PROJECT OVERVIEW

KPMG was retained by the California State University (CSU), Office of the University Auditor, to perform a review of the Humboldt State University (HSU or the University) Infrastructure Improvement Project (the Project). The scope of this project consisted of the complete expansion, rebuilding, and/or replacement of existing utility infrastructure for the campus. This included high voltage electrical distribution; electrical power distribution; natural gas distribution; energy management; irrigation; domestic fire protection; sanitary sewer systems; storm drainage systems; closed circuit television; communications; fire alarm and security; steam and hot water distribution; and street and security lighting. The project also included replacement of pedestrian stairways throughout the campus.

The original Infrastructure Improvements project came in over budget and all bids were rejected. The re-bid occurred on November 4, 1999. Estimated construction cost was $17,191,000. The bid documents indicated that the construction duration would be 913 days.

Between November 18 and 21, 2002, KPMG reviewed project records from the following firms involved in the project’s development and execution:

Contractor: Mallcraft, Inc.
Architect/Engineer (A/E): The Bentley Company and AEPC Group LLC
Project Manager (PM)/Inspection (IOR): O’Connor Construction Management, Inc.
George E. Owen, P.E.
Campus: Facilities Planning Office (FPO)
Contracts, Procurement and Risk Management (CPR)
DESIGN COSTS

Selection of the design firm occurred prior to the Infrastructure project’s delegation to the campus. CPDC (Chancellor’s Office) selected The Bentley Company (a division of Enron Energy Services) as the Architect/Engineer for the project. CPDC (Chancellor’s Office) processed invoices for the schematic and preliminary design phases. The University records did not include these invoices, however, based on the revised project budget of $15,786,000 (the estimate at time of design), the CSU fee grid calculates these phases to be $417,526. Our review included only the A/E fees that were the responsibility of the University.

Once the University assumed responsibility for the A/E agreement, a contract was issued for the Working Drawing Phase. The Bentley Company’s contract, dated February 6, 1998, was in the amount of $483,192 based on the CSU fee grid for a project budget of $15,786,000. Because the Chancellor’s office processed Bentley’s invoices prior to the delegation, University records contained only those invoices processed at the campus.

The University received a Notice of Rejection of Agreement effective January 9, 2002. Enron filed Chapter 11 Bankruptcy in December 2001. Subsequently, HSU engaged the services of AEPC Group to complete construction administration services. AEPC’s agreement dated March 12, 2002, was executed in the amount of $30,000 as well as an additional service authorization in the amount of $7,500.

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

<table>
<thead>
<tr>
<th>Date</th>
<th>Number</th>
<th>Description</th>
<th>Approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 6, 1998</td>
<td>Original Agreement</td>
<td>Working Drawings</td>
<td>$ 483,192.00</td>
</tr>
<tr>
<td>May 31, 1998</td>
<td>Amendment 1</td>
<td>Topographics</td>
<td>31,060.00</td>
</tr>
<tr>
<td>April 22, 1999</td>
<td>Extra Serv. 1</td>
<td>Misc. Additional Services</td>
<td>146,515.95</td>
</tr>
<tr>
<td>April 22, 1999</td>
<td>Extra Serv. 1</td>
<td>Misc. Additional Services</td>
<td>886.69</td>
</tr>
<tr>
<td>May 21, 1999</td>
<td>Extra Serv. 2</td>
<td>Accounting Fund Adj.</td>
<td>-</td>
</tr>
<tr>
<td>September 3, 1999</td>
<td>Extra Serv. 3</td>
<td>Cost Estimating Review</td>
<td>36,694.00</td>
</tr>
<tr>
<td>November 12, 1999</td>
<td>Extra Serv. 4</td>
<td>Misc. Additional Services</td>
<td>8,134.00</td>
</tr>
<tr>
<td>January 10, 2000</td>
<td>Amendment 2</td>
<td>Bidding &amp; Administration</td>
<td>330,350.00</td>
</tr>
<tr>
<td>June 27, 2000</td>
<td>Extra Serv. 5</td>
<td>Misc. Additional Services</td>
<td>51,850.00</td>
</tr>
<tr>
<td>November 5, 2002</td>
<td>Alteration 1</td>
<td>Close Out Contract</td>
<td>(60,469.95)</td>
</tr>
<tr>
<td><strong>Total Services</strong></td>
<td></td>
<td></td>
<td><strong>$ 1,028,212.69</strong></td>
</tr>
</tbody>
</table>
We found it unusual that the University utilized three methods (Extra Service Authorizations, Alterations, and Amendments) of authorizing additional/expanded services against the original Bentley agreement. Further, SUAM, section 9210, states that A/E services should be contracted with a single agreement with individual phases of work authorized by letter. Additionally, this section of SUAM (9210.03) states “it is inappropriate to amend design or service agreements to authorize extra services.”

