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STATE COMPTROLLER



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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

July 11, 2002

Ms. Gail Gordon  
Chair  
Dormitory Authority of the State of New York  
515 Broadway  
Albany, NY 12207

Re: Report 2002-F-5

Dear Ms. Gordon:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution, we have reviewed the actions taken by officials of the Dormitory Authority of the State of New York (Authority) as of June 4, 2002, to implement the recommendations contained in our audit *Dormitory Authority of the State of New York, Contracting For Construction- Related Services* (Report 98-S-23). Our report, which was issued on December 28, 1999, determined whether the Authority had established and complied with reasonable policies and procedures for contracting construction-related services in accordance with State laws, rules and regulations.

**Background**

The Authority finances, designs and/or manages construction projects for certain State agencies, local governments and not-for-profit organizations, including the State Department of Health, the State Education Department, the State Office of Mental Health, and the State Office of Mental Retardation and Developmental Disabilities. In fulfilling these responsibilities, the Authority contracts with construction firms, architects, engineers and construction managers. Between July 1, 1998 and December 17, 2001, the Authority awarded 1,433 such contracts with an original cost of \$1.5 billion.

**Summary Conclusions**

In our prior audit, we found that the Authority has established reasonable policy and procedures for contracting for construction-related services in accordance with State laws, rules and regulations. However, we found that the Authority needed to significantly improve the availability of adequate documentation supporting its compliance with these requirements. Such documentation provides assurances and accountability for the proper award of contracts. In addition, we found that the Authority executed several change orders to amend existing contracts for additional services even though the services were not related to the scope of the existing contracts.

In our follow-up review, we found that Authority officials have made significant progress in implementing our prior audit recommendations.

### **Summary of Status of Prior Audit Recommendations**

The Authority has implemented all three prior audit recommendations.

### **Follow-up Observations**

#### **Recommendation 1**

*Fully document compliance with all requirements when awarding contracts to construction firms, architects, engineers and construction managers.*

Status - Implemented

Agency Action - On January 26, 2000, the Authority issued updated policy and procedures detailing the documentation required to support contracts awarded to construction firms, architects, engineers and construction managers. Two meetings were held to inform project managers of the changes. Dormitory officials advised us that the Authority's project management and procurement staff ensure compliance with these requirements through the use of contract checklists and ongoing supervision and monitoring. A contract administrator signs and dates the checklist to indicate that the file has been reviewed and is acceptable for submission to Central Files. We randomly selected six contract files to review for compliance with documentation requirements and found all of the required documentation in each of the files.

#### **Recommendation 2**

*Develop specific guidelines for the memo from the Project Manager justifying the selected contractor.*

Status - Implemented

Agency Action - On November 15, 2001, the Authority issued updated consultant contract selection and award policy and procedures that require project managers to use an award memorandum template to justify a selected consultant. The template has a section for the project manager to indicate when and where the project was advertised, the short list of firms considered for award, the final selection matrix criteria and the selection committee's recommendation for award.

### **Recommendation 3**

*Formally require that any additional work authorized by a contract change order or an amendment must relate to the scope of the original contract. Ensure compliance with this requirement.*

Status - Implemented

Agency Action - Included in the Authority's revised procedures of January 26, 2000, is the requirement that amendment or change order work should be related to the original scope of the work. Authority officials advise that project management and procurement staff ensure compliance through ongoing supervision and monitoring. Procurement staff generates exception memos to senior project management when proposed change orders or amendments do not comply with the procedures. Senior management then follows up on the exception memos at internal director and chief meetings. In addition, field audit staff review change orders and amendments as part of their audit program. Our sample of six contracts included three with change orders and all three related to the scope of the original contract and were properly documented.

Major contributors to this report were Jessica Feltman, Kevin Kissane, Karen Bogucki and Michael Solomon.

We thank the Authority for the courtesies and cooperation extended to our staff during this review.

Very truly yours,

Jerry Barber  
Audit Director

cc: Joan Mims  
Deirdre A. Taylor