CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO

SOCIAL & BEHAVIORAL SCIENCES BUILDING AND RENOVATIONS

Final Report

April 26, 2004
PROJECT OVERVIEW

KPMG was retained by the California State University’s (CSU) Office of the University Auditor to perform a review of CSU – San Bernardino’s (CSUSB or the University) Social & Behavioral Science Building and Renovations. The project totaled 135,639 square feet of new construction and renovation in space vacated within the existing Biological and Physical Science Buildings. The renovated space in the two buildings will provide support space for the School of Natural Sciences.

The project consolidates nine departments and provides space for faculty, students, programs and labs in a single, five-story, building - the second largest building on campus. The building houses nine departments, including Anthropology, Criminal Justice, Economics, Geography, History, Political Science Psychology, Social Work and Sociology. Programmatic features include office space for 102 faculty and twenty-one staff, one large auditorium, two large lecture halls, nine small classrooms, six conference rooms, a Geographical Information Systems laboratory, a Psychology Community Counseling Center, a Child Development Center and a Political Science Debate Room.

The new structure is built upon a five-story steel frame. The exterior walls are comprised of concrete with infill panels of insulated metal and tinted glass. The building is sited north of the existing Faculty Office Building and serves to define the eastern boundary of the adjacent landscaped open space and reinforce the existing east/west pedestrian flow across the central academic core as envisioned by the campus master plan. CSUSB’s Capital Planning, Design, and Construction (CPD&C) group provided “in-house” construction project management services.

KPMG reviewed project records from the following firms involved in the project’s development and execution:

Contractor: SOLPAC, Inc. dba Soltek Pacific (Soltek)
Architect/Engineer (A/E): Daniel, Mann, Johnson, & Mendenhall (DMJM)
Project Management (PM)/IOR: CSU-San Bernardino CPD&C
Scheduling: Consolidated Construction Management (CCM)
Cost Consulting: Jacobus & Youang, Inc.
Constructibility Review: Redlands Engineering
DESIGN COSTS

Daniel, Mann, Johnson, & Mendenhall (DMJM) designed the CSU San Bernardino Social and Behavioral Sciences Building as well as the renovation of the existing Biological Science building and Physical Science building. The project was a “re-start” and delegated to the campus in 1999. DMJM was selected by CPDC-Chancellor’s Office (CPDC-CO). DMJM’s agreement dated July 1, 1992, in the amount of $1,310,993.72, was amended by three additional service agreements totaling $51,104 and authorized by CPDC - CO. The campus records did not include this payment history.

CSU San Bernardino was responsible for managing the remaining portion of the A/E agreement, $604,800 or 46% of the original agreement that was not completed at CPDC – CO. The campus issued eleven additional service agreements to DMJM and, with the exception of one additional service agreement, all contractual obligations were paid in full. The campus appropriately disencumbered the unbilled amount of $3,300 for Additional Service No. 1. Since that time, SUAM has been revised and now suggests that a credit change authorization be issued to the vendor to notify them that the additional service agreement is closed-out.

We performed a review of the campus records and tracked payments to authorized amounts. Once the campus re-started the project, the following amendments were issued against the contract:

<table>
<thead>
<tr>
<th>No.</th>
<th>Balance of Contract to University</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Balance turned over to University for mgmt.</td>
<td>604,800</td>
<td>604,800</td>
<td>0</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>No.</th>
<th>Additional Service</th>
<th>Date</th>
<th>Agreement</th>
<th>Paid</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pedestrian level wind conditions</td>
<td>3-Jun-99</td>
<td>15,000</td>
<td>11,700</td>
<td>3,300</td>
</tr>
<tr>
<td>2</td>
<td>Revise &amp; update mechanical drawings</td>
<td>10-Aug-99</td>
<td>28,000</td>
<td>28,000</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>Supplemental A/C system design</td>
<td>17-Apr-01</td>
<td>14,277</td>
<td>14,277</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>Services provided by J. C. Lian Associates</td>
<td>17-Apr-01</td>
<td>7,392</td>
<td>7,392</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>MEP design for auditorium lecture rooms</td>
<td>17-Apr-01</td>
<td>1,200</td>
<td>1,200</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>Communication/Server rooms</td>
<td>17-Apr-01</td>
<td>16,580</td>
<td>16,580</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>Animal laboratories</td>
<td>17-Apr-01</td>
<td>12,760</td>
<td>12,760</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>Revise scope for bidgs. 7 and 8 (Biological Science and Physical Science)</td>
<td>7-May-01</td>
<td>15,944</td>
<td>15,944</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>Additional office in basement of building 7 (Biological Science)</td>
<td>7-May-01</td>
<td>6,300</td>
<td>6,300</td>
<td>0</td>
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<tr>
<td>4</td>
<td>Tunnel extension</td>
<td>7-May-01</td>
<td>5,800</td>
<td>5,800</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>Direct costs</td>
<td>7-May-01</td>
<td>1,042</td>
<td>1,042</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>Delete walls/doors between 415/416 and 416/418</td>
<td>26-Jul-01</td>
<td>8,243</td>
<td>8,243</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>Addtl' structural site inspection &amp; meetings</td>
<td>26-Jul-01</td>
<td>2,352</td>
<td>2,352</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>Addtl' landscape design - west walkway</td>
<td>26-Jul-01</td>
<td>10,500</td>
<td>10,500</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>Addtl' landscape design - wind screening &amp; shed</td>
<td>26-Jul-01</td>
<td>5,775</td>
<td>5,775</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>Power requirements for rm. 016</td>
<td>22-Aug-01</td>
<td>2,489</td>
<td>2,489</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>Site meetings for steel field issues and edge cond.</td>
<td>22-Aug-01</td>
<td>672</td>
<td>672</td>
<td>0</td>
</tr>
<tr>
<td>7</td>
<td>CD's for enclosure of the pallet area</td>
<td>5-Apr-02</td>
<td>5,575</td>
<td>5,575</td>
<td>0</td>
</tr>
</tbody>
</table>
Although there were significant design changes, the changes were primarily related to scope revisions from the original 1992 design, University initiated modifications, and design updates required by code changes.

**Recommendation:**

1. Although the University disencumbered unused funds, on future projects, once the project is billed out as complete and it is determined that the not-to-exceed prices for additional services are not fully invoiced, a deductive change should be issued to close out the amendment. (Guidelines related to this issue have been recently added to SUAM under section 9786.03.)

**Campus Response:**

1. The campus concurs with the recommendation and will present a written directive to internal CPDC staff to ensure that appropriate procedures relative to documentation of unused funds are followed in the future.

Projected Completion Date: September 1, 2004
CONSTRUCTION BID PROCESS

The project was constructed under the standard CSU design/bid/build approach. Prior to bid, five Addendum were issued:

- Addendum #1 – Issued December 8, 1999, extended the bid date to January 18, 2000 and addressed questions regarding specification sections, provided updated drawings and included additional specification sections.
- Addendum A – Issued December 13, 1999, identified cost saving measures and deductive alternates.
- Addendum B – Issued January 7, 2000, extended the bid date to January 20, 2000, addressed contractor questions, and provided clarification of various drawings.
- Addendum D – Issued January 20, 2000, further clarified drawings and specification sections.

DMJM estimated the project costs at $24,326,000. The Abstract of Bids listed eight (8) responsive bidders with the low base bid submitted by Soltek with a base bid of $24,182,492. The initial specifications listed five deductive alternates. The alternates were as follows:

- *Alternate 1* - Landscaping, casework equipment, furniture and sinks
- *Alternate 2* - Concrete bridge and railing, cobble berms, sloped wall, concrete sidewalk, CMU trash enclosure, bookshelves, sunscreens, movable partitions
- *Alternate 3* - Ceramic tile, hard ceiling, casework, ceiling tile, generator size, 2 x 4 light fixtures
- *Alternate 4* - Ceiling diffusers, chilled water stand-by pump, back-up cooling coil
- *Alternate 5* - Pedestrian bridge at second level, roofing, skylights, doors, projection screens, heating coils

None of the Alternates were accepted or incorporated into the original construction contract. Soltek was awarded a construction contract in the amount of $24,182,492 on February 10, 2000.

During our review, we also noted the following:

- The Abstract of Bids was appropriately completed and signed.
- Soltek furnished an appropriate Payment and Performance Bond in the original contract amount as required.
- Soltek is a California Corporation.
- The original construction period was to cover 720 calendar days.
- Liquidated damages were stated to be $1,500 per day.
• Notice to Proceed was given on March 21, 2000, with a start date of April 4, 2000.
• Original completion was established as March 23, 2002 (two days less than 720 days).
• Change Order No. 25 granted a ninety day time extension for the addition of a Telecommunications Media system that extended the completion date to June 21, 2002.
• An extension of 159 days was included in the final change order that extended the final completion date to November 27, 2002.
• Notice of Completion was recorded as December 9, 2002 (261 days after the original contractual completion date). The Notice of Completion was not filed until all punch list items had been completed, accounting for the twelve day difference from the contractual completion date to the actual filing of the notice.

