

RIVERSIDE: AUDIT & ADVISORY SERVICES

July 1, 2010

TO: Don Caskey, Associate Vice Chancellor/Campus Architect
Office of Design and Construction

RE: Office of Design and Construction (ODC)
Commons Expansion Construction Project (Phase II) Audit

Ref: Audit Report Number R2010-05

We have completed an audit of the Commons Expansion Construction Project (Phase II) in accordance with the UC Riverside Audit Plan. Our report is attached for your review.

We will perform audit follow-up procedures in the future to review the status of management action. This follow-up may take the form of a discussion or perhaps additional fieldwork, as we deem necessary. Audit R2010-05 will remain open until we have evaluated the actions taken.

We appreciate the cooperation and assistance provided by your staff. Should you have any questions concerning the report, please do not hesitate to contact me.

Michael R. Jenson
Director

Attachment

xc: UCR Audit Committee Members
ODC Assistant Vice Chancellor Racicot
FBO Assistant Vice Chancellor Carlson
ODC Director of Finance Koenig
Project Manager Maroufkhani

UNIVERSITY OF CALIFORNIA AT RIVERSIDE
AUDIT & ADVISORY SERVICES
MEMBER OF ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS

AUDIT REPORT NUMBER R2010-05

OFFICE OF DESIGN AND CONSTRUCTION
COMMONS EXPANSION CONSTRUCTION PROJECT – PHASE II

JULY 2010

Approved by:

Richard Melton
Principal Auditor

Michael R. Jenson
Director

Table of Contents

<u>Section</u>	<u>Page</u>
I. Management Summary	1
II. Introduction	
A. <i>Purpose</i>	2
B. <i>Background</i>	2
C. <i>Scope</i>	3
D. <i>Internal Controls and Compliance</i>	4
III. Observations, Comments, and Recommendations	
A. <i>Consultant's Report</i>	4
B. <i>Financial Statements</i>	6
C. <i>Prime Trade Contractors Bid Process</i>	7
D. <i>Construction Contracts Administration</i>	8
E. <i>Prime Trade Contractors "Applications for Payments"</i>	10
F. <i>Construction Change Orders</i>	10
G. <i>Additional Payments to the Construction Management Firm</i>	12
H. <i>Additional Payments to the Architect</i>	13
I. <i>Professional Service Agreements</i>	14
J. <i>Other Expenses</i>	15

UC RIVERSIDE
OFFICE OF DESIGN AND CONSTRUCTION
COMMONS EXPANSION CONSTRUCTION PROJECT – PHASE II
INTERNAL AUDIT REPORT R2010-05
JULY 2010

I. MANAGEMENT SUMMARY

Based upon the results of work performed within the purpose and scope of the review, it is our opinion that the procedures followed by the Office of Design and Construction (ODC) were primarily in compliance with policies as dictated in the University's Facilities Manual (FM). Expenses reviewed appeared to be proper charges to the Commons Expansion (Phase II) construction project.

Positive observations included:

- Discussions with ODC management have delineated the structure of a new intradepartmental group to be headed by a director of Inspection and Quality Assurance. This department will develop more refined protocols and resources to provide for code accessibility and constructability reviews during the design process of projects. Furthermore it will invest additional attention in inspections and commissioning of building systems during the construction phases of projects. The goals of the reorganization include (1) increasing the quality of construction phases of projects, (2) increasing the quality of construction documents thus reducing the amount of errors and omissions and decreasing the number and amount of construction change orders, and (3) improving quality assurance related to projects in the construction stage and decreasing the amount and gravity of building defects in projects at UCR.
- Progress is continuing with the design of the new integrated project management and fiscal software package (Capital Projects Management Information System) that will hopefully meet with the needs of providing more detailed and accurate financial reporting for future projects.

The audit identified certain opportunities to strengthen internal controls, increase compliance with Facilities Manual policies and improve business practices.

