

2026 NACA  
Conference



# Capital Project Risks: An Owner's Perspective

Circa Resort-Las Vegas  
September 15 – 16



# Presenters



**Edward Travers II, CCA, CCP, CFS, CICA | BXP (Formerly Known as Boston Properties)**

*Manager of Internal Audit, Ed is a Certified Construction Auditor (CCA), Certified Fraud Specialist (CFS), and Certified Internal Controls Auditor (CICA) with over 40 years of experience in internal audit, construction auditing, risk assessment, investigations, and SOX compliance. He manages BXP's corporate internal audit function, including annual risk assessments, audit planning, company and departmental audits, and audits of major development construction projects. Ed holds a B.S. from Roger Williams University and completed postgraduate M.B.A. studies at Providence College.*



**Ken Brzozowski, CCA, CCP | Talson Solutions, LLC**

*Director of Audit & Advisory Services, Ken is a Certified Construction Auditor (CCA) and Construction Control Professional (CCP) with over 34 years of experience in design, construction and quality auditing. He serves on the Advisory Board of the National Association of Construction Auditors and previously for ten years on the IIA Philadelphia Chapter Board of Governors. He has accredited training from the National Transit Institute for the areas of Quality Assurance/ Quality Control and Risk Assessments of Transit Capital Projects and holds a B.A. in Urban Planning from the University of Maryland.*

# Who We are



Established in 1970, BXP is a fully integrated real estate investment trust (REIT) dedicated to developing, owning, and managing premier workplaces across dynamic U.S. markets. BXP is the largest publicly traded (REIT) developer, owner, and manager of premier workplaces in the United States.

**Mission:** *To envision, develop, and manage exceptional properties that enhance client success, strengthen communities, and advance opportunity.*



Established in 2001, Talson Solutions, LLC is a Capital Program Advisory firm dedicated to providing design and construction auditing, integrity monitoring, project management consulting, and risk assessments for capital programs.

**Mission:** *To provide clear, concise, and independent assurances that capital programs are delivered with integrity and control, on time, on budget, and with reduced risk.*

# Discussion Topics

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- ☐ Owner experience – *or lack there of*
- ☐ Ethics of doing the audit – *an owner's perspective*
- ☐ Wrong pretense of doing audit
- ☐ What's good for the goose should *also* be good for the gander
- ☐ Meaningless audit without practicing the top 4
- ☐ **No benefit of being a jerk**

# Today's Discussion



## **Current Risk Pressures**

**Current market, financial, operational, and construction risks affecting capital projects**



## **Capital Project Risk from an Owners Perspective (Audit)**

**A deeper dive into the discussion items**



## **Results**

**Benefits of the collaborative approach**

# Current Risk Pressures

- ❑ **Labor shortages and rising workforce costs**
  - *Reduced labor availability and increasing project cost and schedule pressures*
- ❑ **Material cost escalation and supply chain volatility**
  - *Creating procurement uncertainty, longer lead times, and budget pressures, on-going and unknown tariffs, etc.*
- ❑ **Unforeseen conditions and existing infrastructure**
  - *Introducing additional scope, design modifications, and potential change orders*
- ❑ **Project delays and funding constraints**
  - *Affecting project schedules, cash flow, procurement, and overall project delivery*
- ✓ **Wrong-doing to owners**
  - *Intentional or not-intentional*

Source: Associated General Contractors of America (AGC), 2026 Construction Hiring and Business Outlook

# Current Risk Pressures

Material & Labor Costs

**2026**

+7.1 % year over year

*versus*

Contractor Bid Prices

**2026**

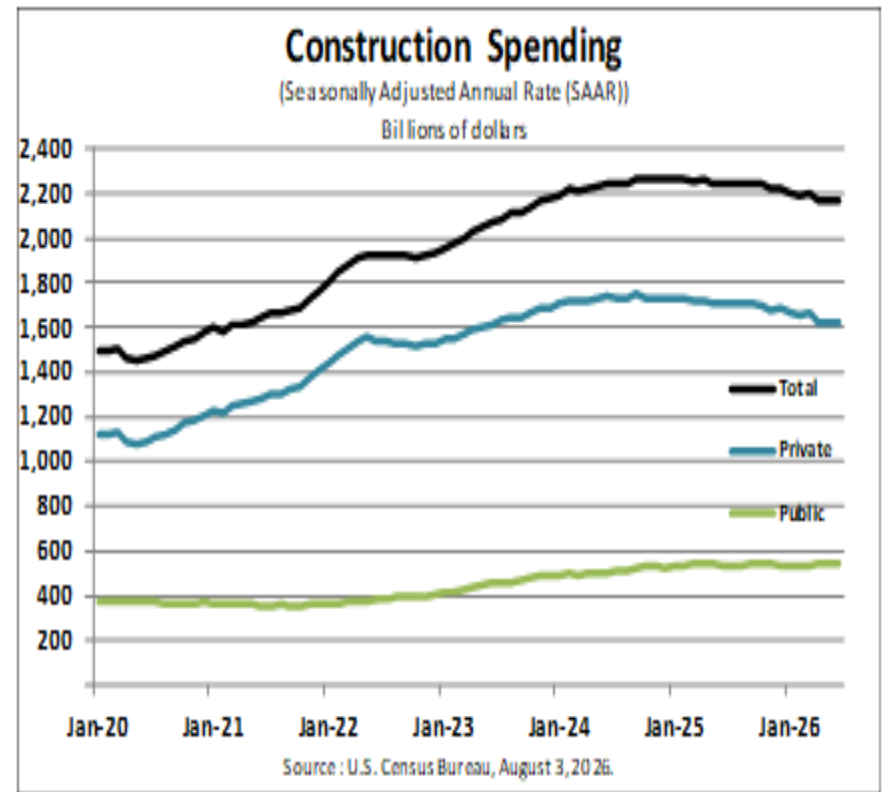
+3.5 % year over year

“Construction input costs continue to rise *faster* than contractors’ bid prices” – Associated General Contractors of America



Source: Associated General Contractors of America (AGC), July 2026

# U.S. Construction Spending

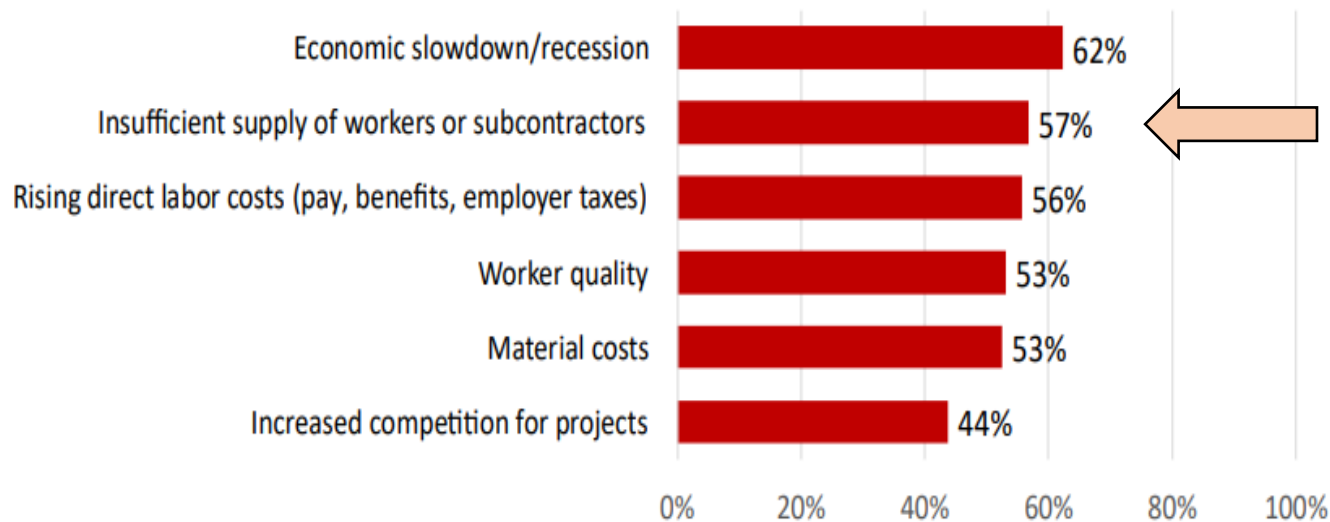


Source: U.S. Census Bureau, Construction Spending, August 3, 2026

# Construction Industry Risk Outlook – 2026

## Firms' major concerns for 2026

% of respondents who listed as a major concern:



Source: AGC & Sage, 2026 Construction Hiring and Business Outlook, National Survey Results; Q1, 935 responses.

