



Building Blocks

Construction Financial Management Association
Honolulu Chapter

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Successful Project Schedules Start with Teamwork, Communication, and Integrity

James B. Salter, President, Construction Management and Development, Inc.

Some project schedules seem to run adrift, regardless of how hard individual project team members attempt to keep them on track. The key word here is “individual”. A project schedule cannot be put together by an individual. An individual can be the point person to prepare the schedule, but without the input and a full buy-in of the entire project team, the project schedule is doomed to failure. Team members required for data input and review should include the Owner, Project/Construction Manager, Design Team Members, Sales and Leasing Team, Legal and Entitlements Team, and eventually the selected General Contractor.

How does a successful baseline schedule get established?

The first step in creating a schedule is to understand the owner’s objectives and restraints. Are their delivery milestones and/or deadlines pre-established and imposed by outside parties such as lenders, equity investors, Municipal jurisdictions, and tenants.

The second step is to prepare a Draft Global CPM (Critical Path Method) Schedule. The project manager should prepare this schedule as if the project existed in a perfect world. He should solicit input from all the team members as to what would be the ideal time for each discipline to complete their scope of work. The project manager should then place these work scopes by time durations in an orderly sequence.

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President’s Message

This message marks the end of CFMA Honolulu’s third quarter and as always your board members have worked tirelessly to provide several events these past few months. Among the events were a presentation from Hawaii’s Tax Director on the .5% tax increase, an Introduction to Construction Accounting Course, and a Brown Bag Session on Wrap up Insurance.

- Kurt Kawafuchi, Hawaii’s fearless Tax Director met with members at the

Pacific Club to discuss the .5% tax increase. In addition to answering questions Kurt offered his cellular phone number to members—now that’s dedication.

- Carl Williams and Bob Hatanaka from Detor & Williams CPAs educated a sold-out class on the ins and outs of construction accounting. This year’s class marked the 2nd consecutive class put on by the Honolulu chapter and the 2nd year of overwhelming attendance. Mahalo, to Detor & Williams

for donating their time.

- With so many projects utilizing wrap up insurance projects CFMA thought it appropriate to revisit this subject and on January 19th Chad Karasaki from Marsh provided members details on the insurance industry and specifically wrap up insurance.

CFMA will end its fiscal year with a site visit and a seminar. More information on the two events is forthcoming.

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The third step should consist of a thorough review of how The Draft Global CPM Schedule compares to the owner's objectives and restraints. Careful analysis should be made of any and all variances between The Draft Global CPM Schedule and the owner's objectives.

The fourth step attempts to create as many "what if" alternatives as possible to achieve the owner's objectives or as close to those objectives as possible. Each team member should be asked painstaking questions regarding his basis for time required to complete his assigned scopes. This process is extremely critical and requires the utmost level of sensitivity. At this juncture the schedule could be doomed if the project manager attempts to force from a team member a work duration that is less than achievable. It is also important at this point for the project manager to have a good understanding of each of the team member's resources and capabilities; it is at this juncture the project manager and owner must decide if, in fact, the reviewed team member is providing a reasonable and tight duration for his scope. In addition, the project manager must ask the critical question could a consultant with a bigger staff and more resources provide a tighter schedule duration and, if so, what is the overall impact such a replacement could create on morale, cost, and ramp-up time for a new consultant.

The fifth step requires an in-depth review of the "what if" alternatives with the owner. Clear and candid outlines of the various impacts to each option should be reviewed. Consideration to quality, cost, and schedule should be carefully reviewed. Items such as overtime, outside assistance, extension fees to tenants, and impacts on interest assumptions all must be reviewed.

The sixth step involves the acceptance of the "Baseline CPM Schedule" based on the input of the team members and the acceptance of the owner. It is from this schedule that the entire project will be tracked. All tracking and variances from this baseline schedule will be recorded and illustrated in a comparative method. Remember, a schedule is a plan, variances will occur, both to accelerate and delay the project; the key is that an organized plan for project implementation is established.

The seventh step revolves around communication. The proper use of the "Baseline CPM Schedule" is to distinguish between critical path items (items with no opportunities for variance) and items on the schedule which are not on the critical path and thus have "float" (room for limited adjustment). Throughout the project on scheduled reporting dates, the project manager should report to the team members as to the status of the schedule. Items such as upcoming opportunities that could negatively or positively impact the schedule, delays due to outside influences such as municipal processing, strikes, etc., and impacts due to team member failures should all be discussed openly with the primary intent to assess and remedy. Remember, "Don't kill the messenger."