These included the following:

- The campus general ledger (UCRFS) should be appropriately reviewed and reconciled to the subsidiary ODC ledgers and in-house financial statements on a monthly basis. (III.B)

- The contractor's bid form should be provided for comparison to stated contract amounts prior to the University Representative signing a contract to prevent executing a contract for an amount that differs from the bid. (III.D)
- To fully comply with FM policy, increased documentation should be obtained from prime trade contractors prior to making a determination that cost proposals for agreed-upon lump sum Change Orders (COs) are fair and reasonable. (III.F)
- ODC management should request a full accounting from the Construction Management (CM) firm to support an approximate \$15,000 amendment to their contract. (III.G)
- Proposals from Architects detailing additional services to be performed should be signed by an authorized University Representative to provide formal evidence that the planned scope of work and reasonableness of compensation being requested has been properly reviewed and agreed upon. (III.H)
- Formal notification should be provided to outside firms in those cases where ODC management is requiring that consulting services begin prior to execution of an agreement. (III.I)

Additional information on these and other matters is presented in the following section of this report.

II. INTRODUCTION

A. PURPOSE

UC Riverside Audit & Advisory Services (A&AS), as part of its fiscal year 2009-10 audit plan, conducted an audit of the Commons Expansion Construction Project administered by the UCR Office of Design and Construction. This audit was limited to Phase II of the project. Our office previously completed an audit of the Phase I portion of this project and the final report (R2008-02) was issued in September 2008.

B. BACKGROUND

The Commons Expansion Construction Project was primarily a student fee funded project. However, due to the original project cost estimate (approximately \$50 million) being exceeded by more than 35%, additional funding was provided from various sources to complete the project. The revised total project cost of \$68,958,000 is funded from a student fee referendum (\$51,923,000), commons reserves (\$6,573,000), registration fee reserves (\$4,750,000), campus funds (\$3,771,000), and housing

reserves (\$1,941,000). The final Capital Improvement Budget was approved by OP in November 2009. Of the approximate \$69 million funded, \$196,000 remains in the budget, according to ODC's financial statements. (See Attachment)

Phase I of the Commons project was completed in July 2007. The main Commons building consists of a multi-purpose room, conference rooms, administrative offices, student government offices, lounge area, full dining service and stores. Phase II of the construction project which was substantially completed in February 2009 includes activity center retail space, a grill room with full kitchen, an outdoor piazza area, and a coffee pavilion.

Although the initial project schedule showed completion of the total Commons project in 2005, full occupancy of both Phases did not occur until four years later. For both phases of the Commons project, ODC used a CM firm to oversee all prime trade contractors as opposed to hiring a traditional general contractor for oversight responsibilities of all subcontractors.

Due to the significance of the observations noted in our Phase I audit report, ODC management hired an outside consultant to perform further analysis and verification procedures related to conclusions made in our report. A summary of comments and findings from the consultant's report is detailed in the Observations and Recommendations section (III.A) of this report. Most recently, management has ensued discussions with University Counsel pertaining to specific issues noted in the Phase I audit and the consultant's report.

Certain construction deficiencies are still in the process of being corrected as of the date of this report including pavers in the main building and bridge to Phase II. In addition, claims filed by two trade contractors that have been denied by ODC management could potentially result in litigation.

C. SCOPE

The scope of the review included evaluating compliance with University policies, specifically the Facilities Manual (FM), efficiency and effectiveness of construction contracting operations and adequacy of internal controls. Objectives included testing specific transactions associated with the construction project (Phase II) for compliance with procedures outlined in the FM, proper approvals and adequacy of documentation to support the expenses charged to the project.

Project inception (2002) through December 31, 2007 transactions were tested in the Phase I audit. Financial transactions tested in this audit included the period from January 1, 2008 through substantial completion of Phase II in February 2009. Supporting documentation for each transaction was reviewed for propriety, accuracy and compliance with related FM policies and procedures.

The scope of our review also included reviewing the outside consultant's report. As previously noted, the consultant was hired by ODC management subsequent to issuance of our Commons Phase I audit report to perform certain verification procedures related to significant findings detailed in audit report number R2008-02.

D. INTERNAL CONTROLS AND COMPLIANCE

As a part of the review, internal controls were examined within the scope of the review. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories: (1) Effectiveness and efficiency of operations, (2) Reliability of financial reporting, and (3) Compliance with applicable, policies, laws and regulations.

Substantive audit procedures were performed in March and April, 2010. Accordingly, this evaluation of internal controls is based on our knowledge as of that time and should be read with that understanding.