# Owner Experience – or lack of

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- Objective
- Scope
- Timeline
- Audit Plan
- Commencement
- The ending - *epilogue*

# Ethics of doing the audit

- ❑ Adherence to all internal policies
  - Contract Exhibit
  - Training
  - Audit
- ❑ Auditing with a Code of Ethics and Code of Conduct
  - All are treated fairly
  - IIA Global Standards
  - Yellow Book (GAGAS)
- ❑ Establishing culture



# Wrong pretense of doing audit

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- ❑ Just because?
- ❑ Understanding the objective and scope
- ❑ No perfect audit workplan
  - *each project is different*

# Sharing what's good for the goose is good for the gander

All results are beneficial results....on the table regardless of finding



# Meaningless audit without practicing the top 4

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## **SIMPLY STATED:**

- ☐ Have clear objectives for the audit
- ☐ Establish transparent and unbiased expectations
- ☐ Know the objective and benefit of the audit
- ☐ A contractor is entitled to their “fair” profit

# No benefit of being a jerk

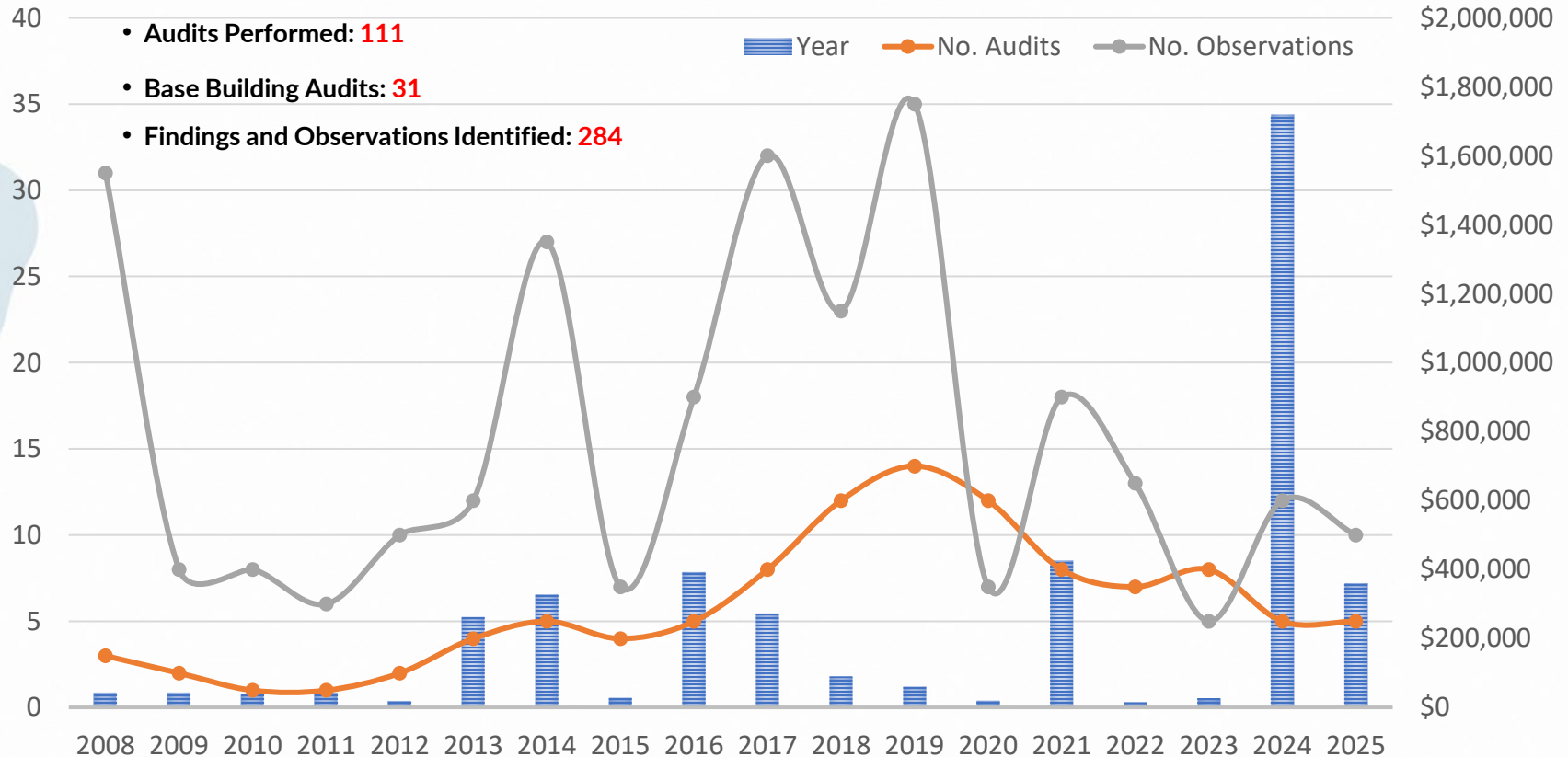


- A respectful approach is always better than adversarial
- Construction relies on coordination between different trades, general contractors, and owners
- Toxic behavior creates friction rather than progress
- Respect cost nothing and yields better results

