
BREAKFAST MEETING

Wednesday, June 15, 2005

8:30 AM to 10:30 AM

The Cornell Club • 6 East 44th Street • New York, New York

Fraud and Corruption in the Construction Industry



BLAKE A. COPPOTELLI
Managing Director,
KROLL INC., NEW YORK

Blake Coppotelli is a Managing Director of Kroll's New York Office. A former 13-year state prosecutor, Blake manages the full range of Kroll's business investigations and intelligence services, as well as

Kroll's security and crisis management services.

Blake is a former Chief of the Labor Racketeering Unit, and Construction Industry Strike Force in the Manhattan District Attorney's Office. Prior to becoming Chief, he served as a Senior Investigative Counsel advising other investigative Assistant District Attorneys on investigative strategies, legal issues, and trial practice.

As Chief, Blake was responsible for supervising and directing some of the most highly publicized investigations into fraud, corruption, and organized crime influence in the metropolitan area.

In September 2001, Blake was appointed the Head of Kroll's Real Estate Integrity Services (REIS). REIS provides ethics and integrity compliance, auditing, and investigative

services to all of Kroll's clientele, as well as providing monitoring, and fraud detection and prevention on some of the largest construction projects in the metropolitan area. The construction aspect of the program is designed to provide developers, owners, and/or tenants of private and public projects with an independent assessment of their projects' vulnerability to corruption, fraud, or abuse, and provides solutions to reduce costs, improve quality and mitigate liability.

Blake has also managed environmental, crisis management, emergency response, and security related issues for Kroll's public and private clients. Among his responsibilities are the supervision of threat and risk assessments, crisis management and emergency response reviews, life safety and evacuation analysis, bomb blast modeling, biological/chemical intrusion risks, perimeter security, access control of public and private buildings and facilities, business continuity solutions, political risk assessments and travel advisories, kidnap, ransom, and extortion response, and training and compliance monitoring.

Blake has a BA from Wittenberg University in 1983 and a JD from St. John's University School of Law in 1987.

OUR NEXT MEETING

September 21, 2005

8:30 am - 10:30 am

The Cornell Club

"Banking and Alternative Financing"

Spring Meeting

Our Spring Breakfast Meeting at the The Cornell Club on Wednesday, April 27th was filled to capacity. Jim Marran, from the Allied Group of Companies moderated a panel discussion on the topic "State of the Surety Market". Panelists were Rick Ciullo, of Chubb Surety, Tom DeLuca of St. Paul Travelers, and Charlie Schmalz, of Arch Insurance. Some of the high points of the discussion were:

- Consolidation of the players in the surety bond market.
- Future of the bonding industry.
- Profitability in the underwriting process.
- Rating a risk.
- Training new people in a shrinking industry.

Joe Sagaria, President of the NYC chapter, recognized Henry Goldberg, Esq., for his many years of service and contributions to the New York City Chapter of CFMA.



Joe Sagaria; Jim Marran, SVP Allied North America; and Bob Arnold



Henry Goldberg, Past President of NYC Chapter



The meeting was filled to capacity.



Charles Schmalz, SVP Arch Insurance; Steve Dressler, Aspiralink, Inc.



Brian Summers, CFMA National




Howard Chernin, Quantum Corporate Funding; Mike Goldrick, M&T Bank

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Contractors Blueprint For Success

An accountant and business advisor gives advice to the construction industry on how to sustain profitability in an increasingly competitive environment.

By Richard E. Gavin

As those in the construction industry know, there are many reasons why companies find themselves in unprofitable positions. Some are unforeseeable, but others are evident. As accountants and business advisors to hundreds of companies over the past 22 years, the business characteristics and management styles that result in sustained profitability and financial stability have become evident. The following is an overview of a "blueprint for a construction company's success."

- **Vision & Planning.** Successful owners have a formal, well-defined business plan and have implemented measurement systems that monitor the plan's progress. They use their business plan as a "roadmap" because it contains detailed goals, responsibilities, and pre-defined end results. They periodically refine the plan to reflect changes related to the economy or new opportunities. More importantly, everyone in the organization understands both his or her individual goals and the goals of the group. This common vision allows everyone to work together towards a common objective. Owners have a defined philosophy or mission statement that acts as a foundation upon which the company is operated.

- **Owners/Corporate Culture.** One of the most profound characteristics of successful owners is a consistent focus on their company. When owners focus on too many other business interests, personal interests, and/or extracurricular activities, the results show in the profits. Successful owners focus on profits rather than volume. It isn't only about how big you are. Successful companies have a culture based upon hard work, dedication, loyalty and a commitment to quality and safety. They're dedicated to completing all projects on time, on target, and on budget.

