



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 15, 2011

Dr. Samuel Stanley, Jr.
President
SUNY at Stony Brook
310 Administration Building
Stony Brook, NY 11794

Re: 2009-0378

Dear Dr. Stanley:

Our Office examined¹ payments made by SUNY Stony Brook (Stony Brook) to Schindler Elevator Corporation (Schindler) for elevator and escalator maintenance services provided by Schindler under contract C001406 during the period July 1, 2009 through October 31, 2009. The objectives of our examination were to determine whether Stony Brook paid Schindler the correct price for those services required by and received under the contract and whether Schindler paid elevator mechanics the appropriate prevailing wage.

A. Results of Examination

We found that Stony Brook officials need to improve the documents they use to track maintenance performed by Schindler mechanics. The documents used do not allow Stony Brook officials to effectively monitor the contract and do not provide assurance that Schindler performed all required preventive maintenance Stony Brook contracted for to keep its elevators and escalators safe and operating in optimal condition. In addition, Stony Brook officials could not provide us with documentation showing Schindler completed all required maintenance for elevators at the Campus Residences and that all payments to Schindler for such maintenance were appropriate. As a result, Stony Brook may have paid Schindler up to \$16,000 for maintenance services the vendor did not complete at the Campus Residences. Stony Brook officials need to evaluate their maintenance needs and procure a contract that best suits the needs of the college. In regards to the second objective of our examination, we found Schindler paid its mechanics the appropriate prevailing wage.

¹We performed our examination in accordance with the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution, as well as Article II, Section 8, and Article VII, Section 111 of the State Finance Law.

In their response (Attachment A) to our draft report, Stony Brook officials indicated (i) the monitoring system has been generally effective at the West Campus and Medical Center and they will review the documentation to ensure that it continues to meet operational needs, (ii) the Campus Residences has implemented proper internal controls to monitor and enforce contract compliance, (iii) they are evaluating evidence Schindler provided in response to Stony Brook's request for a \$15,500 credit for services not performed at the Campus Residences, and (iv) the contract meets the needs of the participating departments.

B. Background and Methodology

Stony Brook awarded Schindler a \$14.5 million contract for the period June 1, 2008 through May 31, 2013 to perform maintenance services on the elevators and escalators located in the Campus Residences; the Hospital, Health Sciences Center, and Basic Science Tower (collectively the Medical Center); and the West Campus. Under the contract, Schindler must examine and inspect all elevators and escalators, and when necessary, adjust, lubricate and perform maintenance tasks as specified in the contract. The West Campus and the Medical Center pay for these maintenance services on a time and materials basis, whereas the Campus Residences pays a fixed monthly fee. Stony Brook paid Schindler \$855,000 to perform these services during our examination period of July 1, 2009 through October 31, 2009.

To accomplish our objectives, we reviewed the contract, related payments and other relevant Stony Brook and Schindler records.

C. Details of Findings

Each Stony Brook department is responsible for elevators and escalators in its respective location and has its own maintenance requirements and schedule. Each department has designed monitoring tools (e.g., maintenance task lists) to help ensure Schindler has performed the required preventive maintenance tasks. However, when we examined these documents, we found none of the documents clearly listed all contractual preventive maintenance requirements and, as a result, would not allow Stony Brook officials to effectively monitor the specific services performed and related payments. For example, the contract requires Schindler to:

- *Perform preventive maintenance tasks in accordance with the contract and the American Society of Mechanical Engineers (ASME) for Hospital elevators and escalators.* We examined the documents (the Elevator and Escalator Routine Maintenance Tasks Lists) used by Medical Center officials to monitor Schindler's performance of preventive maintenance. We found the tasks clearly match only 24 percent of the ASME requirements.

- *Examine and, when necessary, perform 14 preventive maintenance tasks on West Campus elevators.* We examined the document (Routine Maintenance Tasks List) used by West Campus officials to monitor preventive maintenance done by Schindler. We found only one task (emergency telephone) clearly matched the contract criteria. Further, the documentation showed Schindler completed this task just 8 percent of the time required by the contract during the scope period.

