

**CALIFORNIA STATE UNIVERSITY,
EAST BAY**

PIONEER HEIGHTS PHASE II STUDENT HOUSING

Final Report

May 29, 2007

CONSTRUCTION PROJECT EVALUATION
CALIFORNIA STATE UNIVERSITY, EAST BAY
PIONEER HEIGHTS PHASE II STUDENT HOUSING

May 29, 2007

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EXECUTIVE SUMMARY

Summary of Findings

Based upon our evaluation, the Pioneer Heights Phase II Student Housing project at CSUEB was administered consistent with our expectations of a project of this size, scope, and complexity. Certain weaknesses surrounding budget approval and contract administration were observed that could pose a risk to the CSUEB and should be addressed. We also uncovered several minor discrepancies and control issues that pose less risk, however should also be addressed.

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

	Observation	Risk	Recommendation
1.	Based upon the information provided to KPMG, current commitments exceed the approved budget by \$1,194,831.	A commitment beyond the approved budget represents an inappropriate use of funds, and potentially overpayment for some items.	CSUEB should investigate the reason for the over commitment and establish controls to prevent over commitment on future projects. (Ownership: CSUEB)
2.	CSUEB is using the Architect/Engineer Agreement form as an amendment to authorize extra services.	Using the Architect/Engineer Agreement to authorize extra services is not in accordance with SUAM.	In the future, CSUEB should use Extra Services Authorization letters as recommended by SUAM 9210.03 to contract extra services. (Ownership: CSUEB)
3.	CSUEB is not completing the required change order processes in the correct chronological order per SUAM Appendix D – “Contract Change Order Procedures.”	CSUEB is at risk for accepting inflated costs from the contractor when no architect’s estimate is established to help determine if a contractor’s proposed costs are reasonable. In addition, not completing a change proposal by the design professional prior to obtaining cost information from the contractor is not in accordance with SUAM.	In the future, CSUEB should follow the guidance in SUAM Appendix D – “Contract Change Order Procedures” and obtain a change proposal cost estimate from the designer prior to issuance of the cost request bulletin and receipt of a cost proposal from the contractor. (Ownership: CSUEB)
4.	Supporting change order documentation was missing or otherwise limited.	CSUEB may be at risk of overpayment if detailed supporting cost information is not carefully evaluated, justified, and documented.	On future Projects, CSUEB should include supporting documentation sufficient enough for a third party without detailed project knowledge to determine the cost basis agreed to in the change order. (Ownership: CSUEB)

EXECUTIVE SUMMARY

	Observation	Risk	Recommendation
5.	Section 6.01.b.7 of the Contract General Conditions for Major Capital Outlay Projects is not consistent with the change order request summary forms.	Inconsistency in the guidance regarding markup calculation permits the contractor to calculate markup using the most advantageous methodology. This could cause unintentional overpayment for CSU.	Verbiage in section 6.01.b.7 of the Contract General Conditions for Major Capital Outlay Projects should be updated to provide examples and explanatory language consistent with the required change order request summary forms, or vice versa. (Ownership: CPDC)
6.	CSUEB takes longer than would be expected to execute a change order once a field instruction has been issued, and the contractor has begun work.	When CSUEB is not prompt in executing change orders for work that has started, the contractors must float the cost until the change is approved and invoicing for services performed can occur. This practice may create poor relations with contractors who may not bid on future CSU projects or elect to increase price.	On future Projects, CSUEB should attempt to be more prompt in executing change orders once the contractor work has commenced. (Ownership: CSUEB)
7.	Hourly billing rates for the Construction Manager are being increased, however all increased rates are not formally incorporated into the contractual agreement.	CSUEB is at risk of overpayment when rates are permitted higher than formally contracted.	CSUEB should review invoices subsequent to Amendment no. 7 and evaluate any large discrepancies to verify rates paid were in agreement with the contracted rates. (Ownership: CSUEB)
8.	The formal Notice to Proceed and change orders contain conflicting and unclear language regarding the number of days for the Project and the contracted date of completion.	By not providing clear definitive language surrounding the date of completion CSUEB was at risk of significant loss had the contractor not completed the project in a timely manner. Using the worst case scenario, the project would have began on March 7, 2005 and progressed for 550 days for a completion date of September 8, 2006. This would not have been acceptable for CSUEB, and liquidated damages may have been difficult to enforce in the event of a dispute.	Contract documents must be written to clearly state what is intended by the contracting parties. CPDC should develop a standardized change order form to track the number of days added to a project on a cumulative basis, with the revised completion date stated. (Ownership: CPDC)
9.	Each campus has their own method of tracking project costs. These methods vary widely, and are limited in their usefulness to provide project costs in a timely basis that encompasses multiple funding sources, and crosses fiscal years.	Without a comprehensive and uniform method of tracking construction costs, campuses lose efficiency due to the need to create a system for capturing the data. Each campus is at a greater risk due to the higher likelihood of error occurring by using a manually maintained shadow system.	The CSU system should design and implement a comprehensive and uniform method of tracking construction project costs to be used by all campuses for all construction projects. (Ownership: CPDC)

INTRODUCTION

Purpose

KPMG LLP (“KPMG”) was retained by California State University’s (“CSU”) Office of the University Auditor on October 29, 2004 to perform an independent project evaluation of California State University, East Bay’s (“CSUEB”) Pioneer Heights Phase II Student Housing project (“the Project”).

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

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

Scope

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

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

Methodology

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

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

Exclusions

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

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

PROJECT BACKGROUND

The California State University, East Bay Pioneer Heights Phase II Student Housing project (“the Project”) included construction of three dormitory buildings consisting of either three or four stories. The Project provides a total of 76 housing units in a variety of double occupancy and 4 single occupancy units (Buildings A-C). A fourth building consists of administration office space as well as a student life center (Building D).

