



## CONSTRUCTION AUDIT, MONITORING, AND COMPLIANCE SERVICES

### *Cost Containment Strategies for Large Infrastructure Projects*

#### **Construction Audit, Monitoring, and Compliance**

In today's construction industry, project size and complexity create opportunities for leakage, creating excessive spending that can add as much as 25% to the total cost of a project, and generate potential monetary and reputational damages. Given the skyrocketing cost of construction, it is not surprising that owners and contractors are looking to build preventative programs to mitigate these risks. Success can be found in retaining the services of a construction audit and compliance monitor, independent advisors who serve as stewards of project funds to help contractors and owners preempt and uncover fraudulent behaviors and avoid the tarnished image and breach of trust that could jeopardize opportunities to bid on and win future projects.

#### **Minimize Exposure to Construction Risk**

CohnReznick's expertise in accounting methods and controls has helped us build a national reputation for program and operational compliance with regulatory and contractual requirements. We are one of the nation's leading construction monitors.

We recommend a program tailored to the unique needs of the project. An inclusive program for infrastructure projects includes assembling experts in construction and forensic accounting, investigatory services, risk management, construction law, and loss prevention to review and enforce subcontractor compliance and practices in recordkeeping, billing, safety, and project management. Smaller projects need a subset of the aforementioned specialists focused on the areas of highest risk.

#### **A Comprehensive Approach to Financial Risk Management**

CohnReznick provides independent audit and monitoring services to establish risk and cost containment protocols and to identify weaknesses in internal and project controls. Effective and monitored controls can prevent or identify improper and occasionally fraudulent behaviors that cause project leakage

“The very presence of integrity monitors may result in a material reduction of fraudulent activities.”

— House Subcommittee on Homeland Security testimony

during the design, pre-qualification and award, project execution, and operations and maintenance phases of the construction project. Often, these services and monitoring programs find savings that more than pay for the investment in the safeguards:

- **Construction Risk Assessments**

We analyze the construction portfolio, project specifications, and contracts to identify risk areas to establish compliance and cost control frameworks and focus construction audit and compliance monitoring activities.

- **Construction Control Frameworks**

We design and implement financial and operational controls and establish policies and procedures to prevent non-compliant behaviors in key risk areas. Our specialists integrate these control activities into existing risk management and construction/facilities functions.

- **Construction Audit and Compliance Monitoring**

Our team provides independent visible, on-site experts to monitor compliance with contracts, labor and employment law, and other statutes governing performance throughout a project.

- **Financial Investigations**

We investigate potential breaches of contract and violations of law, monitor for prevailing wages, examine job sites and records for equipment and materials billing, site security, environmental and safety compliance, and subcontractor compliance.

- **Damage Recovery**

We provide litigation support to enable clients to recover damages, receive refunds, and achieve financial objectives.

## Project Case Studies

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### **LaGuardia Airport**

CohnReznick's monitoring services include ensuring the entities engaged in the project comply with relevant laws and regulations. To this end, our scope includes deterring, uncovering and reporting of unethical and illegal conduct to the Port Authority's Office of Inspector General (OIG). We conducted procedure and process reviews to determine risks, designed and implemented mitigation controls for identified risks, and conducted records and forensics reviews.

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### **Metropolitan Washington Airports Authority (MWAA)**

For nearly 20 years, CohnReznick has provided internal audit and consulting services related to the construction, renovation, and operation of Reagan National and Dulles International Airports. We have audited the overhead rates for 50+ contractors working for MWAA, reviewed compliance with contract terms, analyzed change orders, and guided the MWAA in the resolution of a multi-million dollar construction claim.

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### **Atlanta Airline Terminal Corporation (AATC) — Atlanta-Hartsfeld Airport**

CohnReznick performs the annual audit and tax return for the financial statements of AATC and has performed agreed-upon procedures related to testing AATC's methodology for allocating costs among the lessees of Atlanta-Hartsfeld International Airport.

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### **New York Yankees — Yankee Stadium**

CohnReznick consultants and advisors served as fiscal monitors for the New York Yankees, providing a risk assessment, establishing the control environment, and serving as project integrity consultants for the construction of the new Yankee stadium.

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### **Columbia University**

CohnReznick was retained as an advisory accountant to review the billings related to the University's construction project to erect its Medical Graduate Education Building, a new 14-story, 107,000 square foot building in New York City. Scope of the project includes an assessment of the payment requisition packages and an analysis of project change orders to the guaranteed maximum price contract.

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### **NYC Department of Investigation/World Trade Center Clean-Up**

CohnReznick served as forensic accountants for the clean-up and recovery activities at the World Trade Center. Our duties included auditing the operating and financial practices of the GC, auditing payroll and payment requisitions, designing and implementing internal controls and procedures, and conducting on-site monitoring of the GC and its subcontractors, suppliers, and vendors. We identified a significant dollar volume of overbilling, justifying monitoring costs.

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### **World Trade Center Transportation Hub**

CohnReznick was engaged, as part of an agreement with Thacher Associates, by the OIG of the Port Authority of NY & NJ to perform fiscal and integrity monitoring services for the construction of the \$2 Billion World Trade Center Transportation Hub. We conducted on-site reviews of contractor performance to contracts, tested payment applications, reviewed cash disbursements, and analyzed payroll hours.

