



April 18, 2024

# State of Washington Department of Enterprise Services

Baker Tilly US, LLP response to Project No. 20-403:  
WSH-New Forensic Hospital: Audit

DSHS, Western State Hospital



April 18, 2024

Mr. Aaron Martinez, DES Project Manager  
State of Washington Department of Enterprise Services  
*Delivered electronically*

Baker Tilly US, LLP  
4807 Innovate Lane  
Madison, WI 53718  
+1 (608) 249 6622  
+1 (608) 249 8532  
bakertilly.com

Dear Mr. Martinez:

This proposal marks the beginning of a valuable relationship we plan to build with the State of Washington Department of Enterprise Services (the Department). Based on what we have learned from you in your request for proposal (RFP) process, we are confident we are the right fit to serve you with forward-thinking construction audit services — today, tomorrow and for many years to come.

Our proposal meets your RFP requirements and describes our unique proposition to enhance and protect value while meeting your key objectives.

Benefits of working with Baker Tilly include:

<p><b>The right firm</b></p> <p>The Department will benefit from the qualifications, technology tools and resources of our top 10 accounting firm. Our construction and real estate practice is one of Baker Tilly's largest industry groups and is ranked as the third-largest accounting firm in the United States, ensuring you that we have the resources and qualifications to meet your objectives.</p>	<p><b>The right experience</b></p> <p>We are structured around industry-specialized practice groups, allowing us to provide focused training and continuing education to our team. Our experience with Clark Construction, the GC/CM delivery model and the impact of the alternative subcontractor selection process, paired with targeted experience serving more than 30 healthcare systems and auditing more than \$25 billion of public sector capital projects, will help you thrive now and as you evolve.</p>	<p><b>The right team</b></p> <p>Your handpicked team of Value Architects™ includes technical and industry-specialized team members dedicated to providing risk management services. These team members are deeply entrenched in both the construction and public sector industries and apply their knowledge to conduct thorough contract compliance audit services. You will receive a tailored approach designed to meet your needs and exceed your expectations.</p>	<p><b>The right value</b></p> <p>We provide high-quality service for a fair and reasonable fee. Our significant level of partner and manager involvement translates into a responsive, efficient engagement and the ability to deliver value throughout the year.</p>
---	---	---	---

The Department will be a valued client of Baker Tilly, and I will be personally involved in all aspects of our relationship, from planning through completion. Thank you for the opportunity to make tangible contributions to your success. Our team is excited to earn your trust, and we look forward to discussing your questions and feedback.

Sincerely,

Anthony Ollmann, CPA, CCA, Partner  
Baker Tilly US, LLP  
+1 (608) 240 2618 | [tony.ollmann@bakertilly.com](mailto:tony.ollmann@bakertilly.com)



STATE OF WASHINGTON  
DEPARTMENT OF ENTERPRISE SERVICES

1500 Jefferson St. SE, Olympia, WA 98501  
PO Box 41476, Olympia, WA 98504-1476

## Consultant Selection Contact Form

Designated Point of Contact for Statement of Qualifications  
For Design Bid Build, Design Build, Progressive Design Build, GC/CM & Job Order Contracting  
(JOC) Selections

Firm Name: <a href="#">Baker Tilly US, LLP</a>		
Point of Contact Name & Title: <a href="#">Anthony (Tony) Ollmann, Partner</a>		
Email: <a href="mailto:tony.ollmann@bakertilly.com">tony.ollmann@bakertilly.com</a>	Telephone: <a href="tel:+1(608)2402618">+1 (608) 240 2618</a>	
Address: <a href="#">4807 Innovate Lane</a>		
City: <a href="#">Madison</a>	State: <a href="#">WI</a>	Zip: <a href="#">53718</a>

# Contents

EXECUTIVE SUMMARY .....	1
QUALIFICATIONS OF KEY PERSONNEL .....	3
RELEVANT EXPERIENCE .....	5
PAST PERFORMANCE.....	8
DIVERSE BUSINESS INCLUSION STRATEGIES .....	14



**Baker Tilly is responsive, interactive and produces the results they say they will. We are very pleased with the services they provide and consider Baker Tilly a leader among accounting and advisory firms.**

*Controller*



The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought. Baker Tilly US, LLP is currently undergoing a restructuring of its organization, which is anticipated to occur on or around June 1, 2024. Following the closing of such restructuring, all consulting and tax engagements will be performed by Baker Tilly Advisory Group, LP. All assurance engagements will continue to be performed by Baker Tilly US, LLP. © 2024 Baker Tilly US, LLP.

