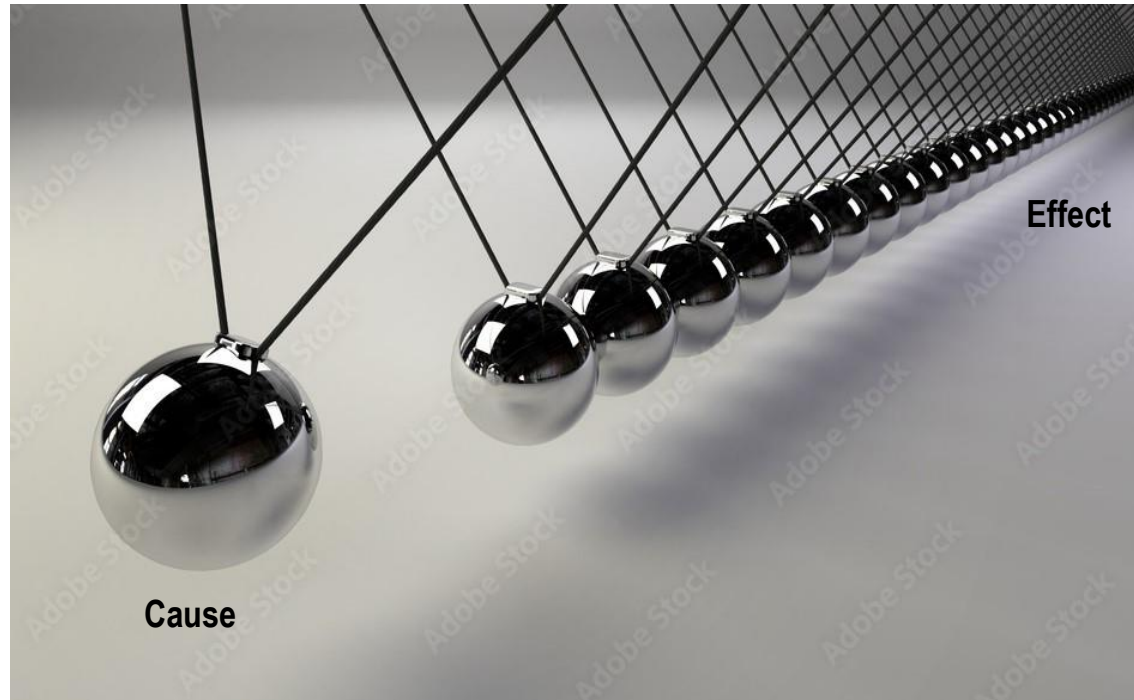


The National Association of Construction Auditors 2023 15th Annual Conference

Executive Conference & Training Center
Washington DC – Dulles, Virginia
September 12-13, 2023



Effects of Poor Project Management *Construction Audits and Project Outcomes*

Project Success or Failure

Will always meet at the Intersection of

“Cause and Effect”



“For Every Action, There is a Reaction, Every Cause, an Effect”

Newton's Third Law: Action & Reaction

His third law states that for every action (force) in nature there is an equal and or corresponding reaction.