The building was fully certified by the State Fire Marshall for full occupancy and was occupied on August 28, 2002. During this time the University was concerned with the Contractor’s schedule for completing punch list items and providing formal close-out documents. The University elected to not issue a formal change order to document the occupancy as they did not want to begin the warranty period or relieve Soltek from liability. According to SUAM Section 9830.02, “a change order must be executed which will document the date, liability, and start of warranty (if appropriate).”

**Recommendations:**

2a. CPDC (Chancellor’s Office) should revise SUAM to provide an expedient guide for issuing a Field Instruction to document Beneficial Occupancy prior to the execution of a formal change order.

2b. On future projects, the University should comply with the SUAM requirements for documentation of Beneficial Occupancy.

**Management Response:**

2a. We agree. CPDC has modified SUAM.

**Campus Response:**

2b. The campus concurs with the recommendation and will present a written directive to internal CPDC staff to ensure that beneficial occupancy is documented in compliance with SUAM requirements.

**Projected Completion Date: September 1, 2004**
CONTRACTOR COMPLIANCE - SUBCONTRACTING PRACTICES

For this project, the "List of Proposed Subcontractors" (CM Form 701.04) and the "Expanded List of Subcontractors" (CM Form 701.04 A) identified twenty-four separate work divisions and subcontractors. Additionally, the following subcontractors were substituted:

- General Construction Services was listed as the Concrete subcontractor. General requested that they be allowed to withdraw based on their inability to staff the project and meet the construction schedule. The University appropriately approved the substitution of Bogh Construction.
- McIntyre Co. was listed as the Steel Decking subcontractor. The University appropriately approved the substitution of JD2.
- JJJ Floor Covering was listed as the Carpet subcontractor. The University appropriately approved the substitution of Empire Floor Covering.

The roofing subcontractor, Troyer, took issue with the amount that Soltek included as their bid price. Based upon review of the subcontractor’s protest, the University appropriately demanded that Soltek not substitute this work and proceed with their listed subcontractor.

Two subcontractors with contract amounts in excess of ½ of 1% of the construction contract amount - $120,912- were not listed as required by Public Contract Code 4100. The two trades not listed were Audio/Visual Equipment (Gary Raub Associates) in the amount of $136,650 and Ornamental Metal (B & C Awnings) in the amount of $278,026.

Recommendation:

3. The University should determine if subcontracting practices were compromised and whether or not it is appropriate to assess penalties to Soltek.

Campus Response:

3. The campus concurs with the recommendation. Correspondence was sent to Soltek Pacific addressing the issues in this recommendation, and a response has been received. The campus is willing to accept the contractor’s response and will forward copies of the correspondence to the Office of the University Auditor.

Projected Completion Date: September 1, 2004
As part of the bid process review, Soltek provided a “Bid Analysis Spreadsheet” report, worksheets, and supporting documentation. We found the bid practices employed on the project to be appropriate and in conformance with industry standards. The following trade bids were examined in detail:

- **HVAC**: Ten bids were received ranging from $2,700,000 to $3,048,661. The low bidder, Irvine West, was issued a subcontract in the amount of $2,700,000.

- **Plumbing**: Five responsive bids were received ranging from $790,000 to $948,000. A subcontract was issued to the low bidder, McCullough Plumbing, in the amount of $790,000.

- **Drywall/Gypsum**: Eight bids were received, ranging from $2,745,000 to $3,250,000. Burch Construction, the low bidder, was issued a subcontract in the amount of $2,745,000.

- **Glass & Glazing**: Six bids were received ranging from $2,047,776 to $2,990,000. Center Glass Co., the low bidder, was issued a subcontract in the amount of $2,047,776.

- **Electrical**: Thirteen bids were received ranging from $1,925,000 to $3,357,578. The low bidder, C & H Electric, was issued a subcontract in the amount of $1,925,000.