- **Employees.** Hiring and retaining quality staff is of major importance to a profitable company. Key positions in administration, project management, estimating, and labor must maintain low staff turnover rates. Successful companies have staff development plans that outline ways to develop employees into positions of increasing responsibility. They should also mandate that under performing staff be replaced with better-qualified individuals. When dealing with new hires, there is an established performance expectation that is communicated and reviewed after three months. Employees of successful companies have their responsibilities clearly defined and communicated, and they understand the expectations related to their performance.

- **Systems & Procedures.** Management understands the benefits related to systems and procedures because they understand how systems provide the necessary information to make sound business decisions. Successful companies have a formal approach to planning, execution, and accountability. Technology is embraced; employees have the necessary tools and are properly trained in the

use of programs that increase efficiency, productivity, and manage overhead. Successful companies also have procedures that dictate, "how we do things here." The most profitable companies have well established internal controls that protect assets and protect the accuracy of financial reporting.

- **Training & Incentives.** Employees must be well trained and understand what is expected of them. Companies should have incentives to promote consistent, high quality performance. In successful companies, training takes place on internal systems and procedures, company philosophies, individual job requirements, new technologies, and new job responsibilities that may develop. Successful companies recognize and reward performance through formal incentive compensation programs. These programs provide the framework necessary to identify and reward those who exceed performance guidelines.

- **Financial.** Having the proper financial tools allows leaders to establish fiscal responsibility. Cash flow management is a critical area of focus for profitable contractors. Contractors who understand this maintain timely billing, have established collection procedures, and possess a line of credit for use as a back up. Successful companies are able to generate meaningful financial information internally. These interim internal results should closely compare with the annual audited financial statements. Successful business owners rely on productivity analyses, budgets and projections to help them make sound business decisions. They use their budget as a financial blueprint for the next year. They use income and expense budgets to establish expectations and set guidelines to measure actual results during the year. In addition, job budgets that contain indirect costs and burden rates, are heavily relied upon.

- **Business Practices.** Profitable contractors focus on quality - not just in the construction work, but in every aspect of business. Profitable contractors understand the process of continual improvement and surround themselves with people who embrace the same concept. They always look to become a little better, a little more efficient and a little more client-focused. Successful companies have a clear understanding of where they are in the food chain. They stay active in industry trade groups to maintain a connection with current events and to establish themselves as a major force within the industry. Successful companies understand the power of marketing and branding their organization. Lastly, successful contractors are open to learning. Successful contractors maintain close relationships with business advisors in legal, accounting, insurance/bonding, technology, and banking. This way, they can concentrate on one thing - directing the future of their business. Richard E. Gavin is a CPA with Grassi & Co., CPAs, P.C. in Lake Success, N.Y.

Your Newsletter Editor

Your newsletter editor is always looking for information about you and other chapter members as well as significant issues concerning our New York City community relative to accounting and business matters. Please forward all personal notes for possible inclusion in the newsletter to the editor:

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New Members:

Send or bring a friend or business associate to a CFMA meeting!

Your help is needed to keep our Chapter growing. Please submit the name of a prospective candidate who might be interested in CFMA membership to our Director of Membership:

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c/o Robert J. Brewer, CPA, CCFP
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**CONSTRUCTION FINANCIAL MANAGEMENT ASSOCIATION
NEW YORK CITY CHAPTER**
Cordially invites you to attend a
BREAKFAST MEETING
Fraud and Corruption in the Construction Industry

Speaker: Blake A. Coppotelli – Managing Director
Kroll Inc., New York

Date: Wednesday, June 15, 2005

Time: 8:30 a.m. - 10:30 a.m.

Location: The Cornell Club
6 East 44th Street
New York, New York

REGISTRATION FORM

June 15, 2005 - 8:30 a.m.

Name: _____

Company: _____

Address: _____

Telephone: _____

Email: _____

I plan to bring the following guests _____

I am unable to attend, but have an interest in future activities of CFMA

Registration fee is \$25.00 for members and non-members. Each member may bring one guest free of charge. Please mail this section, along with a check, by June 10th to Eileen Wunsch, c/o Goldberg & Connolly, 66 N. Village Avenue, Rockville Centre, NY 11570 (516) 764-2800. Please make checks payable to CFMA – NYC Chapter.