

General Contractor



Background

A Fortune 500 pharmaceutical company engaged SC&H Group to review transactions with their general contractor building a clean room facility. SC&H worked directly with the general contractor to obtain transaction details and validate compliance. The review was completed in roughly 60 days.



Overview of Terms

Key contract terms included:

- » Actual wage rate plus mark-up for project labor
- » General contractor home office personnel and expenses were non-billable
- » Fixed percentage fee on direct construction costs
- » Subcontractor costs passed through without mark-up



Audit Results

The client recovered non-compliant charges totaling \$900,000, roughly 4.5% of the total spend during the audit period.

Exception Type	Total Exception Amount
Refund not passed to client	\$450,000
Non reconciled payroll accrual	200,000
Overbilled labor costs	180,000
Billing of home office personnel	50,000
Duplicate job cost charges	20,000
TOTAL \$900,000	



Additional Value-Added Reports

- » Best practice recommendations to improve contract language and areas for control development to reduce financial leakage moving forward
- » Resolution of discrepancies as the project progressed enhanced both parties understanding and compliance with the agreement
- » Validation that the significant amount of costs being incurred and passed through were valid according to the contract terms
- » Knowledge of local sales and use tax statutes