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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 21, 2003

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

Re: Report 2003-F-10

Dear Mr. Cox:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article 2, Section 8 of the State Finance Law, we have reviewed the actions taken by officials of the State University Construction Fund (Fund) as of April 10, 2003, to implement the recommendations contained in our audit report, *Consultant Contract D004265* (Report 2001-S-29). Our report, which was issued on November 7, 2001, assessed the Fund's evaluation of the qualifications of firms seeking the award of a consultant contract for a program study related to a proposed police training facility on the campus of the State University of New York's College at Old Westbury. We also audited the timing of the decision to award this \$102,000 contract to Hudson Design and the support for payments resulting from it.

Background

The State University Construction Fund (Fund), governed by a three-member Board appointed by the Governor, was created in 1962 as a public benefit corporation established within the State University of New York (SUNY). The purpose of the Fund is: to provide academic buildings and other facilities for SUNY; to reduce the time lag between the determination of need and actual occupancy; to expedite the construction, acquisition, reconstruction and rehabilitation or improvement of such facilities; and to ensure they are ready for the purposes intended when needed and when scheduled under SUNY's master plan.

Summary Conclusions

In our prior audit, we identified significant weaknesses in the process used by the Fund to evaluate the firms seeking the contract that was awarded to Hudson Design. We also identified several problematic conditions that caused us to question the propriety of the contract award, including indications that Hudson Design had begun the work on the study before the formal consultant selection process was completed. As a result, we could not conclude that the decision to select Hudson Design was the appropriate one. In addition, we examined the payments made to

Hudson Design for the work performed under the contract, and determined that the payments were based on duly signed vouchers and evidence of completed work.

In our follow up review we found that the Fund has reissued its consultant contract evaluation and award procedures to all staff and expanded the consultant selection committee. This should allow the committee to comply with Fund guidelines and procedures. The Fund has also hired a consultant to develop a procurement manual and has developed definitions for the various rating categories used in evaluating consultants. Our review of two recent letter type agreements found that the Fund had complied with their procedures and the evaluations were completed before the start of the work.

Summary of Status of Prior Audit Recommendations

The Fund has fully implemented two prior audit recommendations and partially implemented one prior recommendation.

Follow-up Observations

Recommendation 1

Complete all evaluation and award decision processes prior to the award and start of work for a consultant contract.

Status - Implemented

Agency Action - Officials advised us that they have reissued directives to all Fund staff stating that all evaluation and award decision processes, including the requirement to complete the selection process prior to award and start of work for a consultant contract, are to be followed carefully in every case. Officials further provided to us a memorandum issued to all staff pertaining to the Office of the State Comptroller's procurement and disbursement guidelines for timely contract submittals (Bulletin No. G-195).

Recommendation 2

Establish formal, comprehensive, written procedures to specify the steps and related documentation requirements that must be followed when performing evaluation and contract award processes for letter agreement contracts. At a minimum, these procedures should address real and perceived conflicts of interest, definitions of rating categories, guidance on numeric scores for rating categories, required sign-offs and formal transmittal memoranda .

Status - Partially Implemented

Agency Action - The Fund has contracted with the accounting firm KPMG to develop a procurement practice manual. This manual will specify improved procedures and controls that will help ensure that the contract award decisions are made in a fair and impartial manner. The contract completion date is May 27, 2003. The Fund has also developed

guidelines that address the definitions of ranking form evaluation criteria and numerical grading for rating categories. Officials indicated that the other minimum procedures identified in our recommendation are addressed in the procurement practice manual developed by KPMG. Since the procurement practice manual remains in the development stage, we have determined that the recommendation is partially implemented.

Recommendation 3

Ensure that the selection committee members for letter agreement contracts follow Fund Guidelines and written procedures and that they review all materials, submissions, etc. associated with a particular evaluation.

Status - Implemented

Agency Action - The Fund has reconstituted and expanded the selection committee in order to provide sufficient resources to fully comply with Fund guidelines and written procedures. The new committee has issued written procedures, which will help assure that these objectives are implemented in each contract award selection.

Major contributors to this report were Arthur F. Smith and Jason Kearney.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the State University Construction Fund for the courtesies and cooperation extended to our staff during this review.

Very truly yours,

Steven E. Sossei
Audit Director

CC: R. Wayne Diesel
Deirdre Taylor