Baker Tilly US, LLP, trading as Baker Tilly, is an independent member of Baker Tilly International. Baker Tilly International Limited is an English company. Baker Tilly International provides no professional services to clients. Each member firm is a separate and independent legal entity, and each describes itself as such. Baker Tilly US, LLP is not Baker Tilly International's agent and does not have the authority to bind Baker Tilly International or act on Baker Tilly International's behalf. None of Baker Tilly International, Baker Tilly US, LLP nor any of the other member firms of Baker Tilly International has any liability for each other's acts or omissions. The name Baker Tilly and its associated logo is used under license from Baker Tilly International Limited.

# Executive summary

## Understanding your needs to help achieve your objectives and goals

The Department is looking for a firm to provide audit services for its New Forensic Hospital at Western State Hospital in Lakewood, WA. You deserve to work with dedicated construction audit specialists who go far beyond simply putting the right numbers in the right boxes. You require a dedicated team who will support your goals — the value you have worked hard to create and grow — and who will offer construction audit services that meet your needs now and as they evolve.

Clients like the Department are central to our business, and we apply experience-based insight to help solve problems and look ahead to opportunities. The following table details how we plan to address your needs in a valuable way.

WHAT WE HEARD THE DEPARTMENT NEEDS	HOW BAKER TILLY WILL MEET YOUR NEEDS
<p><b>Relevant public sector industry experience, specialization and expertise</b></p>	<ul style="list-style-type: none"> <li>Specialized knowledge and direct experience gained from <b>auditing more than \$25 billion of public sector capital projects</b>, such as Kansas City Airport, San Diego Airport, U.S. Bank Stadium, Target Field and Honolulu Area Rapid Transit</li> <li>Construction audit project experience, <b>servicing over 30 healthcare systems</b> projects ranging from \$1 billion campus developments to \$10 million emergency room renovations; our healthcare clients include UW Health, University of Iowa Health, Valley Health, Baptist Med, Advocate, Altru Health System and Mount Sinai Beth Israel Hospital</li> <li>Support from <b>more than 25 construction audit specialists</b> dedicated to providing risk management services and 350 team members who are deeply entrenched in the public sector industry and who receive focused training and continuing education</li> <li>In-depth understanding of the unique nature of your organization and ability to proactively address your most pressing challenges</li> <li>Full suite of advisory CPA services to help the Department stay ahead</li> </ul>
<p><b>National leader in construction audit thought leadership</b></p>	<ul style="list-style-type: none"> <li>A regular construction audit speaker and publisher with the Association of Healthcare Internal Auditors (AHIA), Institute of Internal Auditors (IIA), Association of Certified Fraud Examiners (ACFE) and regional industry associations</li> <li>Producer and publisher of the <a href="#">Baker Tilly construction audit resource center</a></li> <li>Regularly requested construction audit trainer for in-house construction audit delivery teams</li> </ul>
<p><b>Value for fees paid</b></p>	<ul style="list-style-type: none"> <li>Competitive fee arrangements, without additional charges for every question, comment or concern and without extra onboarding or transition costs</li> <li>Significant partner and manager involvement to deliver timely service</li> <li>Year-round client training, education and insights at no additional cost</li> <li>Streamlined approach that pairs technical expertise with innovative technology to achieve efficiencies</li> </ul>

**YOU RECEIVE MANY BENEFITS BY CHOOSING TO WORK WITH BAKER TILLY**

*We understand your needs and will meet your objectives with our ability to offer valuable resources, experience and solutions.*



## Offering our resources: Baker Tilly at a glance

We dedicate ourselves to delivering efficiency, quality, creativity, innovation and forward-thinking solutions to construction clients. Baker Tilly is passionate about enhancing and protecting our clients' impact, which is a collective effort by everyone across our firm. **Our construction audit team maintains a separate practice group of approximately 25 team members devoted to leading construction audit projects**, so the Department will receive an exceptional experience for your organization. Below are key facts about our firm and the resources we bring to serve you.



