

OPPORTUNITY IN SIGHT

# Mitigate Risks & Reduce Costs on Capital Projects

June 29, 2022

# Business Disruption is Inevitable and Happening at an Accelerated Pace



# Requiring a Recalibration of Vision to Uncover New Opportunities



Re-imagining  
People Strategy



Empowering  
Operations



Navigating  
Disruption



Digital  
Transformation

AREA OF FOCUS

# Today, We're Covering

## Empowering Operations

WELCOME

# Today's Presenters



**Ron Steinkamp**

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**Robert Hardy**

Director,  
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Manager,  
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**Stephen Strohman**

Supervising Senior,  
Armanino Advisory LLC

Knowledge

# Learning Objectives

List complexities of capital projects and the need for contract compliance

Employ proper planning to mitigate risks during a construction project

Prepare and manage price escalations

Examine examples of potential overcharges



Exploring New Areas

# Agenda

- Contract language challenges
- Risks for large contracts
- Self-perform areas of work risks
- Payment applications issues
- Mitigating price escalation risks
- Q & A

Thank you for  
attending

Additional Questions?

Reach out to us at

[Experts@armaninio.com](mailto:Experts@armaninio.com)





# COST SAVINGS EXAMPLES - Avoidance

Labor rates adjusted for FUI and SUI	\$ 131,300
Self-perform sub improper GC markup	\$ 60,000
Fee and Insurance duplicated GMP subcontractors	\$ 330,000
Duplicate markup on change orders	\$ 24,200
Cost of on-site nurse	\$ 50,000
Metrics administration cost	\$ 99,000
Deposit log required	\$ 21,000
Duplicate bond cost	\$ 312,000
Coordination costs	\$ 120,000
Duplicate small tool in estimate	\$ 337,500
Replace OT with shift premium	\$ 108,000
Markup on self-perform subcontractor	\$ 10,837
Duplicate materials	\$ 7,300
Residual insurance rate adjustment	\$ 7,200
Labor rates adjusted for FUI and SUI	\$ 393,000

# COST SAVINGS EXAMPLES - Recoveries

Incorrect labor rates	\$	14,593
Incorrect labor hours	\$	12,151
Self-perform sub double billing shop labor	\$	69,164
Consumables and small tools in addition to 4%	\$	4,324
Incorrect labor rates	\$	18,485
Incorrect labor hours	\$	9,709
Rental charges don't match schedule	\$	2,405
Improper markups	\$	17,412
Non-chargeable travel expenses	\$	7,297
General expense errors	\$	853
Improper sales tax	\$	223

# COST SAVINGS EXAMPLES - Recoveries

Improper Sax Tax	\$ 123
Improper Fee and Insurance charge	\$ 6,831
Material charge errors	\$ 1,098
General expense errors	\$ 12,973
Invoices for wrong project	\$ 700
2021 labor rate charge for 2020 hours	\$ 2,200
Material for wrong project	\$ 1,500
Rental incorrect project	\$ 1,700
Material charged at the wrong price	\$ 116,000

# Construction Audit & Advisory Services

Embarking on a construction or capital project can be a tremendous growth opportunity for your organization.

Though you sign contracts to ensure a project meets specific expectations, many organizations do not ensure the contract's language covers all the risks involved before construction begins. This creates the possibility of millions of dollars in risk of increased costs.

