was applied to the allowance line item, which resulted in increasing the allowance amount available to the campus for work that would not be charged contractor mark-up. He further stated that while the credit should have been applied to reduce the GMP contract amount and this caused a discrepancy in the allowance log, the campus still received the proper amount of work from the CM. He added that the campus approval process was followed to direct the CM to perform the allowance work.

Failure to adequately reconcile construction allowances increases the risk that allowances will be used for inappropriate purposes and errors and irregularities will not be detected.

Recommendation 2

We recommend that the chancellor’s office Capital Planning, Design and Construction (CPDC) department develop a written procedure to reconcile construction allowances to ensure the amounts used by the CM are appropriate, accurately priced, and adequately documented.
Management Response

We agree. We will edit the SUAM accordingly and will post it to the CPDC website by the end of February.

Recommendation 3

We recommend that the campus conduct staff training to ensure that construction allowances are processed in accordance with the procedure developed by CPDC.

Campus Response

We concur. Within 60 days of receipt of the new procedure developed by the CPDC in Recommendation 2, the department will provide training to campus staff on this new procedure. The department will provide the training agenda and sign-in sheet as support for completion.

CHANGE ORDER ADMINISTRATION

Administration of change orders for time extensions needed improvement.

We reviewed two change orders for costs associated with time extensions, and we found that:

- Supporting documentation did not provide sufficient detail of the negotiations and time impacts incurred by the CM and trade subcontractors. In addition, the change orders included handwritten changes that did not agree to the supporting documentation.

- A seven percent markup was erroneously charged on the first change order, resulting in additional costs of $3,715.

The Contract General Conditions for CM at Risk with GMP Projects 6.01.a states that the CM must keep and submit time and materials records verified daily by the construction inspector to substantiate its costs and furnish such proof.

The Contract General Conditions for CM at Risk with GMP Projects 6.01.b (1) states that the CM and trade contractors shall submit a fully detailed breakdown of the cost of every labor classification to be utilized on a proposed change on the hourly labor rate worksheet. The unit cost of labor shall be an accurate accounting of actual costs being paid.

The FPCS director stated that the general contractor approached the university with unsettled damages totaling $2.5 million, which the university negotiated down to $550,000. He further stated that the seven percent markup was a clerical error that was missed during review. The CPDC chief of construction management stated his belief that the negotiated settlement was appropriate.
Insufficient supporting documentation and the failure to detect errors in change orders increases the risk that errors and irregularities will not be detected and excess charges and expenses will be incurred.

**Recommendation 4**

We recommend that the campus reiterate procedures to staff and conduct training to ensure that change orders are supported by sufficient documentation and accurate in accordance with §6.00, Changes in Work, of the *Contract General Conditions for CM at Risk with Guaranteed Maximum Price Projects*.

**Campus Response**

We concur. By June 19, 2013, the department will provide training to ensure that change orders are supported by sufficient documentation and accurate in accordance with §6.00, Changes in Work, of the *Contract General Conditions for CM at Risk with Guaranteed Maximum Price Projects*. The department will provide the training agenda and sign-in sheet as support for completion.

**PROJECT COMPLETION AND CLOSEOUT**

The campus did not require the CM to submit a final accounting of the GMP construction agreement.

We found that the CM did not provide sufficient documentation demonstrating that the total cost of the project equaled or exceeded the final GMP construction agreement amount of $55,284,103. The documentation should have included, but not have been limited to, all actual subcontractor costs, direct material and labor provided by the construction manager, and a reconciliation of contractual fees paid by the campus.

EO 672, *Delegation of Capital Outlay Management Authority and Responsibility*, dated July 25, 1997, states, in part, that the campus shall carry out all construction management activities and complete the project within the approved scope, schedule, and budget.

The FPCS director stated his belief that, given the number of outstanding claims from the contractor, a final accounting of actual project costs was not necessary, as there was almost no chance for project savings. In addition, he stated that the project team did review all of the CM’s cost accounting reports in the development of the global settlement.

Failure to require the CM to submit a final accounting of actual project costs increases the risk that the campus’ payments would exceed the total GMP construction amount and that any errors and irregularities would not be detected.
Recommendation 5

We recommend that the campus:

a. Require and obtain a final accounting of the GMP construction agreement from the CM and perform a verification of the costs.

b. Notify CPDC in the event the total actual cost is less than $55,284,103, and request that the difference be returned to the campus.

Campus Response

We concur.

a. By May 31, 2013, the campus will obtain a final accounting of the GMP construction agreement from the CM and perform a verification of the costs.

b. If the results of the final accounting show actual cost to be less than $55,284,103, the campus will notify CPDC. By June 19, 2013, the campus will request McCarthy Building Companies, Inc., return the difference to the campus.
## APPENDIX A:
### PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Office of the Chancellor</strong></td>
<td></td>
</tr>
<tr>
<td>Benjamin F. Quillian</td>
<td>Executive Vice Chancellor and Chief Financial Officer</td>
</tr>
<tr>
<td>James Hoffman</td>
<td>Chief of Construction Management</td>
</tr>
<tr>
<td>Elvyra San Juan</td>
<td>Assistant Vice Chancellor, Capital Planning, Design and Construction</td>
</tr>
<tr>
<td><strong>California State University, Sacramento</strong></td>
<td></td>
</tr>
<tr>
<td>Alexander Gonzalez</td>
<td>President</td>
</tr>
<tr>
<td>Bena Arao</td>
<td>Director of Administrative Services for Facilities Services</td>
</tr>
<tr>
<td>Leslie Davis</td>
<td>Executive Director, The Well</td>
</tr>
<tr>
<td>Yavette Hayward</td>
<td>Senior Management Auditor</td>
</tr>
<tr>
<td>Ali Izadian</td>
<td>Associate Vice President for Facilities Services</td>
</tr>
<tr>
<td>Ming-Tung “Mike” Lee</td>
<td>Vice President of Administration and Business Affairs and Chief Financial Officer</td>
</tr>
<tr>
<td>Susan McGuire</td>
<td>Administrative Analyst</td>
</tr>
<tr>
<td>Kaye Milburn</td>
<td>Director of Auditing Services</td>
</tr>
<tr>
<td>Benjamin Newman</td>
<td>Assistant Director of Operations, The Well</td>
</tr>
<tr>
<td>Victor Takahashi</td>
<td>Director of Facilities Planning and Construction Services</td>
</tr>
</tbody>
</table>
January 18, 2013