### COMPREHENSIVE EXPERIENCE TO SERVE YOU

*The Department will receive support and guidance from a respected firm that continues to grow — as evidenced by Inside Public Accounting naming Baker Tilly as the 10th-largest accounting firm on their [2023 IPA Top 100 list](#).*

## Expertise in audits of construction projects, including contract compliance, financial audits and reviews

As our client, the Department will work with professionals who truly understand the construction business and who apply their knowledge to conduct thorough contract compliance audit services. Our construction audit team originated nearly 20 years ago and currently includes 25 construction specialists dedicated to providing risk management services to corporate internal audit, facility development and other construction risk managers.

We provide independent financial oversight, strategic guidance and advice on financial controls to help mitigate project risk and avoid unwanted surprises. Our experience includes claims settlements, designing contracting procedures and uncovering incorrect contractor billing practices for real estate owners and operators. In addition, we have worked to uncover billing or pay application calculation errors, creating a substantial return on investment for our clients.

Our projects scale up to mega facilities, research and development centers, sports facilities and hospitals and down to rural clinics and office buildings. Our national project experience also includes interior office buildouts, greenfield development and mega power generation plants.

## Value Architects™ for the public sector

State and local government is a complex, unique environment shaped by fiscal, regulatory and operational considerations not found in other industries. Recognizing this complexity — and eager to serve as a truly valued advisor to the public sector — Baker Tilly formalized its dedicated public sector specialization more than 50 years ago. Nationwide, our state and local government practice serves more than 4,000 state and local government entities. **We are one of the few CPA firms with a state and local government group dedicated entirely to serving governmental clients.**

The Department will benefit from our specially organized group of staff and partners in several specific ways, including our active industry involvement. Members of our public sector practice group are leaders in key industry organizations, including AICPA and the Governmental Audit Quality Center (GAQC). Because of our work with these groups, we are knowledgeable of dynamic, consequential trends in state and local government and equipped with leading practices to help the Department best respond to them.

**3rd**

Baker Tilly ranks third on Construction Executive's 2023 list of the Top 50 Construction Accounting Firms in the U.S.




**1,000+**

construction compliance engagements

# Qualifications of key personnel





## Aligning key engagement team members with your goals

Baker Tilly’s construction risk and compliance team is built on 25 construction financial and project control professionals dedicated to protecting the Department’s financial resources, ensuring contract compliance and mitigating contractor overcharges. **Your handpicked team of professionals is experienced with Clark Construction and the GC/CM delivery model and the impact of the alternative subcontractor selection process**, specifically in testing subcontracts that are functionally guaranteed maximum price and ensuring delivery savings are returned to owner control. We believe in strong personal relationships, and this means a personal interest in the Department from some of our most experienced team members. Engagement team members are introduced below, and complete resumes are available upon request.

INTENTIONALLY SELECTED ENGAGEMENT TEAM FOR THE DEPARTMENT		
	Anthony (Tony) Ollmann, CPA, CCA — Partner	
	<p><b>Value that Tony brings to the Department: Engagement and audit partner</b></p> <p>Tony is the partner in charge of this project; thus, he is responsible for ensuring proper planning, audit plan design and execution as well as deliverable quality. Tony has over 25 years of construction industry and controls experience that will be applied to the management of your engagement and the content of the project work plan. Tony is committed to the Department’s success and will collaborate with you to meet your deadlines and exceed expectations.</p> <p><b>Subject matter knowledge:</b> Baker Tilly construction audit methodology and quality assurance program developer; <b>Thought leadership:</b> Association of Healthcare Internal auditor, Construction Audit workshop presenter and National Conference presenter; Baker Tilly construction audit resource center — producer, writer and presenter.</p>	<p><b>Project experience</b></p> <p><b>Clark Construction:</b> Kansas City Airport (\$1.5 billion), The Boro (\$850 million), Mid-Town Center (\$275 million), Mount Sinai Beth Israel (\$1 billion), Marshfield Health (\$500 million), Baptist Medical Center Jax (\$400 million), Children’s National Med Center (\$500 million)</p>
	Robert (Bob) Zellmer, CCA — Senior manager	
	<p><b>Value that Bob brings to the Department: Senior project manager</b></p> <p>Bob will be a project manager for the Department. His responsibilities will include project risk analysis, audit program development, resource management, engagement execution and client communication.</p> <p><b>Subject matter knowledge:</b> Baker Tilly deliverable control director. Construction audit training director, content presenter to IIA, Association of College &amp; University Auditors.</p>	<p><b>Project experience</b></p> <p>Cincinnati Children’s Hospital (\$600 million), OhioHealth (\$300 million), UW Health (&gt;\$700 million)</p>
	Blair Brown, CFE — Manager	
	<p><b>Value that Blair brings to the Department: Project manager</b></p> <p>Blair will manage the day-to-day project tasks, including audit program development, project schedule control, status report and communication management, construction controls and transaction testing.</p> <p><b>Subject matter knowledge:</b> Primary author and administrator of our construction audit training program, presenter and contributor to Baker Tilly’s construction audit resource page and regularly requested speaker by internal audit associations</p>	<p><b>Project experience</b></p> <p>University of Iowa Health (\$525 million), University of Cincinnati Health (\$250 million), Dartmouth-Hitchcock Health (&gt;\$125 million)</p>