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### **Build It Back Program**

CohnReznick is conducting selected audits and investigations to ensure compliance with all terms and conditions of the contracts, examining random samples of documents and reviewing selected payment requisitions for accuracy and safeguards, auditing selected job sites for the disposal of contaminated and hazardous waste, reviewing payroll and subcontractor records, and investigating and reporting to DOI allegations of fraud.

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### **State of New Jersey, Dept. of Community Affairs/Sandy Recovery Division (DCA/SRD)**

CohnReznick served as Integrity Oversight Monitor monitoring DCA/SRD sub-recipients, contractors, and 19 disaster recovery programs to monitor compliance with federal and state laws and regulations, assess operational and financial management and internal controls efficiency and effectiveness, and detect fraud, waste, and abuse.

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# Comprehensive Integrity Monitoring Resources

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## Compliance and Integrity Monitoring

CohnReznick helps owners and contractors address complex legal, regulatory, and financial reporting requirements by implementing compliance and monitoring plans. The reputation we've earned for being ethical, independent, diligent, and efficient establishes a solid foundation for integrity compliance efforts. Services include:

- Integrity monitoring
- Ethics compliance
- Anti-fraud, waste, and abuse programs
- FAR compliance
- Risk management and reporting

## Construction Project Monitoring

We have led construction monitoring efforts on some of the nation's largest infrastructure and building projects to deter fraud, waste, and abuse. Key to our success is employing an experienced, knowledgeable team—auditors, engineers, investigators, and legal experts—that know their way around a construction job site. Services include:

- On-site resources to observe construction
- Audits/investigations that pinpoint labor, safety, equipment, inspection, prevailing wage, M/W/DBE compliance and other issues
- Construction risk assessments
- Construction project control frameworks

## Audit, Accounting, and Financial Management

CohnReznick helps organizations maintain transparency, comply with government regulations, manage risk, and deliver accountability. Our insight into government programs and investigative techniques enhances our investigation efforts while aiding in identifying fraud, waste, abuse, and mismanagement. Services include:

- Financial audits
- Improper payments audits
- Litigation support
- Operational audits
- Performance audits

## Forensic Accounting, Computer Forensics, and eDiscovery

Our forensic accounting professionals assist investigations with evidence discovery and in reconstructing records to uncover key facts. Collecting and analyzing “digital evidence,” we locate and evaluate evidence in deleted files and provide clients with a secure, searchable, and accessible platform for evidence analysis.

We reveal undetected discrepancies by employing a robust evidence gathering, discovery, and investigative process. Services include:

- Data extraction, analysis, and reconstruction
- Expert reports and witness testimony
- Tracing/recovery of misappropriated funds
- Uncovering/quantifying damages
- Legal hold, data preservation and collection
- ESI processing
- Data searching, mapping and analytics
- Document management and review
- Compliance management

## Cybersecurity

CohnReznick assesses gaps in IT infrastructure and security processes, implements cybersecurity risk management programs, provides threat detection, and protects assets by deploying solutions tailored for the threat environment as well as breach response plans. Services include:

- Information security strategy
- Cyber risk management and governance
- Cyber risk assessment
- Vulnerability assessment / penetration tests
- Compromise assessment

## Proven Tools and Training Drive Efficiencies

We employ technologies designed to synthesize large volumes of information in concise dashboards, cloud-based systems, and other user-friendly platforms. Our integrity monitors and fraud investigators leverage these e-Discovery and data analytics tools to identify anomalies that can be tied to fraudulent dealings, unscrupulous contractors, and the misappropriation of project funds. We provide training on the use of these programs to our construction clients and their staff, enabling them to operate independently in the future.

## Solutions Tailored to the Needs of Our Clients

CohnReznick offers construction audit, monitoring and compliance services to three key sectors:

### Private Sector

- Construction Sector Investors
- Public, private partnerships (P3)
- Construction contractors
- Government contractors

### Public Sector

- Federal agencies
- Federally funded programs
- State and local entities and jurisdictions

### Special Situations

- Bankruptcy
- Claim settlements
- Court appointed monitors
- Government and private investigations
- Trusts

## About CohnReznick

CohnReznick LLP is one of the top advisory, assurance, and tax firms in the United States, combining the deep resources of a national firm with the hands-on, agile approach that today's dynamic business environment demands. With diverse industry expertise, the Firm provides companies with the insight and experience to help them break through and seize growth opportunities. The Firm, with origins dating back to 1919, is headquartered in New York, NY with 2,700 employees in offices nationwide. CohnReznick is a member of Nexia International, a global network of independent accountancy, tax, and business advisors.

While we have expertise in many industry sectors, with more than 200 professionals specializing in construction accounting, CohnReznick has one of the largest construction accounting practices in the Northeast. We provide assurance, tax, and advisory services to construction owners and hundreds of contractors and large-scale infrastructure projects across the United States. On monitoring engagements, we have access to a team of specialists in construction law, forensic accounting, investigatory services, and loss prevention. We have superior relationships with numerous federal and state agencies as well as bonding and surety professionals.

To learn more about our integrity monitoring and compliance solutions, visit [www.cohnreznick.com](http://www.cohnreznick.com), or contact one of our Integrity Monitoring leaders:

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