

May 17, 2013

**VICE CHANCELLOR MILLER**

Subject:        Audit Report No. M13A006  
                  Proposition 1D Construction

Attached is the final report for the Audit No. M13A006: Proposition 1D Construction. This audit was completed in conjunction with a systemwide effort.

I appreciate the assistance provided to me by the Physical Planning, Design, and Construction staff during the review. If you should have any questions, please feel free to contact me.



Todd Kucker  
Internal Audit Director  
UC Merced Internal Audit Services

Attachment

cc:     SVP Vacca  
          Chancellor Leland  
          Associate Vice Chancellor and Campus Architect Lollini  
          Assistant Vice Chancellor White  
          Sr. Analyst Hadley

**UNIVERSITY OF CALIFORNIA, MERCED  
INTERNAL AUDIT SERVICES**

**Proposition 1D Construction  
Report No. M13A006**

**May 17, 2013**

Work Performed by:  
Todd Kucker, Internal Audit Director

## **Background**

As part of the fiscal year 2012-2013 audit plan, and in conjunction with a systemwide effort, Internal Audit has completed an audit of Proposition 1D-funded construction projects. The primary purpose of this audit was to ensure that the University of California, Merced has appropriately used Proposition 1D bond funds.

Proposition 1D bond funds were provided by the State of California to K-12 schools, community colleges, the California State University system, University of California, Hastings College of the Law, and the California State Library. The purpose of the funds was to help build and renovate facilities to meet the demands of the growing population and enrollment, to address seismic and life safety needs, and for the renewal of outdated infrastructure.

\$890 million was provided to the University of California, of which \$51.5 million was allocated to UC Merced for the design and construction of new facilities and infrastructure. Projects funded by Proposition 1D bond funds include the Social Sciences and Management Building and Site Development and Infrastructure Phase 6.

Physical Planning, Design, and Construction (PPD&C), a department in Administration, is responsible for the design, development, and construction of UC Merced's buildings, infrastructure, and facilities. PPD&C works closely with Capital Planning and Space Management, a unit recently moved to the Office of Planning and Budget, whose responsibilities include coordinating with the UC Office of the President and with PPD&C to identify project scope, schedule, and budget for major capital improvement projects.

## **Objectives and Scope**

The audit objectives were to:

- Verify that the bidding process was used for all Proposition 1D-funded projects, as required by the UC Facilities Manual;
- Determine whether Proposition 1D funds were used for their intended use;
- Determine whether the University met the reporting requirements set by the State of California; and,
- Determine whether facilities funded by Proposition 1D funds are occupied and used consistent with the intent of Proposition 1D.

The scope of the review included two UC Merced construction projects funded by Proposition 1D, the Social Sciences and Management Building and Site Development and Infrastructure Phase 6. Testing was completed in the following areas:

- Bidding and Award – The bidding process and contract award

- Proper Use of Funds – The use of Proposition 1D bond funds for their intended purpose
- Reporting and Project Closeout – Submission of quarterly project status reports, financial closeout of projects, and proper completion of the required Notices of Completion
- Proper Use of Space – The use of Proposition 1D-funded space for its intended purpose

To accomplish the audit objectives, we reviewed:

- Financial information for Proposition 1D-funded projects;
- The bidding and award documentation for Proposition 1D-funded projects;
- Project Status reports and Notices of Completion; and,
- Supporting documentation for payments and change orders

As the projects have not yet reached their final completion, we were not able to review the final financial closeout reports. The financial closeout process formalizes the termination of a project, and includes the closure of accounts to provide a final accounting of the amount of funding expended for the project, and the detail by funding source. The State of California requires the financial closeout documents be prepared and submitted to the UC Office of the President. In order to remain in compliance with Proposition 1D requirements and ensure resources are expended for their intended use, PPD&C staff should prepare and submit the required closeout documents for the Proposition 1D-funded projects. Notices of Completion have been properly submitted for the projects.

The bidding and award process and the review of change orders for the Social Sciences and Management Building were also reviewed during prior audits (reports M11A001-A, M11A001-B, and M12A002) during fiscal years 2010 – 2011 and 2011 – 2012.

## **Conclusion**

Based upon this audit (and the prior year audits that involved reviewing the Social Sciences and Management Building), we concluded that there has been appropriate use of Proposition 1D bond funds. No issues related to the use of Proposition 1D bond funds were identified during this audit. We did identify an unrelated issue regarding properly redacting restricted information from documentation. The issue was verbally communicated to PPD&C staff.