**Recommendation:**

None
CONSTRUCTION CHANGE ORDERS

Thirty-two project Change Orders totaling $1,890,772 were incorporated into the project based on more than 260 individual Change Proposals (CP’s). The changes increased the original contract amount of $24,182,492 by 7.82%, which is within industry norms for a project of this type. The majority of the changes are attributable to University requested modifications. Change Orders attributable to A/E Errors and Omissions totaled 1.92% of the construction cost, which is within industry standards of 2% to 3%.

As part of the Change Order review process, we found that the University allowed Soltek a 10% (or 7%) fee on the subcontractor’s 15% (or 10%) mark-up. As stated in the General Conditions, Paragraph 6.01.c (4), “no mark-up on mark-up is permitted”, that is, markups should be calculated on the subcontractor’s direct costs only. In our 53% sample of total change orders, we found that approximately $8,600 had been overpaid to Soltek in additional markup fees. Applying the same overcharge percentage to the total changes, we estimate the total overcharge is approximately $22,000. Although this amount is not significant in relation to the total construction contract, it was a result of clerical error and could have been prevented had the University utilize the Contractor Change Order Request (Form 703.34) included on the Chancellor’s Office CPDC website.

Recommendation:

4. The University should pursue recovery for the overpayment for Soltek’s mark-up, document such attempt, and report Soltek’s response.

Campus Response:

4. The campus concurs with the recommendation. Correspondence was sent to Soltek Pacific addressing the issues in this recommendation, and a response has been received. The campus is willing to accept the contractor’s response and will forward copies of the correspondence to the Office of the University Auditor.

Projected Completion Date: September 1, 2004

In our standard review we evaluated change orders and traced subcontractor estimates to the actual subcontractor change orders. The Contractor furnished all subcontract files. In the review, 100% of all subcontractor quotes and backup to change orders issued were traced and confirmed at the Contractor level.
Labor Fringe & Burden

From our sample of detailed change orders, Soltek self-performed less than 5% of the work with subcontractors performing over 95% of the work. As a result, for this particular project, labor burden and fringe cost reviews were not performed.

Change Order Report Analysis

The University provided a change order log that included a couple of minor errors. Subsequent to our fieldwork, the University corrected the two errors and provided an accurate report that reflected the initiating source of each Change Order. The following table summarizes that 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>$463,010</td>
<td>24.49%</td>
<td>1.91%</td>
</tr>
<tr>
<td>4.2 Unforeseeable job site conditions</td>
<td>622,697</td>
<td>32.93%</td>
<td>2.57%</td>
</tr>
<tr>
<td>4.3 Regulatory agency, bldg. code, safety, health</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>4.4 Originated by the University</td>
<td>805,065</td>
<td>42.58%</td>
<td>3.33%</td>
</tr>
<tr>
<td>4.5 Unavailability of specified materials</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>4.6 Other</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Total Change Orders</td>
<td>$1,890,772</td>
<td>100.00%</td>
<td>7.82%</td>
</tr>
</tbody>
</table>

| Original Contract Amount                                    | $24,182,492 |
| Total                                                       | $26,073,264 |

Recommendation:

None
PROJECT MANAGEMENT/INSPECTION SERVICES

The University provided in-house project management and inspection services for the project, supplemented by outside firms providing construction consulting and review services. Consolidated CM provided project scheduling review services, Redlands Engineering provided constructability review, and Jacobus & Yuan, Inc. provided construction cost consulting services.

<table>
<thead>
<tr>
<th>Service</th>
<th>Vendor</th>
<th>Date</th>
<th>Contract</th>
<th>Paid</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimating/CO Review</td>
<td>Jacobus &amp; Yuan</td>
<td>08/20/00</td>
<td>$50,000</td>
<td>$50,000</td>
<td></td>
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<tr>
<td></td>
<td>Add Service #1</td>
<td>11/14/01</td>
<td>20,000</td>
<td>20,000</td>
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<tr>
<td></td>
<td>Add Service #2</td>
<td>08/05/02</td>
<td>20,000</td>
<td>20,000</td>
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</tr>
<tr>
<td></td>
<td>Add Service #3</td>
<td>10/08/02</td>
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<td>$95,600</td>
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<td></td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td>Constructibility</td>
<td>Redlands Engineering</td>
<td>09/07/00</td>
<td>$12,500</td>
<td>$11,840</td>
<td>$660</td>
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<td>Review</td>
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<td>Schedule Review</td>
<td>Consolidated CM</td>
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<td></td>
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<tr>
<td></td>
<td>Add Service #2</td>
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<td>4,425</td>
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<td></td>
<td></td>
<td></td>
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<td></td>
<td>$12,650</td>
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<td></td>
<td></td>
<td>$900</td>
</tr>
<tr>
<td>Project Management/</td>
<td>In House - CPD&amp;C</td>
<td>FY 98/99</td>
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<td>IOR</td>
<td>FY 99/00</td>
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<tr>
<td></td>
<td>FY 00/01</td>
<td></td>
<td>310,878</td>
<td>310,878</td>
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<td></td>
<td>FY 01/02</td>
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<td>250,039</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>$794,792</td>
<td>$794,792</td>
<td>$   -</td>
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<tr>
<td>Total Construction</td>
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<td>$915,542</td>
<td>$913,982</td>
<td>$1,560</td>
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<tr>
<td>Management Services</td>
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</tr>
</tbody>
</table>