West Campus officials stated many tasks are generalized on the documents used to monitor Schindler's performance and these generalized categories encompass all the contractual requirements. Officials said they did this as a way to simplify the more cumbersome contract task list and reduce the copious amounts of documentation required. However, officials agreed to evaluate the documents used for monitoring to ensure they meet operational needs.

- *Examine and, when necessary, perform 14 preventive maintenance tasks on Campus Residences elevators.* We reviewed two documents used by Campus Residences to monitor preventive maintenance performed by Schindler and found neither document listed any of the 14 required preventive maintenance tasks. One document (Contractor Performance Observation Sheet) generalized preventive maintenance into one category, rather than specific requirements, for three groupings of elevators. The other document (Service Operations Work Report), which is provided by Schindler, showed hours worked by the mechanics, but not in a manner that would allow for monitoring the completion of every contract requirement.

Stony Brook officials also could not provide us with reliable documentation to support all payments to Schindler were appropriate for maintenance on the Campus Residences elevators. Stony Brook officials maintained the generalized Contractor Performance Observation Sheets for only one of the four months of our examination period. In addition, we analyzed the Service Operations Work Reports Schindler used to document its work during our scope period and found Schindler did not examine and inspect the elevators 44 percent of the time required by the contract at the Campus Residences. Since Stony Brook paid a fixed monthly fee for these services, Stony Brook may have paid Schindler up to \$16,000 for maintenance services not completed according to the contract terms for the Campus Residences. Stony Brook officials formally requested a credit of \$15,500 from Schindler and indicated they are evaluating the evidence Schindler provided them to counter this credit request.

Stony Brook officials also told us the mechanics perform maintenance based on the ASME standards, which do not require preventive maintenance at fixed intervals, and that not all elevators require the same amount of maintenance. An elevator's age, manufacturer

requirements and operational use are some factors which affect the amount of maintenance technicians need to perform on elevators.

It is not clear how Stony Brook officials considered these factors when they procured this contract. For example, in the Campus Residences, 75 percent of the elevators were installed in the late 1960s or early 1970s (with renovations between 1992 and 2003) and about 90 percent of all the elevators are turned off except during certain limited cases, such as when students are moving onto campus. Despite these factors, the contract language requires Schindler to provide the same specific inspection and maintenance services on these elevators every month. This raises questions as to whether Stony Brook procured a contract that best fits its needs.

Stony Brook has a separate, independent contractor that periodically inspects the elevators and escalators and provides an opinion on their condition and safety. While an independent contractor may provide reasonable assurance from time to time that Stony Brook's elevators and escalators do not pose a health and safety issue, Stony Brook officials need ongoing assurance that its elevators and escalators are maintained in a manner to help ensure their safety. Implementing an effective monitoring system to ensure Schindler performs all the maintenance services Stony Brook contracted for will help provide Stony Brook officials with this assurance.

The contract requires Schindler to pay its employees at least the Department of Labor prevailing wage and supplemental rates. We reviewed Schindler's certified payroll records and benefit plan and found Schindler paid its employees appropriate rates.

Recommendations

- 1) *Determine Stony Brook's maintenance needs and procure a contract which best fits the University's needs.*
- 2) *Implement an effective system to monitor Schindler's performance under the contract and to ensure payments are adequately supported.*
- 3) *Recover monies paid to Schindler for services not performed during our scope period. If these moneys are material in relation to the total amount paid during the examination scope period, determine and recover from Schindler an amount for other preventive maintenance services not performed over the life of the contract.*

We shared a draft copy of this report with Stony Brook officials for review and comment and considered their comments in preparing this report. We would appreciate your response to this report by September 12, 2011 indicating any actions planned to address the recommendations in this report. We thank the management and staff of SUNY Stony Brook for the courtesies and cooperation extended to our auditors.

Sincerely,

Bernard J. McHugh
Director of State Expenditures

Appendix A
Appendix B

cc: Douglas Panico
Michael Abbott



Office of the President

July 22, 2011

Mr. Bernard J. McHugh
Director of State Expenditures
Office of the State Comptroller
110 State Street
Albany, NY 12236

Dear Mr. McHugh:

I enclose Stony Brook's response to your draft report #2009-0378 on payments made to Schindler Elevator Corporation under contract C001406. If you have any questions or require additional information, please contact Mr. Douglas Panico of my staff at 631-632-6081.