Ten reasons schedules fail*:

1. Team members not providing the project manager with realistic durations for their assigned scope of work.
2. Inadequate analysis of outside forces that could impact the schedule.
3. Team members not being given the opportunity to provide input and "buy-in".
4. The owner insisting on an unrealistic schedule.
5. Team members agreeing to owner's unrealistic schedule.
6. The project manager not accurately anticipating ongoing issues that could impact the schedule.
7. Clear communication amongst team members
8. Killing the messenger.
9. Failure to maintain a weekly update of the schedule status. Failure to break up the schedule into smaller three-week look-aheads.

*This assumes that all team members have the proper experience and integrity. At the heart of a successful Critical Path Method Schedule is a team that is dedicated to the goal to achieve the owner's objectives. A true team spirit must be incorporated amongst all

team members, including the owner. Both the team members and the owner need to understand and appreciate that if one member fails, the entire schedule fails. All team members must buy into the old adage, "Good news, bad news, the key is the news."

"To want in one's heart to do a thing for its own source, to enjoy doing it, to concentrate all one's energies upon it - that is not only the surest guarantee of success, it is also being true to oneself."
—Amelia Earheart

Construction Management and Development, Inc. is a full-service construction and project management firm which has been based in Hawaii for over 16 years and has subsidiaries throughout the US mainland, Asia, and South America. For more information on our services (including project construction accounting services), see our website at www.cmdintl.com or call David Laeha, CFO at 523-7710x154.

Your Auditors Will Be Busy With New Auditing Standards

By Jay Miyaki

Why is my auditor asking me these questions, they never asked them before. What's going on? If your CPA is auditing your construction company the answer is ... plenty. The Auditing Standards Board (ASB) of the American Institute of Certified Public Accountant (AICPA), the group that develops and issues audit rules called Statements on Auditing Standards (SAS), was busy last year. The Board issued eight new standards, all at once in March 2006, that it is calling the audit risk model.

The ASB felt that a risk-based approach to tackling an audit is more effective at enhancing the quality of audits and better at serving the public interest. The new standards say auditors are supposed to obtain a higher level of assurance by acquiring a more in-depth understanding of the entity and its environment, including its internal control. The purpose is to identify the risk of material misstatements in the financial statements. Procedures include discussing with management what the company is doing to monitor these risks, and to develop audit procedures to address identified risk areas. The standards also require auditors to request appropriate management responses when misstatements are identified. If this approach sounds like the fraud standard that was issued several years back, you're right! But there are some new twists.

Following is a list of the eight new standards, which are effective for audits of financial statements for periods beginning on or after December 15, 2006 (early adoption is permitted):

- SAS no. 104, Amendment to Statement on Auditing Standards No. 1, Codification of Auditing Standards and

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Announcements

Congratulations to Neill Char of First Hawaiian Bank for providing the winning name (Building Blocks) for our Newsletter Name Search. Neill will receive a \$50.00 gift certificate for his immense creativity. Who knew a banker could be so creative?

Thank you to all of the members that submitted their ideas.

**Frank Wirt, President
CFMA Honolulu Chapter**



Upcoming Events

Site Visit

Please plan to join us for a site visit and tour of Hawaiian Dredging's newest high rise condominium, 909 Kapiolani. More information to follow.

Installation Banquet

Please plan to support the 2007 – 2008 board at the installation banquet planned for early April.



The Construction Financial Management Association, Honolulu Chapter

Frank Wirt, Marsh USA, Inc.	President
Carleton Williams, Detor & Williams, CPA's	First Vice President
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Lianne Uyehara, Jade Painting & Decorating
Glenn Yee, Hawaiian Dredging Construction Co., Inc.

Procedures ("Due Professional Care in the Performance of Work")

- SAS no. 105, Amendment to Statement on Auditing Standards No. 95, Generally Accepted Auditing Standards
- SAS no. 106, Audit Evidence
- SAS no. 107, Audit Risk and Materiality in Conducting an Audit
- SAS no. 108, Planning and Supervision
- SAS no. 109, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement
- SAS no. 110, Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained
- SAS no. 111, Amendment to Statement on Auditing Standards No. 39, Audit Sampling

The standards are available on the AICPA website at <https://www.aicpa.org/Professional+Resources/Accounting+and+Auditing/Audit+and+Attest+Standards/Risk+Assessment/>

Auditors will meet the challenge to maintain and improve their knowledge of these standards through training, and incorporate them in their audit procedures ... continuing the tradition of a profession that serves construction companies and the public interest.

Jay Miyaki is an Engagement Partner at Detor & Williams, CPAs, A Professional Corporation and a Certified Construction Industry Financial Professional (CCIFP).



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