From February 12 through February 23, 2007, KPMG conducted fieldwork at the CSUEB campus for the Project as well as the Valley Business and Technology Building project. During the fieldwork KPMG reviewed records from the following entities involved with the Project:

Architect	The Steinberg Group
General Contractor	C. Overaa & Company
Construction Management	Consolidated CM
Project Management and Administration	CSUEB’s Planning & Operations

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

Delivery Methodology

The Project was delivered using a Design-Bid-Build, Lump Sum contract delivery methodology.

Timeline

The design process began on September 29, 2003 with an agreement between CSUEB and the Steinberg Group Architects (“Steinberg”). Steinberg completed 100% construction documents in October 2004. The construction work for the project was bid on December 7, 2004. C. Overaa & Company was the lowest responsive and responsible bidder with a bid of \$26,984,000, including additive alternates 1-6. Construction began with the issuance of the Notice to Proceed on March 7, 2005. The construction progress allowed CSUEB to take beneficial occupancy of the student housing buildings with a Conditional Certificate of Occupancy on August 23, 2006. A Conditional Certificate of Occupancy for Building D was issued on September 7, 2006. Subsequently all buildings obtained an unconditional Certificate of Occupancy on November 1, 2006. As of the last day of KPMG’s fieldwork, there were ten negotiated pending change orders for the Project, and the Notice of Completion had not yet been issued.

Project Costs

The Project was initially approved by the Board of Trustees at \$31,724,046 based on a per square footage cost as developed from the California Construction Cost Index. The financing was anticipated to come from two sources including \$3,500,000 from the campus housing program reserves, and the rest from a proposed bond.

Several change orders were in the process of execution as of the last day of KPMG's fieldwork. These change orders were included in KPMG's analysis of Project costs.

At the time of KPMG's fieldwork CSUEB had incurred \$29,622,206 in costs on the Project and had commitments in the amount of \$32,918,877. Upon payment of all commitments, the Project will have exceeded the approved budget by \$1,194,831 as shown in the following table:

Description	Budget (2-7)	Commitments	Actual	Variance (Budget - Commitments)
Construction	\$ 25,020,000	\$ 27,699,213	\$ 25,943,386	\$ (2,679,213)
Architect and Engineering	1,468,674	1,408,800	1,223,799	59,874
Contract Management	1,751,000	1,432,808	1,422,522	318,192
Contingency	1,275,772			1,275,772
Required Additional Services	508,600	721,909	692,340	(213,309)
Group II Equipment	1,700,000	1,656,147	340,159	43,853
Subtotal	\$ 31,724,046	\$ 32,918,877	\$ 29,622,206	\$ (1,194,831)

Observation:

Based upon the information provided to KPMG, current commitments exceed the approved budget by \$1,194,831.

Risk:

A commitment beyond the approved budget represents an inappropriate use of funds, and potentially overpayment for some items.

Recommendation:

1. CSUEB should investigate the reason for the over commitment and establish controls to prevent over commitment on future projects.

(Ownership: CSUEB)

Campus Response:

1. We concur. CSUEB increased the scope of the project and failed to obtain Board of Trustee approval for this increase in scope. If, in future projects, scope is materially increased, CSUEB will obtain Board of Trustee approval.

Completion date: August 31, 2007

DESIGN COSTS

Steinberg was selected to perform architectural and engineering services for the Project. A standard CSU Architectural/Engineering Agreement was formally executed with Steinberg effective September 29, 2003 in the amount of \$1,306,000. Five amendments were subsequently executed in an aggregate amount of \$63,175 for a revised contract value of \$1,369,175. The architectural base agreement and amendments are summarized in the table below:

Contract Value	Date	Amount
Schematic Design	10/15/2003	\$ 261,200
Design Development	10/15/2003	182,840
Construction Documents	10/15/2003	496,280
Bidding	10/15/2003	26,120
Construction Administration	10/15/2003	287,320
Record Drawings	10/15/2003	52,240
Total Base Contract Value		\$ 1,306,000
Amendments	Date	Amount
Amendment #1 - Additional services mentioned in base proposal	11/10/2003	\$ 2,000
Amendment #2 - Combine Bid Package 1 and 2	12/15/2004	37,625
Amendment #3 - Revised security system/unit entry	12/15/2005	8,000
Amendment #4 - Design work for new kitchenette	2/27/2006	1,800
Amendment #5 - Additional work for new security system	4/27/2006	13,750
Amendment Subtotal		\$ 63,175
Total Revised Contract Value		\$ 1,369,175

Prior to the execution of the Project Architect/Engineer Agreement Steinberg was retained by CSUEB to perform a feasibility study. A Service Agreement for the feasibility study work was issued in the amount of \$72,900 on August 16, 2002. Subsequently, two amendments were issued on the feasibility study agreement in the amounts of \$105,000 and \$185,000. The latter amendment provided Steinberg with an authorization to proceed with schematic design, while negotiating the base contract, which was subsequently executed October 15, 2003. KPMG did not note any services were rendered without an executed agreement in place.

Section V of Rider A in the Steinberg agreement states design development services are to be billed in accordance with Exhibit B of the contract. Exhibit B shows these services are to be billed at 50% and 100% completion. The invoices for the design phase were not in accordance with this schedule; however the discrepancies noted were not significant.

Authorizations of extra services were issued using the CPDC Project Architect/Engineer Agreement form as an amendment. SUAM 9210.03 states, "it is not appropriate to amend design or service agreements to authorize extra services." Instead SUAM 9210.03 promotes the use of Extra Service Authorization letters. While CSUEB did not use an

Extra Services Authorization letter, they did execute the agreements and required a counter signature from the architect.

Observation:

CSUEB is using the Architect/Engineer Agreement form as an amendment to authorize extra services.

Risk:

Using the Architect/Engineer Agreement to authorize extra services is not in accordance with SUAM.

Recommendation:

2. In the future, CSUEB should use Extra Services Authorization letters as recommended by SUAM 9210.03 to contract extra services.

(Ownership: CSUEB)

Campus Response:

2. We concur. Procurement has reviewed procedures and will ensure proper forms are used in the completion of Architect/Engineer change orders and extra services contracts.

