



Construction Audit

Overview

PCC was retained by the Director of Internal Audit of a \$400M university to perform a detailed internal audit of controls for an \$85M construction project. The primary objectives of the audit were to evaluate the financial control and project management processes in place during the construction project.

Approach & Methodology

PCC reviewed the following to accomplish stated audit objectives:

- Granting of Contracts
 - Reviewed contracts to determine if they were properly awarded and amendments and change orders were properly approved
 - Provided that bonds and insurance specified in the contracts were actually purchased
- Progress Billing Process
 - Provided that costs associated with direct labor were actually incurred and billed at the actual cost and/or in accordance with the underlying contracts
 - Provided that payments to contractors were approved, accurate, supported by adequate documentation and were made in accordance with contract terms
 - Verified that all contractors provided the specified quality and quantity of materials and services, in all material aspects, as required by the scopes of work in the contracts
- Change Order Process
 - Reviewed change orders to determine if they represented legitimate change in scope, schedule or cost; were substantiated with adequate support documentation; were approved; were reviewed by the client's financial staff; and were priced in accordance with the contract
- Project Management
 - Provided the client has adequate monitoring/reporting infrastructure in place to monitor the progress of the construction of the facilities and to protect its investments
- Accounting for Project
 - Reviewed project costs to determine if they were properly captured in the general ledger
 - Verified that project costs were capitalized or expensed
 - Verified that costs charged as soft costs were appropriate and adequately supported

Benefits

PCC disclosed a severe lack of proper controls and made recommendations for new, cost-effective procedures to properly monitor this process in the future. In addition, PCC analyzed the data and provided the client with the information necessary to identify potentially fraudulent transactions.