III. OBSERVATIONS AND RECOMMENDATIONS

A. Consultant's Report

Subsequent to the release of the Commons Phase I audit report; ODC management engaged an outside consultant to perform verification procedures related to observations detailed in our report. We believe it is important to report certain conclusions made by the consultant that pertained to significant observations stated in the Phase I audit report.

We should note that ODC management is currently evaluating results from the consultant's report and has conferred with additional University personnel to develop an approach for resolving the findings. A summary of select Phase I audit report recommendations and the consultant's responses follow:

Executive Design Professionals (Architect)

A&AS reported in the Phase I audit that due to the significance of COs issued as a result of apparent design errors and omissions made by the Executive Design team, ODC management should seek some financial reimbursement from the Architect.

As part of the scope of work, the consultant reviewed COs for both Phase I and II. Construction COs are typical of all but a few projects and as indicated in the consultant's report, industry standards generally consider a value of 2%-3% of the initial construction value to represent a typical standard of care. However, according to the consultant's report, COs approved represented a total amount of 8.6% of the total construction costs. Based on further analysis and extrapolations, the consultant estimated that approximately \$2.8 million of the COs issued for both phases of the Commons project resulted from errors and omissions made in the construction documents and drawings by the Architect.

Construction Management (CM) Firm

The audit report had identified a significant amount (\$1.75 million) of Design Change Authorizations (DCAs) approved for the CM firm. The DCAs were issued due to significant delays in the construction process. The report recommended that ODC obtain a full accounting from the CM to support the construction delays and reasons why the substantial delays were not a fault of the CM.

The consultant found that the University was overcharged a total of \$192,500 for DCA payments that represented an extension of the CM's contract for construction delays. In addition, the consultant's report concluded that the CM had failed to provide services related to a number of the stated contract requirements, which related to the "...no fault of CM' statement" within paragraph 5.2.3 of their contract.

Construction Change Orders

1. Technology Cable Trays

The audit report recommended that ODC management re-evaluate supporting documentation to determine if deductive COs should be issued to the firm who performed electrical work pertaining to the technology cable tray system. Additive COs totaling \$81,000 had been issued to the responsible firm and A&AS believed that the work performed under the COs were within the original contract scope.

The consultant found that the construction documents specified “cable trays” and specifically led the bidder to the technology drawings. Of the 46 technology drawings, 17 showed that “cable trays” were required, according to the consultant’s report. In conclusion, the consultant believed that the COs should either be borne by the trade contractor or by the CM firm for not properly bidding the project and/or not properly enforcing contract requirements on professional trade contractors.

2. Asbestos Abatement

Based on an asbestos survey prepared by an outside firm, A&AS believed that certain COs approved for the firm responsible for asbestos abatement may have included Work required in the original agreement. The audit report had recommended that ODC management and the CM firm re-evaluate the supporting documentation to determine if deductive COs should be issued to the firm responsible for asbestos abatement.

Conclusions in the consultant’s report indicated that the consultant could not determine why CO #1 for \$24,850 was required and that the additional Work performed under CO #2 (\$24,200) was identified in the survey and should have been mitigated within the original contract.

Furthermore, the consultant could not determine how the Work detailed in CO #3 (\$49,500) could have been performed. The invoice from the firm responsible for asbestos abatement states the Work to consist of fireproofing, vinyl flooring and piping. The consultant stated that the only locations where the survey identifies these materials as occurring were in the previous Commons Building, which was demolished within Phase II, two years later.

B. Financial Statements

Appropriations and expense charges made to the campus general ledger (UCRFS) are not properly reviewed by ODC on a monthly basis. In addition, the UCRFS is not being fully reconciled to ODC’s subsidiary ledgers and the in-house financial statements being prepared by ODC personnel.

COMMENTS

Appropriations posted to the UCRFS since inception of the project total \$68,796,614 whereas the final funded amount approved by OP and shown on the Capital Improvement Budget totals \$68,958,000 or a difference of \$161,386. The difference could not be explained.

From discussions with ODC financial management, it does not appear that appropriations and expenditures posted to the UCRFS are being reviewed for propriety on a monthly basis. In addition, the in-house prepared financial statements are not being reconciled to the campus general ledger. The lack of proper review and reconciliation undermines the accuracy of both the UCRFS and the in-house financial statements for capital projects.