Completion date: August 31, 2007

CONSTRUCTION BID PROCESS

The construction bid process for the Project was administered through the CSUEB Procurement and Support Services office.

A mandatory pre-bid meeting walk-through was held for the project on November 11, 2004. Ten contractors attended the meeting including all contractors who later bid on the Project. A total of four addenda were issued on December 14, 2004. These addenda revised the construction documents and answered bidders' questions. Bids were due and opened on December 7, 2004.

Eight construction companies were pre-qualified for this project, and five companies submitted competitive bids. These companies include West Coast Contractors, West Bay Builders, C. Overaa & Company ("Overaa"), Roebblen Construction and Nibbi Brothers Construction. The bids were received by CSUEB on December 7, 2004, a ranking was completed, and an abstract of bids was created. C. Overaa & Company was the lowest responsive and responsible bidder with a bid of \$26,984,000, including additive alternates 1-6. This was \$249,000 less than the next lowest bidder and \$2,042,455 less than the architect's construction estimate of \$29,026,455. As a result, Overaa was awarded the construction contract.

KPMG reviewed CSUEB's bid files and bid process and found the project administrative team in compliance with requirements related to pre-bid meeting, advertising for bids, distribution of project plans and specifications, review of bid proposal package, issuing of addenda during bidding, pre-qualification of bidders, and obtaining required documentation from the successful bidder.

Recommendation:

None

Subcontractor Substitution

There were four instances of subcontractor substitution on the Project, where sub-contractors proposed by Overaa at the time of bid required replacement. Broadway Mechanical and Y&D Cabinet Shop were both erroneously included with the List of Proposed Subcontractors due to clerical error. These clerical errors were discovered and corrected by notation in the Expanded List of Subcontractors.

Broadway Mechanical was to be substituted by Bay City Mechanical, and Y&D Cabinet Shop was to be substituted by Northwestern Design. SUAM 9821.02 states, a subcontractor who has been notified by the prime contractor is permitted six working days from the time of bid opening to submit a written objection to the claim of clerical error. Failure to submit a written objection is deemed agreement the error was made. KPMG is not aware of any protests from Y&D Cabinet Shop or Broadway Mechanical.

In addition, Collins & Aikman Floor Coverings, Inc. replaced Pacific Flooring due to Pacific Flooring filing Chapter 7 bankruptcy and not honoring their bid day commitment. Additionally, Kone, Inc. was unable to match the project's schedule and was replaced by National Elevator. Both substitutions were granted in conformance with SUAM and Public Contract Code Section 4107(a) without exception.

Recommendation:

None

CONSTRUCTION CHANGE ORDERS

At the time of KPMG's fieldwork change orders 1 through 60 in the total amount of \$2,473,999 had been executed. Ten additional change orders in the amount of \$206,212 were under negotiation. Subsequent to KPMG's fieldwork, these ten change orders were formally executed, and as of the date of this report, 70 change orders had been formally issued on the Project in the total amount of \$2,680,211. The following table summarizes the change orders:

Change Order	Description	Date	Amount
1	Removal and disposal of existing storm drain pipes	9/22/2005	\$ 22,906
2	Global Settlement for owner delays through August 10, 2005	9/22/2005	116,000
3	Installation of angular or crushed rock over filter fabric	9/22/2005	33,023
4	Site investigation, and installation of new sanitary sewer pipe tie-in	9/28/2005	45,536
5	Additional water valves and pre-cast Christy boxes/with line stops	9/28/2005	35,068
6	Structural and elated changes at Buildings A, B, and C	9/28/2005	25,035
7	Furnish and install new gas line	9/28/2005	45,477
8	Bathroom sink and vanity changes in Building A	9/28/2005	48,299
9	Credit for originally specified SBC boxes	9/28/2005	(27,560)
10	Building D - Additive alternate 2 interior related work	3/28/2006	782,471
11	Demolition, clean and removal of debris from old ecology center	3/28/2006	29,854
12	Purchase and deliver appliances for existing student dormitories	3/28/2006	94,898
13	Change to gypcrete formula due to radiant floor heat tubing system	4/4/2006	106,420
14	Change specified pressure treated trim, and stronger reinforcing plates	6/1/2006	16,962
15	Install furring material, upgrade accessible shower units	6/2/2006	31,236
16	Install soundboard in lieu of resilient channels	6/2/2006	31,552
17	Upgraded to keypad entrance locksets	6/2/2006	83,681
18	Add new kitchen to Building D	6/2/2006	9,474
19	Removal and disposal of 60 refrigerators and 96 gas ranges	6/29/2006	19,220
20	Framing bar joist trusses at high roof breezeway, Building D	6/29/2006	15,559
21	Extend the two-hour fire rated shafts as designated in Building C	6/29/2006	16,464
22	Vault protection pre-cast retaining wall, add thermostats to study	6/29/2006	14,058
23	Modify roof truss and fascia design, and modify deck framing	6/29/2006	16,679
24	Replace semi-recessed fire sprinkler heads in Buildings A, B, and C	9/18/2006	16,687
25	Provide missing roof sheathing over Building D breezeway	9/18/2006	29,895
26	Reframe stair tower window configuration, install support for shower	9/18/2006	25,318
27	Provide additional support column, and delete plants	9/18/2006	2,722
28	Replace lint interceptor, provide dropped Soffit in Buildings A, B, C	9/18/2006	25,105
29	Install data and wireless upgrade	9/18/2006	24,901
30	Install additional rebar and all Vehicular concrete areas	10/31/2006	12,634
31	Apartment unit entry door revisions	10/31/2006	16,523
32	Install CAT 6 cable wire in construction trailer, web cam	10/31/2006	4,642
33	Provide concrete starter strip at Buildings A, B, C	10/31/2006	29,793
34	Upgrade security systems in buildings A, B, C and D	10/31/2006	115,692
35	Connect and install fiber optic infrastructure	12/1/2006	104,744
36	Repair asphalt concrete paving and sink hole at student resident lot C	12/1/2006	57,783
37	Install sub drain along the base of Northern cut slope	12/1/2006	16,116
38	Install fire valve cabinet at building A, install fire extinguishers	12/15/2006	23,755
39	Create "depression channel" and additional concrete starter strip	12/15/2006	10,203
40	Install standing seam metal roof and provided support, building D	2/13/2007	\$ 15,213

