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**OFFICE OF THE  
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE SERVICES**

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**STATE UNIVERSITY OF  
NEW YORK**

**STONY BROOK  
UNIVERSITY**

**ADMINISTRATION OF  
CONTRACT DOD0222  
CANNON DESIGN**

**Report 2005-R-4**

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## AUDIT OBJECTIVES

For the period July 1, 2002 through December 31, 2005, our objectives were to determine whether the State's payments to Cannon Design (Cannon) were for appropriate contract-related deliverables and were supported by adequate documentation. We also assessed whether Stony Brook University (SBU) officials effectively administered this capital project (project).

## AUDIT RESULTS - SUMMARY

We determined that the payments to Cannon were for appropriate deliverables required by Contract DOD0222, and were generally supported with adequate documentation. However, we identified several opportunities for SBU officials to improve project administration.

The contract provides for SBU to pay Cannon 20 percent, 20 percent and 40 percent of its professional fees upon completion of each of the first three of four design phases, respectfully, with the final 20 percent due when all contract-related services are completed. SBU's Hospital Facilities Director told us that he used his experience and observations of the work performed by Cannon to determine that each interval payment to Cannon was appropriate. However, he did not document the basis for these determinations.

Further, the contract also stipulates that Cannon was entitled to a maximum of \$636,000 in reimbursable expenses (food, lodging, travel, etc.) in addition to professional fees. The contract lists the type of documentation that should be attached to each invoice to support these expenses.

We reviewed four invoices covering 277 individual expense transactions, totaling \$81,192, and found that 202 of these transactions, totaling \$16,114, did not indicate the reason (contract related purpose) for these expenses, as required. [Pages 4-5]

We noted several instances where SBU officials asked Cannon to redesign certain items, resulting in additional design fees that may have been avoidable. [Pages 5-6]

In response to our report, SBU officials concurred with our recommendations and indicated steps they were taking to address them.

This report dated January 17, 2007, is available on our website at: <http://www.osc.state.ny.us>. Add or update your mailing list address by contacting us at: (518) 474-3271 or  
Office of the State Comptroller  
Division of State Services  
State Audit Bureau  
110 State Street, 11<sup>th</sup> Floor  
Albany, NY 12236

## BACKGROUND

The State University of New York (SUNY) is the nation's largest comprehensive system of public higher education. It has 64 campuses located throughout New York State (State), four of which are University Centers that have a mission of education, research, patient care, and community service. SBU, in Suffolk County, Long Island, is one of these four.

SBU hosts a full scope of health care and research facilities, including SBU Hospital (Hospital), a tertiary hospital that opened in 1980 serving Long Island residents. In addition to medical services, SBU provides

training for physicians, dentists, and other health care professionals, as well as a full-scope, non-medical-related curriculum.

In the 26 years since the Hospital opened, its patients' surgical, emergency, and obstetrical needs have increased significantly as the population of Suffolk County has grown. To sustain its ability to meet those needs, and to maintain state-of-the-art medical facilities, the Hospital has planned and begun major improvements to its facilities. Planning for these improvements began in 2001, when SBU hired a consultant, Kaplan, McLaughlin & Diaz, to design a strategic master modernization plan. In May 2002, when the plan was completed, an RFQ (Request for Qualifications) process was initiated by SBU officials to select another consulting firm to implement the modernization plan. Cannon Design (Cannon) was hired in June 2002 at a cost of \$221,960 to review Kaplan's plan, assess necessary revisions, and prepare for implementation.

SBU and Cannon subsequently entered into a consultant's agreement for architectural and engineering (A/E) services (Contract DOD0222), at an initial cost of \$7.1 million, covering the period July 1, 2002 through June 30, 2006. The contract covers design services for improved Hospital facilities to accommodate current, as well as, anticipated surgery, emergency, labor and delivery, neonatal intensive care, adult and pediatric oncology services.

In preparing its new design, Cannon focused on the Hospital's growth potential. The contract, which is part of a comprehensive, \$165 million construction project underway at the Hospital, was amended on December 14, 2004, to increase the total contract price from \$7.1 million to \$10.9 million for additional A/E work including the addition of the

Ambulatory Care Pavilion. Its terms stipulate that SBU will make installment payments in proportion to the amount of services periodically reported by Cannon relating to the stipulated five project phases: 1) Program, 2) Schematic Design, 3) Design Manual, 4) Construction Document, and 5) Construction Administration.