Understanding the Law of Cause & Effect

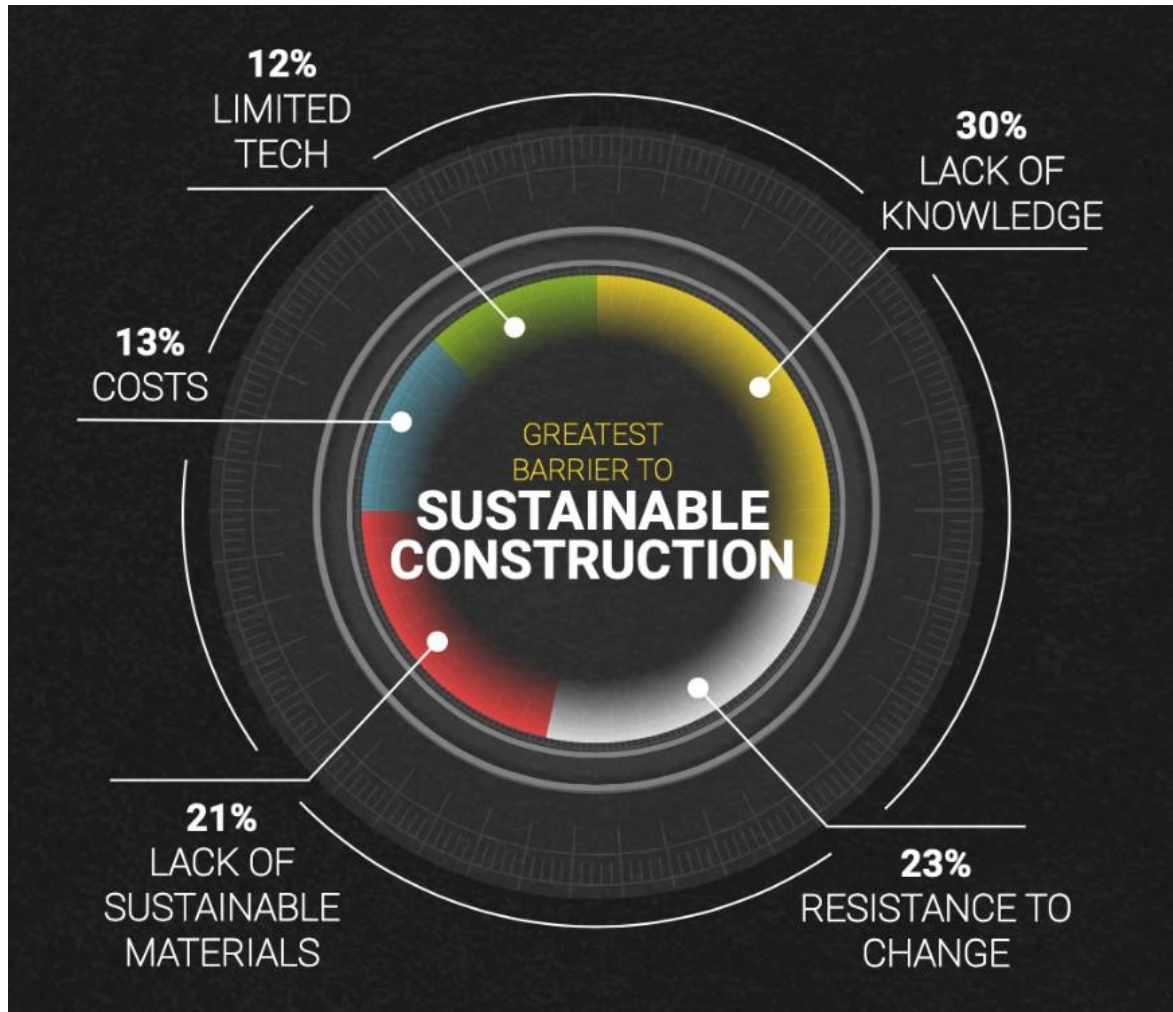
If you want to understand the causes that existed in the past, look at the results as they are manifested in the present. If you want to understand what results will be manifested in the future; look at the causes that exist in the present.

“Impacts to Poor Project Management”

58% of client organizations openly admit to not understanding the value of project management.

Industry Research – Building Design + Construction

53% of Barriers to delivering a Successful & Sustainable Project are Driven by the Function of Project Management



Turning Point or Business as Usual?

As we look to the 2024 industry year, we are facing

- (1) Increasing project size and complexity*
- (2) Owner pressures to build bigger, faster, and more cost effectively*
- (3) Lack of requisite and demonstrated project management experience*
- (4) Growing resistance to Construction Auditors & Advisors*

The trending Owner demands seem to have outpaced our ability to Control Risks, Costs and Schedules, resulting in continued project failures — sometimes, regrettably, on an epic scale.