(change order list continued):

Change Order	Description	Date	Amount
41	Exterior light fixtures for buildings A, B, C	2/13/2007	\$ 14,164
42	Replace double action door hardware with single action door hardware	2/13/2007	59,777
43	Install electrical components hardware for the entry doors	2/13/2007	13,377
44	Programming auto dialer to UPD fire alarm receiver	2/13/2007	17,273
45	Installation of fire rated doors and replacement of lesser rated doors	2/13/2007	31,006
46	Partial implementation of alternative 3 for remodel of Building E	2/13/2007	55,416
47	New trash enclosure behind Building C	2/13/2007	22,973
48	Reconfigure dryer venting for new dryers in existing laundry facility	2/13/2007	13,357
49	Settlement of owner incurred cost for temporary power through August	2/13/2007	(10,500)
50	Providing and installation of various items	2/13/2007	53,191
51	Install added drain in Building B, remove piping from Building C	2/13/2007	7,166
52	Retaining walls, trash receptacles and various other costs		14,678
53	New irrigation piping, fittings and backflow prevention, water service	2/13/2007	8,530
54	Concrete pad, small retaining wall and Fire Department pedestals	2/13/2007	10,788
55	Temporary fire access driveway and traffic rated lids	2/13/2007	8,936
56	Two pull boxes for emergency relocation of existing traffic unit	2/13/2007	5,693
57	Changes to HVAC and costs associated with stockpiling excavated soil	2/13/2007	8,773
58	Installation of data and wireless system upgrade	2/13/2007	(24,901)
59	Single antenna and MEMA 4 box at Buildings B and C exterior walls	2/13/2007	9,591
60	Supply AT& T changes and 4-plex Hubbell receptacles	2/13/2007	10,677
61	Additional Cap flashing over pressure treated lumber supporting deck	2/27/2007	18,817
62	Additional metal roof hatches with ladders for Building D	2/27/2007	6,900
63	Install FGI outlets, tree and shrub removal, additional double vanities	2/27/2007	20,516
64	T&M incurred due to conflict with PG&E installed manhole	2/27/2007	17,692
65	Signage, additional doors and hardware, install "Z" flashing	2/27/2007	18,034
66	Replace specified locksets with Schlage Loknetics	2/27/2007	13,915
67	Reimbursement of base bid contingency allowance	2/27/2007	(61,036)
68	Various deletions and credits	2/27/2007	(23,764)
69	Final wireless Part II and various other items	2/27/2007	20,139
70	Final settlement	2/27/2007	175,000
Total			\$ 2,680,211

SUAM Appendix D – “Contract Change Order Procedures” provides guidance on contract change order process including the execution of change orders. This process begins with preparation of a change proposal completed by the design professional including an estimated cost of the proposed change. Once the change proposal is created, a cost request bulletin is issued by the architect requesting the contractor provide cost information for the proposed change including support documentation. The architect’s estimated costs included with the change proposal are compared to the contractor provided costs, negotiations are conducted if warranted, and a price is agreed upon. At this point, a change order form can be completed and the change order executed.

This is not the procedure followed by CSUEB for execution of change orders on this Project. Of the 12 change items KPMG reviewed, CSUEB obtained cost information from the contractor prior to the issuance of a change proposal. It does not appear an independent architect's estimate was prepared prior to soliciting the contractor's quote. Although the justification for the changes generally were very well documented, SUAM requires specific steps in the change order process, including the use of an architect's cost estimate.

Observation:

CSUEB is not completing the required change order processes in the correct chronological order per SUAM Appendix D – “Contract Change Order Procedures.”

Risk:

CSUEB is at risk for accepting inflated costs from the contractor when no architect's estimate is established to help determine if a contractor's proposed costs are reasonable. In addition, not completing a change proposal by the design professional prior to obtaining cost information from the contractor is not in accordance with SUAM.

Recommendation:

3. In the future, CSUEB should follow the guidance in SUAM Appendix D – “Contract Change Order Procedures” and obtain a change proposal cost estimate from the designer prior to issuance of the cost request bulletin and receipt of a cost proposal from the contractor.

(Ownership: CSUEB)

Campus Response:

3. We concur. CSUEB sponsored a focused training session for university staff and contractors engaged in construction management in May 2007. This training reviewed SUAM and Construction Management Manual change order procedures. CSUEB will work with architects and construction managers to ensure the proper sequence is followed in the development of change orders.

Completion date: August 31, 2007

KPMG selectively sampled 12 fully executed change order items to assess the supporting documentation and perform testing on the markup calculation.

In reviewing the supporting change order documentation, KPMG found four instances where support documentation was limited. In two instances KPMG could not find any support for a portion of the amount included with the change, and in the other two cases the documentation was not sufficient enough for KPMG to independently compute the agreed upon amount from the documentation provided.

Observation:

Supporting change order documentation was missing or otherwise limited.

Risk:

CSUEB may be at risk of overpayment if detailed supporting cost information is not carefully evaluated, justified, and documented.

Recommendation:

4. On future projects, CSUEB should include supporting documentation sufficient enough for a third party without detailed project knowledge to determine the cost basis agreed to in the change order.

(Ownership: CSUEB)

Campus Response:

4. We concur. CSUEB sponsored a focused training session for university staff and contractors engaged in construction management in May 2007. This training reviewed SUAM and Construction Management Manual change order procedures. CSUEB will work to include documentation to meet this level of background.

Completion date: August 31, 2007

KPMG performed markup testing on the 12 sampled change order items. KPMG found evidence of markup charged on markup and instances where markup was calculated using a higher percentage than contractually agreed upon; however, the amounts associated with these findings were insignificant.

The example change order markup calculation included with section 6.01.b.7 of the contract general conditions does not calculate markup the same way as the contractor and subcontractor change order request summary forms. These forms are intended to assist the contractor in correctly calculating markup as stated by the contract general conditions.