A committee consisting of planning personnel and user groups is responsible for reviewing the status of project phases, periodically reevaluating Hospital needs, and communicating its observations and conclusions to Cannon as well as the Hospital's Chief Planning Officer and Executive Committee.

#### **AUDIT FINDINGS AND RECOMMENDATIONS**

We determined that Cannon has provided the major service deliverables required pursuant to Contract DOD0222. However, we identified several opportunities for SBU officials to improve their project administration practices.

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#### *Confirmation of Contract Deliverables*

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According to the contract, Cannon is to provide the professional services necessary for completion of project design and construction. The following deliverables were associated with the project's five contract phases.

- Program - Prepare and submit to SBU for approval a program phase report detailing the function, scope, and intent of the project.
- Schematic Design - Prepare a report that will include an illustration of the

proposed design, as well as supportive technical data and cost estimates.

- Design Manual - Prepare and submit for approval a design manual, incorporating design decisions, preliminary plans, outline specifications, cost estimates, and time schedules.
- Construction Document - Prepare and submit final drawings based on a detailed construction cost estimate and oversee the bidding and selection of construction contractors for project implementation.
- Construction Administration - Ensure that the project is being built in conformance with approved contract specifications. Provide general administration of each construction contract awarded for the project until final completion and acceptance by SBU.

As of June 30, 2006, the first four of these phases had been completed and the associated formal reporting requirements for these deliverables have been satisfied.

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#### *Contract-Related Billings*

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The contract provides for the payment of professional service fees, as well as the reimbursement of contract-related ancillary expenses such as travel, postage, etc. It is SBU management's responsibility to ensure that all contractor invoices are appropriate and supported before they are approved for payment.

#### Professional Service Fees

The contract calls for the periodic payment of Cannon's professional fees to coincide with

the various intervals of contract completion (e.g., design phase, schematic, etc.). As such, Cannon submitted periodic invoices to SBU's Facilities Director noting various stages of contract completion. However, these invoices did not include any specific data or other evidence to support these payment-point assertions. When queried, the Facilities Director informed us that he used his extensive work experience and first-hand observations to confirm the stage of completion assertions made by Cannon. However, he informed us that he did not maintain detailed notes to document his observations. Considering the significant dollar amount of each periodic payment (approximately \$2 million), formal documentation to support stage of completion assertions should have been submitted by Cannon. We are not questioning the total amount paid to Cannon for its services, since the prior payments are ultimately supported by the work completed. However, closer scrutiny during the contract phase would prevent overpaying for work that may have proven inadequate, or was not sufficiently complete.

#### Reimbursable Expenses

Reimbursable expenses include transportation costs, travel expenses, reproduction costs, long distance telephone and fax charges, and lodging and meal expenses incurred by Cannon staff on contract related business. The contract and amendment allocate a total of \$636,000 for these types of expenses. According to the contract, reimbursable expenses are to be paid when they are supported by a description of the respective items and services delivered, and there is an accurate computation of the costs supported by Cannon's accounting records.

The State University Construction Fund, provides SUNY with planning, architectural and engineering design, construction and facilities services for SUNY. The Fund's guidelines state that the records and/or receipts accompanying requests for vendor/contractor travel-related payments must include the following information:

- Date, origin, and destination of trip
- Time of departure and return
- Purpose of trip
- Name(s) of travelers
- Means of conveyance
- Meals and lodging

When we examined a sample of 4 invoices representing 277 reimbursable transactions, we noted that Cannon had usually submitted receipts for reimbursement (e.g., meals, lodging, transportation, etc.), but did not list the reason or contract-related purpose for trips on the reimbursement request forms. We found such documentation was missing in 202 (74 percent) of these transactions totaling \$16,114.

#### **Recommendations**

1. When reviewing billings for professional services, document the justification for payment authorization.
2. Do not reimburse contractors for reimbursable expenses unless the required support and justification is made available.

Investigate the \$16,114 in payments noted in this report for which the support and

justification was not available. Seek recovery of said payments as appropriate.

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#### *Project Administration*

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When planning a major capital project, SBU officials should ensure that their needs, as well as those of the potential end users, are addressed thoroughly. As the contract-awarding agency, SBU has the inherent responsibility to oversee all phases of Cannon's contract-related operations including project planning.