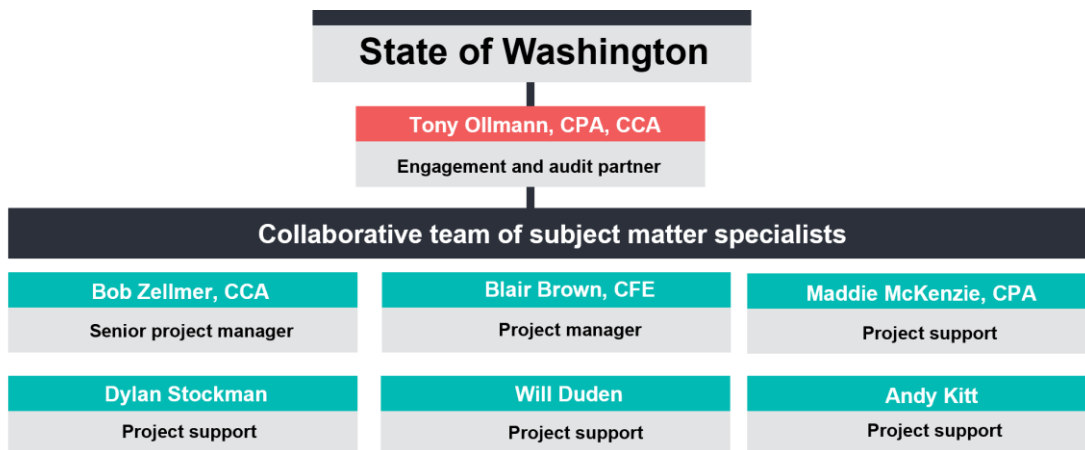
## QUALIFICATIONS OF KEY PERSONNEL

### INTENTIONALLY SELECTED ENGAGEMENT TEAM FOR THE DEPARTMENT

	Maddie McKenzie, CPA — Senior consultant	
	<p><b>Value that Maddie brings to the Department: Project support</b></p> <p>Maddie will manage daily testing, sample size determination, contractor document coordination and observation verification; she will also maintain the audit schedule and testing program.</p> <p><b>Subject matter knowledge:</b> Primary author of Baker Tilly’s direct labor testing program and project performance templates, regular contributor to Baker Tilly’s construction audit resource center</p>	<p><b>Project experience</b></p> <p>Altru Health System (\$475 million), Valley Health System (\$750 million), Cincinnati Children’s Hospital (\$600 million), Mount Nittany Health (\$400+ million)</p>
  	<p>Dylan Stockman — Senior consultant</p> <p>Will Duden — Senior consultant</p> <p>Andy Kitt — Consultant</p>	
	<p><b>Value that Dylan, Will and Andy bring to the Department: Project support</b></p>	
	<p>Project associates will support the project leadership during our engagement with the Department. They will perform construction contract analyses, review payment applications, analyze change orders and contingency usage, and perform construction cost testing, including reconciliations of invoices, purchase orders and construction control documents.</p>	

### THE DEPARTMENT WILL RECEIVE TANGIBLE RESULTS WITH BAKER TILLY

All engagement team members are committed to the Department’s success. Their industry experience and service expertise translate into tangible results for the Department.



### Outlining the time our team will spend on your audit

The amount of time each team member spends on your audit will depend on potential changes at the Department, such as in your personnel, new accounting regulations or accounting records. The table on the following page shows the time we expect to spend on the engagement.