Total fees paid for in-house project management, inspection, scheduling and cost consulting services totaled $915,542 or 3.5% of total construction costs, which is with industry standards of 2.5% to 3.5%.

**Recommendation:**  
None
ACCOUNTING

As part of our work, KPMG reviewed CSUSB’s cost accounting reporting system and invoice processing practices. The University has converted the general accounting system to Peoplesoft, which does not support specialized construction cost reporting. CPD&C did, however, provide internal reports that tracked the project budget, actual expenditures, and contingency. This report was updated regularly and sent to the Vice President for Administration and Finance.

Recommendation:

None
LIQUIDATED DAMAGES

During our interviews, campus personnel emphasized that numerous changes were made to the original contract that benefited and added functional value to the University although they did impact the project schedule. The University authorized a 90-day time extension that adjusted the original completion date to June 21, 2002. As stated earlier in this report, the University had beneficial occupancy of the building on August 28, 2002, 68 days after the revised completion date of June 21, 2002. Some of the project’s significant changes are further discussed.

CO #25 - Installation of a Telecommunications Media System with some “smart classroom” reconfiguration. A 90-day time extension was granted that extended the completion date to June 21, 2003.

The following changes were also executed late in the project with no time extensions although it is likely that Soltek’s schedule was impacted:

CO #29 – Addition of the Rat Food Storage Shed.
CO #29 – Addition of a pre-finished standing seam roof over the indoor generator in reconfiguring the area into an indoor space.
CO #30 – Revisions to the landscaping affected by the concrete flatwork included in CO #31.
CO #31 – Upgrading of exterior concrete walkways and lighting for extending vehicular man lift operations around the building required by OSHA.

Other occurrences that likely impacted the schedule and for which no monetary or time considerations were given include

- During mobilization the steel availability and fabrication was delayed three to four months.
- There were several strikes by the maintenance engineers, the testing lab union and special inspector’s agency.
- Numerous rain and wind day delays typical of the San Bernardino area.

The University acknowledged that the Contractor was entitled to extensions for the above. However, reconciliation was postponed until project close-out since Soltek had outstanding claims. We reviewed a portion of these outstanding requests totaling approximately $240,000.

As part of the global settlement on Change Order No. 32, Soltek rescinded their claim for compensable time extensions in exchange for a waiver of a liquidated damage assessment and the granting of a 159-day extension. The 159-day delay would have equated to $238,500 in damages. Had the University executed a beneficial occupancy change order
they would have addressed only a 68-day time extension that Soltek was most likely entitled to.

We found the University made a concerted effort to minimize costs to the project in their negotiations with Soltek on project closeout. Subsequent to our fieldwork, the University prepared formal documentation to support the final global settlement.

**Recommendation:**

5. For future global settlements, the University should make it a formal requirement to clearly document all delays and liquidated damages and make the settlement document part of project files.

**Campus Response:**

5. The campus concurs with the recommendation and will present a written directive to internal CPDC staff to ensure future global settlements are clearly documented and managed appropriately.

Projected Completion Date: September 1, 2004
MAJOR EQUIPMENT REVIEW

The initial review of Contract Documents and Specification was performed at the University. KPMG was furnished a Submittal Log, from which a sample was selected. Submittal records were provided and reviewed.