# Audit Results

## Cost Recovery & Observations

- Construction Contract Value: **\$5.6 billion**
- Cost Recovery Identified: **\$4.7 million**
- Audits Performed: **111**
- Base Building Audits: **31**
- Findings and Observations Identified: **284**



# Audit Results

## Notable Observations By Focus Area:

- Cost Management = **46%** of all observations
- Change Management = **27%** of all observations

### Cost Management

- 1) Wrap-up insurance premiums (CCIP/SDI/BRI) are overstated
- 2) SDI premium methodology & enrollment thresholds not fully contractually defined
- 3) Subcontractor allowances not transparent / monitored
- 4) Incorrect professional staff hourly rates charged through GCs
- 5) PTO inadvertently charged

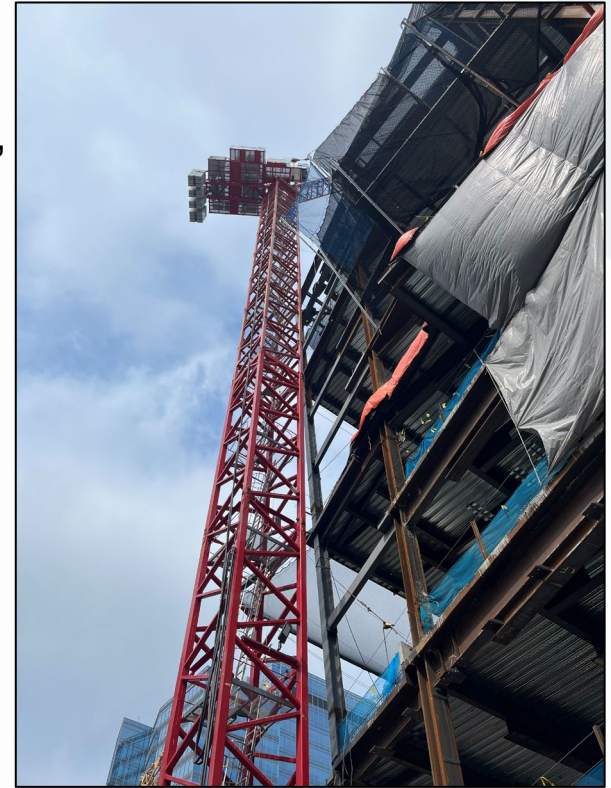
### Change Management

- 1) Subcontractor hourly wage rate details not reviewed
- 2) State Unemployment Tax (SUTA) not calculated properly
- 3) OH/P mark-up tiers not followed
- 4) Supporting detail not provided to align with change order value
- 5) Fees not included in deductive changes

**Lessons learned: earlier involvement with audits results in a) enhanced controls, b) improved reporting, c) reduced risk to unallowable cost, and d) overall mitigation of financial loss**

# Closing Thoughts

- ❑ **Construction risk is not driven by a single factor.** Project delivery method, contract structure, cost changes, contingency utilization, funding, external influences, and project characteristics should be considered collectively when assessing overall project risk.
- ❑ **Effective risk management requires early identification, ongoing monitoring, and appropriate controls** to support contract compliance, cost and schedule performance, documentation, accountability, and successful project delivery.



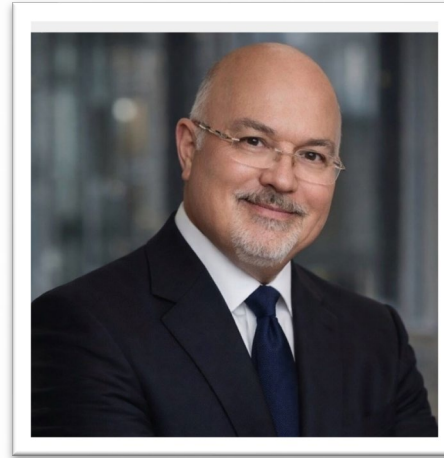
# Discussion/Questions

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# Sources

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