RECOMMENDATION

Transactions posted to the UCRFS should be appropriately reviewed for propriety and properly supported by related fund appropriation and expense documents. We recommend that the monthly UCRFS ledgers be initialed and dated by the responsible individual to provide formal evidence that this review was performed. We further recommend that the UCRFS be reconciled to ODC's subsidiary ledgers and in-house financial statements to ensure the accuracy of financial reports being issued to outside campus personnel.

MANAGEMENT'S RESPONSE

We agree with the recommendation. We have obtained assistance from parties outside the ODC to assist in the process of reconciling our internal subsidiary records relating to capital projects for the period through May 31, 2010. We anticipate this process to be completed by June 30, 2010 or shortly thereafter. We have also hired a new Director of Finance who is reviewing the current processes and procedures that are in place to ensure the monthly reconciliation of not only the capital projects (both appropriations and expenditures), but also the operating funds are reconciled to the UCRFS system on a monthly basis. This individual will provide proper audit evidence that this has occurred through signing and dating the appropriate forms.

C. Prime Trade Contractors Bid Process

The content wording of formal "Letters of Rejection" to those firms whose bids were not accepted is not logical, in our opinion.

COMMENTS

Our audit included selecting four prime trade contractors bid packages for detailed review. Bid files were reviewed for compliance with the policies and procedures stated in the FM Volume 5, Part I, titled "Bidding".

Based on our review of these files, the ODC was in full compliance with the project advertising and bidding requirements specified in the FM and there was evidence of a pre-bid conference and walk-thru being conducted as required by policy. The audit determined that all awards were made to the lowest responsible bidder.

We did note though that the formal notification to unsuccessful bidders was poorly worded. Letters reviewed stated "On (date), you submitted a proposal for the above referenced project. You are herein informed that all bids have been rejected". In our opinion, such wording would cause the recipient of this letter to believe that none of the bids were accepted and that the Work would subsequently be re-bid by ODC.

RECOMMENDATION

We recommend that the form letter notifying firms that their bids were unsuccessful be reworded. It is our suggestion that the content of the letter indicate that the Work for which they submitted a bid has been awarded to another contractor.

MANAGEMENT'S RESPONSE

We agree the wording in the letters was poorly worded. We do not believe a letter to the unsuccessful bidder is warranted as our instructions to bidders in the bid documents include the mechanism for bidders to obtain bid results. These instructions indicate that the University will provide the bid results through the posting of such in a public place which we do via posting in the Office of Design and Construction as well as them being available at IB Reprographics.

D. Construction Contracts Administration

The "Contract Sum" for one construction contract did not agree to the formal bid amount originally submitted by the contractor.

COMMENTS

During Phase II of the Commons Expansion project, a total of \$12,601,623 in construction contracts was awarded to Multi-Prime trade contractors. Of that amount, \$3,951,300, representing four contracts, was audited by our office for compliance with applicable FM policies and file documentation.

Construction contract documents were reviewed for compliance with FM policies stated in Volume 5, Part II, titled "Construction Administration" and Volume 4, Part I, titled "Construction Contracting and Construction Documents". Based on work performed, we noted that the general contractor's contract agreement was dated, signed and properly executed subsequent to the bid opening date.

We did find, however, that one contract amount to be paid for Work performance exceeded the trade contractor's actual bid by \$22,500. The agreement had been signed by an authorized University Representative and the related contractor's vice president. For this error to occur, we believe that insufficient documentation was provided to the authorized official having responsibility for signing these contracts on behalf of the University Regents. Although nearly a year after the fact, the problem was eventually corrected.

For all trade contractors included in our tests, the "Notice to Proceed" was issued subsequent to the award of the contract. There was formal evidence of approval by ODC management for an "early start" directive to two of the prime trade contractors.

Related contract documents, including the schedule of values, listing of subcontractors (if applicable) and bid alternates were on file. In addition, as required by policy, the necessary payment and performance bonds and certificates of insurance had been provided by the trade contractors to the ODC and were also on file.

RECOMMENDATION

Due to the significance of contract amounts executed by the ODC, we believe appropriate documentation should be included with the agreement prior to approval of the contract by the University's authorized signer. In this case, we recommend that the contractor's bid form be attached to the agreement for comparison to the stated contract amount.