Sincerely,

A handwritten signature in black ink, appearing to read "SLS", written over a faint, larger version of the same signature.

Samuel L. Stanley, Jr., MD
President

Stony Brook University
 Examination Schindler Elevator Contract #C001406
 Response to Draft Report 2009-0378
 July 1, 2009 – October 31, 2009

A. Results of Examination

The “Results of Examination” section suggests that because each elevator does not receive preventive maintenance at the same intervals as all others the safety of Stony Brook’s elevators is compromised. This is simply not the case. The contract (Options 3 and 5) requires Schindler to maintain elevators in accordance with ASME standards. Under these generally accepted industry standards, maintenance frequencies are equipment-specific and based on a number of factors that include, but are not limited to, the age, design, utilization, environment and technology of each elevator. Therefore, elevator safety is not dependent on all elevators receiving preventive maintenance at the same frequencies.

Appendix B
 Comment 1

B. Background and Methodology

The Basic Sciences Tower and Health Sciences Center are not part of the Hospital. To avoid confusion, we suggest referring to the Basic Sciences Tower, Health Sciences Center and Hospital collectively as “the Medical Center”.

C. Details of Findings

Page 2, West Campus, Medical Center – The contract (Options 3 and 5) requires Schindler to maintain Medical Center elevators in accordance with ASME standards. Under these generally accepted industry standards, maintenance frequencies are not universal, they are equipment-specific. Elevator safety is not dependent on each elevator receiving preventive maintenance at similar intervals; accordingly, neither Option provides a set interval for preventive maintenance across all elevators. As personnel from these sectors of the campus have indicated to the examination team, the task sheets were not intended to dictate universal preventive maintenance frequencies for all elevators.

Appendix B
 Comment 1

The percentages cited regarding telephone testing are not reflective of actual testing on West Campus Elevators. The emergency telephone is a component which is routinely examined every time Schindler attends to an elevator. The testing of the telephones, therefore, far exceeds the ASME standards. This fact, and the independent inspection by CNY of the telephone equipment which reflects a high degree of operational reliability, refutes the deficient testing finding.

Appendix B
 Comment 2

Page 3, First Complete Paragraph – This paragraph states that the Stony Brook officials could not provide the audit team with documentation showing that all payments to Schindler were appropriate and then uses one particular sector of the campus as an “example”. Use of the phrase, “for example” suggests that there were other sectors of the campus were were not able to adequately support payments to Schindler. Based on communications with the audit team, our understanding is that this is not the case. We also note that utilization of Schindler’s services by

Appendix B
 Comment 3

the sector used as an example represents a relatively small portion of the total contract. We ask that the paragraph be reworded to prevent any misinterpretation by readers.

Page 3, Second Complete Paragraph – Our understanding is that the statement about having generalized certain tasks relates to West Campus. During fieldwork, West Campus personnel provided the examination team with a crosswalk showing what specific tasks were included under each general task heading, for example, on the West Campus generated task list, there is an item denoted simply as “motors”. This single item encompasses, “worm gear”, “thrust bearing”, “commutator”, “brushes”, and “screw drives”, which are all listed as separate tasks on the contract task list.

Page 3, Third Complete Paragraph – Most of this paragraph appears to be about the West Campus and/or Medical Center elevators. The last sentence in the paragraph, concerning the potential recovery of funds relates to Campus Residences. This placement makes it appear as if there are potential recoveries in other sectors. Based on our communications with the examination team, this is not the case. We ask that the last sentence be deleted from this paragraph and/or moved to the end of the previous paragraph, which is exclusively about Campus Residences.

Appendix B
Comment 3

Page 3, Fourth Complete Paragraph – This paragraph states that it was not clear to the examination team how Stony Brook officials considered the factors affecting the amount of maintenance technicians need to perform on elevators when procuring the contract and questions whether Stony Brook procured a contract that best fits its needs. West Campus and Medical Center personnel procured a contract that met their needs by requiring elevators to be maintained in accordance with ASME standards. Campus Residences decided that standardizing preventive maintenance tasking better met their needs because they believe that the elevator industry has a tendency to ignore newer equipment and focus solely on the old, so some of the newer equipment may not be looked at for quite some time. Therefore, the campus procured a contract that meets the needs defined by each participating sector of the campus.

