Construction Audit

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Agenda

- Why Construction Audits
- Construction Audit Phases
- Contracts
- Pay Applications
- Closing
Construction Audits

• Assist project team
• Identify and help manage risk
• Provide feedback on contract and controls
• Help control project costs
• “Third line of defense” in construction projects
Construction Audit Phases

Construction audits usually follow duration of the construction project.

• **Planning/Pre-construction**
  Review bidding, contract, and set expectations
  
  **Benefits:**
  - Mitigates contract risks
  - Cost avoidance
  - Provides advice from past experiences

• **Construction**
  Risk assessment & contractor billing review
  
  **Benefits:**
  - Identifies overspend timely
  - Raises awareness and transparency

• **Close-out**
  Evaluate total costs, and verify key contract requirements
  
  **Benefits:**
  - Ensures contract compliance and deliverables
Contract and Bid Review

- CSI code breakout
- Contract dates vs project schedule
- Self-performed work
- Percentage completed
- Overhead, profit and general conditions
- Department request for change
- Bid and performance bonds
- Washington University contract - subcontractor terms
- Exhibits and Appendices
Change Orders

- Markup calculation template
- Credit for project changes
- Approval before work begins
- Best practices
  - Utilize University labor rates
  - Timeliness from Contractor and University
  - What to look for PM vs. Accountant
Labor

- Staff labor
- Trade labor
- Duplicate charges
Materials

- Sales tax
- Warehouse charges
- Purchased equipment
- Substandard materials or substitutions
- Exercise #1
  - Duplicate charges
  - Old vendor invoices
  - Invoices for another project
  - Discounts
Equipment

- Reasonable rental rates
- Equipment values
- Exercise #2
  - Independence of the third-party vendor
  - Calculation accuracy
  - Usage vs. time on-site
Insurance

- Compliance to contract terms
  - Certificate of Insurance
  - Purchased coverage
  - Expiration dates
  - Waiver of subrogation and additional insured sections
- Builders risk
- Property insurance
- Subguard program
- CCIP
Other

• Lien waivers
• Schedule of values
• Reimbursements
Questions?

Thank you for your time, efforts, and cooperation.