APPROXIMATE TIME SPENT ON THE AUDIT				
Partner/director	Senior manager	Manager	Senior	Staff
5%	10%	20%	35%	30%

**Leveraging our resources to perform the Department’s scope of work**

While our firm looks for opportunities to collaborate with subcontractors when it helps us further enhance and protect value, we will not subcontract any portion of the Department’s scope of work. We have the depth of resources and experience to perform all tasks outlined in your RFP.

# Relevant experience

**Sharing our experience providing audit services for hospital and medical facility construction projects similar in size and scope to the Department’s project**

<b>Client name</b>	<b>Altru Health System</b>
Dates of service	2021 to present
Relevance to the Department	<ul style="list-style-type: none"> <li>• Healthcare campus transformation project</li> <li>• Very large budget (\$300+ million)</li> <li>• Comprehensive construction risk mitigation requirements</li> <li>• CCIP program</li> </ul>
Facility description	\$300 million, 226-bed hospital tower and energy plant
Scope of work	Baker Tilly is engaged by Altru Health System to provide continuous monitoring and auditing. We are evaluating the general conditions budget and components, contract terms and conditions, labor rates and compliance, allowable cost testing, contingency usage testing and change order analysis.
Outcomes	<p>The financial recovery of our findings on this engagement is confidential. However, our findings are categorized as follows:</p> <ul style="list-style-type: none"> <li>• GMP calculation errors</li> <li>• CCIP credits not returned to the owners</li> <li>• Subcontractor overcharges</li> <li>• Change order price adjustments</li> <li>• Nonallowable costs included on payment applications</li> <li>• Unsupported costs</li> <li>• Labor billing rate errors</li> </ul>
Contact for reference	Christopher Arnold, Plant and Facilities Director +1 (701) 780 5684   <a href="mailto:chris.arnold@altru.org">chris.arnold@altru.org</a>

## RELEVANT EXPERIENCE

Client name	Valley Health System
Dates of services provided	September 2018 to present
Relevance to the Department	<ul style="list-style-type: none"> <li>Healthcare campus transformation project</li> <li>Very large budget (\$500+ million)</li> <li>Comprehensive construction risk mitigation requirements</li> <li>OCIP program</li> </ul>
Facility description	The new Valley Hospital will be a 372-bed healthcare facility on a state-of-the-art campus that incorporates the best practices in healthcare facility design. Plans call for an approximately 910,000-square-foot facility.
Scope of work	Baker Tilly was engaged in the preconstruction phase. Our scope of work included pre-GMP contract terms analysis, GMP buyout analysis, contractor project controls review, preconstruction cost audit, continuous monthly monitoring of the project, including pencil draw participation, final pay application audit, change order testing, budget control testing, reimbursable cost testing, and interim and closeout audits.
Outcome	<p>This is an active project, and results will continue to develop over the next few years. To date Baker Tilly has reported on these material findings:</p> <ul style="list-style-type: none"> <li>General conditions cost-shifting</li> <li>Budget to actual reporting deficiencies</li> <li>OCIP and subcontractor credit reporting weaknesses</li> <li>Pay application documentation weaknesses</li> </ul>
Contact for reference	Christina Perlis, Director of Internal Audit +1 (201) 497 8000   <a href="mailto:cperlis@valleyhealth.com">cperlis@valleyhealth.com</a>

Client name	Cincinnati Children's Hospital Medical Center
Dates of services provided	January 2020 to present
Relevance to the Department	<ul style="list-style-type: none"> <li>Healthcare campus transformation project</li> <li>Very large budget (\$500+ million)</li> <li>Comprehensive construction risk mitigation requirements</li> <li>CCIP program</li> </ul>
Facility description	The critical care tower is a 249-bed, 632,500-square-foot facility with a budget of approximately \$600 million.
Scope of work	<p>Baker Tilly was engaged after construction started to perform a contract risk analysis, and interim then closeout audits. Our testing scope includes:</p> <ul style="list-style-type: none"> <li>Control risk assessment</li> <li>Pay application testing</li> <li>Labor and equipment rate testing</li> <li>General conditions testing</li> <li>Reimbursable cost testing</li> </ul>
Outcome	<p>This is an active project, and results will continue to develop over the next several months. To date we have reported on these material findings:</p> <ul style="list-style-type: none"> <li>Equipment rental rate discrepancies</li> <li>Equipment rate adjustment deficiencies</li> <li>Deficient documentation for software charges</li> <li>Deficient change order documentation</li> <li>SDI charges did not reconcile to computed charges for enrolled subcontractors</li> </ul>