The general conditions requires the contractor to calculate the contractor's markup on subcontractor direct costs, either additive or deductive, for each individual subcontractor, then sum these amounts to arrive at contractor's markup on subcontractor direct costs.

The individual subcontractor change order request summary form, however, does not include a calculation for the contractor markup. Instead a subcontractor change order request summary form is completed for each subcontractor, all the subcontractor direct costs are netted and presented as a line item on the contractor change order request summary form, and the contractor's markup on subcontractor direct costs is calculated based upon this aggregate amount of subcontractor direct costs.

Observation:

Section 6.01.b.7 of the Contract General Conditions for Major Capital Outlay Projects is not consistent with the change order request summary forms.

Risk:

Inconsistency in the guidance regarding markup calculation permits the contractor to calculate markup using the most advantageous methodology. This could cause unintentional overpayment for CSU.

Recommendation:

5. Verbiage in section 6.01.b.7 of the Contract General Conditions for Major Capital Outlay Projects should be updated to provide examples and explanatory language consistent with the required change order request summary forms, or vice versa.

(Ownership: CPDC)

Management Response:

5. We agree, and we have modified the change order request summary forms to provide further instructions to the contractors and project managers administering the project. The modified forms have been placed on the CPDC Construction Management website.

Section 6 of the contract general conditions outlines the change order process. In this process the contractor has 15 days from the time a cost request bulletin is prepared to issue a change order request or the Trustees can demand work begin by issuing written notice to the contractor. Once the written notice is issued, the contractor has 15 days to accept the cost estimate prepared by the trustees or show proof of an error. A reasonable amount of time for execution of a change order after work has been initiated or after a cost has been agreed to is not specifically defined by the contract general conditions.

The sampled changes based on field instructions where the time to execute a corresponding change order averaged 140 days from the date the field instruction was issued. All other change orders sampled averaged 163 days from the earliest date of documented change order price discussions to the date of the actual change order execution. Although in the latter cases it is not immediately known how long before the execution of the change order the contractor actually performed the work, it still appears change orders take longer than a reasonable amount of time to execute.

In addition, the contractor expressed a concern of having to excessively fund change order work over an extended period of time as change orders had not been executed in a timely manner.

Observation:

CSUEB takes longer than would be expected to execute a change order once a field instruction has been issued, and the contractor has begun work.

Risk:

When CSUEB is not prompt in executing change orders for work that has started, the contractors must float the cost until the change is approved and invoicing for services performed can occur. This practice may create poor relations with contractors who may not bid on future CSU projects or elect to increase price.

Recommendation:

6. On future Projects, CSUEB should attempt to be more prompt in executing change orders once the contractor work has commenced.

(Ownership: CSUEB)

Campus Response:

- 6. We concur. CSUEB will develop change order procedures to include time frames for completion.

Completion date: September 30, 2007

Change Order Report Analysis

CSU has historically considered change order costs incurred due to errors and omissions by the architect of up to 3% of the initial award construction cost as falling within the architect’s ‘standard of care’. However, the agreement as executed does not contain any language defining ‘standard of care’, but states the architect shall secure and maintain appropriate errors and omissions insurance of no less than \$1,000,000 per occurrence, \$2,000,000 per annual aggregate. This language has been changed in a later version of the CSU standard agreement to define ‘standard of care’.

KPMG was provided with a change order log reflecting the source of each change order. Based on the information available, the errors and omissions are calculated to be 2.6% of the original contract amount which is less than CSU’s 3% acceptable level of ‘standard of care’. The total dollar amount of errors and omissions is \$659,437, as summarized below:

Class	Type of change	Amount	% of Total CO	% of Original Contract
4.1	Error in or omission from the contract documents	\$ 659,437	24.6%	2.6%
4.2	Unforeseeable job site condition	238,349	8.9%	1.0%
4.3	Change in the requirements of a regulatory agency	3,401	0.1%	0.0%
4.4	Change originated by the University	1,784,036	66.6%	7.1%
4.5	Changes in specified work due to the unavailability of specified materials	(2,575)	-0.1%	0.0%
4.6	Other	(2,437)	-0.1%	0.0%
Total Change Orders		\$ 2,680,211	100.0%	10.7%
Original Contract Amount		\$ 25,020,000		
Total		\$ 27,700,211		

CONSTRUCTION MANAGEMENT SERVICES

Consolidated CM (CCM) entered into a service agreement with CSUEB on March 6, 2003 to provide limited construction inspection and management services for several campus construction projects including the Pioneer Heights Phase II Student Housing project. The contract consists of the base agreement and 13 amendments. Amendments 1, 2, 5, 8, 9, and 12 pertained to other construction projects and were unrelated to the Pioneer Housing project. The following table summarizes the contractual obligations CSUEB and CCM on the Project:

Contract	Date	Amount related to the Project
Base Contract	3/6/2003	\$ 20,000
Amendment 1 - Other projects	7/3/2003	-
Amendment 2 - Other projects	6/17/2003	-
Amendment 3 - Additional CM Services (8/03 - 6/04)	8/28/2003	50,000
Amendment 4 - Additional CM Services (11/03 - 6/04)	1/8/2004	75,000
Amendment 5 - Other projects	7/7/2005	-
Amendment 6 - Additional CM Services (9/04 - 3/05)	12/11/2004	42,888
Amendment 7 - Additional CM Services (1/05 -6/05)	4/8/2005	197,776
Amendment 8 - Other projects	5/27/2005	-
Amendment 9 - Other projects	7/7/2005	-
Amendment 10 - Additional CM Services (8/05 - 8/06)	9/15/2005	484,653
Amendment 11 - Augment budget	5/30/2006	158,200
Amendment 12 - Other projects	10/6/2006	-
Amendment 13 - Additional CM Services (9/06 - 12/06)	11/18/2006	25,961
Total amount of services related to the Project		\$ 1,054,478

