

CONSTRUCTION AUDIT

TYPICAL ISSUES

Inadequate construction cost controls

Ineffective operational policies & procedures

Minimal project oversight

Deficient Joint Venture partner reporting

CONSEQUENCES

Administrative errors

Variance to budget

Contract misinterpretation

Deficient contracts



IMPLICATIONS

Accelerated billings

Duplicate charges

Fraudulent disbursements

Excessive change orders

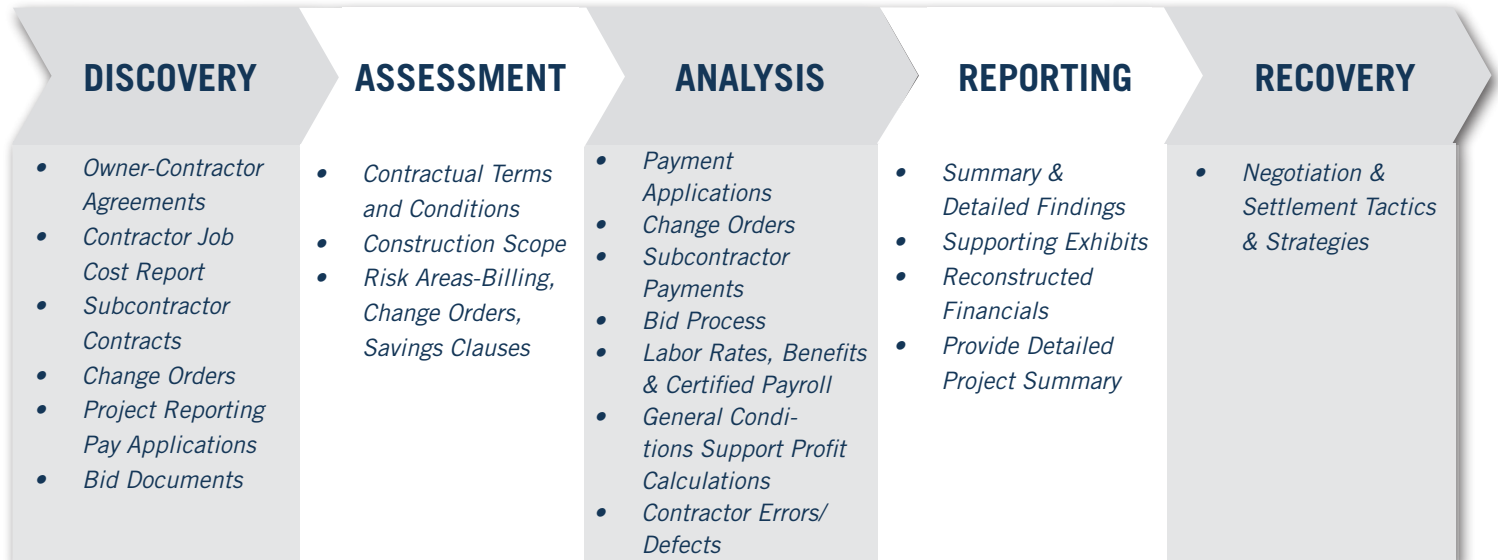
DLA CAN

- Initiate and perform construction cost approval process
- Provide ongoing Joint Venture partner monitoring
- Provide forensic evidence for recoveries or additional cost savings
- Establish control mechanism for construction bids, budget and contracts
- Review invoices, change orders, contractor agreements, job cost reports
- Develop policies & procedures, standard terms & conditions and cost control

CONSTRUCTION AUDIT

DLA's controls-oriented background and expertise, and our unique perspective in the Real Estate industry, means DLA is retained by many of the largest REITs, Real Estate Operating Companies, commercial lenders and investors. Our construction audit approach has been refined over time and used to uncover suspected issues and provide oversight.

APPROACH



CASE STUDIES

CLIENT	SERVICES	RESULTS
US Real Estate Subsidiary of Foreign Public Company	Asset Management	<ul style="list-style-type: none"> \$2.5 billion portfolio Inspected properties and developed going-forward plans for equity and lenders Established approximately \$2 million in construction claims and advised on repositioning existing assets
Large Real Estate Investment Trust (REIT)	Construction Audit-Forensic Examination	<ul style="list-style-type: none"> Conversion of commercial office space to residential condominiums and retail space. Investigated the payment and use of funds by the General Contractor Conducted contract review; forensic analysis examined of \$6 million in approved cash disbursements; invoices for compliance and accuracy; reviewed emails and vendor forms prepared by the General Contractor; physically inspected construction sites to determine nature of work performed and project completion Identified significant material misrepresentations and lack of cash controls on the part of the General Contractor, including: Time & Material Misrepresentation, Excessive Fees, Commingled Funds and Oversight Deficiency General Contractor misrepresented the completion progress and over-billed the project by \$3 million. Recommended improvements to policies and procedures and recovered approximately \$3 million from the General Contractor
Commercial Real Estate Developer	Construction Audit-Forensic Examination	<ul style="list-style-type: none"> Conducted a forensic examination of \$50 million in partnership construction charges The Developer's Partner had drawn down \$2 million in unused construction loans to cover operating deficits of the development The partner had charged for insurance, general conditions, overhead and profit in excess of \$250,000 against the \$2 million in unused construction funds The partner charged the project for over \$3 million in general conditions without any cost support
Real Estate Investment Trust (REIT)	Construction Audit-Forensic Examination	<ul style="list-style-type: none"> Conducted a forensic examination of \$49 million in construction charges Reviewed contractual agreements, the bid solicitation process, competitive pricing, allowance credits, change orders and performed reconstruction of the project financials Identified issues with accelerated billing, non-reimbursable costs, excessive subcontractor profit and contractor buyout savings clauses Saved client \$8.5 million