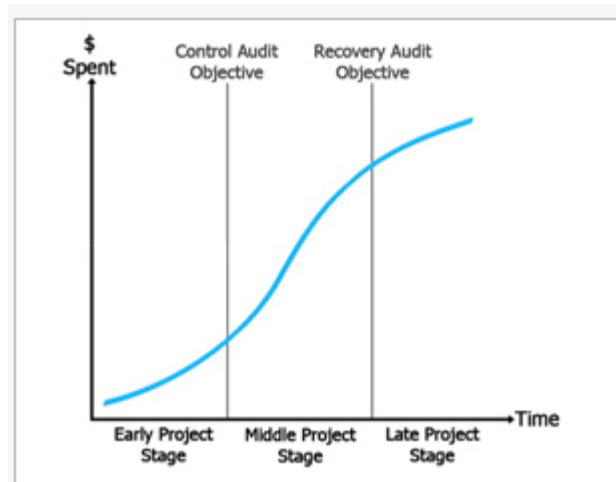




**Service Company Contract Audits
&
Engineering, Procurement and Construction
(EPC) Project Audits**

WHEN IS THE “BEST” TIME TO AUDIT A CONTRACT?

If you look at a traditional cumulative spending curve for a contract (below), there is an optimal spending range to conduct an audit. The audit approaches are slightly different throughout the range. Audits should be initiated, when the client’s relative leverage is the greatest to either initiate changes in processes (operational or commercial) or recover overpayments, missed discounts, refunds, or rebates. Our experience clearly indicates that, the greatest benefits to our clients are achieved with our early involvement, in contractor audits, especially for major projects.



As can be seen above there are two general types of contract audits:

Control Audit: Typically, audits conducted during the early cumulative spending period provide the customer with an understanding of the contractor’s systems, controls, and supporting documentation being generated to substantiate costs billed to the client. An audit at this point of the spectrum is labelled a "Control Audit" as you are trying to ascertain the quality of the contractor controls and systems for the duration of the contract. These audits also allow the early identification of significant risk areas, where contract ambiguities exist or contractual terms and conditions have been interpreted and applied by the contractor in a manner, which is detrimental to clients (a negative commercial impact). During this spending phase of the project the majority of audit issues and recommendations are directly related to improving communications, streamlining processes, and avoiding future contract over-runs.

Recovery Audit: Audits conducted toward the end of the cumulative spending spectrum are usually considered "Recovery Audits". The objectives of recovery audits are to determine whether contractor billings are consistent and in compliance with the terms and conditions of the agreement; that is, do the billings meet the governing, contractual conditions to be considered as “allowable” project costs? Recovery audits also include general auditing attributes, such as: are the billings valid project costs (related to the project); have the costs been duplicated (settled on a prior contractor invoice); are the costs overstated, etc. Recovery audits need to occur, while the customer still has leverage to collect overpayments from remaining obligations payable to the contractor.

Prospective benefits from Contract Compliance Audits include process improvements for any future projects or contracts with the contractor, as well as, obtaining a commercial negotiation advantage for the recovery of overpayments.



HOW DO YOU ESTABLISH EFFECTIVE CONTRACT AUDIT OBJECTIVES?

Every audit Wolverine.consulting undertakes is tailored to each engagement, in order to ensure contractual compliance with the specific terms and conditions of each contract; each audit is geared toward making absolutely sure that you are receiving the best value possible.

The audit objectives are derived from a collaborative effort between our audit team and our client's management and support staff. This collaborative approach ensures that the audit objectives and scope are comprehensive. The audit objectives should include all relevant risks, including the financial control environment, operational procedures, and any concerns regarding the contractor, issues, or activities related to the agreement.

During the course of fieldwork we effectively communicate, the status of all audit activities to ensure that the audit meets your objectives and delivers optimal results.

Please do not hesitate to contact us if you want to discuss Service Company Contract Audits or Engineering, Procurement and Construction (EPC) Project Audits.