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

SUBJECT: Campus Response to Recommendations of Construction Audit Report, #12-14 – Recreation Wellness Center

Dear Mr. Mandel,

Please find enclosed California State University, Sacramento’s response to the recommendations of the audit. The campus is committed to addressing and resolving the issues identified in the audit report.

If you have any questions or require additional information, please contact Kaye Milburn, Director of Auditing Services, at (916) 278-7439.

Sincerely,

Ming-Tung "Mike" Lee, Ph.D.
Vice President and Chief Financial Officer

MTL:kd

Enclosure

cc: Alexander Gonzalez, President
Ali Izadian, Associate Vice President, Facilities Services
Victor Takahashi, Director, Facilities Planning and Construction Services
Kaye Milburn, Director, Auditing Services
CONSTRUCTION

CALIFORNIA STATE UNIVERSITY,
SACRAMENTO

RECREATION WELLNESS CENTER

Audit Report 12-14

PROJECT DEVELOPMENT AND DESIGN

Recommendation 1

We recommend that the campus reiterate to staff that ESA letters must be approved in accordance with the campus delegation of capital outlay management authority and conduct staff training to ensure that ESA letters are prepared and processed in accordance with ICSUAM §9210.03, Extra Services Changes to Professional Agreements.

Campus Response

We concur. By June 19, 2013, the department will provide training to ensure ESA letters are prepared and processed according to ICSUAM §9210.03, Extra Services Changes to Professional Agreements. The department will provide the training agenda and sign-in sheet as support for completion.

CONSTRUCTION MANAGEMENT AND ACCOUNTING

Recommendation 3

We recommend that the campus conduct staff training to ensure that construction allowances are processed in accordance with the procedure developed by CPDC.

Campus Response

We concur. Within 60 days of receipt of the new procedure developed by the CPDC in Recommendation 2, the department will provide training to campus staff on this new procedure. The department will provide the training agenda and sign-in sheet as support for completion.

CHANGE ORDER ADMINISTRATION

Recommendation 4

We recommend that the campus reiterate procedures to staff and conduct training to ensure that change orders are supported by sufficient documentation and accurate in accordance with §6.00,
Changes in Work, of the *Contract General Conditions for CM at Risk with Guaranteed Maximum Price Projects*.

**Campus Response**

We concur. By June 19, 2013, the department will provide training to ensure that change orders are supported by sufficient documentation and accurate in accordance with §6.00, Changes in Work, of the *Contract General Conditions for CM at Risk with Guaranteed Maximum Price Projects*. The department will provide the training agenda and sign-in sheet as support for completion.

**PROJECT COMPLETION AND CLOSEOUT**

**Recommendation 5**

We recommend that the campus:

a. Require and obtain a final accounting of the GMP construction agreement from the CM and perform a verification of the costs.

b. Notify CPDC in the event the total actual cost is less than $55,284,103, and request that the difference be returned to the campus.

**Campus Response**

a. We concur. By May 31, 2013, the campus will obtain a final accounting of the GMP construction agreement from the CM and perform a verification of the costs.

b. We concur. If the results of the final accounting show actual cost to be less than $55,284,103, the campus will notify the CPDC. By June 19, 2013, the campus will request McCarthy Building Companies, Inc. return the difference to the campus.
MEMORANDUM

DATE: February 15, 2013

TO: Larry Mandel
   University Auditor

FROM: Benjamin F. Quillian
       Executive Vice Chancellor and
       Chief Financial Officer

SUBJECT: Audit Report
         Recreation / Wellness Center
         California State University, Sacramento

I am pleased that the overall theme of this audit report continues in a positive vein and that it finds general compliance with established procedures. I have reviewed the report’s findings with my Capital Planning, Design and Construction (CPDC) staff, and have attached our response to the auditors’ findings and recommendation to CPDC.

BFQ:esj

Attachment

c: Elvyra F. San Juan
   Larry Piper
   Thomas M. Kennedy
   James Hoffman
CONSTRUCTION

CALIFORNIA STATE UNIVERSITY,
SACRAMENTO

RECREATION WELLNESS CENTER

Audit Report 12-14

CONSTRUCTION MANAGEMENT AND ACCOUNTING

Recommendation 2

We recommend that the chancellor's office Capital Planning, Design and Construction (CPDC) department develop a written procedure to reconcile construction allowances to ensure the amounts used by the CM are appropriate, accurately priced, and adequately documented.

Management Response

We agree. We will edit the SUAM accordingly, and will post it to the CPDC website by the end of February.
February 28, 2013

MEMORANDUM

TO: Mr. Larry Mandel
    University Auditor

FROM: Timothy P. White
      Chancellor

SUBJECT: Draft Final Report 12-14 on the Recreation Wellness Center,
         California State University, Sacramento

In response to your memorandum of February 28, 2013, I accept the response
as submitted with the draft final report on the Recreation Wellness Center
construction project at California State University, Sacramento.

TPW/amd