## RELEVANT EXPERIENCE

<b>Client name</b>	<b>Cincinnati Children’s Hospital Medical Center</b>
Contact for reference	Danielle Peters, Senior Treasury Analyst +1 (513) 517 7038   <a href="mailto:danielle.peters@cchmc.org">danielle.peters@cchmc.org</a>

<b>Client name</b>	<b>University of Cincinnati Hospital Medical Center</b>
Dates of services	2020 to present
Relevance to the Department	<ul style="list-style-type: none"> <li>Healthcare campus transformation project</li> <li>Very large budget (\$100+ million)</li> <li>Comprehensive construction risk mitigation requirements</li> <li>CCIP program</li> </ul>
Facility description	The Clifton campus transformation is a comprehensive and complex construction project, including an emergency department and trauma center expansion, and a new surgical pavilion.
Scope of work	Baker Tilly was engaged in the preconstruction phase. Our scope of work included pre-GMP contract terms analysis, contractor project controls review, preconstruction cost audit, continuous monthly monitoring and payment application reviews, change order testing, reimbursable cost testing, GMP subcontract testing, and interim and closeout audits.
Outcome	The financial recovery of our findings on this engagement is confidential. However, our findings are categorized as follows: <ul style="list-style-type: none"> <li>Labor billing rate errors</li> <li>Change order price adjustments</li> <li>Subcontractor overcharges</li> <li>Nonallowable costs included on payment applications</li> <li>Unsupported costs</li> </ul>
Contact for reference	Patti Meszaros, Director — Planning, Design, Construction and Real Estate +1 (513) 584 8351   <a href="mailto:patti.meszaros@uchealth.com">patti.meszaros@uchealth.com</a>

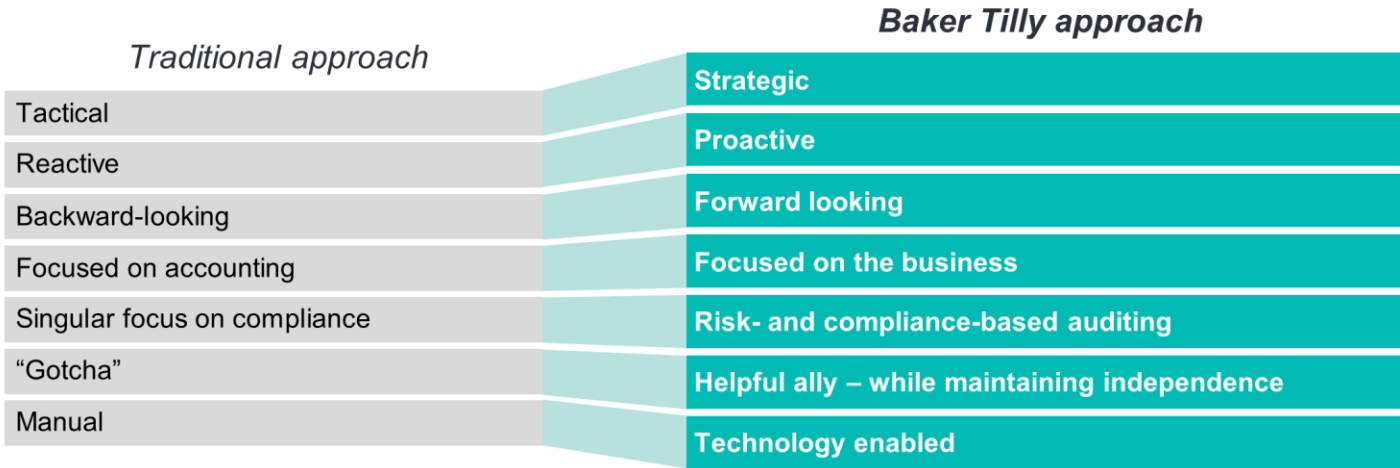
<b>Client name</b>	<b>University of Iowa Hospitals and Clinics</b>
Dates of services	2022 to present
Relevance to the Department	<ul style="list-style-type: none"> <li>Healthcare campus transformation project</li> <li>Very large budget (\$500+ million)</li> <li>Comprehensive construction risk mitigation requirements</li> <li>CCIP program</li> </ul>
Facility description	The 469,000-square-foot facility will provide emergency care, inpatient and outpatient services, surgical suites and physical therapy, as well as a faculty office, and research and educational space.
Scope of work	Baker Tilly was engaged by the University of Iowa after construction started to provide a project controls review, interim audit, continuous monitoring and a closeout audit. Our testing scope includes: <ul style="list-style-type: none"> <li>Control and contract risk assessment</li> <li>Pay application testing</li> <li>Labor and equipment rate testing</li> <li>General conditions testing</li> <li>Reimbursable cost testing</li> </ul>

