

SONOMA STATE UNIVERSITY
STUDENT HOUSING GROWTH PHASE I

Final Report

August 27, 2004

**KPMG Construction Cost Review
Sonoma State University – 3031022
Student Housing Growth Phase I**

PROJECT OVERVIEW

KPMG was retained by the California State University (CSU), Office of the University Auditor, to perform a review of the Sonoma State University's (SSU) Student Housing Growth Phase I, known as the Beaujolais Complex. The original project scope included two phases that included plans for twelve residential buildings and one commons building. After design began and working drawings were in process the project was downsized to only six residential buildings.

The project includes 162 units, each to accommodate four persons in 1,100 square feet, and ten studio apartments. Each three-story building in the Beaujolais Complex was constructed with an exterior plaster facade. A small pool building and surface parking for approximately 420 vehicles were also included in the project.

During the week of February 16, 2004, KPMG reviewed project records from the following entities involved in the project's development and execution:

Contractor:	Wright Contracting, Inc.
Architect/Engineer (A/E or Architect):	Fisher Friedman Associates
Inspection (IOR):	Triple H Construction Services
Project Management:	Sonoma State University - Capital Planning Design & Construction (CPDC-Campus)

DESIGN COSTS

CPDC-Campus selected seven firms from the list of pre-qualified Architects maintained on the Chancellor's Office website. Letters were sent describing the project and inviting each firm to submit a Statement of Qualifications. Three firms were selected and invited to SSU to interview and present their proposals. Fisher Friedman Associates was selected as the most qualified firm and was awarded a contract, dated April 18, 2001, in the amount of \$2,100,000. The fee was calculated utilizing the CSU fee grid based on a project budget of \$45,000,000 (the original thirteen-building project).

The original project included design for 16 residential buildings as follows:

- Buildings 6, 7, 10, 11, 15 & 16 – 30 units
- Buildings 13 & 14 – 29 units
- Buildings 3 & 4 – 31 units
- Buildings 8 & 9 – 24 units
- Buildings 1 & 2 – 23 units
- Buildings 5 & 12 – 25 units

Early in the design phases, this was amended to 12 buildings. All buildings were very similar in design in order to create the "village" atmosphere.

Recommendation:

1. CPDC (Chancellor's Office) should consider adjusting the A/E fee grid downward for projects that consist of multiple housing buildings of identical design.

Management Response:

1. We agree. Current SUAM language allows for this, and we have modified Section 9208.04 (reprinted below), to improve campus reporting to CPDC.

9208.04 COMPENSATION

For major capital project commissions to architects, engineers and landscape architects the university shall negotiate fees, using the appropriate trustees-approved Schedule of Project Architect and Engineer Lump Sum Fees. If a campus elects to vary from this schedule, an explanation letter shall be provided to CPDC and maintained in the project file.

Professional fees for minor capital commissions and supporting service agreements by other service providers shall be evaluated by the campus on an individual basis.

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Sonoma State University – 3031022
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CPDC recognizes that certain situations can legitimately call for fee adjustments **either up or down**. CPDC believes that when warranted this is best addressed by allowing responsible parties the discretion to create a custom solution to respond to unique project needs. In the case where fee adjustments can be predicted, Construction Manager at Risk projects for example, revised fee exhibits have been established and are currently available on-line.

The AE completed design documents for the entire project (all 12 buildings; six which became known as Phase I and six that would be known as Phase II). As stated in the Project Overview, the project was downsized to the Phase I portion only even though design documents were in process. It would have been better business practice to reduce the design scope to only the Phase I portion of the project when it was determined that the original project scope was reduced by more than half. During the construction of Phase I (six buildings) the Phase II scope was changed to seven additional buildings and one multipurpose building. The Architect was awarded additional services for the Phase II scope changes in the amount of \$590,000. During the exit conference, the campus stated that this additional service was paid against the original contract and the Phase I scope of work. Fisher Friedman erroneously charged the University 100% for the bid phase, and 98% for construction administration, for Phase II work although it was neither bid nor built. This would have equated to an overpayment of approximately \$227,000 or 50% of the bid and construction administration phases. Subsequent to our field work, a credit was issued for the overbilling and overpayment. At the time of the review, the detail was not identified in the campus documentation, but they were satisfied with the credit amount.