The construction estimates in amendment no. 7 permit 10% markup on expenses and contain rate increases effective as of January 1, 2005. However, the rates actually billed on invoices subsequent to the execution of amendment no. 7, starting with invoice no. 20, are higher. The billed rates match those included with CCM's proposal for the task, which was not formally incorporated into the amendment. Additional unexplainable rate increases occurred on invoice no. 36. The following table summarizes the rate variances and the subsequent billing variance:

Position	Total Hours	Billed Rate	Contracted Rate	Rate Variance	Billing Variance
Project Manager	20	\$ 115	\$ 112	\$ 3	\$ 60
Construction Manager	2,238	105	96	9	20,142
Construction Manager	627	108	96	12	7,524
Inspector	591	91	78	13	7,683
Inspector	319	94	78	16	5,104
Inspector	716	80	78	2	1,432
Clerical	716	50	48	2	1,074
Total Variance					\$ 43,019

Observation:

Hourly billing rates for the Construction Manager are being increased, however all increased rates are not formally incorporated into the contractual agreement.

Risk:

CSUEB is at risk of overpayment when rates are permitted higher than formally contracted.

Recommendation:

7. CSUEB should review invoices subsequent to Amendment No. 7 and evaluate any large discrepancies to verify rates paid were in agreement with the contracted rates.

(Ownership: CSUEB)

Campus Response:

7. We concur. Procurement has reviewed procedures and will ensure that hourly rates provided in proposals are incorporated into the contracts, in addition to the current procedure of not to exceed or total cost. Review will include confirmation of consistency between Rider A and Schedule B.

Completion date: August 31, 2007

MAJOR EQUIPMENT/MATERIALS REVIEW

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

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

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

Division	Drawing No.	Brand	Model No./ Capacity	Description
02775	L6.2 and L3.1	Hasting Checker Block or RCP Turf Block	n/a	Turf Block Paving
16000	E6.01	Pad Mounted Transformer "T-1" or "T-2"	29,400 amps, 12kV, 208Y/120V with 5x6 removable bollards	Transformer
15513	M0.01	Buderus	Logamax plus GB142 44 psi	Boiler
15732	M 0.01	Carrier	208-300, 3ph 60 hz 208-300, 1ph, 60 hz 208-300, 3ph, 60 hz 115, 1ph, 60 hz	AC unit
-	L4.2	-	Pear, linden, hackberry	Trees
16000	E5.03	Cutler-Hammer	800 amp max. 1ph 120/240 VAC/VCA 3ph 208/120 VAC/VCA 3ph 240/120 VAC/VCA	Electrical Panel Building A
14242	n/a	National	3500 lbs.	Elevator

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

Recommendation:

None

CLOSE-OUT PROCESS

Change orders 61 through 70 were negotiated and in the process of obtaining the required signatures for execution as of the last day of KPMG's fieldwork. This included the final change order settlement negotiation in the amount of \$175,000. Nothing came to KPMG's attention indicating these change orders would not be executed in short order. No Notice of Completion had been issued as of the last day of KPMG's fieldwork.

KPMG verified the project close-out requirements established by the contract General Conditions and SUAM. The CSU standard close-out checklist was used by CSUEB. KPMG reviewed Certificates of Completion and Certificates of Occupancy for buildings A, B, C, and D, the final punch list, operating permits, operation and maintenance manuals, warranties, as-built drawings, and other relevant project close-out documentation.

Recommendation:

None

LIQUIDATED DAMAGES

Time was of the essence on this project, as CSUEB stood to incur significant costs if housing was not available to students as planned. Due to the level of risk, liquidated damages were set at \$5,000 per day for the first 30 days, and \$10,000 per day thereafter until completion of the project.

Determining the contractually agreed upon date of completion for the Project was difficult. There was conflicting language in the Notice to Proceed, an ambiguously worded portion of change order 10, and a typo in a later change orders related to additional time granted.

The Notice to Proceed permitted construction to begin on March 7, 2005. It provided 483 total calendar days for the project and stated a contracted date of completion on July 21, 2006. However, this completion date is actually 501 calendar days beyond the scheduled start date. CSUEB explained holidays were incorrectly accounted for, hence the discrepancy in total days. July 21, 2006 was reportedly the intended completion date.

Change order 10 contained a section addressing the reduction of liquidated damages if certain conditions were met by July 21, 2006. It also lists a completion date of August 21, 2006, yet no days were added on this or prior change orders. KPMG could find no evidence to support the new completion date of August 21, 2006.

Beginning on change order 50 and contained on all subsequent change orders the face of the change order states, “Revised Contract Term Remains – 550 Days” KPMG noticed this is coincidentally the number of days that was added to the Valley Business and Technology project. KPMG found no evidence to support the 550 days was intended for this Project.

Observation:

The formal Notice to Proceed and change orders contain conflicting and unclear language regarding the number of days for the Project and the contracted date of completion.

Risk:

By not providing clear definitive language surrounding the date of completion CSUEB was at risk of significant loss had the contractor not completed the project in a timely manner. Using the worst case scenario, the project would have began on March 7, 2005 and progressed for 550 days for a completion date of September 8, 2006. This would not have been acceptable for CSUEB, and liquidated damages may have been difficult to enforce in the event of a dispute.

Recommendation:

8. Contract documents must be written to clearly state what is intended by the contracting parties. CPDC should develop a standardized change order form to track the number of days added to a project on a cumulative basis, with the revised completion date stated.

(Ownership: CPDC)

Management Response:

8. We agree. We have revised our change order forms to reflect the revised completion date and cumulative number of days and placed them on the CPDC Construction Management website.

Under the strictest interpretation of the contract documents, the project began on July 21, 2006 and progressed for 550 days for a completion date of September 8, 2006. The Conditional Certificate of Occupancy was issued on August 23, 2006 and CSUEB took beneficial occupancy of the housing buildings at that time. Section 7.02 of the General Conditions allows for the amount of liquidated damages to be reduced to \$2,500 for the first 30 days and \$5,000 per day beyond 30 days once CSUEB has occupancy of the buildings. Using this strict interpretation of the contract, CSUEB has the option of charging \$75,000 for the period from September 8, 2006 until October 8, 2006, and an additional \$5,000 per day from October 9, 2006 until the Notice of Completion is issued.

