



# C2 Follow the Capital Risks

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# Agenda

- Understand why capital projects are often left out of annual audit plans
- How to determine which capital projects to audit
- How to audit capital projects
- Lessons learned



# Why Capital Projects are Often Left Out of Annual Audit Plans

# How organizations develop annual audit plans...

Risk-based approach (risk assessment)

- Changes within organization
- Key initiatives
- Financial exposure/risks
- IT / Cyber security focus



# Biggest reason why.....



## The unknowns / status quo

**“We have a GMP or not-to-exceed contract, therefore we have no risk of cost overruns.”**

**“We hire a construction management firm to monitor and manage the project.”**

**“We have worked with the same GC and no issues or cost overruns have occurred in the past.”**

Everyone needs a trusted advisor.  
Who's yours?

**BKD**

# Common reasons why capital projects not audited

## Why?

- Ignorance
- Fear/ uncertainty
- Territories
- Budgets were smaller
- False sense of protections

Legal

Contract language

Contract type (lump sum)

## How to overcome

- Training
- Awareness
- Utilize 3rd party expert



# Which Projects to Audit?

# Risk assessment

## How to evaluate risks:

- Size of project in \$
- Dollar volume of owner change orders
- Number of sub contractor change orders
- Type of construction agreement (lump sum-low vs cost plus-high)
- Over or under budget
- Fast track vs non-fast track



**Higher Risk for  
Contractor**

**Contract Type**

- Firm Fixed Price
- Fixed Price w/  
Price Adjustment
- Cost plus Incentive  
Fee
- Cost Plus Fixed  
Fee
- Time & Materials
- Cost  
Reimbursement
- Cost Plus a  
Percentage of Cost

**Higher Risk for  
Owner**



# How to Audit Capital Projects

# Why audit?

- Transparency
- Recover overcharges
- Lower capital cost
- Reduce project risk
- Control capital expenditures
- Hold parties accountable

### Phase 1: Contract Review

- Make sure all essential terms & conditions are in contract to protect owner
- Contracts are typically written in the contractors' favor, not the owner
- Identify any contradictory language
- AIA contract templates are written by architects
- **IDEALLY GET INVOLVED BEFORE CONTRACT IS SIGNED**

### Phase 2: Pay Application Review

- Reviewing the project in close to real time
- Review monthly pay applications (labor, equipment, rental, overheads, etc.)
- Review any & all change orders
- Independently track the projects progress & budget

### Phase 3: Closeout Review

- Performed at the end of a project
- The idea is to recheck all figures before retention is paid out
- Review the project checklists, obtain all lien waivers, post-project checklist/punch list

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# Auditing steps

1. Obtain & understand contract(s)
2. Learn roles/responsibilities of each contractor on the job
3. Obtain all payment applications & change orders
4. Obtain support for all charges (equipment rental agreement, time sheets, etc.)
5. Compare data within invoices and support to contract & other support as necessary

# 2018/19 FMP Process



# 2018/19 FMP Process

- Multi-Constituency Advisory Committee (more than 20 members)
  - Athletics
  - I.T.
  - Research & Planning
  - Administrative Affairs
  - Public Safety
  - Full-Time & Adjunct Faculty
  - Shared Governance Council
  - Academic Affairs
  - Continuing Education
  - Regional Centers
  - Facilities
  - Student Affairs
  - MAC Arts Center
  - Student Leadership Council

# 2018/19 FMP Process

200+

STUDENT  
PARTICIPANTS IN  
INPUT SESSION

23

MEMBER  
ADVISORY  
COMMITTEE

06

INTERACTIVE  
PLANNING  
WORKSHOPS ON  
CAMPUS

04

PATHWAYS USER  
GROUP MEETINGS

59

STUDENT  
SURVEY  
RESPONSES

465

FACULTY AND STAFF  
SURVEY RESPONSES

05

BOARD OF  
TRUSTEE  
INTERVIEWS



# 2018/19 FMP Next Steps

Board Approval

Finalize FMP Document

Prioritize Projects

[Why Master Plan?](#)

[About the Project](#)

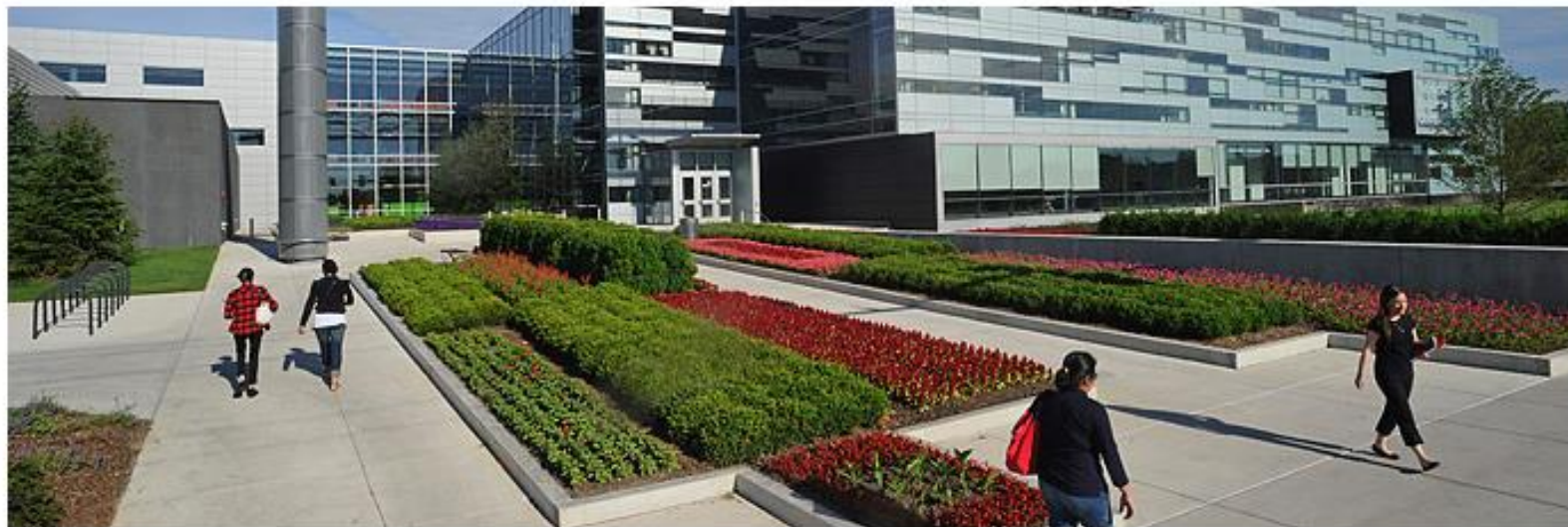
[Process and Timeline](#)