**Recommendation:**

1. The University should utilize standard formats to authorize A/E Additional Services and more closely follow SUAM in authorizing additional phases of Basic A/E Services.

**Campus Response:**

1. We concur. The campus will follow SUAM recommendations in the future for authorizing additional services or phases of work and will issue a capital projects administration management memorandum clarifying this policy.

This memorandum will be issued by August 29, 2003.
CONSTRUCTION BID PROCESS

The bid date was established as November 4, 1999, with an initial project estimate in the amount of $18,061,000.

Prior to bid, one addendum was issued as follows:

Addendum #1:  Issued October 22, 1999 – Engineers estimate for the project was revised to $17,191,000 from $18,061,000. The number of deductive alternates was reduced from ten to eight. Revisions to Notice to Contractors, bid proposal form, conditions of contract, and drawings and specifications were also included in the addendum.

The eight deductive alternates are as follows:

Alternate 1: Delete all proposed underground storm drain piping at Campus Events Field between B Street, Building 3D, and the Aviary.

Alternate 2: Delete Stair #2 and Delete four P2 type fixtures and all associated wiring back to existing service. Delete new telephone pullbox, T30, and all wiring back to (E) PB52.

Alternate 3: Delete Stair # 7 and delete nine P1 type fixtures and one W1 type fixture and all associated wiring back to existing street lighting pullbox.

Alternate 4: Delete all proposed underground storm drain piping and manhole at Upper Playfield to east of Redwood Bowl.

Alternate 5: Delete all the lateral lines and all sprinklers.

Alternate 6: a) Delete Stairs 1, 4, 5, 8, 10, 14, 17, 18, 20, 21, 22, 24 and 28. b) Delete four P2 type fixtures back to existing pullbox and two A5 type fixtures back to closest new handhole. c) Delete two P1 type fixtures back to new circuit breaker in existing panel at Wagner House. d) Delete one P1 type fixture, two S2 type fixtures and one S3 type fixture back to existing pullbox.

Alternate 7: Do not upgrade EMS field processing units at 11 locations. These existing FPUs to be connected to the Local PC Server (LPS) LAN and accessed through common software interface with the other units.

Alternate 8: Delete the Primary Telecommunications Backbone Duct and spare ducts for 24 locations.
There were three responsive bidders listed on the Abstract of Bids, with Mallcraft, Inc. being the apparent low bidder at $16,488,000. Mallcraft, Inc. was awarded the construction agreement on November 22, 1999. None of the Deductive Alternates were accepted or incorporated into the original construction contract.

Additional findings related to the project include:

- The Abstract of Bids was appropriately completed and signed.
- Mallcraft, Inc. furnished an appropriate Payment and Performance Bond in the original contract amount as required.
- Mallcraft, Inc. is a California Corporation.
- The original construction period was to cover a period of 913 calendar days.
- Liquidated damages were stated to be $2,000 per day.
- Notice to Proceed was issued on January 11, 2000, with a start date of January 16, 2000.
- Original completion was established as July 17, 2002.
- Notice of Completion had not been recorded as of the date of our review.
- A 60-day time extension was granted on Change Order 106 and a 90-day extension on Change Order 107. This adjusted the completion date to December 14, 2002.

**Recommendation:**

None
CONTRACTOR COMPLIANCE - SUBCONTRACTING PRACTICES

The "List of Proposed Subcontractors" (CM Form 701.04) identified 11 trade divisions and eight subcontractors. The "Expanded List of Subcontractors" (CM Form 701.04 A) identified the same divisions and subcontractors. We found that JAM Fire Protection was listed as the fire alarm subcontractor while Johnson Controls was ultimately awarded a subcontract in the amount of $305,000 to perform the work. Even though Mallcraft requested a substitution, final University approval for the substitution was not found.

