

The Inherent Risks of Contracting for Construction Services

- *General Contracting*
- *Construction Management*
- *Remediation Contracting*
- *Construction Oversight*
- *Architectural Services*
- *Engineering Services*
- *Environmental Consulting*
- *Program Management*

A SELF-ASSESSMENT FOR OWNERS

A successful construction project is often a result of a combination of many different people from various disciplines working together toward a common goal. The entire construction process should be designed to capitalize on the individual strengths of the various disciplines involved. However, deciding who should do what tasks are not nearly as important as ensuring that the necessary tasks are performed and that they are performed effectively. The following list was developed to help owners identify those tasks necessary to help minimize the inherent risk of contracting for construction services. Within your own organization, determine who is responsible for the following key points that are necessary for effective contract control:

1. Balancing the three primary task objectives of time, quality and cost
2. Determining the needs of the organization (user requirements)
3. Integrating the user requirements with the work intended to be done
4. Determining that the work intended to be done is the work contracted
5. Developing the bidding or negotiating parameters for procuring services
6. Qualifying the vendor(s) based on financial, technical and performance capabilities
7. Establishing and managing the competitive bidding process (if bidding)
8. Developing the business and legal terms for a specific project
9. Determining the type of contract (compensation basis) that will be awarded
10. Approving contracts, change orders, amendments or modifications
11. Determining that the work actually performed is the work contracted
12. Determining that materials received are materials contracted for
13. Verifying that materials paid for are materials actually received
14. Verifying that hours billed represent hours actually worked
15. Verifying that billed rates agree to rates specified in the contract
16. Ensuring that the billing is accurate and in accordance with the contract
17. Ensuring that all costs are properly reimbursable for cost-reimbursement contracts
18. Analyzing the pricing of change orders or claims
 - a. Ensuring that change order is a valid scope change
 - b. Performing quantity takeoffs for material and labor
 - c. Reviewing unit rates and other specific cost elements
19. Determining that all contracted work was completed satisfactorily
20. Performing a final cost verification and accounting or audit of entire project



Financial Consulting to the Construction Industry

9446 Hilldale Drive

Dallas, TX 75231

(214) 221-3371

www.wiszco.com