[Get Involved](#)

[Documentation](#)

[Committees](#)

[Facilities Master Plan / Documentation](#)



## Documentation

### [Current Campus Master Plan](#)

- [2019 Campus Master Plan](#)

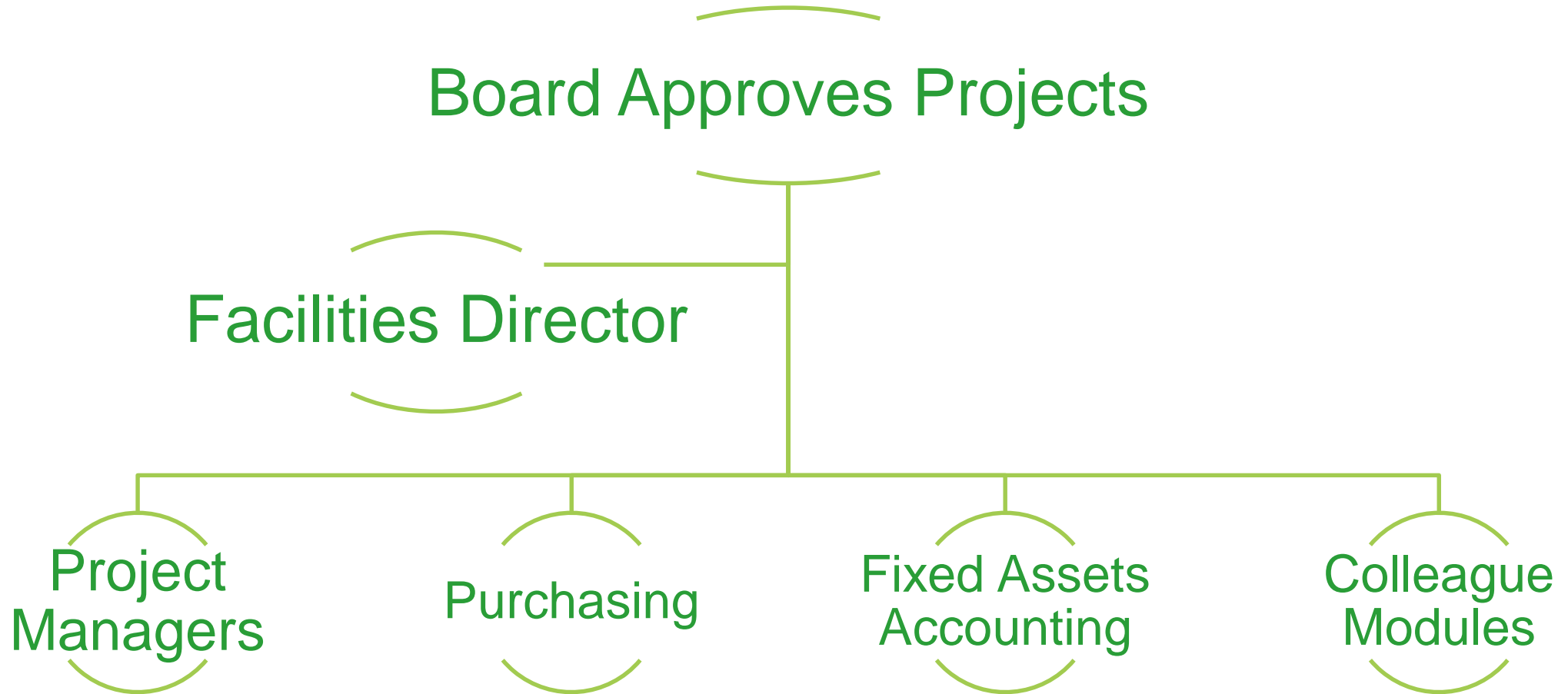
### [Previously Completed Plans](#)

- [2016 Campus Master Plan Update](#)
- [2016 Campus Master Plan Map](#)
- [2017 Space Utilization and Comparative Analysis Study](#)

### [Reference Articles](#)

- [Perkins+Will – Why Master Plan?](#)
- [Perkins+Will – Themes Influencing Education](#)

# What Does This All Mean?



# Questions?

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# Thank You!

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