MANAGEMENT'S RESPONSE

We agree with the recommendation. Effective March 1, 2010, after the period under audit, the ODC fully implemented a new process to mitigate the potential for this type of error. Subsequent to the effective date the Director of Contract Administration, after the bid protest period has the ODC Contract Group prepare a notice of selection along with attached documents (agreement, performance bond documents etc.). The agreement (contract) is prepared using the low bidders actual bid form. After review and signature by the contractor the signed package is returned to ODC for the appropriate review and signature by the authorized University representative.

E. Prime Trade Contractors "Applications for Payments"

A limited number of "Applications for Payments" submitted by the four prime trade contractors selected for testing were reviewed for propriety, completeness, evidence of proper approvals, and policy compliance. Based on the work performed, payments made to the prime trade contractors were verified as being accurately calculated, the amount paid did not appear to exceed the progress of work percentage estimates and a proper amount of retention was being withheld in escrow.

In addition, there was formal evidence of the payment certifications being reviewed by the ODC project manager and a CM firm representative prior to being signed by the former ODC Interim Director or Associate Vice Chancellor. There were no exceptions noted as a result of the work performed.

F. Change Orders (COs)

Insufficient documentation was provided by two prime trade contractors to determine the accuracy of deductive COs.

COMMENTS

Change Orders (COs) issued subsequent to our Phase I cutoff date (12/31/07) were tested as part of the Phase II audit. Eight COs issued to four separate prime trade contractors were selected for detailed review. COs were issued for the project because there were (1) Campus requested changes to the Work to be performed, (2) Errors and omissions in designs made by the Architect which needed to be corrected during construction and (3) Unforeseen field conditions that were unknown to the campus prior to bidding.

For each CO tested, we reviewed for specific cause, accuracy, completeness, propriety and compliance with the FM Volume 5, Part II of Chapter 3 titled "Contract Modifications". In each case, we performed work to ensure that the COs represented changed or added Work and Work not covered under the scope of the base contract. Audit procedures also included a determination as to whether the COs were adequately documented and properly approved and that there was evidence of review by the ODC project manager and a representative from the CM firm.

Overall, those COs tested were properly approved by an authorized University official and were formally recommended for approval by a representative of the CM firm and the responsible ODC project manager. However, we noted two deductive COs totaling approximately \$400,000 that were issued as a result of the University opting to use less expensive materials than what was originally contracted for the Work. Neither CO was a result of a deductive alternate being accepted at the time of the bid process.

Based on documentation provided for our review, we could not determine whether the deductions approved for each of the COs represented reasonable amounts. In both cases, only a summary of costs were provided by the trade contractors for review.

The cost summaries provided by the contractors showed a fixed total for costs related to materials initially planned to be used for the project versus costs for the less expensive materials that were subsequently opted for by the campus. However, in neither case did the trade contractor provide a detailed breakdown of the material costs actually being supplied by those vendors that were to be used for purchasing those specific materials.

RECOMMENDATION

FM policy (Volume 5, Part II, Chapter 3.2.1) titled "Cost Proposals" indicates that the proposals for agreed-upon lump sum COs must be determined to be fair and reasonable. To comply with this policy, we recommend that sufficient supporting documentation (quotes from selected vendors comparing the price of each material line item) be obtained from contractors in order to properly determine the fairness and reasonableness of the CO prior to formal acceptance and approval by the ODC.

MANAGEMENT'S RESPONSE

We agree with the recommendation and have adopted a new policy, which has been fully implemented effective March 1, 2010 that each justification for a change order (which is required to be signed by the Project Manager and Assoc VC) includes the appropriate documentation as indicated above.

G. Additional Payment to the Construction Management Firm

Proper evidence was not on file to support an added change to the CM's original contract.

COMMENTS

Audit procedures previously performed during the Phase I review, as they relate to the hired CM firm, included the selection process, the CM agreement, fees for services and liability insurance and DCAs approved through 12/31/07. Since that date, one additional DCA has been awarded to the CM firm which was reviewed as a part of this audit.

The contract amendment amounted to approximately \$15,000 and was described as "Adding additional funds for security services". The DCA was formally approved by the former ODC Interim Director and was reviewed by the ODC project manager as evidenced by both their signatures. However, based on the lack of file documentation, we could not determine the purpose or reason for this added contract change nor were we able to substantiate the expense amount.

