



Auditing Construction Activities

Website: www.btsconsultant.com

Email: info@btsconsultant.com

Telephone: 00971-2-645263



Auditing Construction Activities

Introduction:

In this unique course 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 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 architectural knowledge are not necessary to perform an effective construction audit.

The focus of this course is to prepare auditors and project managers to comprehensively address the factors required for a successful project, identify fundamental risk, and assist in the development of effective controls to help the project succeed. Attendees will learn essential fundamentals of construction management, to prepare a comprehensive risk assessment and effective audit testing steps to identify errors and emerging issues.

Who Should Attend?

Internal Auditors, Senior Auditors, Finance Personnel, Financial & Operational Auditors, Information Technology Personnel, External Auditors with two or more years of audit experience; Quality Assurance personnel; Data Security specialists, Audit Directors & Managers, Operations Managers & Risk Officers, Construction Professionals & Accountants, Construction Contract Administrators & Consultants

Course Objectives:

By the end of this course delegates will be able to:

- Understand key terms and make the auditor feel more comfortable in "talking the talk" with the contractor and vendors. This includes understanding the flow of a construction project
- Implement effective governance over project management, understanding common frauds, fraud prevention and fraud detection
- Understand construction risks and how to manage them
- Ensure effective change management over change orders, contingencies and claims
- Learn strategies for identifying and recovering overpayments

Course Outline:

Key Construction Terms

- The (owner) defined
- The contractor monthly payment application defined
- The Schedule of Values defined

Design: The Architect Role and the Architect Agreement

- The design planning process: CDs
- SDs and DDs
- Main components of an architectural agreement
- Contract administration services
- Reasonable compensation/reimbursable expenses for the architect
- Contract exhibits: hourly rate schedule
- Project team list, interior design

- Design risk and the fast-track process
- Value engineering defined and when VE begins
- Auditing the architect monthly invoice

Construction Contract Documents

- Understanding 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

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**

The Bidding and Award Process

- Request for proposal v. negotiated or sole sourced contracts
- Bid analysis and lowest bid syndrome

- Taking alternates and allowances into consideration
- Bid rigging and what to look for

Controlling the Construction Process

- Typical construction organization charts
- The estimating takeoff
- Scheduling/key milestones and final completion
- Detailed v. 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
- Request for Information (RFI) Log and the Architect responsiveness

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 is 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

The Payment Process

- Reviewing the contractors monthly payment application
- Retention, percentage of completion and lien releases

- Schedule of values and the 17 CSI divisions
- Checking for mathematical accuracy

Other Construction Risks

- Market risks
- Insurance risks
- Surety and bond risks
- Financial risks

The Closeout Process

- Punch list
- Warranties/guarantees
- Final lien releases
- The need for as built drawings
- A closeout checklist

Claims

- Types of contractor claims
- Types of owner claims
- Types of Construction Audits
- When to kick start an audit
- Control and financial reviews
- Change management (change order) review
- Forensic reviews other audits