Appendix B
Comment 1

According to Campus Residences personnel the statement: “90 percent of all the elevators are turned off except during high use periods, such as when students are moving onto campus” is not factually correct. Campus Residences personnel advise that most elevators in the residence halls operate continuously throughout the year and that very few elevators are turned off during significant portions of the year.

Appendix B
Comment 4

Page 4, First Paragraph – The examination team appears to have used monthly inspections of all elevators as the standard for suggesting that Stony Brook’s overall monitoring of the contract may have affected elevator safety. As indicated previously in this response, this is not an appropriate standard because elevator safety is not dependent upon all elevators receiving preventive maintenance with equal frequency. The contract (Options 3 and 5) requires Schindler to maintain elevators based in accordance with ASME (equipment-specific) standards. As

Appendix B
Comment 1

indicated in our previous responses, as an additional check all sectors of the campus have engaged an independent elevator inspection service and the results of those tests reflect a high degree of operational reliability and safety.

Recommendations

1. Determine Stony Brook's maintenance needs and procure a contract which best fits the University's needs.

Response: Stony Brook procured a contract that met the needs of the participating departments.

2. Implement an effective system to monitor Schindler's performance under the contract and to ensure payments are adequately supported.

Response: Based on the results of your examination and the intent of the contract, West Campus and Medical Center personnel believe that monitoring has been generally effective at achieving these objectives. These sectors of the campus will review the documentation used to monitor performance to ensure that it continues to meet operational needs. Campus Residences advises that they have implemented proper internal procedures to monitor and enforce contract compliance.

3. Recover monies paid to Schindler for services not performed during our scope period. If the results show a material recovery amount, determine and recover from Schindler an amount for other preventive maintenance services performed over the life of the contract.

Response: The related finding involved only Campus Residences. On December 22, 2010, Campus Residences formally requested a \$15,500 credit from Schindler for preventive maintenance services not performed during the audit period. Schindler has since responded with supporting documentation countering this claim. This documentation is currently under review by campus personnel.

State Comptroller Comments on Auditee Response

1. While Stony Brook included the ASME standards in the contract for Option 3 and Option 5, these Options also included other terms that required Schindler to provide certain preventive maintenance activities at fixed intervals. Specifically, Option 3 referenced “Schedule of preventive maintenance and inspection West Campus and Campus Residences,” which was incorporated in the contract in Attachment B. Also, Option 5 referenced “Monthly elevator services, monthly elevator check list and annual elevator check list,” which was incorporated in the contract in Attachment C. Attachments B and C included fixed frequencies at which Schindler was required to perform specific preventive maintenance under the contract. Our auditors tested the evidence supporting whether Schindler provided this preventive maintenance according to the fixed contractual schedules and consistently found Schindler did not provide preventive maintenance at the required intervals. Given Stony Brook officials’ repeated statements that maintenance frequencies were not intended to be uniform for all elevators or provided at fixed intervals, we question why officials included such terms in the contract. Going forward, Stony Brook officials should ensure it procures an elevator maintenance contract with only those terms that meet its needs.
2. Although Stony Brook officials assert the technicians test the telephones every time they attend to an elevator, there is no documentation to support these tests. If the technicians did this maintenance task as frequently as Stony Brook officials assert, we question why the technicians did not document this particular task when we found they documented other preventive maintenance tasks. Further, while the high degree of operational reliability of the telephones may be a result of the frequent testing, it may also be a result of the overall durability of the telephones.
3. For clarity purposes, we have modified the report to reflect that these issues are related specifically to the Campus Residences.
4. The information provided by Campus Residences personnel that “most elevators operate continuously throughout the year and that very few elevators are turned off during significant portions during the year” conflicts with information Stony Brook Director of Residential Operations gave the auditors in a March 29, 2010 email. This email included a spreadsheet showing 31 of the 35 elevators in the Campus Residences were normally turned off. The Director of Residential Operations also explained that these elevators are turned on only in limited cases, such as when students move on and off the campus. We recommend Stony Brook officials take appropriate action to reconcile these conflicting statements to identify the true operating frequency of these elevators.