In discussions with CSUEB, the campus explained they were overall pleased with the project, the contractor, and had beneficial occupancy in time for the students to move into the project. As such, they have no intention of pursuing liquidated damages.

ACCOUNTING

KPMG reviewed the accounting process on the Project. CSUEB's Office of Accounting and Fiscal Services provided spreadsheets containing payment information, reconciliation of vendor details, budget comparisons, tracking of change orders, committed costs, and reconciliation to the 2-7. Since the accounting system at CSUEB does not have a comprehensive method for tracking project costs, this information was compiled from various sources to provide data for the entire project since multiple funding sources were used and the project costs occurred in many fiscal years.

KPMG's testing of the spreadsheet revealed one discrepancy. Construction management services costs had been misclassified as architectural services. Upon receiving notice of the error CSUEB immediately corrected it. This discrepancy was on a line item with a contractual value of \$1,028,517 and an expended amount of \$1,018,993.

Implementation of this type of 'shadow' accounting is a common practice among CSU campuses and can be an effective tool as long as it is reflective of the actual transactions posted into the main accounting system and reconciled on a regular basis. However, such wide use of shadow systems across the CSU system and the ease with which errors can occur in such systems indicates CSU should address the need to obtain project information across funding sources and fiscal years to create a project cost report from the accounting system without the need for a separate campus shadow system. This may promote efficiency and provide reliable data in a timely manner and provide consistency across all campuses.

Observation:

Each campus has their own method of tracking project costs. These methods vary widely, and are limited in their usefulness to provide project costs in a timely basis that encompasses multiple funding sources, and crosses fiscal years.

Risk:

Without a comprehensive and uniform method of tracking construction costs, campuses lose efficiency due to the need to create a system for capturing the data. Each campus is at a greater risk due to the higher likelihood of error occurring by using a manually maintained shadow system.

Recommendation:

9. The CSU system should design and implement a comprehensive and uniform method of tracking construction project costs to be used by all campuses for all construction projects.

(Ownership: CPDC)

Management Response:

9. While the use of shadow systems is not the most efficient method to track project costs, it can be an effective tool that can provide a method for campus facilities and Chancellor's Office personnel to readily track and access information such as project budgets, expenditures, encumbrances, pending costs/change orders, etc.

The CSU acquired the Project Costing module in its initial procurement of the PeopleSoft Financials suite, but it has not been implemented on any campus as yet. A team consisting of CPDC, CMS and campus representatives will be established to evaluate the Oracle/PeopleSoft Enterprise Project Costing module and/or any other software systems being used by the campuses, to determine if its/their functionality is in line with the CSU business processes for tracking design and construction project costs.

As part of the evaluation, the team will also consider the use of shadow systems and what steps or procedures can be implemented to ensure the shadow system tracking is reconciled against the campus financial reporting system, e.g. CMS, in place of a uniform software module to be used by all campuses. While this may not be the optimal solution, it may be the most cost effective solution and address the concern that shadow systems do not capture the same data as being collected and reported in the campus financial reporting system.



CALIFORNIA STATE
UNIVERSITY
E A S T B A Y

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

CALIFORNIA STATE UNIVERSITY, EAST BAY
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510.885.3803 • 510.885.4745 (fax) • www.csueastbay.edu

August 1, 2007

RECEIVED
UNIVERSITY AUDITOR

AUG - 7 2007

THE CALIFORNIA STATE
UNIVERSITY

Mr. Larry Mandel
University Auditor
Chancellor's Office
401 Golden Shore
Long Beach, CA 90802

**RE: Campus Responses to Recommendations: CSU, East Bay Construction
Audit—Pioneer Heights, Phase II**

Dear Mr. Mandel,

Enclosed is our response to the CSU, East Bay Construction Audit for Pioneer Heights, Phase II. Upon acceptance of our response, we will follow up with your office in providing supporting documentation for each recommendation by the anticipated completion dates.

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

Sincerely,

Shawn Bibb
Vice President, Administration & Finance, CFO

SB/krb

Enclosure

c: Dr. Mohammad Qayoumi, President
Ms. Barbara Haber, AVP, Facilities Planning & Operations

CONSTRUCTION PROJECT EVALUATION
CALIFORNIA STATE UNIVERSITY, EAST BAY
PIONEER HEIGHTS PHASE II STUDENT HOUSING

PROJECT BACKGROUND

Recommendation:

1. CSUEB should investigate the reason for the over commitment and establish controls to prevent over commitment on future projects.

(Ownership: CSUEB)

Campus Response:

1. We concur. University increased the scope of the project and failed to obtain BOT approval for this increase in scope. If, in future projects scope is materially increased, the University will obtain BOT approval. Completion date: August 31, 2007.

DESIGN COSTS

Recommendation:

2. In the future, CSUEB should use Extra Services Authorization letters as recommended by SUAM 9210.03 to contract extra services.

(Ownership: CSUEB)

Campus Response:

2. We concur. Procurement has reviewed procedures and will ensure proper forms are used in the completion of AE change orders and extra services contracts. Completion date: August 31, 2007.

CONSTRUCTION CHANGE ORDERS

Recommendation:

3. In the future, CSUEB should follow the guidance in SUAM Appendix D – “Contract Change Order Procedures” and obtain a change proposal cost estimate from the designer prior to issuance of the cost request bulletin and receipt of a cost proposal from the contractor.

(Ownership: CSUEB)

Campus Response:

3. We concur. The university sponsored a focused training session for university staff and contractors engaged in construction management in May 2007. This training reviewed SUAM and Construction management Manual change order procedures. The university will work with architects and construction managers to ensure the proper sequence is followed in the development of change orders. Completion date: August 31, 2007.

Recommendation:

4. On future projects, CSUEB should include supporting documentation sufficient enough for a third party without detailed project knowledge to determine the cost basis agreed to in the change order.