RECOMMENDATIONS

We recommend that ODC request a full accounting from the CM to support the amendment to their contract. Furthermore, ODC management should not approve DCAs without having the necessary documentation to fully support contract additives.

MANAGEMENT'S RESPONSE

We agree with the recommendation and plan on requesting an accounting for this amendment as well as others.

Effective with periods after March 1, 2010 the ODC requires a formal justification form be prepared relating to any change to the CM's agreement amount. The justification is approved and signed by the Assoc VC. After approval by the Assoc VC an amendment to the agreement is prepared and then forwarded to the CM for signature.

In the future, the ODC will require a formal justification form be prepared relating to any change to the CM's agreement amount. The justification will be approved and signed by the Assoc VC. After approval by the Assoc VC, an amendment to the agreement will be prepared and then will be forwarded to the CM for signature.

H. Additional Payments to the Architect

There was no evidence that proposals to increase the original Architect's contract amount were being formally reviewed by ODC management.

COMMENTS

Audit procedures previously performed during the Phase I review, as they relate to the hired Architect (KMD), included the selection process, the Executive Design Professional agreement, and DCAs approved through 12/31/07. Since that date, several additional DCAs totaling approximately \$57,000 had been awarded to the Architect which was reviewed as a part of this audit.

Changes to the Executive Design team's contract since the Phase I cutoff included additional services related to University requested revisions to architectural drawings that pertained to the coffee pavilion and activities center and a request that the Architect review and provide recommendations related to concrete slab deficiencies in the main Commons building. In addition a DCA was approved for the Architect to prepare, copy, and vet a central master set of architectural drawings.

All DCAs reviewed appeared to be valid additions to the original Executive Design Professional agreement. However, there was no evidence by ODC management or the CM firm of formal acceptance of the proposed charges for the additional work that was to be performed.

RECOMMENDATION

Formal proposals from the Architect that detail additional services to be performed should be reviewed in detail by the ODC project manager as to planned scope of work and reasonableness of compensation being requested. We recommend that the Architect's "Request for Additional Services" letter be formally signed and dated by an authorized University Representative to provide evidence of such review.

MANAGEMENT'S RESPONSE

We agree that a formal process be established relating to proposal to increase or decrease an Architects payment. The ODC, effective March 1, 2010, requires a formal justification form be prepared relating to any change to the agreement amount. The justification is signed by the Assoc VC. After approval by the Assoc VC an amendment to the agreement will be prepared and then will be forwarded to the Architect for signature.

I. Professional Service Agreements

There was evidence of Work being performed by a consultant prior to an agreement being executed.

COMMENTS

In certain cases, consultant services are required for construction projects that are covered under a Professional Service Agreement (PSA). Examples of the type of work performed by consultants through use of the PSA include the following: (1) Land surveys, (2) Site and foundation investigation, (3) Seismic studies, (4) Soil sample testing, (5) Materials testing, (6) Scheduling, Planning and Programming, (7) Model making, (8) Environmental services, (9) Construction site inspection of construction materials and laboratory testing of construction materials, (10) Cost Estimating and (11) Peer review.

PSAs contracted through 12/31/07 were tested as part of our Phase I audit. Since that date, a limited number of additional agreements totaling approximately \$42,000 have been executed. We selected one PSA with a contract amount of \$10,000 for detailed review.

The purpose of the PSA was to perform a forensic study of the pavers system at the Commons project. Based on work performed, we found that the PSA represented proper consulting services that should be conducted using this type of agreement and that the work product intended through the contract was performed. The PSA was approved by the Associate Vice Chancellor.

A proposal was on file detailing the work to be performed by the consultant. Also, invoices for payment submitted by the consultant provided a detailed breakdown of the services that were actually performed. However, we did note that services were performed prior to the agreement being executed by the ODC.

The Facilities Manual Volume 5, Part I, Chapter 8 allows for an “early start” by a contractor in the interest of time. However, the policy also indicates that an early start may only be permitted provided that an agreement for “early start” is executed by both the University and the contractor. Although the Facilities Manual specifically relates to construction contracts, to avoid potential liability or possible litigation, we believe documentation should be on file to support commencement of work by those firms contracted under consulting agreements.

