

Construction Audit and Cost Control Opportunities

- *General Contracting*
- *Construction Management*
- *Remediation Contracting*
- *Construction Oversight*

- *Architectural Services*
- *Engineering Services*
- *Environmental Consulting*
- *Program Management*

MISTAKES TO AVOID FOR OWNERS

Many Owners, despite their best intentions, have had to deal with construction projects that were mired with negative results. Schedule delays, cost overruns, construction quality, material shortages, etc. are just the tip of the iceberg. Contributing factors typically include general cost escalation, excessive change orders resulting from “scope creep,” fraud, theft, waste, mismanagement, self-dealing, lack of experience, poor judgment, poor communication and lack of foresight. Attitude, opportunity and pressure often may also contribute to the problem. Seldom do people plan to fail, yet the construction industry as a whole remains stuck with an unflattering reputation. Regardless, we believe the avoidance of mistakes in these key areas will enhance the probability that Owners will achieve successful outcomes for their projects:

1. Failure to fully explore or integrate end-user requirements; thoroughly define needs and communicate same to design team. Shortcut the overall program requirements process.
2. Not recognizing the benefits of peer review, value engineering and constructability reviews throughout the design phase.
3. Failure to maintain disciplined approach to design changes after construction documents are issued (to minimize the impact of change orders).
4. Placing sole reliance on in-house or external counsel to develop effective construction contracts and executing same without soliciting input from seasoned construction audit professionals and others who understand risk and exposures.
5. Failure to anticipate problems and develop effective strategies, including remedies in contracts, to mitigate them when they do occur.
6. Failure to make critical planning decisions in a timely manner to avoid extremely tight or compressed construction schedules. Decision to “Fast-Track” unnecessarily.
7. Entering into relationships of trust without an appropriate level of oversight.
8. Not recognizing the powerful technique of pre-contract audit procedures to verify and validate contractor data prior to execution of the contract.
9. Agreeing to fixed rates and other “unauditable” provisions in contracts without proper due diligence or verification (through pre-contract audit techniques).
10. Entering into agreements that do not have an effective right of audit provision.
11. Allowing contractor sole control over the key subcontract processes of bid package preparation, bid solicitation, bid analysis, contract award.
11. Allowing contractors to enter into subcontract agreements without Owner approval.
12. Failure to develop a comprehensive change order cost control strategy. Not requiring contractors and subcontractors to provide detailed cost and pricing data on all proposed change orders. Not requesting or requiring labor rate breakdowns for extra work.
13. Failure to dedicate resources necessary for effective contract administrative practices.
14. Failure to provide effective oversight for consultants or supervision for contractors.



Financial Consulting to the Construction Industry

9446 Hilldale Drive

Dallas, TX 75231

(214) 221-3371

www.wiszco.com