

Effective Auditing of Construction Activity

Effective auditing of construction activity is one of the biggest challenges facing auditors today. This seminar provides auditors with the ability to look beyond their traditional auditor role by providing insight on how to partner with their management team to conduct effective audits of their organization's construction activity.

Specific "how to" construction audit techniques and other industry specific detailed information will be discussed to enhance the attendees' abilities to identify and develop potential cost avoidance and/or cost opportunities for key process improvements related to construction procurement and contract administration.

Learning Objectives:

Owner's construction auditors will learn specific "how to" techniques for conducting effective audits of their organization's construction activity. Owner's project managers will learn specific key control points that will increase their ability to manage the costs of their construction projects.

- How to find and recover overcharges.
- How to prevent overpayments to contractors.
- Issues to consider that avoid costly mistakes when entering into construction contracts.
- Key steps to ensure the best value is received when the CM/GC contracts with subcontractors.
- Critical process to ensure subcontractor change orders are priced fairly.
- Process to control costs related to materials purchased by the contractor.
- How to structure your contract to avoid overpaying for contractor owned equipment.
- Possible overcharges for third party equipment to watch out for.
- How to avoid making excessive payments for subguard and/or contractor controlled insurance programs.
- Methods to effectively minimize contract loopholes that create opportunity for contractors to realize excessive hidden profits.
- Management/construction audit partnering strategies to ensure cost controls are working to benefit the project.

All participants are eligible to receive up to 16 Continuing Education Credits (CPE's) to fulfill professional accreditation requirements. Field of Study: Auditing. Course Level: Basic. Group-live, lecture-style seminar; no prerequisites or advanced preparation required. For information regarding CPE, complaint, or program cancellation, please contact our office at 214-361-8346.



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Course Outline:

Introduction to Effective Auditing of Construction Activity

- Audit objectives related to controlling construction costs
- Project team roles and responsibilities
- Delivery systems - fast track, design build, conventional
- Contract procurement methods, types, and phases

Cost Plus and Time and Material Contracts - Typical Overcharges

- Design contract billings for time and reimbursables
- Billings for personal computer and/or mainframe computer time
- Construction contractor and/or construction manager billings for labor and labor burden
- Billings for contractor-owned equipment, third-party equipment rental, expendable tools, equipment and consumables, and material used during construction
- Transactions dealing with subcontractors

Auditing Construction Change Orders

- Typical overcharges in lump sum change orders
- Electrical change order - discussion exercise
- Change order labor and labor burden pricing

Auditing Lump Sum or Unit Price Contracts

- Quality and scope of work overcharges
- Substitution of materials or methods
- Not performing required services
- Not installing proper quantities
- Special types of lump sum contract overcharge situations
- Adjusting allowances
- Required bonds and insurance
- Improper charges for sales tax
- Special unit price overcharge situations
- Excessive quantities billed
- Improper measurement method used
- Inaccurate measurements
- Billings for excessive quantities actually performed

About the Course Developer and Instructor

Richard L. Townsend

Rich Townsend is the CEO of the consulting firm **R. L. Townsend & Associates, Inc.**, which provides construction audit services and construction cost control management advisory consulting services to Owner organizations throughout the United States. His firm currently consists of 10 professional consultants.

His consulting firm serves as construction audit/construction cost control advisors for private and public university organizations, manufacturing organizations, retail organizations, local government organizations, and health care organizations.

R. L. Townsend & Associates, Inc. is affiliated with **Courtenay Thompson & Associates** for the purpose of providing professional development training seminars on construction auditing and construction cost control.

In 2008, he established **Construction Audit & Cost Control Institute, Inc.** (www.caacci.org) to provide a training and information sharing forum for professionals interested in control and audit of construction costs.

Since 1985, he has conducted in-house seminars related to construction contract audit and construction cost control for a wide variety of Owner organizations and industries (e.g. manufacturing, retail, oil & gas, public utilities, airport authorities, state and local government, school districts, real estate development firms, colleges and universities).

Prior to starting his consulting firm in 1984, Mr. Townsend spent 13 years with the internal auditing department of a major retail organization where he served in several staff and management positions with a specialization in audit and control of construction activity.

Mr. Townsend is a Certified Construction Auditor, a Certified Public Accountant, and a Certified Internal Auditor. He is currently a member of the advisory board for the National Association of Construction Auditors. He is a graduate of Waynesburg College (Waynesburg, Pennsylvania) where he obtained a Bachelor of Science Degree with a major in accounting.

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