Recommendation:

2. The University should have required the Architect to clearly document the amount of credit allowed for the overcharge and overpayments for the Phase II bid and construction administration phases.

Campus Response:

2. We agree. Additional services letter #5, Rev. 7/20/04, Fee Analysis, has been issued as well as demand letter to recover overcharges. Correction action has been completed.

At the time of our field work, the University had authorized three additional services totaling \$600,415. Specifically, the extra services covered the following:

1. Redesign of retail space in Building 11 - \$7,200.
2. Deletion of the eastern vehicular entry into parking area - \$3,215.

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3. Providing design services through August 31, 2006, for the next phase of University apartments and an allowance for a credit for the bid and construction administration phases for the Phase II - \$590,000 (\$557,000 plus \$33,000 for expenses).

Subsequent to the Exit Conference, the University provided two additional Extra Service authorizations as follows:

4. Landscaping changes, signage and entry columns and wall system - \$11,700.
5. Credits for overbillings and unused reimbursable expenses (\$189,774) and additional design changes \$54,523 - Net credit (\$135,251).

The University overpaid Extra Service No. 1 by \$3,938 and was not billed for Extra Service No. 2 (although the work was done). At the time of our review, there had been no billings against Extra Service No. 3 on Phase I and the A/E had not billed the total for construction administration for Phase I of the project.

The following is an analysis of the basic contract services, extra services and payments:

Phase/ESA	Original Agreement	Paid	Unpaid Balance
Schematics	362,040	362,040	0
Preliminary	441,000	441,000	0
Working Drawings	842,730	842,730	0
Bidding	60,060	60,060	0
Construction Admin.	394,170	386,287	7,883
Basic Services Total	2,100,000	2,092,117	7,883
Extra Service 1	7,200	11,138	-3,938
Extra Service 2	3,215	0	3,215
Extra Service 3	557,000		557,000
Extra Service 4	11,700		11,700
Extra Service 5 - Credit Adj.	-189,774		189,774
Extra Service 5 - Addtl work	54,523		54,523
Extra Service Total	443,864	12,690	431,174
Expenses	33,000	34,850	-1,850
Total A/E Fees	2,576,864	2,104,806	472,058 **

** Subsequent to the Exit Conference, the University provided documentation that reconciles total payments on the project to the approved contractual amounts.

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Sonoma State University – 3031022
Student Housing Growth Phase I**

Recommendation:

3. On future projects when the original scope is significantly altered and/or it is determined that a portion of the project will not be constructed or bid, the campus should amend the A/E agreement rather than utilizing additional service letters.

Campus Response:

3. We agree. When the scope of future projects is to be significantly altered, the University will consult the Chancellor's Office to determine the appropriate instrument to revise the A/E agreement (amendment vs. additional services letter). Corrective action has been completed.

CONSTRUCTION BID PROCESS

The final project estimate for Phase I, provided by the A/E, was \$23,800,000. The original bid date was established as January 17, 2002, which was changed to January 22, 2002 by addendum.

Prior to bid, two Addendum were issued as follows:

Addendum #1: Issued January 4, 2002 – Revisions to specifications and drawings.

Addendum #2: Issued January 9, 2002 – Changed the bid date to January 22, 2002, provided drawing clarifications, addressed bidders' questions, and covered miscellaneous specification changes.

The initial specifications listed two Additive Alternates as follows:

Alternate 1: Early completion of Buildings No. 11 and 12. Completion shall be 443 calendar days. Liquidated damages shall be \$500 per day for the first 30 calendar days completion is delayed beyond the time prescribed for the project. After the first 30 days, liquidated damages shall be \$5,000 per day. Completion was defined as certified for occupancy by the Office of the State Fire Marshal

Alternate 2: This includes all aspects of Alternate #1 plus early completion of Building No. 10.