Of the submittals reviewed, all were traced from Project Specifications through submittal data and final acceptance. The equipment specified in Project Specifications was supported with required acceptance documentation. A project walk-through was conducted with representatives from campus personnel 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 campus:

<table>
<thead>
<tr>
<th>Div. #</th>
<th>Brand</th>
<th>Model #</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>15121</td>
<td>Bell &amp; Gossett</td>
<td>NLA 200- 53 gal. ET-1</td>
<td>Expansion Tank for HVAC System</td>
</tr>
<tr>
<td>15161</td>
<td>Bell &amp; Gossett</td>
<td>3BC Series 1510</td>
<td>Centrifugal Pump - Base Mounted</td>
</tr>
<tr>
<td>15161</td>
<td>Bell &amp; Gossett</td>
<td>2BC Series 1510</td>
<td>Centrifugal Pump - Base Mounted</td>
</tr>
<tr>
<td>15161</td>
<td>Bell &amp; Gossett</td>
<td>DC-3 and ED-3</td>
<td>4 Suction Diffusers</td>
</tr>
<tr>
<td>15465</td>
<td>Weil Aquatronics/Canariis</td>
<td>DE-210-30</td>
<td>Domestic Water Booster System</td>
</tr>
<tr>
<td>15685</td>
<td>Trane</td>
<td>CVHF1060</td>
<td>80 Ton Centrifugal Water Chiller</td>
</tr>
<tr>
<td>16622</td>
<td>Caterpillar</td>
<td>3406</td>
<td>Generator Set Standby Power</td>
</tr>
<tr>
<td>16622</td>
<td>Caterpillar</td>
<td>440-450</td>
<td>SR4B Generators Standby/Prime</td>
</tr>
<tr>
<td>16722</td>
<td>Simplex</td>
<td>4100/4120 Series</td>
<td>Fire Alarm Controls</td>
</tr>
</tbody>
</table>

Recommendation:

None
MEMORANDUM

DATE June 9, 2004

TO Larry Mandel
University Auditor
The California State University

FROM : David DeMauro, Vice President
for Administration and Finance

SUBJECT: Campus Response to
Social and Behavioral Sciences
Construction Audit -- #W997019
California State University, San Bernardino

Enclosed are the campus responses to CSUSB’s Social and Behavioral Sciences Construction Audit -- #W997019. The campus will be forwarding documentation to support closure of these findings within the very near future.

c: Albert K. Karnig, President
Hamid Azhand, Interim Director, CPDC

Enclosure
DESIGN COSTS

Recommendation:

1 Although the University disencumbered unused funds, on future projects, once the project is billed out as complete and it is determined that the not-to-exceed prices for additional services are not fully invoiced, a deductive change should be issued to close out the amendment. (Guidelines related to this issue have been recently added to SUAM under section 9786.03.)

Campus Response:

The campus concurs with the recommendation and will present a written directive to internal CPDC staff to ensure that appropriate procedures relative to documentation of unused funds are followed in the future.

PROJECTED COMPLETION DATE: 9-1-04

CONSTRUCTION BID PROCESS

Recommendation:

2b. On future projects, the University should comply with the SUAM requirements for documentation of Beneficial Occupancy.

Campus Response:

The campus concurs with the recommendation and will present a written directive to internal CPDC staff to ensure that beneficial occupancy is documented in compliance with SUAM requirements.

PROJECTED COMPLETION DATE: 9-1-04

CONTRACTOR COMPLIANCE - SUBCONTRACTING PRACTICES

Recommendation:

3 The University should determine if subcontracting practices were compromised and whether or not it is appropriate to assess penalties to Soltek.
August 13, 2004

MEMORANDUM

TO:     Mr. Larry Mandel
        University Auditor

FROM:   Charles B. Reed
        Chancellor

SUBJECT: KPMG Draft Final Report on the Social & Behavioral Sciences
         Building and Renovations project (No. W997019) at California State University,
         San Bernardino

In response to your memorandum of August 13, 2004, I accept the response as
submitted with the draft final report on the Social & Behavioral Sciences Building
and Renovations project at California State University, San Bernardino.

CBR/amd

Enclosure

cc:     Mr. David DeMauro, Vice President for Administration and Finance
        Mr. Dennis Hordyk, Assistant Vice Chancellor, Financial Services
        Dr. Albert K. Karnig, President
        Ms. Elyvra San Juan, Assistant Vice Chancellor, CPDC
        Mr. Richard P. West, Executive Vice Chancellor and Chief Financial Officer