

# Construction watchdogs sniff out fraud and corruption

## Developers, contractors find savings, benefits in consultants

BY DAVID WINZELBERG

Your project's slow. You're missing dough. So who you gonna call?

The answer might be a construction consultant, who can act as a watchdog and uncover possible fraud from contractors and suppliers.

With many millions at stake, developers can't be too careful in managing a project, and even when they are, a lot of things can go wrong. That's where companies such as Nautilus Consulting come in. Formed just last year by Tom Sinacore and Ian Street, the Commack-based firm oversees construction projects and solves development disputes.

Like the time a school district was building a new school. Midway through the construction, a mold issue was discovered inside the new building, and it couldn't be remediated. The partly completed building had to be demolished.

Nautilus was hired by the school district to help close-out the contractors' contracts and to ensure that all contractors were paid for the work they performed to that point.

"The district needed to ensure that ... no undue cost to the district (were incurred), while at the same time wanting to help the contractors get the money they were owed," Street said.

When working for owners or developers, construction consultants such as Nautilus

provide cost and schedule oversight from the beginning – as early as the design phase – to ensure the process runs as efficiently as possible. "Construction at best is controlled chaos," Street noted, but having a respected

consultant can attribute the delay to whomever's responsible – minimizing exposure and possibly even refuting the entire assessment.

Most construction consultants are gen-

integrity monitoring, Grassi's Bill Fischer and Brian Aryai check to "see where the contractor might be soaking the developer," Fischer said.

The two uncovered a scheme wherein a vendor submitted multiple invoices for hardware that had already been paid for several times over; the Grassi team found the construction company's bookkeeper was a partner in the crime, allowing the vendor to pick up his checks in person so the duplicate billing wouldn't be detected.

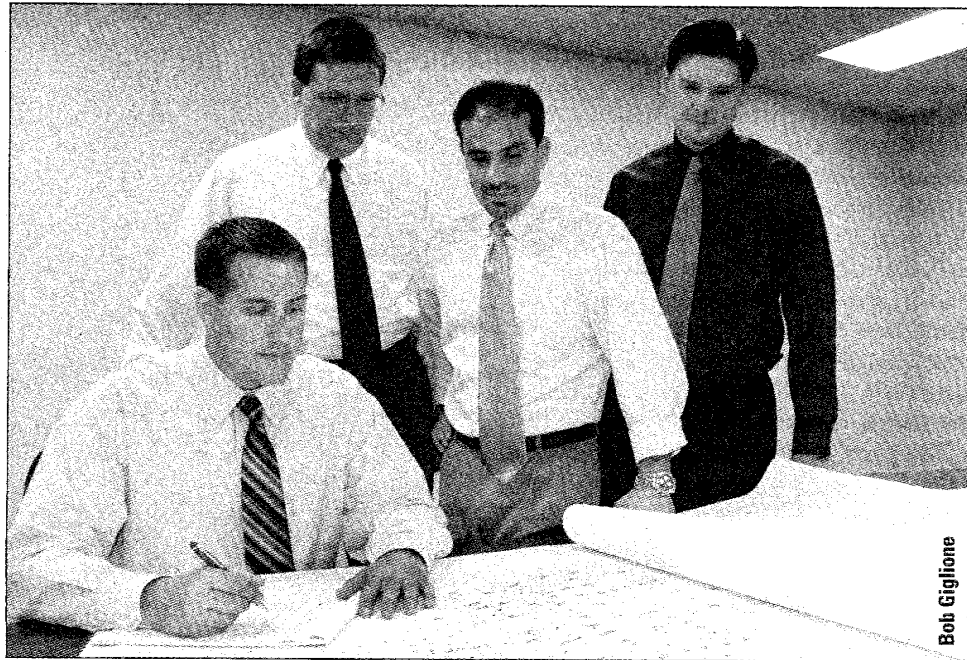
Another fraud revealed by Fischer and Aryai involved the diversion of \$500,000 worth of bathroom tiles, in which the construction manager billed one developer and resold the tiles to another.

Construction consultants are often hired by insurance companies to mitigate losses or to simply prove them. Fischer said advances in technology and software have sped up data mining and research, so the consultants can focus more on analyzing the information they find.

Other clients of construction consultants include lenders, who want to make sure the projects they fund are managed soundly, and attorneys, who use consultants to draft reports and testify on their findings.

While there's no disputing that construction projects can suffer from fraud and mismanagement, consultants try to hammer home the idea that they be hired before problems pop up.

"A lot of business owners think it can't happen to them," Aryai said. "We know it can happen to anybody."



From left to right: Ralph Cofill, Walter Fremer, Tom Sinacore & Stephen Hoffman.

consultant on the team tips the odds in the favor of the developer.

When working for contractors, consultants can determine whether they've been delayed or disrupted, in which case they may be entitled to extended performance costs, according to Street. And if contractors face late completion penalties, a con-

sultant can attribute the delay to whomever's responsible – minimizing exposure and possibly even refuting the entire assessment. Most construction consultants are gen-

Specialists in contract audits and