In a specialized working environment like that of the Hospital, effective project planning would include comprehensive discussions with doctors, nurses, and medical technicians in addition to facilities personnel. Such discussions would address the types of equipment necessary to execute Hospital responsibilities, their preferred location, lighting, building materials, entrance, egress, cost analyses and other issues relevant to day to day operations, as well as to long-term operations. SBU officials were able to document extensive meetings and discussions with construction personnel and user departments to help meet this responsibility - and to minimize the needs for expensive redesigns prior to project construction.

Our review of Cannon's designs and associated billings identified several instances where SBU officials asked Cannon to redesign certain items, resulting in additional design fees that may have been avoidable. For example:

- During preliminary design considerations, a determination for a steel parking deck adjacent to the Hospital was made. A steel structure was deemed necessary after preliminary inquiries of a SBU

employee who also happened to be the Town of Stonybrook's local fire chief, determined the parking deck had to be strong enough to withstand the weight of a fire truck. However, prior to construction and upon further inquiry of the Town of Stonybrook's local fire board, it was determined that a concrete deck would be sufficient to meet code and result in significant cost savings. As such, after the design was completed, SBU officials asked Cannon to design a concrete parking structure instead. The additional fee paid to Cannon for this redesign was \$109,860.

- SBU officials directed Cannon to change its design plans for clearing land at a particular building site to result in the removal of fewer trees. This change cost SBU an additional \$74,800.
- SBU officials decided to redesign the new ambulatory care pavilion at an additional cost of \$51,290. Written justification for this redesign request was not available.

We acknowledge that design changes resulting in overall Project savings and protecting the environment are not only positive, but are management's responsibility. However, more extensive planning efforts such as consulting with the proper authorities regarding the parking deck requirement or providing specific parameters regarding landscaping requirements may have addressed these issues up front negating the need for the additional redesigns.

#### **Recommendation**

4. When planning for future capital construction projects, enhance planning

efforts to better address user needs and cost issues. Convey to users the significance of comprehensive and accurate input as early as possible to help prevent redesign fees.

#### **AUDIT SCOPE AND METHODOLOGY**

Our performance audit of this contract was done in accordance with generally accepted government auditing standards. We audited SBU's administration of this contract for the period July 1, 2002 through December 31, 2005.

To achieve our objectives, we met with SBU and Cannon officials to verify and enhance our knowledge of the contract's provisions and terms. We reviewed the Design Contract DOD0222 and Amendment 1, Article IX of the State Finance Law, SUNY Consultant Service Guidelines, SUNY Construction Fund Bulletin and SBU's Accounts Payable Policy and Procedures. We reviewed contract-related invoices and available supporting documentation, as well as federal and State travel guidelines.

To perform our review of contract invoices, we selected a judgmental sample of 28 invoices (33 percent of the population), totaling \$6,840,428, from a population of 85 invoices, totaling \$10,356,375, that were dated February 2003 to August 2005. Of the 85 invoices, 43 pertained to professional services; while 42 were for reimbursement-related expenses. Of the 28 sampled invoices, 24 were for professional services (totaling \$6,755,236) and 4 invoices were for reimbursables totaling \$85,192. In all of these cases, we selected the first invoice from each month for our review.

In addition to being the State Auditor, the Comptroller performs certain other

constitutionally and statutorily mandated duties as the chief fiscal officer of New York State, several of which are performed by the Division of State Services. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1, of the State Constitution; and Article III of the General Municipal Law.

#### **REPORTING REQUIREMENTS**

We provided a draft copy of this report to SBU officials for their review and comment. Their comments have been considered in the preparation of this report, and are included as Appendix A. SBU officials concurred with our recommendations and indicated steps they were taking to address them.

Within 90 days of the final release of this report, the President of the State University of New York at Stony Brook shall report to the Governor, State Comptroller, and appropriate Legislative committees advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

#### **CONTRIBUTORS TO THE REPORT**

Major contributors to this report include William Challice, Frank Patone, Anthony Carbonelli, Barry Mordowitz, Roseline David, Carole LeMieux, Altagracia Rodriguez, Gerry Vasquez, Natalie Gordon, and Marticia Madory.

