



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 11, 2009

Dr. Matthew Goldstein
Chancellor
City University of New York
535 East 80th Street, 7th Floor
New York, NY 10075

Re: 2008-0309

Dear Dr. Goldstein:

We examined payments Queens College (College) made to Siemens Building Technologies, Inc. (Siemens) under contract NMP6011 for remedial and preventive maintenance on building management system equipment (equipment) manufactured by Siemens.¹ These included all payments made for invoices covering services in calendar year 2008. Due to a weakness we identified in the payment process during our examination, we expanded our scope to include certain payments covering the period October 1, 2004 to September 30, 2007. The objectives of our examination were to determine if payments made were appropriate and in accordance with contract terms.

A. Background and Methodology

The College pays Siemens a fixed monthly fee of \$15,131 under contract NMP6011 for remedial maintenance, as needed, and for all preventive maintenance on Siemens equipment at the College. During 2008, the College paid Siemens \$181,572 for calendar year 2008 invoices and \$12,924 for certain services billed during the period July through September 2007, but paid in 2008.

To accomplish our objectives, we examined all vouchers and supporting documents and interviewed appropriate officials from the College and Siemens. We provided College and CUNY Central officials with our findings and considered their response in this report.

¹ We 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.

B. Results of Examination

We found Queens College did not amend its contract with Siemens to reflect any changes in equipment on the campus and has not adjusted the contract pricing accordingly. In addition, from October 1, 2004 to September 30, 2007 Siemens was paid \$150,600 for a warranty on Powdermaker Hall equipment when the College already paid Siemens for all preventive and remedial maintenance on this equipment through the contractual monthly maintenance fees. We also found that Siemens did not provide all the preventive maintenance required under the contract and may be able to save as much as \$63,517 annually by obtaining future maintenance services on a time and materials basis.

Contract NMP6011 not Amended

The College entered into contract NMP9306 with Siemens in June 1999 for preventive and remedial maintenance services on all Siemens equipment listed in the contract, including equipment in Powdermaker Hall. When contract NMP9306 expired in September 2005, the College replaced it with contract NMP6011, which also includes a list of equipment for which Siemens is required to provide preventive and remedial maintenance services.

We found the College never amended Contract NMP6011 to reflect any changes in equipment on the campus and has not adjusted the contract pricing accordingly. For example, the equipment list in contract NMP6011 includes equipment in Powdermaker Hall that was replaced when Powdermaker Hall was renovated prior to the start of contract NMP6011. College officials told us they have also added and removed other Siemens equipment on the campus that is covered by the contract.

College officials do not know the per-unit maintenance cost of any equipment included in the contract and they agreed that the contract equipment list is inaccurate. As a result, College managers do not know if they are paying Siemens a reasonable price for maintenance services.

In response to a draft of this report, College officials agreed to work with Siemens to amend the NMP6011 contract equipment list to properly reflect actual equipment covered under the contract. They will also ensure the College pays Siemens a reasonable price for the covered equipment.

Overpayment for Maintenance

Although the equipment list for contract NMP6011 included Powdermaker Hall equipment that had been replaced, the College continued to pay Siemens, via the monthly fees, for maintenance services on that equipment. As such, it can be reasonably expected that unless Siemens returned

money to the College for the maintenance services on the equipment that was replaced in Powdermaker Hall, the maintenance fees the College actually paid Siemens covered the services on the new equipment. Siemens did not return the money to the College. Therefore, we conclude the money the College paid Siemens under contract NMP6011 covered the maintenance services on the new Powdermaker Hall equipment.

Based on information we received from College officials, the Dormitory Authority of the State of New York and the College also collectively paid Siemens \$150,600 for a warrantee on the same Powdermaker Hall equipment. This warrantee covered the period October 1, 2004 to September 30, 2007 and included the same maintenance services the College was paying Siemens to perform under contracts NMP6011 and NMP9306. Consequently, Siemens was paid twice for performing one set of maintenance procedures on equipment in Powdermaker Hall.

In responding to our draft report, College officials stated they need additional information from DASNY and Siemens about Powdermaker Hall and other changes in equipment during the contract period before they can reach a conclusion about the extent of any overpayment.

Preventive Maintenance

The contract outlines specific preventive maintenance tasks, broken down by general categories of equipment, and whether the tasks are required monthly, quarterly, semi-annually and/or annually. It also requires Siemens to give the College a written preventive maintenance schedule that meets or exceeds the manufacturer's recommended schedule.

We found Siemens did not give the College a written preventive maintenance schedule. As a result, College officials could not readily identify which of the 5,000 component parts required the specific preventive maintenance tasks outlined in the contract or verify that Siemens provided all the preventive maintenance required under this contract.

Our examination also found Siemens did not provide certain required preventive maintenance on equipment contractually obligated, and paid, to perform.

Because Siemens did not provide a written preventive maintenance schedule, we worked with College and Siemens officials to identify specific equipment requiring preventive maintenance. There were variations in equipment descriptions between the contract, College records and Siemens records (collectively, control records). As a result, we were unable to determine whether all of the equipment that required preventive maintenance actually received it. Accordingly, we urge College officials to ensure the equipment requiring preventive maintenance is consistently defined in all control records.

The control records consistently defined only Direct Digital Controller (DDC) equipment. According to the contract, Siemens was required to perform certain preventive maintenance tasks on the DDC equipment monthly and annually. Collectively, the 80 pieces of DDC equipment at the College required 1,040 instances of monthly and annual preventive maintenance.

Siemens documents preventive maintenance work performed in service reports. We obtained all preventive maintenance service reports the College and Siemens had documenting preventive maintenance performed during calendar year 2008. If the service reports included any reference to the DDC equipment, we assumed Siemens provided the required preventive maintenance. According to the service reports, Siemens provided only 22 of the 1,040 contractually required preventive maintenance activities on the DDC equipment.

At the time of field work, College officials had not established a system to effectively monitor this contract. Instead, officials assumed that Siemens did all the required work based on (1) their long-term relationship with Siemens and (2) the fact that the equipment needed minimal remedial maintenance. As a result, there are two possible outcomes. First, the equipment at the College may have a higher likelihood of remedial maintenance in the future because officials did not ensure Siemens provided the preventive maintenance deemed necessary to keep the equipment in optimal working condition. Second, the College may have overpaid Siemens for equipment maintenance it did not need. The next section of this report presents potential savings opportunities based on the possibility that the College did not need all the maintenance in the contract.

College officials reported (i) they now have a comprehensive list of all equipment requiring preventive maintenance, (ii) Siemens' preventive maintenance schedule includes such equipment, and (iii) College officials will monitor performance to ensure services are received in accordance with contract terms. In addition, the College agreed to review their records and recover any payments made to Siemens for services not performed.

Future Contract

The College currently obtains remedial and preventive maintenance services on Siemens equipment on a fixed-price basis. College officials should determine if the amount of preventive maintenance Siemens provided during calendar year 2008, as documented in the service reports, is sufficient to keep the equipment in optimal working condition. If so, our analysis shows the College could save up to \$63,517 annually by obtaining maintenance services for this equipment on a time and materials basis, as summarized below:

Amount Paid to Maintain Siemens Equipment under NMP6011	\$181,572
Less :	
Cost of 2008 Replacement Parts	40,944
Labor for Actual 2008 Remedial Maintenance	54,039
Labor for Actual 2008 Preventive Maintenance *	23,072
Estimated Annual Savings	\$63,517

*Estimated based on the highest number of hours needed

However, if the equipment needs all of the remedial and preventive maintenance required by the contract, College officials should ensure they receive all of the required services and continue to obtain them on a fixed price basis.

College officials agreed to more clearly define maintenance expectations for the future contract and they believe this will help ensure they pay a reasonable price for such maintenance.

Recommendations

- 1) *Amend contract NMP6011 to reflect:*
 - a) *The actual equipment covered on the College campus.*
 - b) *The specific equipment requiring preventive maintenance.*
 - c) *A reasonable price for preventive and remedial maintenance.*
- 2) *Ensure Siemens' maintenance schedule includes all equipment requiring preventive maintenance.*
- 3) *Ensure all control reports consistently define the equipment covered under the contract.*
- 4) *Monitor performance to ensure Siemens provides the required preventive maintenance paid for under NMP6011.*
- 5) *Determine the extent of, and recover, the overpayment to Siemens, taking into consideration the changes in equipment over the life of the contract, the additional \$150,600 Siemens received for Powdermaker Hall, and the preventive maintenance Siemens did not perform according to the terms of the contract.*
- 6) *For the subsequent equipment maintenance contract:*
 - a) *Clearly define maintenance expectations based on a standardized definition of equipment,*
 - b) *Obtain maintenance services at a reasonable price, and*
 - c) *Monitor vendor performance to ensure compliance with all contractual requirements.*

We would appreciate your response to this report by January 10, 2010, indicating any actions planned to address the recommendations in this report. We thank the management and staff of Queens College for the courtesies and cooperation extended to our auditors.

Sincerely,

Bernard J. McHugh
Director of State Expenditures

cc: G. Taylor



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January 8, 2010

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

Re: 2008-0309

Dear Mr. McHugh:

We have reviewed the above-referenced report on the OSC examination of payments made by Queens College to Siemens Building Technologies under contract NMP6011 during the period October 1, 2004 to September 30, 2007.

The College generally agrees with the recommendations outlined in the report and will endeavor to implement those actions that will provide the college with an enhanced ability to monitor contract performance and compliance. Such actions will include the review of the College's equipment listings to ensure that all equipment sought to be covered under the contract is actually included in the contract's preventive and remedial maintenance schedules and that all equipment requiring preventive maintenance is part of Siemens' maintenance schedule.

Furthermore, the college will review the payment record to determine the extent of any overpayment to Siemens and will seek further information so as to determine that the \$150,600 payment cited in the audit report represents a valid overpayment claim. If the College is able to confirm that it has made overpayments, the College will forthwith undertake to recover from the service provider all such amounts overpaid.

Going forward, the College will reaffirm its maintenance expectations, verify the reasonable of contract pricing, and will continue to strengthen contract performance monitoring and compliance.

If you have questions or need additional information, please contact me at (646) 746-4283.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Gordon Taylor', is written over a printed name.

Gordon Taylor
Director

cc: Chancellor Matthew Goldstein
Executive Vice Chancellor and COO Allan H. Dobrin
President James L. Muyskens

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