Project Management Statistics: Trends and Common Mistakes in 2023

Team Stage Industry Research & Statistics

Construction Project Management Adoption Statistics

BuiltWorlds Research

2023 Global Construction Survey

KPMG Industry Reporting & Statistics

“What gets Measured gets Managed” – Peter Drucker



Studies Indicate:

Owner respondents represent a lack of clear goals and strategy as the most common factor in the 37% failure rate for US projects.

70% of all projects fail to deliver what was promised to the Owner/Stakeholder.

9.9% of every project budget dollar is wasted due to poor project management performance.

Less than half of all projects (43%) are completed on budget, and only 29% are completed on time.

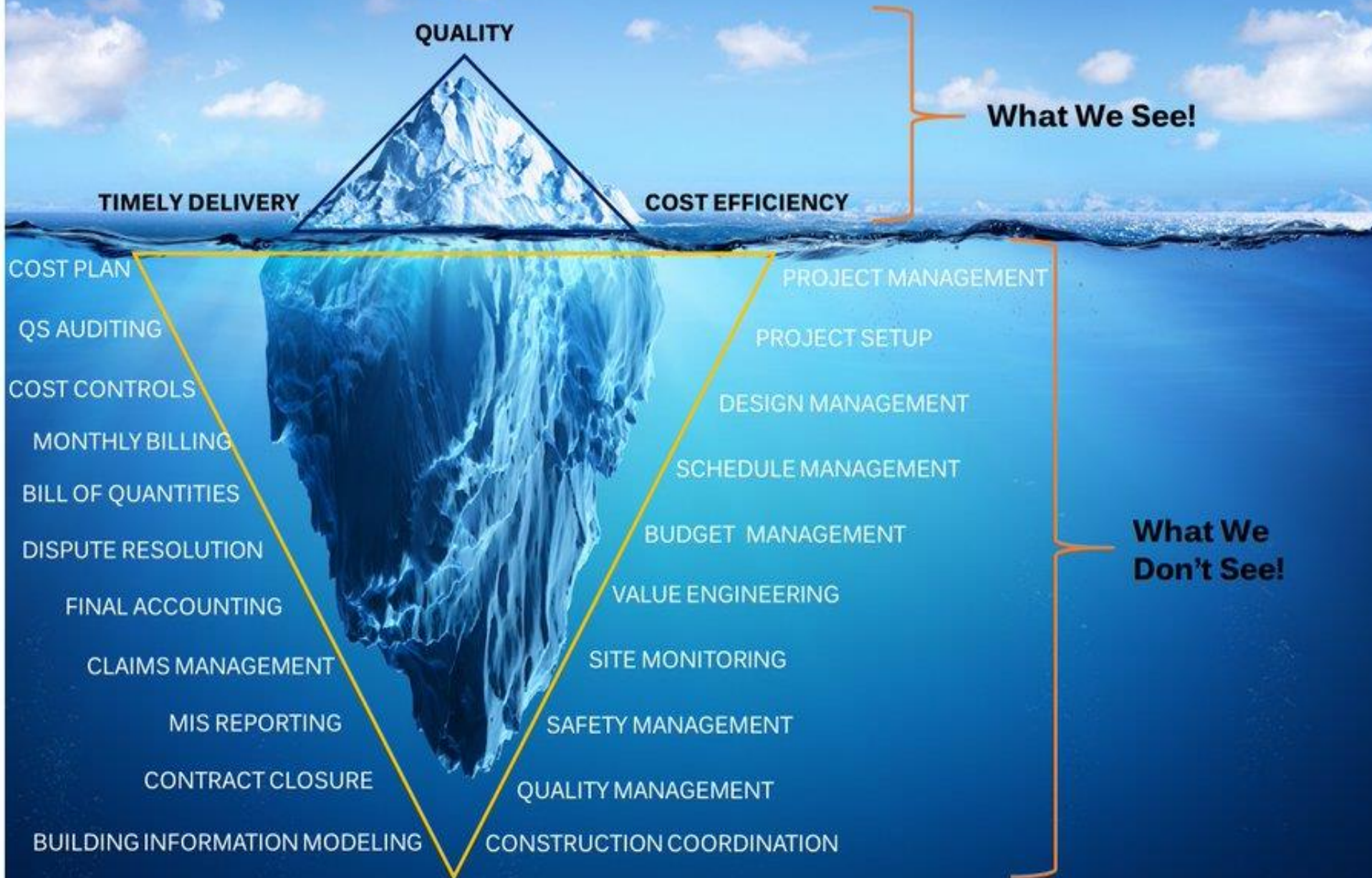
54% of project managers don't have access to real-time data and KPIs.