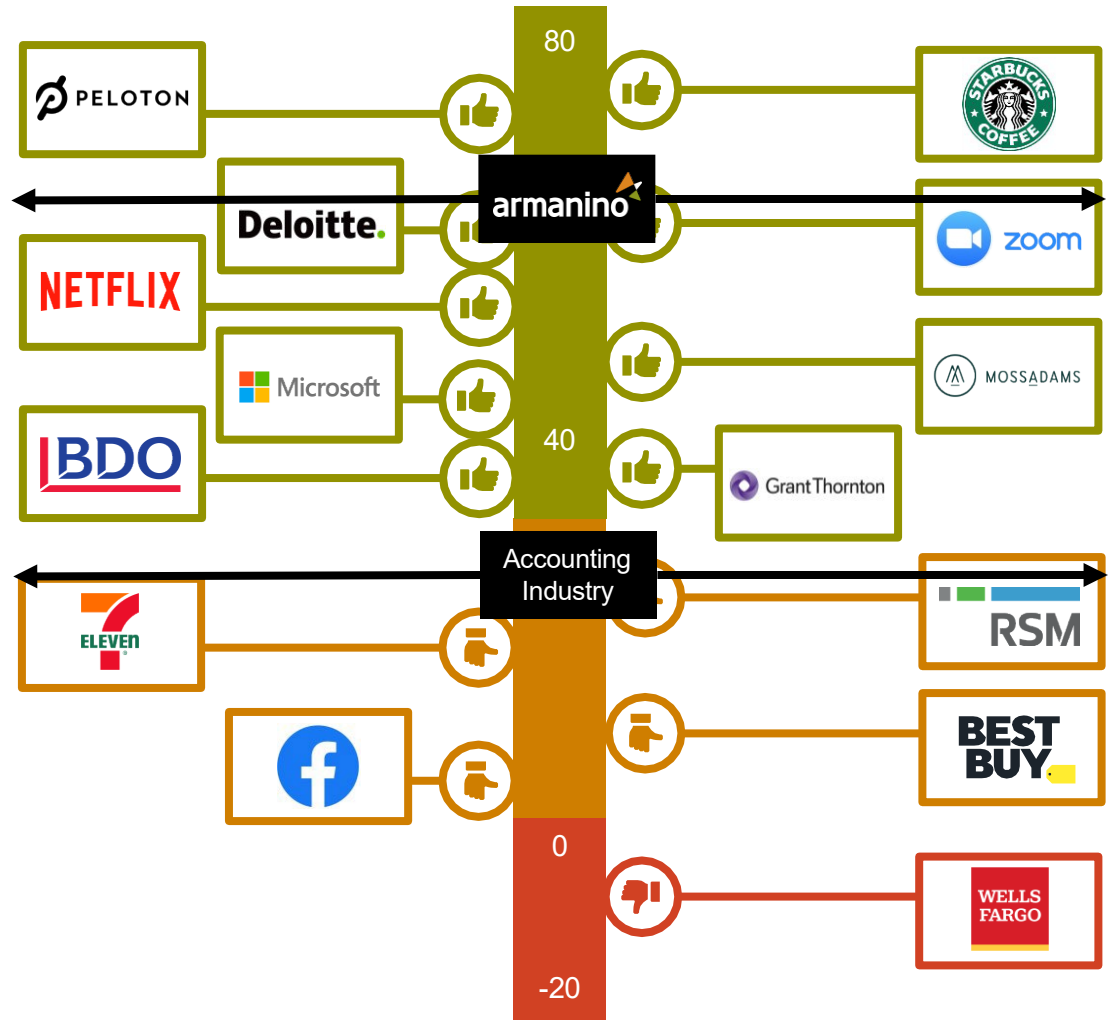
A construction auditor/advisor focuses on strengthening the financial and project controls throughout the entire process with the goal of saving the owner/developer money.



OUR CLIENTS' VIEW

# We Know You'll Love Us

A Net Promoter® Score (NPS) is used by more than two-thirds of Fortune 1000 companies. **Armanino's NPS (68) is almost two times higher** than the accounting industry average (38), and it places the firm scores closest to household name brands such as Starbucks, Peloton and Zoom.



# Armanino offers clarity in a disruptive, ever-evolving world

Equipping you with the insights and tools needed to succeed today, and in the future



## COMPLIANCE & REGULATORY

- Tax Planning
- Trust & Estate
- SOX
- Contract



## ASSURANCE & ADVISORY

- Cybersecurity
- SOC
- Restructuring
- Revenue Recognition



## STRATEGY & PLANNING

- Corporate Strategy
- Strategic Advisory
- Benchmarking
- Business Transformation



## STAFFING & DEVELOPMENT

- Payroll
- Health Benefits
- Executive Search
- Interim Placement



## TECHNOLOGY SYSTEMS

- ERP
- CRM
- Business Intelligence
- Managed Services



## ACCOUNTING & BACKOFFICE

- Bookkeeping
- Budgeting/Forecasting
- Account Receivable
- Accounts Payable





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