Recommendation:

2. The University should implement a policy to notify contractors that requested substitutions are approved. This document should be made part of the permanent project files.

Campus Response:

2. We concur. The campus will issue a capital projects administration management memorandum clarifying the policy for notifying contractors when requested substitutions are approved. Notification documentation will become part of the permanent project file.

This policy memorandum will be issued by August 29, 2003.

As part of the bid process review, Mallcraft provided the 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:

- **Asbestos Abatement:** Five bids were received in amounts ranging from $79,000 to $166,890. A contract was issued to the low bidder, JMK, in the amount of $79,000.
- **Controls:** Three bids were received ranging from $256,800 to $600,000. A contract was issued to the low bidder, K. M Urfer Engineering, in the amount of $256,800.
- **Electrical:** Four bids were received in the amounts of $3,498,000 and $6,000,000. A contract was issued to the low bidder, Kneaper Electric, in the amount of $3,498,000.
- **Mechanical:** Only one bid was received - Wayne Maples Plumbing and Heating in the amount of $1,228,168. However, a proposed deduction of $27,000 and the elimination of the Gas Distribution Piping work in the amount of $516,500 resulted in a final bid amount of $684,668. A subcontract agreement was executed for this amount between Mallcraft and Wayne Maples Plumbing & Heating.
Recommendation:

None
CONSTRUCTION CHANGE ORDERS

One hundred and seven (107) Change Orders (CO’s) incorporating over 200 Change Order Requests (COR’s) were approved on the project totaling $1,426,220. Change Orders added 8.65% to the total contract amount, which is within industry averages for a project of this type. As part of our review process, we sampled change orders and traced subcontractor estimates to the actual subcontractor change orders. The Contractor furnished an accounting record for each subcontract. KPMG reviewed approximately 40% of the total change orders and was able to trace all significant subcontractor quotes/backup included with change orders to the applicable subcontracts.

Labor Burden & Fringe

Change orders included insignificant amounts of actual labor performed by Mallcraft, Inc. (less than 15% in our sample). Of the $561,000 in changes reviewed, Mallcraft charged $77,000 in labor costs. We did review the labor burden included on prevailing wage rates, which were within industry averages, and found the following:

<table>
<thead>
<tr>
<th>Labor Burden Analysis</th>
<th>Burden Charged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Taxes - FICA</td>
<td>7.65%</td>
</tr>
<tr>
<td>Payroll Taxes - FUTA up to $7,000</td>
<td>0.08%</td>
</tr>
<tr>
<td>Payroll Taxes - State Unemployment up to $7,000</td>
<td>5.40%</td>
</tr>
<tr>
<td>Other</td>
<td>0.10%</td>
</tr>
<tr>
<td>Worker's Comp.</td>
<td>7.22%</td>
</tr>
<tr>
<td>Liability Insurance</td>
<td>0.28%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20.73%</strong></td>
</tr>
</tbody>
</table>

Change Order Report Analysis

HSU’s Physical Services (Infrastructure Improvements Staff) provided a Change Order Log categorizing change orders by source. The log reconciled to Mallcraft’s invoiced changes. The following table summarizes the report:

<table>
<thead>
<tr>
<th>Type of Change</th>
<th>C.O. Totals</th>
<th>% of CO</th>
<th>% of Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Errors/Omissions from the Contract Documents</td>
<td>$ 212,612</td>
<td>14.91%</td>
<td>1.29%</td>
</tr>
<tr>
<td>4.2 Unforeseeable job site conditions</td>
<td>361,505</td>
<td>25.35%</td>
<td>2.19%</td>
</tr>
<tr>
<td>4.3 Regulatory agency, bldg. code, safety, health</td>
<td>8,344</td>
<td>0.59%</td>
<td>0.05%</td>
</tr>
<tr>
<td>4.4 Originated by the University</td>
<td>843,885</td>
<td>59.17%</td>
<td>5.12%</td>
</tr>
<tr>
<td>4.5 Unavailability of specified materials</td>
<td>(126)</td>
<td>-0.01%</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Change Orders</strong></td>
<td><strong>$ 1,426,220</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>8.65%</strong></td>
</tr>
<tr>
<td>Original Contract Amount</td>
<td>16,488,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$17,914,220</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Recommendation:

None
PROJECT MANAGEMENT/INSPECTION SERVICES

On November 25, 1998, HSU issued a Request for Qualifications (RFQ) to provide Project Management (PM) and Inspector of Record (IOR) services. The RFQ included project specific information as well as a request for billing rates and staffing plans, which essentially served as a formal Request for Proposals. Five requests for qualifications were sent to service providers.