There were eight bidders listed on the Abstract of Bids, with Wright Contracting Inc. the apparent low bidder at \$27,792,000 for the Phase I portion of the project. The University executed the construction agreement on March 14, 2002. The additive alternates were not accepted or incorporated into the original construction contract.

Additional findings related to the project include:

- The Abstract of Bids was appropriately completed and signed.
- Wright Contracting Inc. furnished appropriate Payment and Performance Bonds in the original contract amount as required.
- Wright Contracting Inc. is a California Corporation.
- The original construction period covered 783 calendar days.
- Liquidated damages were stated to be \$500 per day for the first thirty calendar days completion is delayed and \$5,000 per day thereafter.
- The Notice to Proceed was issued on March 18, 2002, with a start date of April 1, 2002.

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- The original completion date was established as May 23, 2004. However, Bernard Bros.' initial construction schedule indicated that they would finish by the start of the 2003 fall semester.
- The project was completed ahead of schedule by 229 days and Notice of Completion was filed on October 7, 2003.
- Multiple buildings were accepted as early as July 31, 2003.

The fact that the project was completed more than six months ahead of schedule suggests a lack of stridency in developing construction schedule estimates and effectively renders the liquidated damages clause of the contract as meaningless.

Recommendation:

4. While the need to provide some degree of leeway to allow for unforeseen conditions is understood, on future projects SSU's CPDC should strive to set their project schedules to more accurately reflect the actual times required for construction. Specifically for this project, a change order should have been issued revising the completion date and the start of liquidated damages to more accurately reflect the Contractor's submitted schedule.

Campus Response:

4. We agree. On future projects the University will strive to set project schedules to more closely reflect the actual times required for construction.

Generally, the University enlists numerous resources to determine the appropriate construction duration. This particular project's schedule was based on input from consultants, recent experience from the University's previous housing project (26 months) and information gathered from recently bid or built University housing projects. Although the Contractor represented an early completion, the repercussion from substantial liquidated damages on the previous housing contractor seemed to make negotiating an accelerated completion date impossible at the time. Corrective action has been completed.

CONTRACTOR COMPLIANCE - SUBCONTRACTING PRACTICES

The "List of Proposed Subcontractors" (CM Form 701.04) identified fifteen trade divisions and subcontractors. The "Expanded List of Subcontractors" (CM Form 701.04 A) identified the same divisions and subcontractors. There were no subcontractor substitutions on this project.

As part of the bid process review, Wright Contracting, Inc. provided original bid files. In most cases, and with all major trade work, the Contractor obtained multiple bids. The following trade bids were examined in detail:

- **Glass & Glazing:** Five bids were received in amounts ranging from \$256,544 to \$421,727. A subcontract was issued to the low bidder, B & L Glass Co., for \$256,544.
- **Drywall/Portland Cement Plaster:** Seventeen bids were received ranging from \$3,195,000 to \$3,485,197. A subcontract was issued to the low bidder, North Bay Drywall, for \$3,195,000.
- **Flooring:** Eight bids were received in amounts between \$580,500 and \$871,770. A subcontract was issued to the second low bidder, Dupont Flooring Systems, for \$593,000. The lowest bidder excluded significant scope.
- **Electrical:** Eight bids were received in amounts ranging from \$3,569,000 to \$7,640,000. Northern Electric Inc. was awarded a subcontract in the amount of \$3,569,000.
- **Mechanical:** Five bids were received. Two of the bidders submitted pricing for the same work. One bid excluded sheet metal. Two bids included electrical. The lowest bid for sheet metal, flashing and HVAC work was submitted by AAA Energy Systems who was awarded a contract in the amount of \$363,603.

