

Auditing Construction Activities



The International Leader
in Audit & Information
Security Training

The Construction Process
and Audit's Role in Helping
Reduce Construction Costs



August 16-18, 2010
Chicago, IL

December 8-10, 2010
Miami, FL

- Learn the fundamentals of the construction industry, including terminology, site activities, and contractor responsibilities
- Examine a variety of construction contracts, their accompanying risks, and how you can mitigate their vulnerabilities
- Explore various types of construction audits and find out how to implement an effective construction audit program
- Demystify the bidding and award process and get tips on how to spot bid rigging
- And much more

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Auditing Construction Activities

The Construction Process and Audit's Role in Helping Reduce Construction Costs

Seminar Objective

Cost recovery or savings reviews of your construction activity could save your organization 1-3% of its construction cost and boost IA's value to the organization. In this three-day session you will learn the fundamentals of the construction industry, and cover the activities that take place at a construction site, contract documents and forms, inherent risks in the construction industry, construction terminology, and the architect and contractor's responsibilities. You will examine the types of construction contracts and their accompanying risks, the bidding and award process, controlling construction costs, the contract administration process, contract compliance, the payment process, the closeout process, and potential claims. You will explore the various types of construction audits, learn how to implement your own construction audit program, discover when to kick start your audit, and see for yourself that engineering and/or architectural knowledge are not necessary to perform an effective construction audit. Throughout this seminar you will use specifically formulated exercises that will reinforce what you learn.

Prerequisite: *None*

Learning Level: *Basic* **Field:** *Auditing*

Advance Preparation: *None*

Delivery Method: *Group-Live*

Who Should Attend

Internal and External Auditors; Audit Directors and Managers; other personnel responsible for construction activities in their organization; construction professionals who want a "big picture" view; Construction Accountants, Finance personnel and Construction Contract Administrators

Online Registration

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1. Key Construction Terms

- the "owner" defined
- the contractor's monthly "payment application" defined
- the Schedule of Values defined

2. Design: The Architect's Role and the Architect Agreement

- the design planning process: CDs, SDs and DDs
- the architectural agreement
- contract administration services
- reasonable compensation/reimbursable expenses for the architect
- contract exhibits: hourly rate schedule, project team list, interior design and other services
- design risk/"fast-track" process
- value engineering defined and when VE begins
- auditing the architect's monthly invoice

3. Construction Contract Documents

- key terms and conditions in the construction agreement
- specifications: quantity and quality of materials
- key terms and conditions in the General, Supplementary or Special Conditions agreements
- the project manual
- exhibits to the agreements, including hourly labor rates and unit prices

4. Types of Construction Contracts and Associated Risks

- how the owner and the contractor negotiate construction cost risk
- lump sum (or fixed cost) defined; associated risks for the owner and contractor
- guaranteed maximum price defined; associated risks for the owner and contractor
- time and material defined; associated risks for the owner and contractor
- cost-plus defined; associated risks for the owner and contractor
- unit price defined; associated risks

for the owner and contractor

- design/build defined; associated risks for the owner and contractor
 - boilerplate contract documents available from the American Institute of Architects and other organizations
 - advantages of boilerplate contracts vis-à-vis "in-house" contracts
 - "fast-track" construction and associated cost risks
 - improving the business terms and conditions of contract documents
- #### 5. The Bidding and Award Process
- request for proposal vs. negotiated or sole sourced contracts
 - bid analysis and lowest bid syndrome
 - taking alternates and allowances into consideration
 - bid rigging and what to look for
- #### 6. Controlling the Construction Process
- construction organization charts
 - the estimating "takeoff"
 - scheduling/key milestones and final completion
 - detailed vs. high level monthly reporting
 - key components of a superior monthly financial report
 - key indicators that may signify potential field issues or cost overruns
 - other field reports and CIP accounting reports
 - owner construction policies and procedures
 - Request for Information (RFI) Log and the Architect's responsiveness
 - maintaining a backcharge log and backcharging the appropriate party
 - Owner Furnished Item (OFI) Log and avoiding construction delays
 - equipment rental log and proper pricing
 - value engineering log: a sure way to document cost control

ABOUT THE INSTRUCTOR

Ronald D. Risner is Founder and President of Risner Consulting Group, Inc., a comprehensive professional audit and consulting services firm specializing in the construction industry. Previously, Mr. Risner was Vice President and Auditor for Barnett Banks, Inc. In this position he had direct oversight of a staff of 50 financial, operational and IT auditors, as well as another 100 financial auditors throughout Florida and Georgia. Mr. Risner served as past director for the Atlanta, Northeast Florida, and Central Florida Chapter of the IIA. He also served as Vice President of the Central Florida IIA chapter and as President of the Northeast chapter of the Bank Administration Institute. In addition, he has authored several construction-related articles for professional publications.

- the allowance log and how to account for the owner's acceptance or not
 - the alternate log and whether the owner accepts or declines
 - authorized use of contingency dollars and how to report usage
- 7. Change Management**
- change order defined
 - why change orders occur and why they are risky business
 - change order acronyms
 - change order reporting and how to ensure that management knows what's going on
 - controlling and testing change orders
 - change order risk thresholds and when auditors should take note
 - other contract changes: addendums, modifications, amendments and work authorizations
- 8. The Payment Process**
- reviewing the contractors' monthly payment application
 - retention, percentage of completion and lien releases
 - schedule of values and the 17 CSI divisions
- 9. Other Construction Risks**
- market risks
 - insurance risks
 - surety and bond risks
 - financial risks
- 10. The Closeout Process**
- punch list
 - warranties/guarantees
 - final lien releases
 - the need for as-built drawings
 - a closeout checklist
- 11. Claims**
- types of contractor claims
 - types of owner claims
- 12. Types of Construction Audits**
- when to kick start an audit
 - control and financial reviews
 - change management (change order) reviews
 - forensic reviews other audits
- 13. Investing in and Designing a High-Payback Audit for Your Organization**
- reviewing the job cost ledger of the contractor and/or subcontractor(s)
 - eight common objections by the contractor when auditing the job cost ledger and how to overcome them
 - cost savings rule of thumb: 1-3% reduction of the project cost
 - cost recovery, avoidance, reduction, and cost-savings defined and examples
 - seven variations in the audit rights clause
 - reasons to audit a lump sum contract

IN-HOUSE SEMINARS

If you have several people who need training, MIS will bring this program or any of its other audit seminars directly to your organization. In-house seminars let you tailor a course to your specific needs and cost-effectively train your team at your convenience. For more information, contact Mimi Hatch at (410) 692-2465, or mhatch@misti.com.

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Chicago: TBD

Miami: Biscayne Bay Marriott 305-374-3900

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August 16-18, 2010
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December 8-10, 2010
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