Client name	<b>University of Iowa Hospitals and Clinics</b>
	<ul style="list-style-type: none"> <li>GMP subcontract testing</li> </ul>
Outcome	<p>This is an active project, and results will continue to develop over the next few years. To date Baker Tilly has reported on the following findings:</p> <ul style="list-style-type: none"> <li>Communication gaps and lack of documentation of project details and processes</li> <li>General conditions cost-shifting</li> <li>Equipment overcharges</li> <li>Duplicate insurances in labor rates</li> </ul>
Contact for reference	<p>Chad Sharp, Chief Audit Executive                  +1 (319) 335 2726   <a href="mailto:chad-sharp@uiowa.edu">chad-sharp@uiowa.edu</a></p>

# Past performance

## Serving as your proactive internal construction audit advisor and ally

With Baker Tilly, the Department can expect construction risk management services that move beyond a checklist or one-size-fits-all approach. We work to serve as trusted advisors who proactively engage management and finance committees and strive to add value, as shown in the graphic below.



AN AUDIT PHILOSOPHY DESIGNED FOR THE DEPARTMENT’S UNIQUE NEEDS  
*We will work hard to gain your trust and solve problems through open, engaging dialogue.*

## Preventive consulting and contract compliance audit methodology

Our construction risk mitigation program is based on client-centric fundamentals

ANTICIPATING AND MITIGATING PROBLEMS	
Construction audits have several recurring barriers to success:	
<b>Communication failure</b>	We have overcome this problem by including the contractor in planning meetings, sharing audit programs, communicating expectations and respecting the job schedule. There will be times when job site activities must be prioritized over the audit, and respect for that fosters a stronger relationship and minimizes controversy.

**ANTICIPATING AND MITIGATING PROBLEMS**

<b>Auditing for a scapegoat</b>	Performance and compliance audits are a risk management tool for all parties. We do not audit for a scapegoat; our reports are neutral, stating the positives, negatives, successes and failures of all control process owners. Consequently, contractors view the process more favorably and are more cooperative.
<b>Data and document access</b>	Developers and property managers do not always provide access to the information necessary to perform transaction and compliance testing, or they will try to influence what should or should not be audited. Meetings (with the service provider being audited) that define the audit objectives, data requirements and their involvement contribute to overcoming this problem. Asking for alternative data sources that are easier for them to provide also helps. In rare situations, contractors refuse to provide the information required by the contract. If that should happen, we will ask the Department to get involved in a meeting with the affected contractor to help arrive at a mutually agreeable solution.

**COMMUNICATING AND RESOLVING AUDIT FINDINGS**

**Overcharges, contract noncompliance and control weaknesses or failures may arise during the engagement. Baker Tilly’s audit approach is collaborative and incorporates regular communication. Upon completion of fieldwork, we will proceed as follows:**

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Prepare draft findings report detailing all items discovered, including potential recoveries, insufficient support, errors, etc.</li> <li>• Review content with the project management team and affected parties so that they may resolve contract variances as quickly as possible</li> </ul> | <ul style="list-style-type: none"> <li>• Review content with the project management team and affected parties so that they may resolve contract variances as quickly as possible</li> <li>• Raise major process weaknesses to the Department, the project management team and the contractor upon discovery so no time is lost implementing improved controls</li> </ul> |
|---|--|

**Our risk assessment approach and framework to maximize return on investment**

Risk assessments are vital in helping the Department understand possible impediments to maximizing project return on investment (ROI). Therefore, risk assessments are the foundation for much of our work within construction risk management. This section provides our overall approach and detailed methodology for performing the project risk assessments and selecting projects for audit.

