

ALAN G. HEVESI
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 19, 2006

Mr. Edward Cox
Chairman
State University Construction Fund
State University Plaza
Albany, New York 12201

Re: Report 2006-F-46

Dear Mr. Cox:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the State University Construction Fund (Fund) to implement the recommendation contained in our audit report, Procurement of Consultants (Report 2005-S-001).

Background, Scope and Objectives

The Fund is a public benefit corporation, established within the State University of New York (SUNY) and governed by a three-member Board of Trustees appointed by the Governor. The purpose of the Fund is to provide academic buildings, dormitories, and other facilities for colleges under the jurisdiction of SUNY and to aid in the construction, acquisition, reconstruction, rehabilitation, and/or improvement of such facilities. For the fiscal year ended March 31, 2006, the Fund had revenues of \$793 million and a fund balance of \$23 million. As of March 31, 2006, the Fund had 123 projects (with a total value of \$666 million) that were in the design phase.

The Fund generally uses private consultants to provide the required design services for its projects. The Fund assigns all prospective projects to two subcommittees (made up of Fund officials) to select an appropriate design consultant. The short list subcommittee is responsible for assessing the initial listing of many qualified design firms and then shortening that list to three to five firms (to make the "short list"). The selection subcommittee (composed of officials not on the short list subcommittee) rates the firms on the short list and recommends to senior management the name of the firm to provide the design services.

Our initial audit report, which was issued on September 19, 2005, examined the Fund's compliance with prescribed policies and procedures pertaining to the selection of and contracting with design consultants for the period April 1, 2001 through December 31, 2004. Our review of a sample of consultant contract awards found that the Fund was processing these contracts according

to the State Finance Law and the Public Authorities Law. However, we concluded that controls could be further enhanced if Fund officials retained documentation to substantiate the development of the Fund's short list of prospective design consultants.

The objective of our follow-up, which was conducted in accordance with generally accepted government auditing standards, was to assess the extent of implementation as of December 6, 2006 of the recommendation included in our initial report.

Summary Conclusion and Status of Audit Recommendation

We found that Fund officials have taken appropriate actions to address the issue we identified in our initial audit report. The recommendation in our initial report has been implemented.

Follow-up Observation

Recommendation 1

Modify Fund guidelines to include documentation retention policies to substantiate the development of the short list and to justify the elimination of the consultants from the initial list of qualified firms. Modifications may include enhancements to short list subcommittee minutes and the retention of committee member notes, etc. regarding prospective firms.

Status - Implemented

Agency Action - In January 2006, Fund officials formally modified their guidelines, including those pertaining to document preparation and retention in the consultant selection process. The Fund now requires staff to rank all qualified consultants at the outset of a project and to document that process. Further, the Fund has developed and implemented the "Consultant Rating Short List Form" which is used to narrow the initial list of consultants down to the short list. Since the new procedures were instituted, the Fund has initiated 20 new projects. We reviewed records on file for five of the highest value projects to determine if the Consultant Rating Short List Form was prepared and maintained, along with the related subcommittee minutes. In each case, we found the Consultant Rating Short List Form and appropriate subcommittee minutes were prepared and maintained by the Fund. Thus, Fund officials properly documented the development of the short lists for the projects we selected for review.

Major contributors to this report were Arthur Smith, Donald Collins and David Pleeter.

We thank the management and staff of the State University Construction Fund for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Brian E. Mason
Audit Manager

cc: Mr. John R. Ryan, Chancellor-SUNY
Mr. Philip Wood, Executive Director-SUCF
Mr. Michael Abbott, SUNY University Auditor
Ms. Lisa Ng, Division of the Budget