

FREQUENTLY ASKED QUESTIONS

Q: Why can't our project managers, (including owner's representatives), ensure contractual compliance?

A: OWNERS AND THEIR REPRESENTATIVES TYPICALLY DO NOT HAVE THE RESOURCES TO COMPLETE CONSTRUCTION CONTRACT AUDITS. TIME CONSTRAINTS AND OTHER JOB RESPONSIBILITIES DO NOT ALLOW FOR PROPER MONITORING OF THE BILLINGS AGAINST THE CONTRACT. FHA OFFERS AN EFFICIENT AUDIT SOLUTION VERIFYING UP TO 100% OF THE TRANSACTIONS ASSOCIATED WITH THE PROJECT WILL BE REVIEWED TO ENSURE CONTRACT COMPLIANCE. ADDITIONALLY, WE WORK WITH THE OWNER TO PASS KNOWLEDGE BACK MINIMIZING FUTURE CONTRACT LEAKAGE.

Q: How much are we getting overcharged annually?

A: ON AVERAGE, ONE CAN EXPECT TO FIND CONTRACT LEAKAGE OF 1% TO 2% ON WELL WRITTEN AND WELL MONITORED CONTRACTS. FOR AMBIGUOUS CONTRACTS, WE HAVE ENCOUNTERED LEAKAGES IN EXCESS OF 10%.

Q: How does construction contract auditing fit in with our external public audits and our internal audit team reviews?

A: EXTERNAL AUDITING WILL FOCUS ON VALIDATING YOUR FINANCIAL STATEMENTS AND PERFORMING SAMPLE AUDITS ON SELECTED CAPITAL PROJECTS TO ENSURE CAPITAL SPENDING IS STATED WITHIN REASON ON THE FINANCIAL STATEMENTS. INTERNAL AUDITORS FOCUS ON ASSESSING RISK AND ALSO MAY PERFORM SAMPLE TESTING PROCEDURES. NEITHER OF THESE ENTAIL A FULL 100% AUDIT OF PROJECT TRANSACTIONS.

Q: We've done business with this Contractor for years. Why can't I trust him?

A: MOST LIKELY, YOU CAN TRUST YOUR CONTRACTOR. IN MOST INSTANCES, CONTRACT LEAKAGE DOES NOT RESULT FROM FRAUD OR COLLUSION. IT IS SIMPLY THE RESULT OF ERRORS AND OVERSIGHTS OCCURRING WHEN SUBSTANTIAL AMOUNTS OF DOLLARS ARE PAID OUT TO COMPLETE A CAPITAL PROJECT. CONSTRUCTION AUDITS EXHIBIT PROFESSIONAL RESPONSIBILITY AND DEMONSTRATE BEST PRACTICES ARE FOLLOWED IN YOUR ORGANIZATION. FOR EXAMPLE, IT IS LIKELY WITH THE MULTIPLE INDIVIDUALS INVOLVED IN A CONSTRUCTION PROJECT, NOT ALL WILL KNOW THE SPECIFIC TERMS AND CONDITIONS FOUND IN THE CONTRACT.