

# 5

## Cost Areas Construction Project Owners Should Watch For

Construction projects can easily spiral out of control, leading to cost overruns. If your project is bleeding cash and you don't know why, you could be overpaying. Take a closer look at these five cost areas to drive more value from your project:

### 1. Labor Rates

Labor charges are a given. But if you're not validating them, you could be missing errors or extraneous (even fraudulent) charges. Proactive oversight can help you keep rates on track.

#### Watch for:

- Charges that seem higher than industry average and union rates
- Agreeing to rates without a detailed breakdown
- Unexplained markups
- Double-dipping on small tool billing
- Incorrect charges for consumables (like fuel), safety and workers' compensation/other insurance

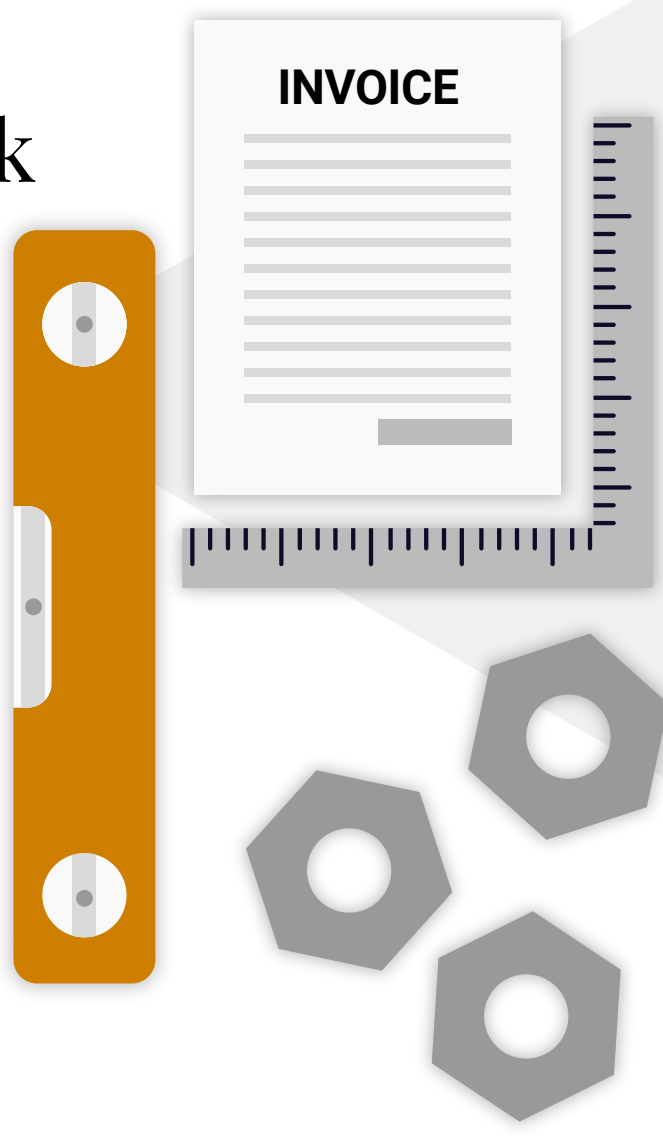


### 2. Fees Within Self-Perform Work

If a general contractor (GC) subcontracts work to third parties, the GC's fees and markups are typically stipulated in the contract. But a self-performing GC using direct employees may charge added fees. Scrutinize your invoices to prevent inaccurate/double charges.

#### Watch for:

- Fees for services already accounted for in the main contract (e.g., cleanup charges)
- Items that could have been bid competitively (like labor and equipment) to reduce initial costs
- Extra markup on top of fees from other subcontractors that ordinarily are standalone subcontractors



### 3. Calculation of Fees

Projects have many moving parts, and even the best contractors can make mistakes. Verify charges up front to spot any issues.

#### Watch for:

- Contractor fees applied on top of insurance fees (e.g., bond costs, permit fees or other areas where fees should not be applied per the contract)
- Compounded fees that aren't in accordance with the contract or are miscalculated



### 4. Equipment Rentals

It's often more convenient for contractors to rent or lease equipment. Track rental charges and validate that they align with the industry average or local third-party rental companies. You can also encourage the contractor to solicit multiple bids.

#### Watch for:

- Rental rates that far exceed industry standard average rates
- Excessive rental fees charged for contractor-owned equipment
- Total rental costs exceeding equipment's purchase value

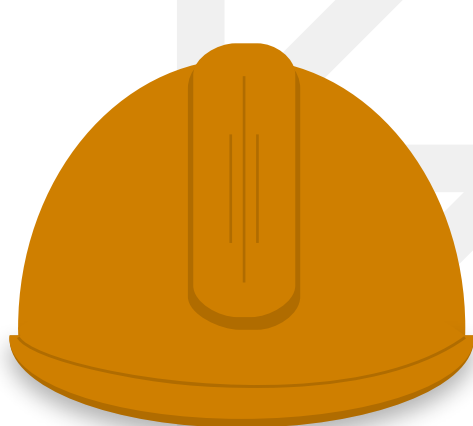


### 5. Charges Between General Conditions and Cost of Work

Duplicated charges can happen anywhere but are particularly common with general conditions costs (costs associated with overall business operations). Often stakeholders lose sight of the exact scope included in the general conditions and charge them separately as part of cost of work.

#### Watch for:

- Improper categorizing of general conditions and cost-of-work charges
- Costly or poorly documented change orders
- Cleanup costs and safety costs bleeding out to other cost codes



## Are You Making Sure Your Project Costs Are Accurate and Fair?

Armanino's team of construction project cost advisory experts can help you properly track and control your project's expenses, mitigate risk and implement third-party financial oversight and controls.

To learn more, visit our [Construction Project Cost Advisory](#) page.