



**Pennsylvania State System of Higher Education  
Office of the Chancellor**

**Pennsylvania State System of Higher Education  
Office of Internal Audit and Risk Assessment**

**California University of Pennsylvania Complaint Investigation  
Issued March 20, 2012**

**Fiscal Year 2011-2012**

# CONTENTS

CONCLUSION.....	2
CONVOCATION CENTER PROJECT BACKGROUND .....	3
PARKING CAPITAL PROJECT BACKGROUND.....	4
SIGNIFICANT FINDINGS WITH RECOMMENDATIONS .....	5
<i>University Development and Foundation Relationship</i> .....	5
<i>Net Housing Profits</i> .....	5
<i>Convocation Center Agreed Cash/Donations Funding</i> .....	6
OTHER SIGNIFICANT OBSERVATIONS.....	7
<i>Convocation Center Market Analysis</i> .....	7
<i>Convocation Center Campaign</i> .....	7
<i>Convocation Center Naming Rights</i> .....	8
<i>Convocation Center Construction Change Orders</i> .....	8
<i>Contributions from Convocation Center Vendors</i> .....	9
<i>Fundraising Ratio</i> .....	10
<i>Scholarship Lotteries</i> .....	10
ADDITIONAL FACT FINDING, EVALUATION AND RESULTS.....	11
Convocation Center .....	11
<i>Project and Operational Finances</i> .....	11
<i>Construction Change Orders</i> .....	13
<i>Light Ribbon</i> .....	16
<i>Furnishings</i> .....	16
Parking Garage and Open Lot Upgrades.....	17
Student Association, Inc. Farm.....	20
University Technology Services .....	21
Athletics.....	22
Shuttle Bus Operations.....	23
Executive Office Expenditures .....	23
University Police Vehicles.....	25

Within recent months, the PASSHE System Office has received one signed complaint and eight anonymous letters expressing viewpoints related to decisions and management actions of California University of Pennsylvania.

The signed letter with exhibits was sent to Representative William Adolph, House Appropriations Committee Chairman, who then shared the information with Representative Matthew Baker, PASSHE Board of Governors member. Representative Baker forwarded the complaint to Chancellor Cavanaugh. The signed complaint focused mainly on the following:

- Distorted Convocation Center Revenue and Debt Service Projections
- Fraudulent Projections of Private Funding for the Convocation Center
- Wasteful Change Notices on the Convocation Center
- Distorted Parking Revenue Projections
- Laundering of Public Funds into the University Foundation
- Projects Unrelated to Education

Five of the eight anonymous letters pointed to specific concerns within various campus operations and are addressed in the report. Two letters reflected the authors' opinions of University mismanagement and did not contain specific items to be investigated. The last letter was received after fieldwork completion but contained many of the same points stated in previous letters.

The Office of Internal Audit and Risk Assessment (OIARA) was charged with the verification of factual points within the letters and to either confirm or deny the fact-based information. The OIARA extracted auditable facts from the various pieces of correspondence to address the accuracy and validity of the concerns presented.

The report will first present background information on the convocation center and parking capital projects. Significant findings and observations found as a result of the investigation will then be detailed. The remaining portion of the report will outline the statements made in the complaint and letters and the information obtained by OIARA to evaluate the points. Each concern will be numbered, followed by a summary of facts and the result of statement evaluation.

The investigation was managed by Laurie Malatesta, CPA, CIA, assigned audit representative of California University. Fieldwork assistance was provided by:

- Dean Weber, CIA, Director of the Office of Internal Audit and Risk Assessment
- Kim Greco, CPA, Audit Senior
- Shannon Keith, CPA, Audit Senior

## **CONCLUSION**

Overall, 38 statements of fact were verified and evaluated against the complainants' concerns. The investigation produced three significant findings in which recommendations are presented for consideration, as well as seven other significant observations that warranted additional attention.

Some concerns within the letters were supported, others were not. OIARA notes that even though most transactions were done properly within University policy or procedure, external parties may perceive them as poor judgment or inappropriate financial oversight by California University management.

## **CONVOCATION CENTER PROJECT BACKGROUND**

California University's convocation center is a 142,000 square-foot arena venue and conferencing center. The 6,000-seat arena is the home of Vulcan basketball and volleyball. The arena will be used for University commencements, convocations and campus functions. The University hopes to host sporting events, trade shows, music concerts and other public events in the versatile arena. California University's River's Bend Conferencing Services located within the convocation center is available to host executive-level conferences.

The convocation center's ground-breaking ceremony was held on August 5, 2009. Construction began in September 2009 and was substantially complete in November 2011. The New Convocation Center Tip-Off celebration was held on December 3, 2011, and the official grand opening is scheduled for April 20, 2012.

The total cost of the project is approximately \$59 million. Total contract amounts by vendor are below:

<b>Vendor</b>		<b>Final Contract Amount</b>
L. Robert Kimball & Associates	Architect	\$5.5 million
P.J. Dick	Project Manager	\$1.9 million
Whiting-Turner Contracting Company	General Contractor	\$30 million
A-1 Electric Service, Inc.	Electric	\$12 million
Wayne Crouse, Inc.	HVAC	\$4.9 million
WG Tomko, Inc.	Plumbing	\$1.7 million
Tom Brown Performance Floors	Arena Flooring	\$427,000
Ryco, Inc.	Fire Protection	\$359,000
Furniture, Fixtures and Equipment Budget		\$2.2 million

Funding for the convocation center included:

- \$37.8 million borrowed through PASSHE's annual bond financing
- \$19.1 million from the Commonwealth of Pennsylvania
- \$500,000 DCED grant passed through the Redevelopment Authority of Washington County
- \$1.5 million Office of Budget grant secured by the Redevelopment Authority of Washington County

## **PARKING CAPITAL PROJECT BACKGROUND**

The parking capital project was a combination of the garage construction and open lot upgrades. The parking garage construction began in September 2009 and was completed in August 2010. Open lot modifications occurred during calendar years 2009 and 2010.

The parking project's cost totaled \$20 million and was 100% funded through System bond financing. Total expenditures paid to the main vendors are listed below:

<b>Vendor</b>		<b>Total Expenditures</b>
Pennoni Associates, Inc.	Architect	\$430,000
MacLachlan, Cornelius & Filoni, Inc.	Architect	\$309,000
L. Robert Kimball & Associates	Architect	\$210,000
Manheim Corporation	Construction	\$11.5 million
Tedesco Construction Services, Inc.	Construction	\$2.8 million
REPAL Construction Co., Inc	Construction	\$1.4 million
Morgan Excavating	Construction	\$254,000
JKECO Electric, Inc.	Electric	\$1.1 million
A-1 Electric Service, Inc.	Electric	\$593,000
Keegan Electric Company, Inc.	Electric	\$356,000
Norfolk Southern	Railroad	\$298,000

A parking permit program was implemented at the completion of the project. Faculty, staff and students must pay for a permit to park on- and off-campus. The fee structure is based on lot assignment, permit timeframe, and employee/student classifications. Revenue is also generated through hourly and daily parking at the garage.

## **SIGNIFICANT FINDINGS WITH RECOMMENDATIONS**

### ***University Development and Foundation Relationship***

The Foundation for California University employs a Director of Business and Finance and three accounting staff. The Foundation staff performs all investing and accounting functions for the donated funds in accordance with donor specifications.

California University Development employees perform the fundraising activity on behalf of the Foundation. Donations are solicited by Development staff, with checks being made payable to the Foundation for California University and forwarded to the Foundation for deposit. University Development prepares and sends out the contribution acknowledgements and tax information, and all donor information is housed within the University.

University Development employees and expenses are paid with University E&G funds.

### **Recommendation**

Based on information received during the investigation, the University does not comply with Chief Legal Counsel Memorandum dated May 19, 2010, regarding concerns of possible violations of the State Adverse Interest Act of July 19, 1957. Steps need to be taken to bring California University into compliance with the memorandum.

An Affiliated Audit for California University is listed on the approved Office of Internal Audit and Risk Assessment's FY2012 audit plan.

### ***Net Housing Profits***

The California University Student Association, Inc. (SAI) delivers activities and programs to the students and supports new facilities on campus. SAI is a non-profit 501(c)(3), which is managed and operated by students. The non-profit is primarily funded through the student activity fees collected by the University and transferred to SAI.

A Ground Lease Agreement between California University and SAI addresses the allocation of net profits from on-campus student housing facilities; whereas, net profits from Vulcan Village are split as outlined in the Amended and Restated Memorandum of Understanding. Net housing profits are allocated between SAI and California University as stated below:

- On-campus student housing: 30% SAI and 70% University
- Vulcan Village student housing: 50% SAI and 50% University

Pursuant to the terms of the housing agreements, the University's net housing profits are Institutional funds. SAI writes checks annually for the University's net profits, made payable to the Foundation for California University (not to the Institution). The checks are directed to the Foundation for deposit into a Foundation account for a quasi-

endowed scholarship fund. Since April 2003, \$5.9 million has been transferred to the Foundation for the scholarship fund.

Case law and numerous legal opinions prohibit the transfer of public funds to a private entity, such as SAI. In addition, no specific statutory authority exists permitting the transfer of public monies without consideration for such payment. The University's net housing profits represent E&G operating revenues and public funds; therefore, the transfer to the Foundation is considered unlawful.

### **Recommendation**

PASSHE Chief Legal Counsel should review the transfer of California University's net housing profits to the Foundation. Checks should be made payable to California University and deposited into University accounts.

An analysis should also be conducted to determine if current housing fees charged to students are unnecessarily inflated because net profits are being used for scholarships rather than offsetting future housing costs.

### ***Convocation Center Agreed Cash/Donations Funding***

California University prepared a Sources and Uses Statement for the convocation center's original bond financing. Funding included University cash on hand (\$6.8 million) and donations (\$5.5 million). The Finance, Administration, and Facilities Committee materials for the January 2009 bond approval stated "The University **has** cash on hand and donations totaling \$12.3 million."

The April 2011 Committee materials for the additional \$15 million bond request indicated "In January 2009...the University committed to provide funding from cash on hand and donations totaling \$12.3 million. Unfortunately, only \$2 million of the donations are still viable, and the cash on hand has been used to support other operational requirements."

During the review, it was noted that only \$4,000 was received in actual donations for the convocation center. The \$2 million cited in the Committee materials related to two grants for \$500,000 and \$1.5 million.

California University's \$10 million shortfall related to (1) the University's spending of the cash on hand (\$6.8 million) for other purposes, and (2) the \$5.5 million in donations never being realized.

### **Recommendation**

PASSHE should discontinue the use of promised cash and anticipated donations as funding sources during the planning and analysis of System-financed capital projects. If these sources are necessary, a PASSHE policy should be developed to require that cash be designated and fundraising monies be raised prior to acquiring System bond financing.

## **OTHER SIGNIFICANT OBSERVATIONS**

### **Convocation Center Market Analysis**

In September 2005, Brailsford & Dunlavey was contracted to perform a comprehensive market analysis for the new convocation center. The market study evaluated the regional arena and conferencing markets, identified targeted markets and building features, projected facility use, and quantified the financial performance of the facility. The firm's website project summary states the following results:

*"B&D recommended that the conferencing component of the convocation center be characterized as a business center with between 5,000 and 8,000 square feet of flexible meeting space. Due to the market conditions, the marketing should target businesses and other organizations within a 20-mile radius for meetings, banquets, and receptions. The arena facility would appeal to small touring shows and, consequently, would best operate and complement the existing market supply with a seating capacity of 3,500. Demographic inconsistencies within the market would necessitate an active promotion strategy reaching all corners of a 12-county market."*

*"While University administrators acknowledged the market demand for a 3,500-seat arena, the objectives and mission of the University were rightly given precedence, and the arena was sized to accommodate commencement activities."*

### **Result**

California University's completed convocation center is the largest indoor venue between Morgantown, West Virginia, and Pittsburgh, Pennsylvania. The building is 142,000 total square feet with an arena capacity of 6,000. The two executive conference wings contain 15,000 square feet of SMART classrooms.

### **Convocation Center Campaign**

Two California University publications contained donation goals related to the convocation center:

- *President's Perspective Constructing Our Future: The Convocation Center at Cal U*, page 6: University and private funding of \$11.9 million. This publication was released in Spring 2009.
- *The Campaign to Build Character and Careers: A Case for Student Support and Enrichment*, page 14: Regional convocation center: \$6 million. The campaign began in 2004, but was launched to the public on June 15, 2009.

## Result

No formal strategic plan for convocation center fundraising was created to achieve donation goals. Moreover, there was no University Development focus or action directly aimed at the convocation center.

According to the second publication, the University is 70% to the \$35 million campaign goal. According to University Development, no campaign contributions have been designated for the convocation center.

## **Convocation Center Naming Rights**

California University is soliciting donations for the convocation center's "naming rights." The naming right's Request for Information (RFI) gives the following desired terms:

- Upfront fee of \$25,000 to cover initial signage and start up, and
- Annual agreed-upon fee to be paid in full yearly by June 30 of each respective year, minimum of \$150,000/year for 10 years.

## Result

The donations will be used for endowed scholarships rather than for the building's bond or operations. *The Campaign to Build Character and Careers: A Case for Student Support and Enrichment* states on page 14: "The facility and its unique attributes will offer donors many different naming opportunities in recognition of endowed scholarship support through The Campaign..." Scholarships are not cited in the RFI.

Per *Board of Governors Policy 1997-03: Naming of State System of Higher Education Facilities*: "In the case of philanthropic recognition, the appropriate gift-to-project cost ratio will be determined by each university. The policy does not address use of funds for scholarships.

## **Convocation Center Construction Change Orders**

Total convocation center construction change orders approximate \$6.2 million, or 14%. A majority of the change orders occurred due to one of the following reasons:

- Changes in design requested by the University,
- Omission from original bid,
- Errors in design that were corrected during construction, or
- Field conditions unspecified during the bid process or unknown at that time.

## Result

Original and final contract amounts by contractor are specified below:

Contractor		Original Contract Amount	Final Contract Amount	% Change
P.J. Dick	Project Manager	\$1,781,900	\$1,938,373	9%
Whiting-Turner Contracting Company	General Contractor	\$28,545,000	\$29,980,313	5%
A-1 Electric Service, Inc. <sup>(a)</sup>	Electric	\$8,101,000	\$11,962,812	48%
Wayne Crouse, Inc.	HVAC	\$4,491,500	\$4,866,165	8%
W.G. Tomko, Inc. <sup>(b)</sup>	Plumbing	\$1,344,555	\$1,744,725	30%
Ryco, Inc.	Fire Protection	\$359,000	\$359,000	-

(a) Change order for \$2 million to install a broadcast system, then an additional change for \$1.6 million.

(b) Change order for sewage lift station discussed later in report.

## Contributions from Convocation Center Vendors

University Development records showed donor history for the convocation center's architect and two main contractors, totaling \$101,000. The donations were mainly cash received through the annual Presidential Gala fundraising event.

## Result

The chart below lists the contributions to date for these vendors, as well as the final convocation center contract amounts:

Vendor		Final Convocation Center Contract Amount	Contributions to Date
L. Robert Kimball & Associates	Architect	\$5.5 million	\$49,652
P.J. Dick	Project Manager	\$1.9 million	\$50,286
Ryco, Inc.	Fire Protection	\$359,000	\$1,050

L. Robert Kimball has contributed \$5,000 every year at the Presidential Gala since 2002. Ryco, Inc. contributed \$750 and \$300 in cash in 2005 and 2010, respectively. P.J. Dick has contributed cash and gifts-in-kind since 1994. Cash donations of \$10,000 were received from P.J. Dick in 2000, 2009, 2010 and 2011 for the Presidential Gala fundraiser.

## **Fundraising Ratio**

The signed complaint stated nonprofit organizations should expect to raise at least \$5 for every \$1 spent fundraising.

Total contributions for calendar year 2010 approximated \$3.4 million as published in the *Investing in Student Success--Annual Donor Report 2010*. Fiscal year 2009/2010 payroll and operating expenses for fundraising departments totaled almost \$2.5 million. For every dollar spent on fundraising, the University raised \$1.37.

Included in the \$3.4 million are two contributions that were not solicited by fundraising staff:

- Student Association, Inc. - \$10,000
- Richard King Mellon Foundation - \$900,000

### Result

When adjustments are made for the two above contributions, California University's ratio is \$1 to \$1.

## **Scholarship Lotteries**

Scholarships are being awarded to students who attend California University events. Two scholarship drawings were noted:

- Two \$500 scholarships at Annual Mission Day
- Two \$1,000 scholarships at the convocation center's grand opening

### Result

These scholarships are without merit requirements and given based on a lottery system for those students in attendance.

The scholarships awarded at the convocation center event were paid from a Foundation general scholarship fund; however, Foundation records could not be verified.

## **ADDITIONAL FACT FINDING, EVALUATION AND RESULTS**

### **Convocation Center**

#### ***Project and Operational Finances***

1. The convocation center was originally estimated to cost \$54 million with the facility generating sufficient revenue to pay for all debt service costs. In April 2011, the building cost increased an additional \$5 million.

#### Summary

The convocation center is classified as an E&G building. As an E&G project, the PASSHE Treasury Office performed a detailed analysis prior to original bond financing to determine if future E&G funds could support the convocation center operating costs and debt service. Numerous scenarios were analyzed by varying enrollment projections, tuition increases, state appropriation levels, and other assumptions. Informational materials for the January 2009 Finance, Administration, and Facilities Committee meeting stated the "debt service for this project will be funded primarily from University operating funds."

The project cost in the original bond request was estimated at \$53.5 million. In April 2011, it was documented that project costs increased \$5.5 million, raising the total cost to \$59 million.

#### Result

The statement that the convocation center was initially estimated at \$54 million and in April 2011 increased by an additional \$5 million is true. However, the complainant is incorrect that debt services costs were to be solely paid from convocation center revenues. The debt services costs were to be primarily funded with E&G operating funds.

2. In April 2011, the PASSHE Board of Governors approved an additional \$15 million in debt to complete the convocation center. A Right-to-Know request received just days prior to the approval stated that "no revised revenue projections exist for either the convocation center or the parking garage."

#### Summary

The PASSHE Board of Governors approved the additional \$15 million bond financing for the convocation center in April 2011. Prior to approval, the PASSHE Treasury Office performed another detailed E&G analysis (described above) as part of the second bond request.

#### Result

The statement that the PASSHE Board of Governors approved another \$15 million in bond financing is accurate; however, the complainant incorrectly presumed that no revised financial projections were performed.

3. The convocation center's annual debt service cost of almost \$1.7 million is likely to have risen by at least \$1 million a year due to the additional borrowing.

Summary

The annual debt service for the original bond averaged \$1.564 million. The additional \$15 million caused an increase in debt service of approximately \$987,000. Total debt service payments for FY2012-2013 equal \$2.552 million.

Result

The complaint is accurate that annual debt service increased by approximately \$1 million due to the additional borrowing.

4. Pro forma projections included fiscal year 2009-2010 revenue of approximately \$1.1 million, 2010-2011 of \$2.1 million and 2011-12 revenue of \$3.5 million. However, the building is not officially scheduled to open until January 2012.

Summary

The Summary Operating Pro Forma included in the complainant's letter was one scenario prepared by the Treasury Office during bond financing. The pro forma revenue figures do not represent dollars generated by the convocation center, but rather the net change in E&G operational funds based on future assumptions. Convocation center revenues were not included in the pro forma analysis because (1) it is an E&G building that was not designed to be self-supporting and (2) the assumption was made that revenue generated would offset operating costs.

Result

The complainant incorrectly states that revenue figures in the pro forma related to projected convocation center revenues. These figures represent the net change in E&G operational funds.

5. No major corporate meeting or convention has been announced by California University. During the convention center's "grand opening" in December 2011, conference rooms were not finished and had no set completion date.

Summary

At the time of the review, California University had approximately 10 events since December 2011. These events included conference room, building wing, and entire building bookings. In addition, several proposals were outstanding or being negotiated for future convocation center use. An arena concert is scheduled for April 2012.

In February 2012, our office toured the convocation center as part of the review. All conference area construction was completed, and the vast majority of conference rooms were furnished with tables, chairs and projectors/screens. Due to a change in technology direction, some conference rooms were still being

upgraded for the advanced technology equipment. We observed additional furniture being received and inventoried on the loading dock during our tour.

#### Result

The complainant is partially correct regarding conferencing at the convocation center. No major conventions had been scheduled at the time of the review; however, the convocation center has housed company meetings and trainings.

In promotional materials, the University stated that conferencing revenues would be used for scholarships. OIARA noted that scholarship donations were accepted in lieu of a facility charge for two events. California University Administration and Finance has since indicated that future revenues will be used to cover operating expenses.

The conference rooms were completed, with the exception of technology, and available for use by outside companies at the time of the review.

### **Construction Change Orders**

#### **W.G. Tomko Incorporated (Plumbing) – Change Order #3**

6. A new sewage lift station was installed after the demolition of the existing station. “Was it originally put into the wrong place? Was it an older lift station that they “forgot” to budget for rebuilding when telling the state government how much they planned to spend on the project?” The complainant stated a cost of \$302,042.

#### Summary

The original system which serviced two buildings was 25 years old and near the end of its useful life. The decision was made that the additional service for the convocation center would be too much for the existing station. The new station was not included in the original contract because this was overlooked. The elevation of utilities was unknown and unable to determine until after site work started. At that time, the contractor was able to establish what was needed in the new system.

The final actual cost of this change order was \$280,421, since rental of a hydraulic pump (\$21,621) was not needed.

#### Result

The complainant is correct that the sewage lift station was overlooked in the original bid. However, once it was determined a new lift station was necessary, the contractor was unable to calculate costs until after the utilities were found.

7. Changes were made to the athletic locker rooms after construction was started. "CUP spent \$141,974 over original budget to rebuild what had just been built and make a "better" locker room during a severe recession."

#### Summary

There was a design oversight between the Department of Athletics and the design team. During construction, the coaches determined the number of showers in the home and visitor locker rooms had to be increased from three to six. At that time, the locker rooms were 30 – 40% complete. Block walls and plumbing had to be torn out and new showers added. This decreased the size of the locker room.

Actual cost was \$137,866. Four lockers were returned for a credit of \$4,108.

#### Result

The complaint is accurate that changes were made to the locker rooms during construction. The changes were to increase the number of showers in the home and visitor locker rooms.

8. A water line repair was made for Gallagher Hall. "If the line was broken by a contractor during construction, why wasn't the contractor charged with repair costs? If it was not broken during construction, but discovered to be already damaged when excavating the building, why was the cost of another building's water line being charged to the convocation center?"

#### Summary

The water line was broken by the contractor because the water line location on the plans was wrong. The mapping from 20 years ago was incomplete and unverified. An upgrade of the water line was made for compliance with current regulations.

The cost of the water line repair was \$26,344.

#### Result

The water line breaking was no fault of the contractor. The University paid the repair cost for the water line.

### **Whiting-Turner (General Contractor) – Change Order #12**

9. Storage charges were filed by Whiting-Turner for trusses. "Truss storage lists a material storage charge of \$34,070 due to a delay in the construction time line. Normally construction delay costs are charged to the contractor or subcontractor responsible. Was this cost absorbed by CUP because they failed to put an appropriate penalty clause in the contracts, or was the delay itself purely CUP's fault?"

### Summary

During the erection of the building's steel framing and preparation for the main truss installation, concerns were raised as to how the building would structurally react to the weight of the trusses as they were installed. The structural engineer determined that additional steel reinforcements and gussets were needed. Since truss delivery was set up on a just-in-time manufacture and delivery, the truss supplier prepared a site and stored the trusses until the University could accept them.

This change order covered the cost of the supplier's site preparation, additional handling, haul permit, and storage costs.

### Result

The complaint accurately states that charges for truss storage were incurred. The delay resulted from (1) the manner of how the convocation center had to be built and (2) the just-in-time manufacture and delivery method of the truss supplier.

## **Whiting-Turner (General Contractor) – Change Order #15**

10. The gym equipment was revised from the original bid. The revision added \$58,109 to the project. "Did they really have to upgrade gym equipment while they are damning the state government's reduction in taxpayer funding?"

### Summary

This was a University request to upgrade the quality of the specified basketball backstops, as well as upgrade convocation center volleyball equipment to match what is currently used in Hamer Hall so the equipment is interchangeable between the two facilities.

### Result

The complaint is partially correct. Convocation center equipment was upgraded, but it was sports equipment for the basketball and volleyball programs.

11. Revision to the smoke tower fins totaled \$31,358. "I believe that this was primarily an aesthetic change. Again, put against the backdrop of austere times, it would seem extravagant. If it served some functional purpose, why was it not originally budgeted?"

### Summary

The configuration of the tower was different from the original plans; therefore, some changes had to be made to accommodate these differences. Other changes were aesthetic.

### Result

The complaint is partially true. Some changes were aesthetic; however, some were necessary due to design modifications.

12. HVAC ductwork was moved after it was already installed. "The building is brand new, why are they moving the ducts? If there was a design defect why wasn't it charged to the contractor responsible? Was it purely the whim of the University?"

#### Summary

The moving of HVAC ductwork resulted from an improper design. The university did pay for the change. The University stated it is rare to go back on an architecture firm for design errors or omissions, but they are keeping a list of items for potential discussion with the architect.

The architect's contract was extended and the University is awaiting final billing. It is unknown if the University will be charged for the time extension, and if so what amount will be invoiced. The University believes a non-billing of the contract extension would be a fair exchange for the list of design issues. If the architect requests final payment, the University will discuss the list of credits needed from the architect at that time.

#### Result

The complainant is correct that HVAC ductwork was moved after installation. This was the result of an improper design by the architect, and the University is still waiting to address the design issues with the architect.

### ***Light Ribbon***

13. The light ribbon placed on the exterior facade of the convocation center was \$450,000 and was an unnecessary and excessive expenditure of funds.

#### Summary

The decorative tower structure and light ribbon on the exterior entrance of the convocation center were included in the original convocation center contract. Acquisition of the light ribbon occurred as specified in the contract. The cost was \$450,000.

#### Result

The complaint accurately reflected the expenditure for the light ribbon.

### ***Furnishings***

14. Furnishings initially purchased and installed within the convocation center were deemed inappropriate by management and replaced, incurring additional expenses for the upgraded furnishings. The claimant expressed that new carpeting and wall coverings were procured with costs exceeding \$100,000.

### Summary

No evidence was found regarding additional expenditures on upgraded furnishings or cosmetic renovations after the initial installation of planned design materials.

The convocation center's grand opening was held in December 2011 prior to the delivery of the procured furnishings for the arena's President's box. To host the event, furnishings were borrowed from residence halls to furnish the room. Upon receipt of procured furnishings (as part of the original contract), the room was decorated and the borrowed items were returned to Residence Life.

### Result

We were unable to substantiate the complainant's claims regarding additional expenditure of funds for removing and replacing installed furnishings and decorative fixtures.

## **Parking Garage and Open Lot Upgrades**

15. Paid parking may generate insufficient revenues to pay all debt service related to the parking garage and open lot modifications, which will then need to be achieved through other PASSHE revenue sources.

### Summary

The parking garage and open lot upgrades were classified as an auxiliary capital project. Auxiliary enterprises are designed to be self-supporting; therefore, operational costs and debt service should be covered through fees charged directly to the users.

California University's parking auxiliary enterprise exhibited an annual net deficit of approximately \$740,000 for fiscal year 2010/2011 when including debt service payments. In addition, the current parking pro forma that also includes deferred maintenance continues to show net deficits for the near future.

### Result

The complaint is correct when analyzing the parking auxiliary's financials for fiscal year 2010/2011 and pro forma data.

16. Official projected parking revenue assumed that more than 100% of the available open air parking spaces would be sold, ensuring effective 100% utilization. After paid parking was implemented, lots are half empty throughout the day.

### Summary

After implementation, permits were only sold up to the number of physical spaces in the lot since the University was uncertain about demand and wanted to ensure that all patrons who paid for a permit had a parking spot. During 2010, daily usage studies were conducted to analyze lot utilization. The University started overselling

permits in 2011 for higher demand lots. Utilization rates will continue to be monitored and oversold as history is attained in order to maximize revenues.

Result

The complainant's statement is partially accurate. Open lots were not oversold at the start of the permit program; however, overselling of lot parking spaces is planned as utilization can be determined over time.

- Open lots closest to the administration buildings cost substantially more to park in and those at a considerable distance are cheaper. The University assumed the more expensive lots would be filled every workday. After paid parking, nearby lots which used to fill completely are now half empty throughout the day.

Summary

The parking fee is structured in tiers: Tier 1 and Tier 2. The on-campus River Lot and two off-campus lots are Tier 2 parking. The other 19 lots on campus are Tier 1. With respect to tier pricing, all lots within the tier are charged the same rate regardless of specific location. Tier 2 parking ranges \$100 to \$175 less than Tier 1. Faculty and staff also have the ability to upgrade to "reserved" parking spaces in various lots.

During the review, parking utilization statistics were acquired for analysis. Statistics show 74% overall utilization of permit parking spaces. Parking close to the campus entrance is at 101% utilization.

TIER Parking and Locations	Available Permit Spaces	Permits Sold	Utilization
<b>Parking Spaces</b>			
Tier 1	1,493	1,296	87%
Tier 2	1,688	1,056	63%
<b>Total</b>	<b>3,181</b>	<b>2,352</b>	<b>74%</b>
<b>Tier 1 Lot Locations</b>			
Entrance of campus	793	803	101%
Middle of campus	374	317	85%
Back of campus	326	176	54%
<b>Total</b>	<b>1,493</b>	<b>1,296</b>	<b>87%</b>
<b>Tier 1 Lot Locations</b>			
Campus interior	329	340	103%
Campus perimeter	1,164	956	82%
<b>Total</b>	<b>1,493</b>	<b>1,296</b>	<b>87%</b>

The parking garage has both permit parking and temporary hourly parking. In February 2012, 95% of the garage permit parking was utilized. Reports on hourly parking showed approximately 75,000 transactions in the garage's first year of operation (through June 30, 2011). Almost 47,200 parking garage transactions occurred from July 1, 2011 through February 2012, which annualizes to 81,000 transactions for the fiscal year.

### Result

The complaint is incorrect in stating that lots near the administrative buildings cost substantially more than lots further away. The parking rates are structured by tiers not specific lot. The 19 Tier 1 lots reflect the same parking rate regardless of where the lot is located on campus.

We were unable to substantiate the complainant's statement that lots are half empty during the day. However, statistics show 74% overall utilization of permit parking spaces, with lots by the entrance of campus at 101% utilization.

18. The Parking System Pro Forma prepared by Chance Management Advisors, Inc. projected almost \$2.3 million in parking revenue by the end of fiscal year 2010, weeks before paid parking began. The pro forma also included an "estimated 1,700 vehicles that may be generated by peak events at the Center."

### Summary

The Assessment of Parking and Transportation Conditions and Future Alternatives report by Chance Management Advisor, Inc. was delivered to California University in January 2008. This comprehensive report was conducted to:

- Establish the existing inventory, occupancy and management of University parking
- Analyze data regarding existing transit operations and ridership
- Identify parking issues considering future development on campus
- Provide future alternatives given anticipated changes in parking supply

Once the parking study was issued, alternatives had to be assessed by the University and the final course of action selected.

The pro forma included in the Chance Management study was reflective of the parking study data and the firm's expertise with projects of this type. The pro forma was not anticipated dates or estimated revenue/expense activity for a selected alternative, since University evaluation and decisions were still needed.

Because the convocation center was still in design phases at the time of the parking study, Chance Management speculated the impact of the center's future events on the University parking supply. The 1,700 figure was chosen for this purpose.

### Result

The complainant is mistaken in concluding the Chance Management pro forma was anticipated revenues/expenses for the subsequent parking auxiliary enterprise now in operation. It is accurate that 1,700 parking spaces were included in the parking study for Convocation Center events.

## **Student Association, Inc. Farm**

19. The California University Student Association, Inc. (SAI) purchased a 94-acre farm with the intention of building private housing and recreational facilities.

### Summary

SAI purchased the 94-acre farm in May 2010. The master plan includes 40 housing units and recreational facilities. The recreational facilities will be used by club and intramural sports, summer camps and clinics, and other student activities, as well as the community. According to the master plan, the housing units are slated to begin in 2013; however, there are no current plans for the project to commence.

### Result

The complainant is accurate in stating private housing and recreational facilities are included in the property's master plan. However, at this time, SAI is unsure whether the housing units will be built.

20. The funding for the 94-acre farm project is coming from student activity fees and student housing profits.

### Summary

The farm was purchased with SAI's portion of the 2009/2010 net housing profits. No student activity fees were used for the purchase of the farm. Any remaining balances from current year student fees are carried over to next year's operations.

### Result

The complaint is correct that the farm was purchased with student housing net profits (SAI portion). No student activity fees were used for the purchase.

## University Technology Services

21. The current Director of Information Technology, hired by the University in September 2009, was not the most qualified person to fill the vacancy and had prior employment ties to the Vice President of University Technology Services.

### Summary

The search committee file showed the two highest ranked candidates were moved forward to the Vice President for University Technology Services for final selection. The number two ranked candidate by the search committee members was selected to fill the vacancy. This candidate had claimed veteran's preference, which in turn made him eligible as the first individual to be offered the position.

It was documented that the selected candidate had previously worked with the University Vice President in a former position.

### Result

The complainant is accurate in stating the top ranked candidate was not selected to fill the vacancy and that the selected candidate had worked with the Vice President in previous employment. However, military service permitted the second ranked candidate to be hired.

22. The Executive Staff Assistant hired by the University to support the Vice President of University Technology Services was not the most qualified candidate to fill the vacancy.

### Summary

The search for the position was conducted in compliance with University standards. The two highest ranked candidates were moved forward to management for final selection. The individual selected to fill the vacancy was the number one ranked candidate by the search committee.

### Result

Information contained within the complaint is not validated. The University hired the individual ranked highest and most qualified by the search committee.

23. The recently hired Director of Information Technology and the Executive Staff Assistant were unskilled and required thousands of dollars in training to perform their job duties.

### Summary

The Director of Information Technology attended six training/professional development courses within a one-year period with expenses totaling \$21,030.

- CISCIO Meeting in New Hampshire (\$560)
- Educause 2010 Meeting in California (\$3,233)
- CIO Excellence Training (March 2011) in South Carolina (\$9,243)
- Networkers Training Conference in Las Vegas (\$3,584)
- CIO Excellence Training (June 2011) in South Carolina (\$1,215)
- CISCO Live Training in Las Vegas (\$3,195)

In September 2011, the Executive Staff Assistant attended the professional training course Apple IOS at a cost of \$6,863. The training related to the development of "APPS" for iPhone and iPad devices and is not in line with the individual's job description duties for her position.

### Result

The claimant's accusations appear accurate in the number of and amount expended on training courses for the Director of Information Technology. Additionally, training provided to the Executive Assistant was outside the realm of her job functions.

## **Athletics**

24. Student athletes expelled from other higher education institutions for criminal or other disciplinary reasons are inappropriately accepted at California University.

### Summary

Three football and four rugby players of California University were mentioned in newspaper articles concerning acts of violence. In addition, two California University recruited football players were reported to have been kicked off other university teams for NCAA or team violations.

**Football:** All football players are in compliance with the University Code of Conduct's established guidelines regarding eligibility to play. With the exception of one player, all athletes identified are in good academic standing. The one athlete is on academic warning based upon Fall 2011 grades, and if grades are not improved prior to the upcoming season he will be ineligible to play in Fall 2012.

It was noted that individuals did possess prior consequential history with law enforcement; however, that does not preclude admission to the University. Admission applications were processed in accordance with University guidelines.

**Rugby:** [REDACTED]

### Result

The complainant's allegations related to athletes' acceptance not meeting current admission guidelines are unfounded; claims of presidential override for admissions are not substantiated; and accusations of not following academic performance rules are groundless.

## **Shuttle Bus Operations**

25. An excessive cost is incurred to operate the University's shuttle bus when there is only limited ridership.

### Summary

The University has procured daily shuttle bus service with GG&C Bus Company for a three-year, \$4 million contract. The contract covers years 2010/11 through 2012/13, for a cost of \$1.3 million per year. The shuttle service is in operation Monday through Saturday from 5:30 a.m. to 1:30 a.m. and on Sundays from 8:00 a.m. to 11:30 p.m.

Ridership results are captured by the University on a monthly basis. For the recent period October 2011 through February 2012, passenger boarding averaged 16,169 per month. Management acknowledged there are peak ridership times and evenings are significantly less than daytime ridership. However, evening hours are necessary to provide student transportation around campus and to remote parking facilities.

### Result

We are unable to substantiate the complainant's claims regarding under-utilization of the bus service.

## **Executive Office Expenditures**

26. Excessive funds are being expended on Dr. Armenti's leased vehicle, with the vehicle price in excess of \$50,000.

### Summary

The President's current 36-month lease for a 2009 Mercury Sable with a monthly lease fee of \$529 expired on January 30, 2012. A new lease is under contract for delivery within two months; therefore, the current lease agreement was extended until the new vehicle is acquired.

The new lease agreement is for a 2012 Ford Taurus SHO with a monthly lease of \$537 for 36 months. Total cost for the lease amounts to \$19,764. The monthly lease fee has only increased \$8 over the prior lease.

The list price for the 2012 Ford Taurus SHO is \$43,857.

### Result

The complainant's claim that the President is entering into a new vehicle lease agreement is supported. The vehicle is valued at \$44,000; however, the actual lease will cost \$20,000 over the 36 months.

27. The refrigerator in the President's residence was replaced at a cost of \$16,000.

### Summary

A Sub-Zero refrigerator and freezer were purchased in December 2009 for use in the President's residence. Equipment was purchased from Don's Appliance at a cost of \$6,350 for the refrigerator and \$6,620 for the freezer.

In the past, events were held in the President's residence that required equipment of this type. Events are now typically housed at the Kara Alumni House; therefore, the new units appear to be used for personal benefit since catering no longer occurs in the President's residence.

### Result

The complainant is correct that procurement of the equipment did occur; however, the actual cost approximated \$13,000.

28. Renovations to the President's conference room are happening at a cost of \$200,000.

### Summary

The President's conference room renovations are related to technology upgrades amounting to \$84,984. The cost includes the acquisition and installation of audio visual equipment and controls.

The University indicated that no additional cosmetic alterations are currently planned.

### Result

The complaint overstated the amount to be expended on renovations to the President's conference room. Actual cost is \$85,000.

## **University Police Vehicles**

29. Two University Police vehicles are being purchased with convocation center construction funds.

### Summary

A purchase order is currently in the SAP system for two 2013 Ford Police Interceptor SUV's. The approximate total cost for both police vehicles is \$60,706.

The purchase order is currently in the system's "held" status because budget is currently exceeded for the fund center. The University states that the vehicles will be purchased with E&G funds.

### Result

The complaint is accurate that two police vehicles are being procured by the University; however, we are unable to substantiate the claim that the vehicles will be purchased with convocation center construction funds.