RECOMMENDATION

This finding was also noted in our Phase I audit. However, since approval of this particular PSA was made by the current Associate Vice Chancellor, we feel it necessary to reiterate the previous recommendation. A formal notification should be provided to the consultant in those cases where ODC requires an “early start” by any firm performing work under a PSA.

MANAGEMENT’S RESPONSE

We agree with the finding and recommendation. We currently are trying to mitigate the need for any work to proceed prior to a signed agreement. In the case when time constraints, outside of our control, work must proceed before the agreement is finalized (signed) we will document this in letter form. We believe with the restructuring that we are currently undergoing in the ODC relating to Contract Administration that this fact pattern will occur on a very infrequent basis if at all.

J. Other Expenses

Additional charges to the project not related to any construction contract or professional agreement were reviewed. Expenses totaling approximately \$600,000 were selected and reviewed for propriety. Certain of these costs actually were incurred during the inception period of the Commons project.

Significant project expenses pertained to a recharge from the campus Planning Office (\$227,000) and a purchase order (\$353,000) to provide materials and labor for the structured cabling of the entire project. Campus Planning has responsibility for preparation of the Detailed Project Program guide. Our audit scope did not include obtaining related documents in support of the project charges made by the Planning Office.

Other expenses included a recharge from OP for attorney costs, ODC management travel expenses to meet with the professional design team, and recharges from campus Dining Services for meals and refreshments provided during extended project design meetings, according to information obtained from the ODC project manager. All expenses reviewed appeared to be proper charges to the Commons project.

University of California, Riverside
Office of Design and Construction
Summary of Sub-Sub Accounts

Project #: 950440 CAAN: 4#s
 Project Title: COMMONS EXPANSION
 Project Manager: DARIUS MAROUFKHANI
 Work Phase:

Funding Summary

Fund Amount: 58,958,000.00
 Budget Date: 10/21/2009
 Total Funds Received (R): 58,758,114.40
 Current Cash Balance [R-(L+E)]: (3,481.64)

Lien and Other Expenses Summary

Sub	Description	Budget (B)	Lien/Expenses (L+E)	Budget Balance (B-(L+E))	Forecasted Expenses	Forecasted Balance
0. Site Clearance						
099	Undistributed	1,140,000.00	1,611,057.12	-471,057.12	0.00	-471,057.12
**Sub-Total:		1,140,000.00	1,611,057.12	-471,057.12	0.00	-471,057.12
1. Construction						
101	General Contractor	39,026,718.00	46,779,020.60	-7,752,302.60	0.00	-7,752,302.60
102	Change Orders, Approved	0.00	-100,472.00	100,472.00	0.00	100,472.00
103	Change Orders, Pending	1,300,000.00	0.00	1,300,000.00	0.00	1,300,000.00
104	Specialty Contractor	6,692,490.00	6,723,717.68	-31,227.68	0.00	-31,227.68
105	Physical Plant	88,314.00	103,535.88	-15,221.88	0.00	-15,221.88
106	Telecommunications/Security	8,478.00	10,896.72	-2,418.72	0.00	-2,418.72
107	Construction Contingency	0.00	0.00	0.00	0.00	0.00
108	Builders Risk Insurance	0.00	12,788.53	-12,788.53	0.00	-12,788.53
199	Undistributed	1,946,000.00	350.00	1,945,650.00	0.00	1,945,650.00
**Sub-Total:		49,062,000.00	53,529,837.41	-4,467,837.41	0.00	-4,467,837.41
2. Exterior Utilities						
201	Telecommunications	133,920.00	138,029.55	-4,109.55	0.00	-4,109.55
202	Utilities (SS,W,G,SD,E)	168,500.00	218,410.35	-49,910.35	0.00	-49,910.35
299	Undistributed	1,147,580.00	0.00	1,147,580.00	0.00	1,147,580.00
**Sub-Total:		1,451,000.00	356,439.90	1,094,560.10	0.00	1,094,560.10
3. Group 2&3 Equipment						
301	Consultants	0.00	337,807.56	-337,807.56	0.00	-337,807.56
302	Contractors	0.00	0.00	0.00	0.00	0.00
303	Purchase Orders (Vendors)	0.00	0.00	0.00	0.00	0.00
399	Undistributed	340,000.00	0.00	340,000.00	0.00	340,000.00
**Sub-Total:		340,000.00	337,807.56	2,192.44	0.00	2,192.44
4. Site Development						
401	Hardscape	109,805.00	144,389.44	-34,584.44	0.00	-34,584.44
402	Softscape	354,415.00	464,277.44	-109,862.44	0.00	-109,862.44
403	Site Lighting	0.00	0.00	0.00	0.00	0.00
499	Undistributed	1,661,780.00	0.00	1,661,780.00	0.00	1,661,780.00
**Sub-Total:		2,126,000.00	608,666.88	1,517,333.12	0.00	1,517,333.12