The University explored budgeted line items for possible cost savings. HSU determined that the University would assume major elements of project management internally - specifically project management, inspector and clerical support. However, O’Connor Construction Management, Inc. (O’Connor) was selected to provide a limited scope of services. They were to develop an initial project web site design for University coordination and public relations management, and provide pre-bid services. The original agreement was executed June 29, 1999, in the amount of $40,833.

A subsequent agreement dated March 16, 2000, was awarded to O’Connor to provide a limited scope of project management services and to develop a web-based project management system so that pertinent staff could monitor the project’s impact on campus activities. The second agreement was amended in April 2000 eliminating some of O’Connor’s services, and reduced fees from $77,325 to $39,482. In our analysis of standard project management costs vs. total construction costs, we excluded all computer and web-based consulting costs. The following is an analysis of the O’Connor agreements and payments:

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Amount</th>
<th>Amounts Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Bid Preparation</td>
<td>$3,800</td>
<td>$3,800</td>
</tr>
<tr>
<td>Pre-Bid Meeting #1</td>
<td>1,520</td>
<td>1,520</td>
</tr>
<tr>
<td>Site Investigation</td>
<td>3,800</td>
<td>3,800</td>
</tr>
<tr>
<td>Pre-Bid Meeting #2</td>
<td>1,520</td>
<td>1,520</td>
</tr>
<tr>
<td>Addenda Period</td>
<td>7,600</td>
<td>7,600</td>
</tr>
<tr>
<td>Bid Evaluation</td>
<td>380</td>
<td>380</td>
</tr>
<tr>
<td>Expenses</td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Initial Web Site Design</td>
<td>14,000</td>
<td>14,000</td>
</tr>
<tr>
<td>Web Site Expenses</td>
<td>5,213</td>
<td>5,213</td>
</tr>
<tr>
<td><strong>Original Agreement</strong></td>
<td><strong>$40,833</strong></td>
<td><strong>$40,833</strong></td>
</tr>
</tbody>
</table>
The University also engaged the services of George E. Owen, P.E., to provide review of schedules, budgets, change orders, quality control procedures, cost control measures, advise on claims mitigation, and monitor implementation of standards and procedures. The cost expended for his services totaled $66,278.

University construction management personnel costs were billed against the project budget. Salaries and benefits were billed from February 2000, through December 2002. Physical Services prepared monthly invoices that did include backup for salaries, benefits and burden. The amount charged to the Infrastructure Improvement project was $678,638.95. Total fees for project management are shown below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>O'Connor #20980094</td>
<td>$ 40,833</td>
</tr>
<tr>
<td>Less Web Site Design</td>
<td>(14,000)</td>
</tr>
<tr>
<td>Less Web Site Design Expenses</td>
<td>(5,213)</td>
</tr>
<tr>
<td>O'Connor #20990066</td>
<td>39,482</td>
</tr>
<tr>
<td>Less Web Based Project Mgmt.</td>
<td>(18,069)</td>
</tr>
<tr>
<td>George Owen, P.E.</td>
<td>66,278</td>
</tr>
<tr>
<td>Campus Personnel</td>
<td>678,639</td>
</tr>
<tr>
<td>Total Management Costs</td>
<td><strong>$787,950</strong></td>
</tr>
</tbody>
</table>

Fees paid for project management and inspection services totaled $787,950, representing 4.4% of total construction costs. This is marginally higher than the industry standard of 2.5% to 3.5%, however because of complications associated with a major infrastructure project, we find this to be reasonable.

**Recommendation:**

None
LIQUIDATED DAMAGES

The project was delayed 150 days beyond the original completion date of July 17, 2002. Numerous negotiations were conducted throughout the project in attempts to settle various costs and claims identified on COR’s.

