STATE UNIVERSITY OF NEW YORK

DONALD G. DUNN
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UNIVERSITIES
University at Albany
Binghamton University
University at Buffalo
University at Stony Brook

COLLEGES
Brockport
Buffalo
Cortland
Empire State College
Environmental Science and Forestry
Farmingdale
Fredonia
Geneseo
Institute of Technology at Utica/Rome
Maritime
New Paltz
Old Westbury
Oneonta
Optometry
Oswego
Plattsburgh
Potsdam
Purchase
Ceramics at Alfred University
Agriculture/Life Sciences at Cornell University
Human Ecology at Cornell University
Industrial/Labor Relations at Cornell University
Veterinary Medicine at Cornell University

HEALTH SCIENCE CENTERS
HSC at Brooklyn
HSC at Syracuse

COLLEGES OF TECHNOLOGY
Alfred
Canton
Cobleskill
Delhi
Morrisville

COMMUNITY COLLEGES
Adirondack
Broome
Cayuga
Clinton
Columbia-Greene
Corning
Dutchess
Erie
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OFFICE OF THE STATE COMPTROLLER

AUG 31 1998

H. Carl McCall
New York State Comptroller

August 28, 1998

Hon. H. Carl McCall
Comptroller
Alfred E. Smith Office Building
Albany, New York 12236

Dear Comptroller McCall:

In accordance with Section 170 of the Executive Law, we are pleased to submit the Status Report of corrective action regarding the State Comptroller's Audit Report on University and Clinical Practice Management Plan Space Leasing Practices, State University of New York, University at Stony Brook (96-S-36). The final audit report was issued by the State Comptroller on May 29, 1998.

Sincerely,

Donald G. Dunn
Executive Vice Chancellor

Enc.

copy: Chancellor Ryan
President Kenny

Appendix B

STATE UNIVERSITY OF NEW YORK
STATUS REPORT

AUDIT REPORT — UNIVERSITY AND CLINICAL PRACTICE MANAGEMENT PLAN SPACE LEASING PRACTICES, STATE UNIVERSITY OF NEW YORK, UNIVERSITY AT STONY BROOK

STATUS OF RECOMMENDATIONS AS OF — AUGUST 28, 1998

	TITLE OF SECTION	NUMBER OF RECOMMENDATIONS	FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	PENDING	DISAGREE	SUNY ACTION
	Space Leasing Practices	6	3		1	2	
	Maintenance Expenses	6	1	4		1	
	Renovation Costs	3	1	2			
TOTAL		15	5	6	1	3	
%		100%	33%	40%	7%	20%	

ADDITIONAL COMMENTARY

Space Leasing Practices

Recommendation 1 - Fully Implemented

Hospital management will consider all quantifiable costs along with the other defined selection criteria when analyzing alternative properties for future leases.

Recommendation 2 - Fully Implemented

Hospital management will assign weights to the selection criteria for future leases, consistent with the use/requirements of the operations they intend to locate in the leased facilities.

Recommendation 3 - Disagree

We do not believe that a referral to the Ethics Commission is necessary. At the time this lease was negotiated, executed and approved (August 1995), the University was not aware that a possible ethics violation existed. SUNY Administrative Procedures were subsequently revised in April 1996 to impose a requirement that the University make specific inquiries relating to ownership in order to determine whether competitive bidding is required. The University will conform its procedures to the revised SUNY procedures in the future.

Recommendation 4 - Disagree

A retrospective review/renegotiation of this lease is not necessary. We believe existing procedures already provide the campus with the necessary assurances. All leasing transactions are examined prior to their execution and only those that are in the best interest of the campus are approved.

Recommendation 5 - Fully Implemented

The space is being used for its intended purpose.

Recommendation 6 - Pending

This issue is currently under further review in light of recent legislation and we anticipate revisions to University administrative policies.

Maintenance Expenses

Recommendation 7 - Partially Implemented

As indicated in the response to the draft report, Hospital personnel review each and every invoice for CAM expenses prior to authorizing payment.

The appropriate means for monitoring annual CAM expenses is review and analysis by Hospital staff to ensure consistency and reasonableness of data. The Hospital has requested that the property management firm provide detailed annual CAM expenditure reconciliations by expense class to enable more thorough and complete review and analysis by Hospital staff. The Hospital has implemented procedures to conduct this review and will complete the review of calendar year 1997 CAM reconciliations by September 30, 1998. Formal audits may be conducted on a periodic basis to provide assurance as to the adequacy of the review process and procedures for CAM expenditures.

Recommendation 8 - Fully Implemented

Hospital personnel have reconciled sewer taxes through calendar year 1997 and have noted no material differences.

Recommendation 9 - Partially Implemented

Hospital personnel are in the process of recalculating management fees as part of the review of CAM charges. This reconciliation will be completed by September 30, 1998.

Recommendation 10 - Disagree

As indicted in our response to the preliminary audit findings, the capital reserve account does not belong to the property management firm or to the landlord. The charge of $3,218 was correctly applied in accordance with the lease terms and cannot be credited by either entity. The condominium association develops and controls its own budget, including the Capital Reserve Account, the costs of which are proportioned among the various condominium unit owners. The Capital Reserve Account is a line item in the condominium's budget, not in the landlord's budget. The property management firm does not control the activities of the condominium association.

Recommendation 11 - Partially Implemented

The Hospital has attempted to accelerate the reconciliation process, according to the terms of the leases, so that any overpayment can be obtained in the most current quarter after the reconciliation process.

Recommendation 12 - Partially Implemented

Hospital management will make this determination in conjunction with its ongoing review of CAM charges to be completed by September 30, 1998.

Renovation Costs

Recommendation 13 - Partially Implemented

Hospital management is developing written procedures. Where possible, and consistent with lease terms, renovation costs on leased properties will be bid. In the absence of competitive bidding, the

Hospital will assure the reasonableness of renovation costs through alternative means. The landlord, or designee, will be required to provide evidence of competition among building trades and either Hospital facilities staff, an independent consultant retained by the Hospital or the Office of General Services will review proposed renovation costs for reasonableness and consistency with relevant industry cost standards.

Recommendation 14 - Fully Implemented

Hospital management will ensure that future lease submissions to the Comptroller's Office will be more explicit concerning responsibility for the payment of such renovation costs.

Recommendation 15 - Partially Implemented

See Recommendation 13. The Hospital will consider the advisory services OGS offers as a resource that may be called on as needed when entering into future leases that include renovations.