Sub	Description	Budget (B)	Lien/Expenses (L+E)	Budget Balance (B-(L+E))	Forecasted Expenses	Forecasted Balance
5. External Fees						
501	Executive A/E	5,832,717.00	5,843,983.54	-10,246.54	0.00	-10,246.54
502	Reimbursables	0.00	0.00	0.00	0.00	0.00
599	Undistributed	164,283.00	0.00	164,283.00	0.00	164,283.00
**Sub-Total:		5,998,000.00	5,843,983.54	154,036.46	0.00	154,036.46
6. Internal Fees						
601	Project Managers	766,117.00	693,997.41	72,119.59	0.00	72,119.59
602	Inspectors	315,955.00	132,892.80	183,072.20	0.00	183,072.20
603	Drafting	15,356.00	18,190.05	-2,744.05	0.00	-2,744.05
604	Administration Support	0.00	0.00	0.00	0.00	0.00
699	Undistributed	200,572.00	0.00	200,572.00	0.00	200,572.00
**Sub-Total:		1,298,000.00	844,980.26	453,019.74	0.00	453,019.74
7. Surveys, Tests, Plans, Specs						
701	Printing	221,527.00	237,912.70	-16,386.70	0.00	-16,386.70
702	Advertising	20,291.00	21,998.46	-1,707.46	0.00	-1,707.46
703	Surveys	112,080.00	160,121.00	-48,041.00	0.00	-48,041.00
704	Geotechnical	214,592.00	339,930.48	-125,338.48	0.00	-125,338.48
705	Testing	31,510.00	52,288.98	-20,788.98	0.00	-20,788.98
799	Undistributed	0.00	0.00	0.00	0.00	0.00
**Sub-Total:		600,000.00	812,261.62	-212,261.62	0.00	-212,261.62
8. Special Items						
801	Loan Financing	3,456,000.00	3,219,813.83	236,186.17	0.00	236,186.17
802	Regulatory Agency Fees	7,817.00	7,617.11	-0.11	0.00	-0.11
803	Other Special Items	0.00	0.00	0.00	0.00	0.00
804	Studies	0.00	0.00	0.00	0.00	0.00
805	DPP, PPG	452.00	451.50	0.50	0.00	0.50
806	Value Engineering	0.00	0.00	0.00	0.00	0.00
807	Hazardous Materials	328,544.00	486,833.00	-158,289.00	0.00	-158,289.00
808	E.I.R.	7,372.00	7,371.60	0.40	0.00	0.40
809	Independent Design Review	0.00	0.00	0.00	0.00	0.00
810	Seismic Review	48,500.00	52,301.00	-5,801.00	0.00	-5,801.00
811	Special Consultants	504,892.00	1,007,316.27	-502,324.27	0.00	-502,324.27
812	Cost/Constructability Reviews	0.00	0.00	0.00	0.00	0.00
813	Legal Fees	16,442.00	16,441.99	0.01	0.00	0.01
899	Undistributed	38,081.00	39,435.45	-1,354.45	0.00	-1,354.45
**Sub-Total:		4,405,000.00	4,816,581.75	-411,581.75	0.00	-411,581.75
9. Contingency						
999	Undistributed	2,538,000.00	0.00	2,538,000.00	0.00	2,538,000.00
**Sub-Total:		2,538,000.00	0.00	2,538,000.00	0.00	2,538,000.00
Total PWC		68,618,000.00	68,423,789.48	194,211.52	0.00	194,211.52
Overhead (5+6+7+8)/(0+1+2+4)		19.40%	13.37%			
Total PWC & E		68,958,000.00	68,761,586.04	196,403.96	0.00	196,403.96