Change Order No. 106, in the amount of $185,547.68, extended the completion date by 60 days, resulting in a revised completion date of September 15, 2002. In this change order, the Trustees waived their right to assess liquidated damages. The Contractor, in exchange, waived his right to any further claims and accepted the change order as full settlement as of July 10, 2002. Mallcraft, Inc. had 47 COR’s outstanding that were voided as part of the final settlement on Change Order 106.

The University ultimately prepared a final global settlement Change Order Number 107 in the amount of $15,000 on November 18, 2002. An additional 90-day time extension was granted which revised the completion date to December 14, 2002. This change order represented full settlement with the stipulation that the University would be entitled to $500 per day “if any contract work remains after December 15, 2002.” As of the drafting of this report, January 12, 2003, the Contractor was still on site. KPMG assumes that the University will assess liquidated damages from December 15th once Mallcraft completes all work.

Recommendation:

3. On future projects, the University should address and document interim construction time extensions at the time of the delay to reduce the number of contractor claims at the end of projects and maintain better positions in assessing liquidated damages.

Campus Response:

3. We concur. The campus will implement procedures that document negotiations for time extensions as well as cost implications when negotiating change orders. These procedures will be documented in a capital projects administration management memorandum.

This procedural memorandum will be issued by August 29, 2003.

Recommendation:

4. CPDC (Chancellor’s Office) should provide campus guidelines that provide direction on executing milestone change orders that address time extensions as they become measurable during construction.
Management Response:

4. We agree. CPDC shall modify SUAM to incorporate these negotiations in the Duties of the Construction Administrator. These new guidelines shall be presented in our July 2003 training sessions.

Recommendation:

5. In the event that damages are not assessed, the University should provide justification for not assessing the $500 per day liquidated damages and execute a final change order to document any deviation from the agreement included in Change Order 107. A copy of this is to be submitted to KPMG when executed.

Campus Response:

5. We concur. In the event liquidated damages are not assessed, the campus will provide justification to document any departure from the agreement included in Change Order 107.

This documentation and final change order will be completed and submitted to KPMG by October 23, 2003.
MAJOR EQUIPMENT REVIEW

The initial review of Contract Documents and Specifications was performed at the University. The campus maintained the submittals and a log from which we selected our sample of equipment requirements. Due to the fact that the majority of the project consisted of underground installations and piping, the majority of sample selection was from security and control equipment.

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 Infrastructure Improvement project:

<table>
<thead>
<tr>
<th>Div. #</th>
<th>Brand</th>
<th>Model #</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>15514</td>
<td>Unilux</td>
<td>300</td>
<td>Flexible Watertube Boiler</td>
</tr>
<tr>
<td>15540</td>
<td>Power Flame</td>
<td>C3-GO-20</td>
<td>Burner</td>
</tr>
<tr>
<td>15540</td>
<td>Power Flame</td>
<td>Director Series</td>
<td>Annunciation System</td>
</tr>
<tr>
<td>15540</td>
<td>Taco</td>
<td>2508</td>
<td>FE Series Suction Pumps</td>
</tr>
<tr>
<td>16780</td>
<td>American Dynamics</td>
<td>AD2150TT32-5</td>
<td>Matrix Switcher</td>
</tr>
<tr>
<td>16780</td>
<td>American Dynamics</td>
<td>AD2079</td>
<td>Keyboard</td>
</tr>
<tr>
<td>16780</td>
<td>American Dynamics</td>
<td>ADTTE EIM Module</td>
<td>Keyboard</td>
</tr>
<tr>
<td>16780</td>
<td>American Dynamics</td>
<td>Series 2.0, Version 2.0</td>
<td>Digital Video Recorder w/Smart Search</td>
</tr>
<tr>
<td>16780</td>
<td>American Dynamics</td>
<td>AD9414</td>
<td>Monitor</td>
</tr>
</tbody>
</table>

Recommendation:

None
ACCOUNTING

KPMG conducted a review of the University’s cost accounting reporting system and invoice processing practices. The reporting system is maintained in Physical Services independently of the accounting and procurement departments, requiring HSU Physical Services to enter all invoice information in spreadsheets - even though the University accounting department also enters all invoices into the central accounting system. HSU does regularly reconcile budget and expenditures to the financial accounting system.