## APPENDIX A - AUDITEE RESPONSE



THE STATE UNIVERSITY of NEW YORK

Dr. Kimberly R. Cline  
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December 1, 2006

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Mr. William P. Challice  
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State Audit Bureau  
123 William Street, 21<sup>st</sup> Floor  
New York, New York 10038

Dear Mr. Challice:

In accordance with Section 170 of the Executive Law, we are providing the following comments regarding the draft audit report on Stony Brook University Administration of Contract DOD0222 Cannon Design (2005-R-4). We are pleased that the State Comptroller found that the State University of New York at Stony Brook (University) effectively managed the contract and determined that payments were generally appropriate and supported with adequate documentation. We concur with the recommendations in the report and have taken action to address them.

There are two issues we would like to clarify concerning redesign fees discussed in the report. In regard to the redesign of the parking structure, the determination for a steel structure was made during preliminary design considerations and University officials did not "ask" for a steel structure as stated in the report. Furthermore, it should be noted that the University saved an estimated \$350,000 on the project by redesigning the structure. In regards to the redesign for removing fewer trees, this decision was made to preserve trees, not for "aesthetics" purposes as the report indicates. Our specific comments to each recommendation follow:

Recommendation 1 - When reviewing billings for professional services, document the justification for payment authorization.

Response - The University and System Administration agree that adequate support and justification for professional services payments should be retained and will ensure the required documentation is maintained. While the audit report states that closer scrutiny during the contract phase would prevent overpaying for work that may have

\*  
Comment

UNIVERSITY CENTERS AND DOCTORAL DEGREE GRANTING INSTITUTIONS University at Albany • Binghamton University • University at Buffalo • Stony Brook University • SUNY Downstate Medical Center • Upstate Medical University • College of Environmental Science and Forestry • College of Optometry • NYS College of Ceramics at Alfred University • NYS College of Agriculture/Life Sciences at Cornell University • NYS College of Human Ecology at Cornell University • NYS College of Industrial/Labor Relations at Cornell University • NYS College of Veterinary Medicine at Cornell University UNIVERSITY COLLEGES SUNY Brockport • Buffalo State College • SUNY Cortland • Empire State College • SUNY Fredonia • SUNY Geneseo • SUNY New Paltz • SUNY Old Westbury • College of Oneonta • SUNY Oswego • SUNY Plattsburgh • SUNY Potsdam • Purchase College TECHNOLOGY COLLEGES Alfred State College • SUNY Canton • SUNY Cobleskill • SUNY Delhi • Farmingdale State College • Maritime College • Morrisville State College • SUNY Institute of Technology COMMUNITY COLLEGES Adirondack • Broome • Cayuga County • Clinton • Columbia-Greene • Corning • Dutchess • Erie • Fashion Institute of Technology • Finger Lakes • Fulton-Montgomery • Genesee • Herkimer County • Hudson Valley • Jamestown • Jefferson • Mohawk Valley • Monroe • Nassau • Niagara County • North Country • Onondaga • Orange County • Rockland • Schenectady County • Suffolk County • Sullivan County • Tompkins Cortland • Ulster County • Westchester

\* See State Comptroller's Comment, page 9

proven inadequate, or was not sufficiently complete, there were, in fact, no noted instances of overpayment for inadequate or incomplete work.

Recommendation 2 - Do not reimburse contractors for reimbursable expenses unless the required support and justification is made available.

Response – The University and System Administration agree that adequate support and justification for reimbursable expenses must be obtained prior to payment and will ensure that such documentation is obtained for future projects.

Recommendation 3 - Investigate the \$16,114 in payments noted in this report for which the support and justification was not available. Seek recovery of said payments as appropriate.

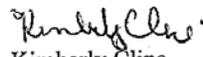
Response – The University and System Administration agree with the recommendation and are investigating the appropriateness of the payment.

Recommendation 4 - When planning for future capital construction projects, enhance planning efforts to better address user needs and cost issues. Convey to users the significance of comprehensive and accurate input as early as possible to help prevent redesign fees.

Response – The University and System Administration appreciate the recognition in the draft report of the University's extensive planning efforts for this project. We agree with the recommendation and will continue to make every effort to minimize the cost of design modifications.

Thank you for the opportunity to respond to the audit report. If you have any questions, please contact Michael Abbott at 518-443-5533 or [michael.abbott@suny.edu](mailto:michael.abbott@suny.edu).

Sincerely,

  
Kimberly Cline  
Vice Chancellor and  
Chief Financial Officer

Copy: Chancellor Ryan  
President Kenny

\* State Comptroller's Comment - We revised our report to reflect information provided in the response.