Recommendation:

None

CONSTRUCTION CHANGE ORDERS

Fifteen project Change Orders totaling \$1,370,542 were incorporated into the project based on approximately 200 individual Change Order Requests (COR's). These changes increased the original contract amount of \$27,792,000 by 4.93% - within industry norms for a project of this type. The majority of the changes were attributable to University requested modifications. Change Orders attributable to A/E Errors and Omissions totaled 1.69% of the construction cost, which is within industry standards of 2% to 3%.

We found that the University altered the CSU Change Order Form (703.04) by eliminating the approval line for the Architect of Record. This violates the requirement for the design professional's approval as outlined in SUAM 9792.03(5).

Recommendation:

5. The University should revise their Change Order form to reflect SUAM requirements and require Architect of Record approval on all change orders.

Campus Response:

5. We agree. The line for the architect's approval had inadvertently been left off on the contract change order. The Change Order form has been revised and is used on all current projects. Corrective action has been completed.

During our review of COR's included as backup for change orders, we found that the University allowed Wright Contracting a 10% fee on the subcontractor's 15% mark-up. As stated in the General Conditions, Paragraph 6.01.c (4), "no mark-up on mark-up is permitted." We found that the University was properly credited 6% for mark-up on deductive change orders. KPMG prepared a detailed analysis of the overcharge for the additive changes included in our 62% sample of the total Change Orders. We found that approximately \$16,883 had been overpaid to Wright Contracting on the additive changes. This represented approximately a 1.88% on the total changes included in our sample (including credit change order amounts) Applying the same percentage to the total Change Orders approved, we estimate the total overcharge is approximately \$25,700.

Recommendation:

- 6a. The University should recover the overpayment from Wright Contracting for charging mark-ups on subcontractor mark-ups.
- 6b. On future projects, the University should utilize an appropriate change order proposal form that ensures that Contractor mark-up is appropriately calculated.

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Campus Response:

6a. We agree. A demand letter has been issued to Wright Contracting on August 24, 2004, for a recovery of \$25,700 in overcharges – with a request to either explain this discrepancy or transmit a refund for \$25,700.

6b. We agree. An electronic spreadsheet created by the Chancellor's Office has been implemented on all current projects and is sent out with change order requests.

Corrective action has been completed.

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Change Order Report Analysis

CPDC (Campus) provided a log categorizing change orders by source. The following table summarizes their report:

Type of Change	C.O. Totals	% of CO	% of Contract
4.1 Errors/Omissions from the Contract Documents	\$ 470,772	34.35%	1.69%
4.2 Unforeseeable job site conditions	16,368	1.19%	0.06%
4.3 Regulatory agency, bldg. code, safety, health	3,871	0.28%	0.01%
4.4 Originated by the University	879,531	64.17%	3.16%
4.5 Unavailability of specified materials	0	0.00%	0.00%
4.6 Other	0	0.00%	0.00%
Total Change Orders	\$1,370,542	100.00%	4.93%
Original Contract Amount	27,792,000		
Total	\$29,162,542		

As part of our review process, we sampled change orders and traced subcontractor estimates to the subcontractor change orders. Wright Contracting provided a “Subcontract Detail Report” that reflected each subcontract and the change orders issued against them. We reviewed approximately 100 COR’s totaling \$1,268,000, or 92% of the total changes. KPMG found Wright Contracting records to be maintained in accordance with industry-standards.

All but four subcontractor quotes/backup included with the University change orders could be traced to the applicable subcontract change orders. The University was offered credits totaling \$231,798. We found that subcontractor credits to Wright Contracting totaled \$256,427, a difference of \$24,629 (the differences reflected for the first three items in the table below for the credit change orders). On Change Order No. 14, the University paid \$48,666 on behalf of Carone & Sons. Wright Contracting paid Carone \$41,350, \$7,316 less. The total differences of \$31,945 (\$24,629 + \$7,316) could be attributable to backcharges; however from the records we were unable to confirm this fact. Subsequent to our review, we requested explanations and reconciliation for these items. As of the date of this report, Wright Contracting has been unresponsive. The four discrepancies are as follows:

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Subcontractor	Owner CO #	COR #	Amount	Notes
R E Maher	1		(89,303)	CO W06 is a credit to R E Maher in the amount of \$107,138 - Difference of \$17,835
Contract Décor	2	15R1	(26,159)	CO W28 is a credit to Contract Décor in the amount of \$31,103 - Difference of \$4,944
R E Maher	14	176	(116,336)	CO 373 is a credit to R E Maher in the amount of \$118,186.36 - Difference of \$1,850
Carone & Sons	14	176	48,666	CO 371 is in the amount of \$41,350 to Carone - Difference of \$7,316

Recommendation:

- The University should request documentation from Wright Contracting explaining and justifying the deviation between the amount the University recovered/paid and the amounts that Wright Contracting recovered/paid. The University should pursue recovery of any overpayments.

Campus Response:

- We agree. A demand letter has been issued to Wright Contracting on August 24, 2004, for an explanation and reconciliation of \$31,945 in charges traceable to subcontractor change orders. Corrective action has been completed.

PROJECT MANAGEMENT/INSPECTION SERVICES

SSU issued a Request for Qualifications (RFP) to provide Inspector of Record (IOR) services. CPDC (Campus) provided in-house project management services. The RFP for IOR services included project specific information as well as a request for billing rates, which essentially served as a formal Request for Proposals. The University solicited five firms for submission. From the two responses received, Triple H Construction Inspection Service (Triple H) was selected as the most qualified firm to perform on-site inspection services.

Triple H was awarded a service agreement in the amount of \$200,000 on May 1, 2002, and was to provide inspection services through July 31, 2003. Total billings and payments against the agreement totaled \$180,169, leaving a balance of \$19,831.

Recommendation:

8. The remaining balance should be credited back against the original agreement to close out the agreement utilizing a form similar to a deductive additional service authorization.

Campus Response:

8. We agree. A letter has been issued by SSU Contracts and Purchasing informing Triple H Construction Services (Inspector of Record) of the closure of the SSU Agreement No. SA 100538. Corrective action has been completed.

For the purpose of analyzing total project management and IOR costs, we have included an amount to cover the University's project manager salary and benefits. SSU's accounting department did not capitalize these costs against the project during construction, although the University did provide documentation to substantiate \$132,188 for in-house project management costs. Payments to Triple H and the University's reported CPDC costs totaled \$312,357, representing 1.07% of total construction contract. Since no supervisory or support staff were added to project management services, we expected management costs to be significantly lower than the industry norm of 2.5% to 3.5%.

Recommendation:

None

LIQUIDATED DAMAGES

The University accepted multiple buildings as early as July 31, 2003. The University took full occupancy of the Beaujolais Complex project on October 7, 2003. Since Wright Contracting, Inc. completed the project 229 days ahead of schedule, liquidated damages were not warranted.

Recommendation:

None

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MAJOR EQUIPMENT REVIEW

The initial review of Contract Documents and Specification was performed at the University. KPMG was furnished a submittal log and we selected our sample from that log. Submittal records were provided and reviewed at the campus.

Of the submittals reviewed, all were traced from Project Specifications to submittal data and final acceptance. A project walk-through was conducted with campus representatives in order to verify that specified and approved equipment had been provided and installed by the Contractor.