(Ownership: CSUEB)

Campus Response:

4. We concur. The university sponsored a focused training session for university staff and contractors engaged in construction management in May 2007. This training reviewed SUAM and Construction Management Manual change order procedures. The university will work to include documentation to meet this level of background. Completion date: August 31, 2007.

Recommendation:

6. On future Projects, CSUEB should attempt to be more prompt in executing change orders once the contractor work has commenced.

(Ownership: CSUEB)

Campus Response:

6. We concur. The university will develop change order procedures to include time frames for completion. Completion date: September 30, 2007.

CONSTRUCTION MANAGEMENT SERVICES

Recommendation:

7. CSUEB should review invoices subsequent to Amendment no. 7 and evaluate any large discrepancies to verify rates paid were in agreement with the contracted rates.

(Ownership: CSUEB)

Campus Response:

7. We concur. Procurement has reviewed procedures and will ensure that hourly rates provided in proposals are incorporated into the contracts in addition to current procedure of not to exceed or total cost. Review will include confirmation of consistency between rider A and Schedule B. Completion date: August 31, 2007.



Business and Finance
401 Golden Shore, 5th Floor
Long Beach, CA 90802-4210

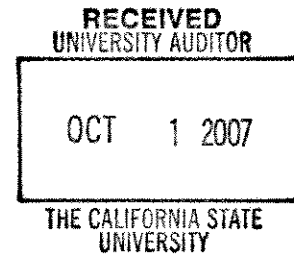
www.calstate.edu

Richard P. West
Executive Vice Chancellor/CFO

562-951-4600
Fax 562-951-4970
rwest@calstate.edu

MEMORANDUM

Date: October 1, 2007
To: Larry Mandel
University Auditor
From: Richard P. West
Executive Vice Chancellor & Chief Financial Officer
Subject: Audit Report
Pioneer Heights Phase II Student Housing
California State University, East Bay



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 recommendations to CPDC.

RPW:ESJ:bn

Attachments

cc: Ms. Elvyra F. San Juan
Mr. Larry Piper
Mr. Thomas M. Kennedy
Mr. James R. Corsar

CSU Campuses
Bakersfield
Channel Islands
Chico
Dominguez Hills
East Bay

Fresno
Fullerton
Humboldt
Long Beach
Los Angeles
Maritime Academy

Monterey Bay
Northridge
Pomona
Sacramento
San Bernardino
San Diego

San Francisco
San José
San Luis Obispo
San Marcos
Sonoma
Stanislaus

CONSTRUCTION PROJECT EVALUATION
CALIFORNIA STATE UNIVERSITY, EAST BAY
PIONEER HEIGHTS PHASE II STUDENT HOUSING

CONSTRUCTION CHANGE ORDERS

Recommendation:

5. Verbiage in section 6.01.b.7 of the Contract General Conditions for Major Capital Outlay Projects should be updated to provide examples and explanatory language consistent with the required change order request summary forms, or vice versa.

(Ownership: CPDC)

Management Response:

5. We agree, and we have modified the change order request summary forms to provide further instructions to the contractors and project managers administering the project. The modified forms have been placed on the CPDC – Construction Management website.

LIQUIDATED DAMAGES

Recommendation:

8. Contract documents must be written to clearly state what is intended by the contracting parties. CPDC should develop a standardized change order form to track the number of days added to a project on a cumulative basis, with the revised completion date stated.

(Ownership: CPDC)

Management Response:

8. We agree. We have revised our change order forms to reflect the revised completion date and cumulative number of days and placed them on the CPDC – Construction Management web site.

ACCOUNTING

Recommendation:

9. The CSU system should design and implement a comprehensive and uniform method of tracking construction project costs to be used by all campuses for all construction projects.

(Ownership: CPDC)

Management Response:

9. While the use of shadow systems is not the most efficient method to track project costs, it can be an effective tool that can provide a method for campus facilities and Chancellor's Office personnel to readily track and access information such as project budgets, expenditures, encumbrances, pending costs/change orders, etc.

The CSU acquired the Project Costing module in its initial procurement of the PeopleSoft Financials suite, but it has not been implemented on any campus as yet. A team consisting of CPDC, CMS and campus representatives will be established to evaluate the Oracle/PeopleSoft Enterprise Project Costing module and/or any other software systems being used by the campuses, to determine if its/their functionality is in line with the CSU business processes for tracking design and construction project costs.

As part of the evaluation, the team will also consider the use of shadow systems and what steps or procedures can be implemented to ensure the shadow system tracking is reconciled against the campus financial reporting system, e.g. CMS, in place of a uniform software module to be used by all campuses. While this may not be the optimal solution, it may be the most cost effective solution and address the concern that shadow systems do not capture the same data as being collected and reported in the campus financial reporting system.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR



BAKERSFIELD

October 12, 2007

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HILLS

EAST BAY

TO: Mr. Larry Mandel
University Auditor

FRESNO

FROM: Charles B. Reed
Chancellor

A handwritten signature in black ink that reads "Charles B. Reed".

FULLERTON

HUMBOLDT

SUBJECT: KPMG Draft Final Report on the *Pioneer Heights Phase II Student Housing* Construction Project at California State University, East Bay

LONG BEACH

LOS ANGELES

In response to your memorandum of October 12, 2007, I accept the response as submitted with the draft final report on the *Pioneer Heights Phase II Student Housing* construction project at California State University, East Bay.

MARITIME ACADEMY

CBR/jt

MONTEREY BAY

Enclosure

NORTHRIDGE

cc: Ms. Erika Alvord, KPMG

POMONA

Mr. Shawn Bibb, Vice President, Administration and Finance and
Chief Financial Officer, CSUEB

SACRAMENTO

Ms. Colleen Nickles, Assistant Vice Chancellor, Financial Services

SAN BERNARDINO

Dr. Mohammad Qayoumi, President, CSUEB

SAN DIEGO

Ms. Elvyra San Juan, Assistant Vice Chancellor, CPDC

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

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS