

**State of New Jersey**  
**Office of the State Comptroller**



***INVESTIGATIVE REPORT:***  
***KEAN UNIVERSITY'S PURCHASE OF A  
CUSTOM-BUILT CONFERENCE TABLE***

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## **I. Introduction and Executive Summary**

The Office of the State Comptroller (OSC) initiated this investigation upon receipt of a referral and the publication of multiple media reports questioning the purchase of a custom-built conference table by Kean University (Kean or the University). Our investigation focused primarily on the process used by Kean to obtain the conference table, and revealed that Kean improperly applied two exceptions to the procurement law which would otherwise require a purchase such as this to be publicly bid. Additionally, we found that Kean deviated from its own internal policies and practices in connection with this purchase. The unusual process followed by Kean to acquire this conference table raises questions as to whether the process achieved the best value for the University. In all, Kean has committed approximately \$250,000 toward the design and purchase of this conference table.

OSC's investigation determined that the idea for the custom-built conference table for Kean's newly constructed Green Lane Building was conceived by Kean's President. The President's idea for a 22-person conference table with various custom features and multimedia functionality was a departure from an original plan to place several smaller tables in the Green Lane Building's Executive Event Space. Kean officials, including the President, indicated that the custom conference table would better fit the dimensions and intended use of the space.

Kean University entered into a contract to purchase the conference table without a public bidding process, contrary to applicable procurement law and University policy. Moreover, the table was built and shipped from China before the required approval was obtained from the University's Board of Trustees (Board). In presenting the request to purchase the conference table to the Board after the fact, Kean officials justified the purchase by relying on exceptions to the State's public advertising and bidding requirements. Specifically, Kean officials cited the

exception to public bidding for “artifacts or other items of unique intrinsic, artistic or historic character” and the exception for “extraordinary unspecifiable services or products.” *N.J.S.A.* 18A:64-56(a)(2), -56(a)(13). OSC’s investigation revealed, however, that the conference table was built, and later modified, according to written specifications. Kean initially paid \$30,000 for one set of specifications but ultimately paid for the table to be manufactured by a different vendor. That vendor had also created specifications and previously had produced similar tables seen by Kean’s President. The fact that the table was built according to written specifications and was modeled after similar existing tables contradicts representations to the Board that the table was significantly unique or otherwise unspecifiable so that it could not be advertised and publicly bid.

The University circumvented its own operating procedures in the way that it paid for the conference table. Rather than issuing a purchase order in accordance with University policy, Kean entered into an arrangement with its Chinese partner university, Wenzhou Kean University, whereby Wenzhou Kean paid the manufacturer on behalf of Kean. Kean then allowed Wenzhou Kean a credit in an unrelated payroll account as reimbursement for the payments to the table manufacturer. Further complicating the manner in which this purchase was carried out, Kean officials did not advise the Director of Purchasing, who is typically responsible for handling such transactions, until he was contacted for receipt of the table from China. Besides lacking in transparency, this arrangement bypassed the typical accounting process associated with ordinary transactions and further facilitated the purchase of, and payment for, the table prior to authorization from the Board.

Based upon these irregularities, OSC offers at the conclusion of this report a series of recommendations to Kean, as well as other publicly-funded entities that are similarly situated.

## **II. Background and Methodology**

Kean is the third largest public university in New Jersey and currently has a total student population of approximately 15,000. The 2014-2015 estimated annual cost for tuition, room and board was approximately \$12,000 for in-state students and \$15,000 for out-of-state students. In fiscal year 2015, Kean received more than \$32.8 million in direct State aid.

Kean's main campus is located in Union County, New Jersey, and it also has a branch campus in Ocean County, New Jersey. In 2012, Kean established Wenzhou Kean University in partnership with Wenzhou University (a higher education institution in China) as a degree-granting, branch campus located in Wenzhou, China. Although Kean administers the academic program in China, the majority of the Wenzhou Kean Board of Trustees is appointed by the Wenzhou Municipal Government. As part of its agreement with Wenzhou Kean, Kean pays faculty salaries associated with Wenzhou Kean but is reimbursed by Wenzhou Kean for these payments.

Kean is overseen by a board of trustees which has general supervision and oversight responsibility for the University's operations. The Board currently consists of 15 voting members who are appointed by the Governor of New Jersey, as well as two student representatives elected annually by the student body. The Board meets approximately five times per fiscal year. Kean's day-to-day operations are managed by the University President who is appointed by the Board. Kean's current University President is Dr. Dawood Farahi, who was appointed in 2003.

State law grants Kean's Board the "power and duty" to enter into contracts and agreements for the purchase of goods and services. *N.J.S.A. 18A:64-6*. Kean's ability to enter

into such contracts is governed by the State College Contracts Law. *N.J.S.A. 18A:64-52, et seq.* Public bidding and advertising is generally required before a contract or agreement for the purchase of goods or services may be entered into by a State university such as Kean. However, there are several exceptions to this rule, two of which, as noted later in this report, were invoked by Kean during the procurement process.

When relying on these exceptions, Kean's Board is required to pass a resolution approving the use of an exception to public bidding. *N.J.S.A. 18A:64-56.* Kean refers to this approval as a "bid waiver." The written request for a bid waiver is completed by the requesting University department for ultimate review by the Board and must include the citation for the exception being relied upon, the total dollar amount requested and a brief explanation of the reasons for the waiver request. Kean's Board must also authorize and award contracts for goods and services that are determined to be exempt from public bidding and advertising.

In 2014, Kean opened the newly constructed Green Lane Building on its main Union County campus. Gruskin Architecture + Design, P. C. (Gruskin Group) was hired as the architect for the six-story building. The conference table, pictured below, was purchased for that building's sixth floor Executive Event Space.

**Illustration 1**



*(Photo from Kean's The Cougar's Byte Online Newsletter, December 1, 2014)*

In December 2014, OSC received a referral, based on media reports, questioning Kean's use of a bid waiver for the purchase of the conference table. For purposes of the investigation, OSC reviewed documents and information concerning the purchase of the conference table, including relevant policies and procedures, design specifications, bid waivers, Board minutes and resolutions and payment and contract documentation. Some documents were translated by an independent Chinese translator retained by OSC. We also interviewed officials from Kean, including its President and Board Chairman, the Director of Wenzhou Kean University Affairs, Gruskin Group and other individuals with knowledge of this matter.

OSC provided a draft of this report to Kean and other individuals and entities with knowledge of this matter to allow for an opportunity to comment on any factual inaccuracies contained in the draft report. OSC received a series of comments from Kean as well as other individuals, which were considered in preparing this final report and incorporated where appropriate. While disagreeing with certain aspects of the report, in its response to OSC, Kean did note, "The University has thoughtfully considered the recommendations of OSC and has already begun to implement those relevant to its operations."

### **III. Investigative Findings**

#### **A. Kean's Vision for a Conference Table**

As construction of Kean's Green Lane Building Executive Event Space was ongoing in April 2013, President Farahi met with the building's architect to discuss the furnishings for that room, which is located on the top floor of the building with a view of the New York City skyline. According to the Gruskin Group, President Farahi described his "vision" for a specific type of conference table in that space. President Farahi told OSC that his idea for the conference table was inspired by similar tables that he had seen while traveling in Wenzhou, China and Copenhagen, Denmark. The President described those tables as containing a rotating table top or

turntable, sometimes referred to as a “Lazy Susan,” and built-in electronic features. He described his idea for Kean’s conference table as a similar, but larger table with a “Lazy Susan” top, retractable video monitors, a retractable globe centerpiece and seating for 22.

The idea for one large conference table was a change from the initial plan to furnish the room with various sized tables and chairs. President Farahi explained to OSC that the plan did not match the aesthetic of the circular room nor was the original plan consistent with the intended use of the room. The President told OSC that he planned for the room and its 22-person custom conference table to accommodate public policy forums, round table discussions, online education classes and virtual meetings. He also told OSC that there was a “vanity” component to the table that could be used to attract potential donors.

Following the meeting with the President in April 2013, the Gruskin Group began preparing performance specifications for such a conference table, which set forth the details for the desired table. On May 3, 2013, the Gruskin Group presented Kean with a change order to the Green Lane Building design contract to account for the additional work it had already started and would continue to perform with regard to the conference table. The Gruskin Group was to be paid \$30,000 for preparing the specifications for the table, building a scale model of the table and identifying a manufacturer that could produce the table.

Even before the change order was approved on June 4, 2013, the Gruskin Group completed and delivered to Kean’s campus a full-scale model of the conference table. The scale model was set up in an empty room in one of the buildings on Kean’s campus. According to the Gruskin Group, the foam and plywood model was built to get a “feel” for the actual size of the table in order to further develop the specifications. For example, as a result of the actual full-scale model, the architect determined that both the height and dimensions of the table would



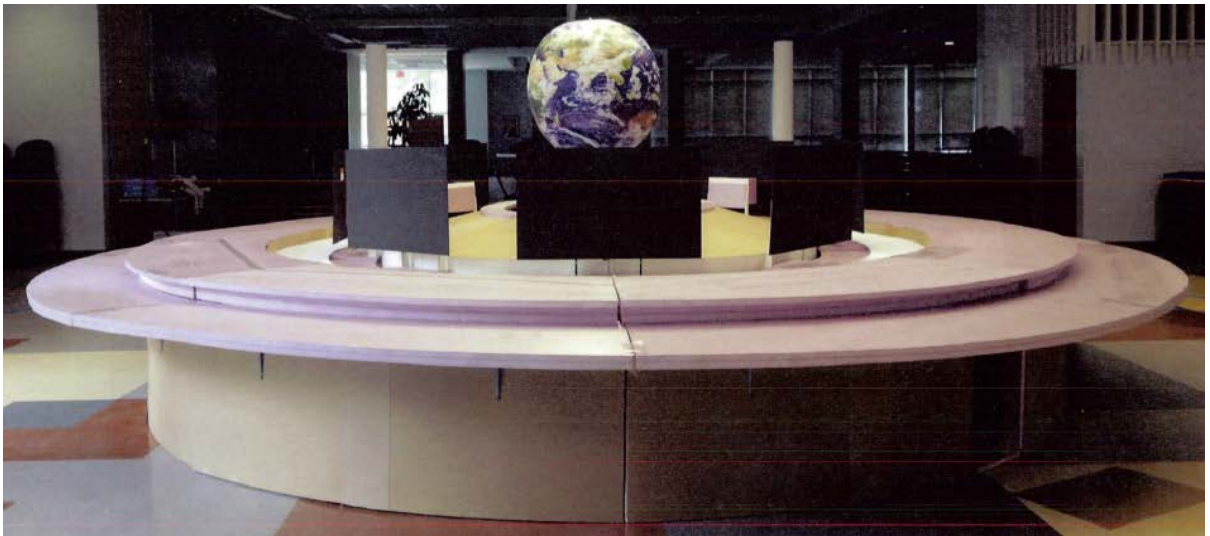
need to be adjusted. Illustration 2 is a computer generated depiction and the actual full-scale model of the conference table designed and built, respectively, by the Gruskin Group.

***Illustration 2***  
***Computer Depiction***



*(Gruskin Group Reference Material Dated June 3, 2013)*

***Picture of Scale Model***

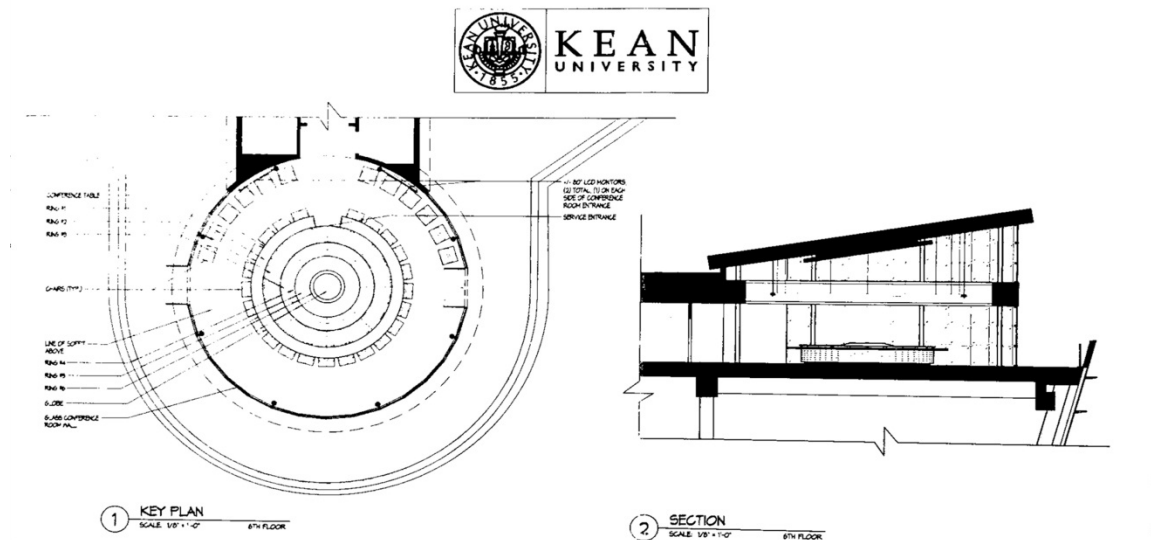


*(Gruskin Group Reference Material Dated June 3, 2013)*

Ultimately, the Gruskin Group produced detailed specifications and drawings (specifications) for the conference table, which included the proposed overall diameter, general shape, configuration, finishes and functions of the table as well as the major components described by the President. An official from the Gruskin Group told OSC that the initial specifications represented a design with items from Kean’s “wish list.” Illustration 3 is an image of a drawing from the Gruskin Group’s proposed specifications.

**Illustration 3**

**Proposed Conference Table for:  
Floor Conference Room GREEN LANE BUILDING - 1000 Morris Avenue Union, NJ**



**B. Kean’s First Attempt to Obtain a Conference Table**

Once the specifications for the conference table were finalized, Kean asked the Gruskin Group to find a manufacturer that could build the table. The Gruskin Group created a one-page bid form that, along with the specifications, could be provided to companies to request price quotes for the production of the conference table. OSC was told by Kean’s Assistant Vice President of Operations, who is responsible for the oversight of facilities, maintenance, capital

projects, construction and renovations, that Kean did not provide any input into the selection of potential vendors.

Kean officials also told us that there were no discussions about what Kean was willing to spend on the table. Accordingly, they explained that Kean put the project out for “pricing” through the Gruskin Group since they needed to get some idea of the cost of building such a conference table.

The Gruskin Group identified and provided the bid form and specifications to three potential vendors. Each of these vendors was located within two hours of Kean, which was based on a recommendation from the Gruskin Group and initially required by Kean, to ensure the table could be serviced within a two-hour period. The bid form also specified that the table needed to be installed using union labor. Only two of the three companies responded to the request for price quotes.

Both vendors ultimately submitted multiple price quotes for several versions of the conference table. The price quotes ranged from \$187,778 to \$1.053 million, depending on how many of the “wish list” features outlined in the initial specifications were included in the proposal. One vendor told OSC that it never expected Kean to pay \$1 million and thus its proposals were presented “menu style” so that Kean could choose among various options. For example, the price quote included a “wish list” option for an illuminated, retractable and rotating centerpiece globe that would be approximately three feet in diameter. That proposal also included separate pricing options for retractable video monitors, described in the initial specifications as eight, 40-inch concealed monitors that automatically rise into position through access doors built into the table.

Despite the multiple options, Kean did not accept the offers to build the conference table from either vendor because it was not satisfied with the quality or pricing provided. We were told by the Gruskin Group that Kean officials felt that as the original design was changed to lower the price, the resulting conference table was no longer what was envisioned for the project. On September 5, 2013, the Gruskin Group advised the vendors that the project was on hold.

### **C. Kean Identifies a Potential Chinese Manufacturer for the Table**

Around the same time Kean could not reach an agreement with the vendors identified by the Gruskin Group, President Farahi tasked Kean's Director of Wenzhou Kean University Affairs (Director of Wenzhou Affairs) with locating the manufacturer of a similar conference table that the President observed while in China. As referenced earlier, President Farahi and other Kean officials had seen this conference table at a hotel during an earlier visit to the Wenzhou Kean campus. The President asked the Director of Wenzhou Affairs to obtain quotes from that company for building a similar conference table.

The manufacturer of the table was identified as Shanghai Rongma Office Furniture Company (Shanghai Rongma). The Assistant Vice President of Operations told OSC that Kean provided the company with the Gruskin Group's general specifications for the table. The President told OSC that he believed that the table could not be built by Shanghai Rongma without the specifications. Kean also provided the manufacturer with the specific layout of and dimensions for the sixth floor conference room. Shanghai Rongma ultimately provided its own written specifications and three pricing options for the production of the conference table based on the type of wood selected. OSC was told that in or around January 2014 President Farahi instructed the Director of Wenzhou Affairs to select the mid-range quote provided by Shanghai Rongma. The contract price for the conference table was approximately \$151,000.

Like the less expensive price quotes from the two local vendors, the conference table proposed by Shanghai Rongma did not include all of the features included in the Gruskin Group’s initial specifications. For instance, the conference table would not include the retractable, rotating globe nor would it contain the concealed video monitors. An official from the Gruskin Group similarly noted that the Shanghai Rongma specifications did not include all of the “wish list” items and other components contained in the initial specifications. Illustration 4 is a rendering of the conference table proposed by Shanghai Rongma and provided to Kean.

**Illustration 4**



#### **D. Kean’s Waiver of Public Advertising and Bidding**

Public bidding and advertising is generally required to ensure that State universities such as Kean obtain the best value when entering into contracts for goods or services. Such public bidding requirements are intended to secure competition and guard against “favoritism, improvidence, extravagance and corruption” in order to benefit the taxpayers. *Terminal Constr. Corp. v. Atlantic County Sewerage Authority*, 67 N.J. 403, 410 (1975). However, there are

exceptions to the public bidding requirements for certain types of contracts. Kean cited two such exceptions in choosing to forego a public bidding process to acquire the conference table.

Kean relied on the extraordinary unspecifiable services and products (EUS) exception and the acquisition of artifacts (artifact) exception when deciding against publicly bidding and advertising for the purchase of the conference table. Pursuant to the EUS exception, a State college or university can award a contract without publicly advertising for bids if the subject matter consists of “[e]xtraordinary unspecifiable services and products which cannot reasonably be described by written specifications. . . .” *N.J.S.A.* 18A:64-56(a)(2). The artifact exception allows for such non-public bidding when a purchase can be deemed an “acquisition of artifacts or other items of unique intrinsic, artistic or historic character.” *N.J.S.A.* 18A:64-56(a)(13).

Although Kean argues that it relied on these two exceptions in good faith, the facts uncovered by OSC’s investigation do not support the use of either the EUS exception or the artifact exception for the purchase of the conference table. Indeed, the circumstances suggest that the purchase of the conference table could have been publicly bid and advertised. As noted, the President stated that he did not believe that the table could have been built without specifications and in fact, written specifications and drawings of the table were produced by both the Gruskin Group and Shanghai Rongma. These facts alone contradict the position that the conference table qualifies under the EUS exception. Moreover, the table was modeled after another table previously seen by the President, further supporting the idea that the table could have been specified, as it was, and put out to bid. Additionally, the fact that the table was manufactured based upon written specifications and modeled after similar tables refutes the idea that it was an artifact or item of such unique intrinsic, artistic or historic character that the artifact exception would apply. As discussed later in this report, shortly after receiving the table, Kean

approved an additional \$70,000 for modifications to the table, further refuting the claim that the table was an artifact or other item of unique intrinsic, artistic or historic character.

The conclusion that this purchase could have been advertised and publicly bid is further supported by interviews conducted during this investigation. For example, Kean's Director of Purchasing told OSC investigators that the table could have been publicly bid, which is their normal procedure. However, the Director was not provided with the specifications for the table so that he could initiate a public bidding or advertising process, as is normally done pursuant to Kean's purchasing procedures.

In response to the draft report, Kean appears to suggest that the Director of Purchasing was not provided with the specifications because Kean originally planned to purchase the conference table through a change order to the contract with the contractor for the Green Lane Academic Building. Kean explained that such an acquisition in the context of a construction contract is not processed through Kean's Purchasing Department. OSC did not, however, review the appropriateness of this process because Kean did not use a change order and ultimately purchased the conference table using Kean's bid waiver process.

The Gruskin Group also told OSC investigators that, absent the requirement that the vendor be located within two hours of Kean's main campus, it could have identified at least a "handful" of potential manufacturers for the table, further supporting the notion that the table could be publicly bid. They told OSC that as the table became less intricate, and as "wish list" items were removed from the plans, there would be a wider range of potential vendors.

In drafting the bid waiver request for the Board, Kean's Facilities and Campus Planning Department (Facilities Department) provided a written explanation justifying the request. A representative explained that the table matched the "characteristic style used in China with a

revolving component that permits buffet style presentation in the typical Chinese ‘family style,’ while permitting work to be done on a second tier of the table.” The department representative further stated that the table’s “unique craftsmanship demonstrates an appreciation of and deference to the design aesthetic of our Chinese partners” and represented the most cost-efficient option. A Facilities Department representative later told the Board committee considering the matter that the purchase of the conference table from Shanghai Rongma was “a nod to our partners in China and is one-third of the lowest estimate in the United States.”

These representations made to the Board do not serve to support or justify the waiver of a public advertising and bidding process. That the table matches the characteristic style used in China or that the table demonstrates deference or “a nod” to Kean’s partner does not serve as a legally recognizable exception to public bidding requirements. Further, the position that Shanghai Rongma’s conference table would cost a third less than other estimates for the table also does not qualify as an exception to the public bidding requirements, even if true. In fact, the other estimates were for different versions of the table with additional components and required installation by union labor and a two-hour service response time. Kean never attempted to obtain competitive quotes for a table similar to the one that was ultimately purchased so it is unclear what a true competitive process would have revealed.

Ultimately, based on the above statements and a questionable reliance on the two exceptions, Kean’s Board unanimously approved a bid waiver for the purchase of the conference table from Shanghai Rongma. As will be discussed below, that approval was sought and given after the table had already been procured and shipped from China.



**E. Conference Table is Procured, Built and Shipped from China Before Required Board Approval**

*1. Records Show that the Conference Table Project Began Prior to Board Approval*

As early as January 2014, Kean employees understood that President Farahi had given the “green light” for Shanghai Rongma to build the conference table, that the budget was approximately \$200,000 and that Wenzhou Kean would initially pay for the table on Kean’s behalf. A January 6, 2014 email from the Director of Wenzhou Affairs to the Assistant Vice President of Operations, which was copied to the President, stated that:

The president gave the green light for the table to be made.... The total budget will be about 200,000 U.S. dollars. Wenzhou-Kean will pay on Kean’s behalf and get reimbursement.

During an interview with OSC, the President told us that his words were mischaracterized and that he only gave approval for the process to begin. Nevertheless, the contract, payments made by Wenzhou Kean and other correspondence are generally consistent with the project, and not just the process, beginning around this time. For example, the Director of Wenzhou Affairs sent an email to a Wenzhou Kean official on March 4, 2014, approximately two months prior to the Board’s approval, indicating that President Farahi was inquiring about the status of the conference table. That 2014 email requested the official to “communicate with manufacturer to ensure that the table shall arrive and be installed before April 15<sup>th</sup>....,” and further stated:

As per our previous communication, US Kean has made it clear about the requirements on the table. So please don’t delay due to the contract content as it is Wenzhou-Kean who checks on quality and pay for relevant items. Of course, it is better if we can sign the contract. Please send me the English version.

Besides, please provide our Foreign Affair Office the list and passports of the technician [who will install the conference table] to be sent to start issuing visa.

The contract provided that Wenzhou Kean, specifically named as Kean's agent, would inspect the quality of the conference table on behalf of Kean and initially pay Shanghai Rongma as follows: 60 percent of the contract price should be paid by Wenzhou Kean five days after signing the contract, 25 percent would be paid within seven days of the transport date, 10 percent would be paid seven days after installation and 5 percent of the total cost was to be retained for one year to serve as a quality guarantee. The contract stated that Kean would reimburse Wenzhou Kean for such payments. Additionally, the contract specified that Shanghai Rongma would send workers to install the conference table.

As of the writing of this report, Wenzhou Kean has made approximately 85 percent of the total payment on behalf of Kean in a manner consistent with the contract terms. OSC obtained a copy of a wire transfer voucher for a payment from Wenzhou Kean to Shanghai Rongma for 60 percent of the contract price dated March 19, 2014. Kean did not provide OSC investigators with a dated copy of the contract and, although it appears that some contract details were revised in April, the timing of the payment is consistent with the contract being entered into around mid to late March 2014. Additionally, on May 11, 2014, the conference table was shipped by cargo vessel from China and a corresponding wire transfer voucher indicates there was a payment of 25 percent of the contract price to Shanghai Rongma dated May 15, 2014, which is also consistent with the contract.

A review of the records indicates that the contract was entered into, 60 percent of the total contract price was paid by Wenzhou Kean on Kean's behalf and the table was built and shipped from China before Kean's Board considered and approved the purchase and bid waiver. Indeed, the bid waiver request form was not completed until after April 24, 2014 and the Board did not approve the purchase or waiver until May 12, 2014, one day after the table was shipped

from China. Another payment for 25 percent of the contract price was made by Wenzhou Kean three days later, while 15 percent of the total contract price remains outstanding as of the writing of this report.

## *2. Subsequent Approval is Inconsistent with Board's Mandate*

Kean's Board Chair confirmed that the Board was unaware of the conference table at the time the first payment was made in March 2014 and did not approve the bid waiver until after the table was built and shipped from China. The Board Chair told us that the Board first became aware of the conference table when the members received a "board package" that summarized the May 12, 2014 meeting agenda, which typically is received about one week before the Board meeting. When asked if she had any concerns with the Board voting after the conference table was built, a payment was made by Wenzhou Kean on behalf of Kean and the table was already shipped from China, the Board Chair responded that she did not because the Board subsequently approved the payment for the table at the May 12<sup>th</sup> meeting.

In response to the draft report, Kean noted that the Board Chair spoke to OSC investigators as an "individual . . . about her personal knowledge" of the conference table and that, in fact, the Board Chair and other Board members were familiar with the "changing strategies" for the Executive Event Space and had visited the space while it was under construction. Kean reiterated that the bid waiver was unanimously approved at the May 12<sup>th</sup> meeting. As noted earlier, the decisions to forgo public bidding and to enter into a contract with Shanghai Rongma occurred before the Board meeting, illustrating that the timing of the Board's role in this matter is inconsistent with its statutory obligation to authorize and award such contracts on behalf of Kean.

When asked what would happen if the Board did not approve the May 12<sup>th</sup> resolution, Kean officials, including the President, told us that the table would have been returned to Wenzhou Kean, which would have kept and remained financially responsible for the conference table. Although this was not specified in the contract, the President explained that he based his statement on his knowledge of the Chinese culture and Kean's working relationship with Wenzhou Kean. Kean's Board Chair told OSC investigators that the Board was not informed of this tacit understanding.

In response to the OSC's draft report, Kean stated that it did not receive a copy of the conference table draft contract until March 27, 2014, after the first payment was made by Wenzhou Kean. Kean argued that because the contract was not signed by the parties at the time the first payment was made, Kean did not incur any obligation until the Board's approval at its next available meeting on May 12, 2014. Kean further stated that this fact pattern is consistent with Kean's ability to send the conference table back to Wenzhou Kean in the event the Board did not approve the purchase.

OSC notes that the available documentary evidence indicates that Kean officials were directing Wenzhou Kean officials to obtain the conference table prior to the May Board meeting. For instance, as shown in the above-noted email from the Director of Wenzhou Affairs, Kean was directing Wenzhou Kean to obtain the table as early as March 4, 2014. Additionally, the evidence suggests that although some amendments may have been made to the contract in April 2014, the contract was initially signed by late March 2014. For example, in a March 26, 2014 email the Director of Wenzhou Affairs inquires of a Wenzhou Kean official:

What is the progress of the tables? When is the shipment? Do we need to sign the contract again? If necessary, please send the revised contract to us?

Despite the President's position that Wenzhou Kean would have taken the table if Kean's Board did not approve the purchase, the evidence indicates that the contract was entered into and major milestones occurred before the Board approved the bid waiver and awarded the contract to Shanghai Rongma. In fact, 60 percent of the contract price was paid by Wenzhou Kean on behalf of Kean prior to the May Board resolution. Additionally, the contract stated that Kean shall reimburse Wenzhou Kean for the costs of the conference table and did not indicate that the agreement was contingent upon subsequent Board approval.

#### **F. A Modification to the Conference Table is Similarly Made without First Obtaining Board Approval**

Shortly after the conference table was installed in June 2014, Kean officials indicated that certain modifications were needed to "maximize the usage of the table and [make] the Event Space more attractive to more potential organizations." The two modifications concerned improvements to the lighting for the table and changes to the overall size of the table.

Specifically, the first modification was requested to improve the lighting for the table during presentations when the shades have been completely drawn in the room. The second modification was requested to allow guests to more easily reach the "Lazy Susan" part of the table and the outer workspace. The request for a bid waiver for these modifications was completed by early August 2014. The Board approved the bid waiver on September 15, 2014, authorizing the expenditure of up to \$70,000 for the modifications.

As with the purchase of the conference table, the modifications were initiated by Kean before the Board approved the expenditure. Even before the bid waiver request form was completed, the Director of Wenzhou Affairs believed there was approval to begin with the modification process. In a July 21, 2014 email sent to the Assistant Vice President of Operations, which was copied to the President, the Director of Wenzhou Affairs asked whether

the modification project was “a go.” President Farahi responded to the Assistant Vice President of Operations the next day: “You need to move.”

When asked about this email, the President told OSC investigators that he merely meant to begin the process for the modification project and did not mean for the project to actually commence. The Director of Wenzhou Affairs, however, advised Shanghai Rongma to begin the modifications one day after the President’s email. According to the Director of Wenzhou Affairs, he advised Shanghai Rongma to begin after he spoke with the President and was verbally instructed to proceed.

In addition, the contract for the modification was signed and a substantial partial payment was made before the Board approved the bid waiver. The contract was signed on August 22, 2014, and Wenzhou Kean made an approximately \$40,000 payment to Shanghai Rongma on Kean’s behalf on September 11, 2014. Although the Board’s Facilities Committee met on September 10, 2014 to discuss the matter, the Board did not approve the bid waiver until September 15, 2014. An additional payment of approximately \$17,000 was made by Wenzhou Kean on Kean’s behalf in October 2014, prior to the completion of the modifications.

We note that the Gruskin Group had previously identified an issue regarding the size of the table. Specifically, the Gruskin Group identified, after constructing the mock-up of the table, that users could not always reach the Lazy Susan portion of the table and therefore adjusted its size. The Gruskin Group advised OSC that the changes identified were memorialized in the specifications that were provided to Kean. The subsequent \$70,000 modification approved by the Board involved, in part, issues that appeared to be the same as those previously addressed by the Gruskin Group, further calling into question the process used to acquire the table and the reasonableness of the cost for the modification.

### **G. Payments for the Conference Table Were Made Contrary to Kean's Normal Practices**

The payments for the conference table were made on Kean's behalf without a purchase order and without first consulting Kean's own Director of Purchasing or its Director of Accounting. OSC was told that the process followed in this instance was outside of Kean's normal guidelines and practices.

Kean's written purchasing guidelines state that a purchase order is the "only method of acquiring goods and services for the University." The guidelines further state that "[p]lacing a purchase order with an outside supplier without General Accounting approval and a University purchase order constitutes an unauthorized purchase." Kean's then Director of Accounting, who was responsible for ensuring that all financial transactions are properly recorded, advised OSC that he only became aware of the purchase in November 2014 following media reports on this matter.

According to the Director of Purchasing, the normal process is for a requisition to be issued and a purchase order generated prior to any payment by Kean. OSC's investigation revealed that Kean's Director of Purchasing, who is responsible for the purchase of all materials and services as well as compliance with state and federal requirements pertaining to the procurement of goods and services, was not notified of the purchase of the conference table until April 2014 when he was contacted to arrange for the receipt of the table. The Director of Purchasing noted that when he was made aware of the table it was already a "done deal." He also stated that a purchase order was never generated in this case because the required paperwork, such as the vendor's business registration certificate and a required tax form, was never received from the vendor. In fact, as of June 2015, the table was still listed in Kean's

system as an “outstanding requisition,” further illustrating that the usual purchasing process was not followed in this matter.

The financial arrangements used by Kean to acquire the conference table also circumvented the University’s internal purchasing controls. Although Kean never directly made payments for the purchase of the conference table, Wenzhou Kean, acting as Kean’s agent, made such payments on Kean’s behalf, as required by the contract. Kean did not directly reimburse Wenzhou Kean for these payments. Instead it proportionately reduced payments Wenzhou Kean was required to pay to Kean pursuant to an unrelated payroll agreement. The agreement requires Wenzhou Kean to compensate Kean for the salaries it pays for certain Wenzhou Kean academic staff. OSC notes that the contract for the conference table was provided to OSC in English and Chinese and the translated Chinese version of the contract specifically stated that Kean could allow for such a reduced payment while the English version called only for reimbursement and did not mention the possibility of a deduction.

Regardless, on January 1, 2015, approximately \$187,000 was deducted from the amount of the salary-related payment owed by Wenzhou Kean to Kean. This amount represented the 85 percent of the total conference table cost paid on Kean’s behalf as of that date. OSC notes that this “payment” also violated Kean’s bid waiver policy that required such payments to be made within the fiscal year in which the bid waiver was approved.

OSC was told by the Executive Vice President of Operations that Kean had never before owed money to Wenzhou Kean and that this was the only time there was a deduction from the Wenzhou Kean salary reimbursement account. Kean officials told OSC that this will be corrected in Kean’s accounting system and funds will be transferred from Kean’s capital improvement account to the Wenzhou Kean salary reimbursement account.



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In response to the discussion draft, Kean generally questioned the tone of the report, stressed the importance of its relationship with Wenzhou Kean and noted that it has hosted dozens of policy roundtables in its conference center. Kean also stated that the Green Lane Academic Building sixth floor conference room has generated income and a Kean alumnus has recently donated \$250,000 to cover the cost of the conference table. Kean further maintained that OSC failed to fully appreciate its original intent to include the table as part of the construction process. OSC's investigation did not focus on Kean's relationship with Wenzhou Kean or subsequent efforts to mitigate the table's cost and, as noted, primarily concerned the actual process used to procure the conference table and not Kean's stated intent.

Kean also argued that the table that was ultimately built was less expensive than the lowest price quote obtained by the Gruskin Group. As noted in the body of this report, however, Kean did not publicly advertise for the conference table that was ultimately received, and in fact purchased a table that was different from what was originally contemplated. Thus, there is no way to know whether the conference table was the best value for Kean. OSC notes that the process to design, manufacture and modify the conference table ultimately cost the University nearly \$250,000.

Kean maintained that the University expended no actual money and incurred no true obligation until after Board approval and could have returned the table to Wenzhou Kean had the Board disapproved of the purchase. As OSC has noted above, prior to Board approval there was an agreement to purchase the table, the table was built and shipped at Kean's direction, and Wenzhou Kean made payments to Shanghai Rongma for the table which Kean was obligated to reimburse. Even assuming the table could be returned, which the evidence does not support,

Kean does not explain the rationale for directing a table to be built to the exact specifications of its sixth floor conference room and shipped to the United States if there was a risk that it would only have to be returned to China.

#### **IV. Conclusions**

OSC's investigation has revealed that Kean failed to follow applicable procurement law and internal policies and procedures in connection with the purchase of the conference table. These lapses raise questions as to whether Kean received the best value when it purchased the conference table. OSC provides recommendations to Kean concerning the purchase process utilized in this matter at the conclusion of this report.

Kean initially spent \$30,000 to create specifications, a full-scale model, and to identify a manufacturer for the conference table. Kean ultimately did not reach an agreement with the two U.S. vendors that were identified as a result of this process. While Kean officials told OSC that Kean ultimately utilized the general specifications when it provided them to Shanghai Rongma, it spent an additional approximately \$70,000 to make modifications to the table after purchasing it for approximately \$151,000. The total cost for the conference table was approximately a quarter of a million dollars.

Kean entered into an agreement to purchase the conference table, and the table was built and shipped from China before the Board approved the award of the contract. Although the Board later approved payment for the purchase, it occurred after the table was already on its way to Kean. Furthermore, the rationale for the need to bypass a public bidding process was not consistent with procurement law. While it is impossible to now determine whether a public bidding process would have saved money, we note that, generally, when there is a failure to foster competition there is a risk of overpayment for goods and services. *See* OSC's January 19,

2011 Report, *Rutgers, The State University of New Jersey: Contracting and Selected Financial Management Practices*.

Kean also did not follow normal purchasing practices in this matter. In bypassing Kean's normal purchasing procedures and using Wenzhou Kean to prepay a vendor on its behalf, Kean essentially authorized the vendor to be paid prior to formal approval from Kean itself. This circumvention of internal purchasing controls further taints this questionable purchase.

## **V. Recommendations**

OSC recommends that Kean review and update its policies, procedures and practices to ensure that the deficiencies noted in this report are not repeated. Furthermore, OSC notes that these recommendations should be followed whenever a similarly situated publicly-funded entity procures goods or services. Specifically, OSC recommends that Kean provide the appropriate training to University staff and create, update or modify its policies and procedures to:

- Ensure that all University staff and Board members understand their responsibilities with regard to purchasing goods and services;
- Require that all necessary approvals from the appropriate departments and the Board be obtained before Kean officials or their agents are permitted to enter into a contract on the University's behalf;
- Confirm that purchase orders are issued and that vendors provide the University with required documents before issuing payment;
- Utilize public bidding in accordance with the State College Contracts Law in order to foster competition and benefit from potential cost savings;
- Refrain from alternative payment arrangements for purchases and ensure compliance with University practices and procedures; and
- Ensure that all monies expended for goods and services are the result of a reasonable and organized strategy designed to obtain the best value for the University.