The following equipment items and specific model data were approved and visually confirmed as installed at the Sonoma Student Housing project:

Division #	Brand	Model #	Description
16470	Square D	4000A SE	Power-Style QED-2 Switchboards
15400	Flexcon Industries	WHV-75	WH Series Thermal Expansion Tanks
15400	Munchkin	199M	Stainless Steel Heater
15400	Taco	011	High Velocity Circulator
15400	Taco	LTM1202N-1	Low Water Cutoff
15400	Honeywell - Tradeline	L6006C	Surface-mounted Aquastat Controller
15400	Taco	0013	Cartridge Circulator
15400	Tekmar	D254	Four Stage Boiler Control
16470	Invensys	I 2.3	Rotary Displacement Meter
16470	Square D	43006-122.01	Low Voltage Transformer

Recommendation:

None

**KPMG Construction Cost Review
Sonoma State University – 3031022
Student Housing Growth Phase I**

ACCOUNTING

KPMG conducted a review of the University's cost accounting reporting system and invoice processing practices. The SSU Contracts and Procurement, in conjunction with financial accounting, provided a number of automated reports generated by the recently implemented PeopleSoft System that tracked the project budget and actual expenditures. Additionally, the University tracks other various financial data utilizing electronic spreadsheet applications.

Recommendation:

None

THE CALIFORNIA STATE UNIVERSITY

Office of the Chancellor
401 Golden Shore, Long Beach, CA 90802-4210
(562) 951-4600 / FAX (562) 951-4970



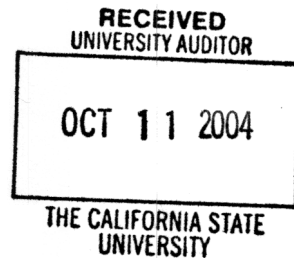
To: Mr. Larry Mandel
University Auditor
Office of University Auditor

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

cc: Elvyra F. San Juan
Larry Piper
Thomas Kennedy
James Corsar

Date: October 5, 2004

Re: Audit Report
Student Housing Growth, Phase I
Sonoma State University



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 our specific comments to the auditors' findings and recommendations are on the attached page.

RPW:ESJ:bn

Attachment

DESIGN COSTS

Recommendation:

CPDC (Chancellor's Office) should consider adjusting the A/E fee grid downward for projects that consist of multiple housing buildings of identical design.

Management Response:

We agree. Current SUAM language allows for this, and we have modified Section 9208.04 (reprinted below), to improve campus reporting to CPDC.

9208.04 COMPENSATION

For major capital project commissions to architects, engineers and landscape architects the university shall negotiate fees, using the appropriate trustees-approved Schedule of Project Architect and Engineer Lump Sum Fees. If a campus elects to vary from this schedule, an explanation letter shall be provided to CPDC and maintained in the project file.

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DIVISION OF ADMINISTRATION AND FINANCE
1801 East Cotati Avenue
Rohnert Park, California 94928-3609


RECEIVED
UNIVERSITY AUDITOR

SEP 23 2004

THE CALIFORNIA STATE
UNIVERSITY

September 16, 2004

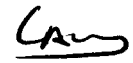
Larry Mandel
University Auditor
401 Golden Shore, 4th Floor
Long Beach, California 90802-4200

Dear Mr. Mandel: 

On behalf of President Armiñana, I am submitting the campus response to the recommendations of the KPMG Construction Cost Review, Sonoma State University – 3031022, Student Housing Growth Phase I. This response has also been forwarded via e-mail to lmandel@calstate.edu.

Please contact Kurt Koehle (kurt.koehle@sonoma.edu) on my staff for additional information and follow up.

Sincerely,


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

Enclosures

Cc President Ruben Armiñana
Bruce Walker, Senior Director, CPDC
Steve Wilson, Associate Vice President for Administration and Finance
Letitia Coate, Controller and Senior Director for Financial Services
Kurt Koehle, Director of Internal Operations

THE CALIFORNIA STATE UNIVERSITY

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Sep 15 2004 by LSF.doc

DESIGN COSTS

Recommendation

- 2 The University should have required the Architect to clearly document the amount of credit allowed for the overcharge and overpayments for the Phase II bid and construction administration phases.

