Construction Activity: Audit Strategies

About This Course

Course Description
Capital construction projects can create significant exposure for organizations that are unaware of the risks associated with excessive cost, project delays and quality issues.

This course reviews detailed audit strategies to address the risk and exposure in each phase of the life cycle (Planning/Design, Bid/Procurement, Construction, and Close-out) – with emphasis on the construction project delivery and compensation methodologies.

Course Objectives
- Identify which projects should be audited and the elements to be considered when designing audit work plans.
- Develop strategies to minimize risk in each phase of the construction life cycle.
- Establish audit approaches that mitigate opportunities for contractor overcharges and improve contractor oversight and compliance.
- Assess if each stakeholder has met their responsibilities and mitigated the risk that is inherent to construction projects.
Course Topics

Why Audit Construction Contracts?
- List and discuss the reasons and basis for auditing construction contracts.
- Discuss the objectives of a construction audit.
- Identify some of the controls that should be present in a construction project.

The Construction Life Cycle
- Define the four stages of the construction life cycle giving some of the associated risks for each stage and the possible controls that could be in place.
  - Planning/Program & Design
  - Bid/Procurement
  - Construction
  - Close-Out

Key Stakeholders
- Identify the key stakeholders in each phase of the construction process.
  - User, Engineers, Budget, Procurement, Legal, Controller - A/P, Audit
- List the primary role and responsibilities of each stakeholder.
- Define the key relationships among the various stakeholders.

Construction Project Delivery Methodologies
- Understand the different methods that are used to deliver construction projects and the risk and benefits associated with each.
  - Design/Bid/Build-Traditional
  - Design-Build, Construction Management
- Types of Construction Contracts
  - Fixed Price/Lump Sum
  - Cost Plus or Cost Reimbursable
  - Time and Materials (T&M)
  - Guaranteed Maximum Price (GMP)
  - Unit Price
- Understand the different types of contracts that may be utilized in a construction project.
- Understand the risks of the various types of contracts used in a construction project.
- Relate the risks inherent in the various delivery methods and contract types to the reasons for auditing the project.

Audit Planning
- List the different types of contracts that are used for construction projects.
- List the risk and exposure specific to each type of contract.
- Create a process and the rationale for selecting projects and/or activities to audit.
Construction Life Cycle – Planning and Design (Pre-award) Phase
- Identify the key stakeholders in the planning and design phase and describe their roles and responsibilities.
- Identify key risk and exposures.
- List controls to mitigate the risk and/or improve the governance process.
- Establish audit procedures for achieving audit objectives.

Construction Life Cycle – Bid and Procurement Phase
- Identify the key stakeholders in the bid and procurement phase and describe their roles and responsibilities.
- List key risk and exposures.
- List controls to mitigate the risk and/or improve the governance process.
- Establish audit procedures for achieving audit objectives.
- List cost avoidance or savings opportunities.

Construction Life Cycle – Construction
- Identify the key stakeholders in the construction phase and describe their roles and responsibilities.
- Review key risk and exposures.
- List controls to mitigate the risk and/or improve the oversight process.
- Establish audit procedures for achieving audit objectives.
- List cost avoidance or savings opportunities.

Construction Life Cycle – Close-out
- Identify the key stakeholders in the construction close-out phase and describe their roles and responsibilities.
- List key risk and exposures.
- List controls to mitigate the risk and/or improve the governance process.
- Establish audit procedures for achieving audit objectives.
- List areas that are vulnerable to overcharges.

Issues Related to the Use of Sub-Contractors
- List issues and potential concerns with the use of subcontractors.
- Establish issues that are unique to DBE.
- Develop audit strategies and approach.

Safety and Insurance Related Issues
- List areas of potential safety concern.
- List insurance related issue for each concern.
- Develop audit strategies and approach to mitigate risk in the safety and insurance area.
Other Audit Considerations

- Identify other areas that should/could be reviewed when conducting an audit of a construction project.
- List the risk and exposure.
- Develop audit approach to assess the risk and strategies to enhance the governance and oversight process.

Opportunities for Fraud in Contracts

- List areas in the contract processes that are more vulnerable to fraud.
- Identify approaches that can be used to reduce the risk of fraud.

Course Information

Course Duration: 2 Days

CPE Hours Available: 16

Knowledge Level: Intermediate

Field of Study: Auditing

Prerequisites: Basic knowledge of internal audit and construction activity concepts

Advance Preparation: None

Delivery Format: On-site Training (Group-Live); Seminar (Group-Live)