

Insider Risks often generate images of cyber breaches or government leaks.

But experience shows us Insiders can impact any industry, and often fly under the radar until something occurs.

Whether you're an owner, a developer, or a contractor, Insider Threats are real and pervasive on construction sites around the world. According to the ACFE, the construction industry is among the Top 5 industries impacted by fraud.

Do you know your risk profile?

The examples below examine how these risks can hide in plain sight.

FAULTY FOOTING: Change Orders and Invoices

A construction manager signs off on invoices and change orders for services, materials, and equipment that are allegedly part of the project, but in reality, do not exist. In the vast volume of invoices and altered plans that are passed within a construction site each week, and with the earned trust of the construction manager from upper management, the critical documents are never given a second look until questions from real vendors about payments arise.



SOLUTION:

With the right risk management protocols in place, due diligence could have revealed that the shell companies receiving payment were benefiting the construction manager's family, costing the project tens of thousands of dollars in false payments and incorrect project plans, and subsequent delays.

CUTTING CORNERS: Rogue Employees

An employee has been responsible for auditing materials across the site more than a dozen times over the early duration of the project and has reported no irregularities. Right before the foundation is laid, an independent audit reveals that several materials have been swapped for inferior materials. In an investigation, it's uncovered that the rogue employee doctored the result of the audits because of material shortages in order to push the project forward. This opens the company up to millions in lawsuits and potential future construction defect liability or criminal charges if a catastrophic event occurs as a result of the inferior materials.



SOLUTION:

The right controls can ensure additional checks and balances are in place to have multiple parties observing and confirming the results of material audits, and ensuring that more than one individual is responsible for collection and reporting.

RUNNING AFOUL: Kickbacks and Bribes

A subcontractor shakes hands with the construction manager of a multi-million-dollar development project for a private institution. Looking closely? There's an envelope being passed between the two—a set of World Cup tickets from the subcontractor to the construction manager. An unusual gift, until it's uncovered that the subcontractor paid bribes for the contract, from payments for the manager's personal vacation expenses to kickbacks in cash.



SOLUTION:

Regular audits and background checks on subcontractors and employees alike can identify when a scenario has changed. While this kind of due diligence and monitoring can feel time consuming, uncovering a problem after it arises will create greater costs and damage to an organization's reputation and bottom line.

How We Help

StoneTurn's Construction & Real Estate team leverages direct construction and project management experience to help construction firms and specialty contractors improve profitability by enhancing administrative, back office, and project reporting methods, processes, and technology.



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