Campus Responses:

We agree. Additional services letter #5, Rev. 7/20/04, Fee Analysis, has been issued as well as demand letter to recover overcharges. *Corrective action has been completed*

Recommendation:

- 3 On future projects when the original scope is significantly altered and/or it is determined that a portion of the project will not be constructed or bid, the campus should amend the A/E agreement rather than utilizing additional service letters. *Corrective action has been completed*

Campus Response:

We agree. When the scope of future projects is to be significantly altered, the University will consult the Chancellor's Office to determine the appropriate instrument to revise the A/E agreement (amendment vs. additional services letter) *Corrective action has been completed*

CONSTRUCTION BID PROCESS

Recommendation:

- 4 While the need to provide some degree of leeway to allow for unforeseen conditions is understood, on future projects SSU's CPDC should strive to set their project schedules to more accurately reflect the actual times required for construction. Specifically for this project, a change order should have been issued revising the completion date and the start of liquidated damages to more accurately reflect the Contractor's submitted schedule.

Campus Response:

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CONSTRUCTION CHANGE ORDERS

Recommendation:

- 5 The University should revise their Change Order form to reflect SUAM requirements and require Architect of Record approval on all change orders

Campus Response:

We agree. The line for the architect's approval had inadvertently been left off on the contract change order. The Change Order form has been revised and is used on all current projects. *Corrective action has been completed*

Recommendation:

- 6a. The University should recover the overpayment from Wright Contracting for charging mark-ups on subcontractor mark-ups.
- 6b. On future projects, the University should utilize an appropriate change order proposal form that ensures that Contractor mark-up is appropriately calculated.

Campus Response:

6a. We agree. A demand letter has been issued to Wright Contracting on Aug 24, 2004 for a recovery of \$25,700 in overcharges – with a request to either explain this discrepancy or transmit a refund for \$25,700.

6b. We agree. An electronic spreadsheet created by the Chancellor's Office has been implemented on all current projects and is sent out with change order requests.

Corrective action has been completed

Change Order Report Analysis

Recommendation:

7. The University should request documentation from Wright Contracting explaining and justifying the deviation between the amount the University recovered/paid and the amounts that Wright Contracting recovered/paid. The University should pursue recovery of any overpayments.

Campus Response:

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PROJECT MANAGEMENT/INSPECTION SERVICES

Recommendation:

8. The remaining balance should be credited back against the original agreement to close out the agreement utilizing a form similar to a deductive additional service authorization.

Campus Response:

We agree. A letter has been issued by SSU Contracts and Purchasing informing Triple H Construction Services (Inspector of Record) of the closure of the SSU Agreement No. SA 100538. *Corrective action has been completed*

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

October 22, 2004

CHANNEL ISLANDS

CHICO

MEMORANDUM

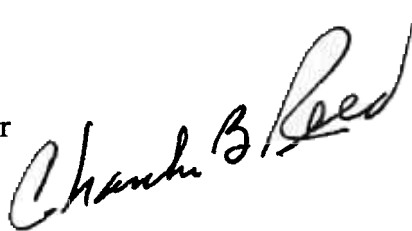
DOMINGUEZ HILLS

FRESNO

TO: Mr. Larry Mandel
University Auditor

FULLERTON

FROM: Charles B. Reed
Chancellor



HAYWARD

HUMBOLDT

SUBJECT: KPMG Draft Final Report on the *Student Housing Growth Phase I*
Project (No. 3031022) at Sonoma State University

LONG BEACH

LOS ANGELES

In response to your memorandum of October 22, 2004, I accept the response as submitted with the draft final report on the *Student Housing Growth Phase I* project at Sonoma State University.

MARITIME ACADEMY

MONTEREY BAY

CBR/amd

NORTHRIDGE

Enclosure

POMONA

cc: Dr. Ruben Armifiñana, President

SACRAMENTO

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

SAN BERNARDINO

Mr. Dennis Hordyk, Assistant Vice Chancellor, Financial Services

SAN DIEGO

Ms. Elyvra San Juan, Assistant Vice Chancellor, CPDC

Mr. Richard P. West, Executive Vice Chancellor and Chief Financial Officer

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

TANISLAUS