We have found the practices for tracking project costs at Humboldt State University consistent with what KPMG has found at other campuses. KPMG continues to encounter duplicative efforts in Capital Outlay accounting practices. We have previously recommended in prior reviews that the Chancellor’s Office research the implementation of system-wide reporting practices that interface with the financial software in use at campuses.

Recommendation:

None
June 4, 2003

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

Re: KPMG Audit Report on Construction Project Number HU-538
Humboldt State University, Infrastructure Improvements Project

Dear Mr. Mandel:

Please find enclosed Humboldt State University's response to KPMG Audit Report on Construction Project Number HU-538, Humboldt State University, Infrastructure Improvements Project. The campus is committed to addressing and resolving the issues noted in the audit report.

Please direct questions to Donna Sorensen, Director, Fiscal Affairs at 707-826-3521 or dks2@humboldt.edu.

Sincerely,

Carl Coffey, Vice President
Administrative Affairs

Enclosure

c: Rollin C. Richmond, President, w/o enclosure
    Robert Schulz, Director, Physical Services, w/enclosure
    Donna K. Sorensen, Director, Fiscal Affairs, w/enclosure
DESIGN COSTS

Recommendation:

1. The University should utilize standard formats to authorize A/E Additional Services and more closely follow SUAM in authorizing additional phases of Basic A/E Services.

Campus Response:

We concur. The campus will follow SUAM recommendations in the future for authorizing additional services or phases of work and will issue a capital projects administration management memorandum clarifying this policy.

This memorandum will be issued by August 29, 2003.

CONTRACTOR COMPLIANCE - SUBCONTRACTING PRACTICES

Recommendation:

2. The University should implement a policy to notify contractors that requested substitutions are approved. This document should be made part of the permanent project files.

Campus Response:

We concur. The campus will issue a capital projects administration management memorandum clarifying the policy for notifying contractors when requested substitutions are approved. Notification documentation will become part of the permanent project file.

This policy memorandum will be issued by August 29, 2003.

LIQUIDATED DAMAGES

Recommendations:

3. On future projects, the University should address and document interim construction time extensions at the time of the delay to reduce the number of contractor claims at the end of projects and maintain better positions in assessing liquidated damages.
Campus Response:

We concur. The campus will implement procedures that document negotiations for time extensions as well as cost implications when negotiating change orders. These procedures will be documented in a capital projects administration management memorandum.

This procedural memorandum will be issued by August 29, 2003.

5. In the event that damages are not assessed, the University should provide justification for not assessing the $500 per day liquidated damages and execute a final change order to document any deviation from the agreement included in Change Order 107. A copy of this is to be submitted to KPMG when executed.

Campus Response:

We concur. In the event liquidated damages are not assessed, the campus will provide justification to document any departure from the agreement included in Change Order 107.

This documentation and final change order will be completed and submitted to KPMG by October 23, 2003.
Memorandum

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

Date: May 27, 2003

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

Subject: Audit Report
   Infrastructure Improvements Project
   Humboldt 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, and have been incorporated into the file on the diskette, also attached.

RPW:JRC:bn

Attachments

cc: Mr. J. Patrick Drohan
    Mr. James R. Corsar
    Mr. Thomas M. Kennedy
    Ms. Elvira F. San Juan
LIQUIDATED DAMAGES

Recommendation:

4. CPDC (Chancellor’s Office) should provide campus guidelines that provide direction on executing milestone change orders that address time extensions as they become measurable during construction.

Management Response:

We agree. CPDC shall modify SUAM to incorporate these negotiations in the Duties of the Construction Administrator. These new guidelines shall be presented in our July 2003 training sessions.
MEMORANDUM

TO: Mr. Larry Mandel
   University Auditor

FROM: Charles B. Reed
      Chancellor

SUBJECT: KPMG Draft Final Report on the Infrastructure Improvements Project (Project No. HU-538) at Humboldt State University

June 23, 2003

In response to your memorandum of June 23, 2003, I accept the response as submitted with the draft final report on the Infrastructure Improvements Project at Humboldt State University.

CBR/bh

Enclosure

cc: J. Patrick Drohan, Assistant Vice Chancellor, CSU CPDC
    Dennis Hordyk, Assistant Vice Chancellor, Financial Services
    Rollin C. Richmond, President
    Richard P. West, Executive Vice Chancellor and Chief Financial Officer