What do all Owners want?

- **Improve Project Outcomes**
- **Predictable Results**
- **Reproducible Results**

“Begin every project with the end in mind”

THE PROJECT MANAGEMENT ICEBERG



Impact of Poor Project Management

Growing Resistance to Construction Auditors & Advisors

1. Strategic Utilization of the Client Relationship

- *Manipulation of Contract “Right to Audit” Language*
- *Represent to the Client - “This is how we’ve always done it”*
- *It cost you more to audit. “We can save you the value of the audit cost”*
- *Auditors are problematic and disrupt the project implementation process*

2. Manipulation of the Data “Transparency” Process

- *Use of Lump Sum Agreement Terms (CM, Primes & Lower Tiers)*
- *Avoiding Certified Payroll or Payroll Journals*
- *Fixed pre-approved rate w/o pre-audit rate review (management staff and trades) or overhead audit to validate against audited financials*
- *It will cost more for the compilation, assembly and submission of the auditable data*
- *Use of self-performed work and Affiliate Companies for scope crepe/profit centers*
- *Limit the requirements for certifying Indirect (Overhead-Cost) and Direct project Cost*

3. Lack of a Collaborative & Partnering Attitude

Impact of Poor Project Management

“The Project”

1. Ineffective Project Planning
2. Selecting the appropriate Project Delivery Model and Design/Construction Contracting Methodology
3. Establishing Protocols
 - *Project Controls (cost, communication, documentation)*
 - *Program Budget*
 - *Preconstruction Activities*
 - *GMP T & C's, Amendments, Rolling GMP Buyout, etc.*
4. Incomplete design, buyout, and contract execution strategies
5. Scheduling for effective project delivery and risk controls
6. Project team's refusal to buy-in to the audit process

Impact of Poor Project Management

Construction Audit Process

1. Impacts our ability to enter the project early
2. Limits construction audit scope
3. Limits the volume of auditable data
4. Impact audit strategy to assist Owner with Risk Mitigation
5. Reduce audit program to a simple “High-Level” review
6. Reduces auditor ability to assist Owner with avoidable and/or recovery of inappropriate cost

Impact of Poor Project Management

Construction Audit Process

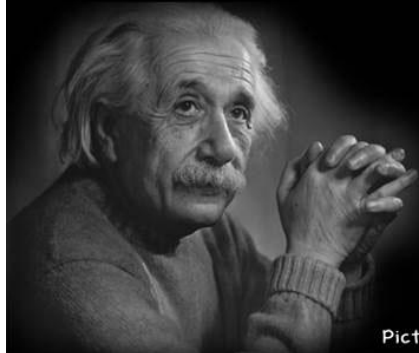
Questions & Take Aways

1. Does early engagement of the audit program benefit the project?
2. Should the auditor review the CM contract prior to execution?
3. As auditors, we must understand the long-term benefits of Owner relations, the impact of early entry strategies. Value of early risk mitigation.
4. Strategic team deployment, navigating politics, Owner – CM relationships, etc. can benefit the construction audit program.

Improving Project Outcomes require a change in
Culture and Mindset

Don't continue to engage Insanity

**Insanity: doing the
same thing over and
over again and
expecting different
results.**



Albert Einstein