**GENERALLY, OUR APPROACH BUILDS ON THE FOLLOWING KEY PRINCIPLES:**

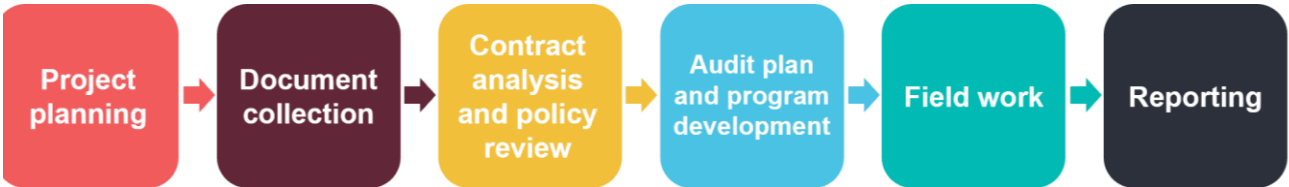
<b>Ownership clarity</b>	We recognize that the Department owns risk mitigation and view ourselves as knowledgeable facilitators in helping to evolve the risk management culture.
<b>Focused</b>	Our approach ensures that the risk assessment focuses on top risks and presents realities and recommended actions in a streamlined and easily understood format.
<b>Customized and collaborative</b>	A meaningful risk assessment ties back to the Department’s strategy, serves as an input into the internal audit planning process and integrates itself within culture and stakeholders.
<b>Cost-effective</b>	Building upon the Department’s existing infrastructure and improving key practices for enhanced risk mitigation can help provide cost efficiencies.
<b>Inclusive and iterative</b>	The construction risk assessment process will encompass relevant development stakeholders, including the Department’s facility development professionals, consultant engineers and the property manager, and will be iterative to ensure all opinions are heard.
<b>Grounded</b>	Our methods for risk assessment, performance audit planning and mitigation development are proven at other institutions.
<b>Realistic</b>	An executable deliverable that is feasible regarding required resources, anticipated outcomes and articulated timelines will allow the Department to prioritize construction audit activities based on identified risk levels and tolerances.



Overarching themes to meet or exceed the Department’s expectations

THE DEPARTMENT’S NEEDS	BAKER TILLY’S APPROACH
<p><b>A well-defined engagement plan must be developed, ensuring open communication, timely delivery and successful expectation management</b></p>	<p>Baker Tilly proposes at a minimum to:</p> <ul style="list-style-type: none"> <li>• Participate in a formal in-person kickoff meeting with the Department and all applicable contractors</li> <li>• Provide monthly written status reports to internal audit</li> <li>• Schedule status calls to discuss progress, plans, barriers to success and observations</li> <li>• Formalize the communication plan, reporting formats, status update schedule and deliverable milestone schedule</li> <li>• Provide initial document request and checklist</li> </ul>
<p><b>Quality control/quality assurance program</b></p>	<p>Baker Tilly’s QA/QC program utilizes both internal manager review and external confirmation of information. We follow the procedures detailed below to ensure a high-quality work product:</p> <ul style="list-style-type: none"> <li>• Completed draft is reviewed by the appropriate subject matter specialist</li> <li>• Baker Tilly partner reviews the deliverable before releasing to the Department</li> <li>• Draft deliverable is reviewed with appropriate parties verifying findings, observations and potential compliance failures</li> <li>• Affected parties are provided an opportunity to remedy the deficiencies; for example, missing documentation</li> <li>• Management responses are also collected during the draft phase</li> <li>• Edits are compiled and the final draft is produced for review by the QA/QC manager</li> <li>• A review is done by the engagement partner</li> <li>• A collaborative review is done with the project manager and the Department</li> <li>• Partner quality assurance calls are made</li> </ul>
<p><b>Onsite and remote work approach</b></p>	<p>Baker Tilly utilizes both field and desktop audit techniques. Substantive testing, analytical analysis and statistical benchmarking are typically performed on the desktop. We utilize Huddle cloud-based file transfer and work paper management software to facilitate file capture and document storage. Additionally, we will work with the Department and each contractor to request access to shared reports and data files that support the audit program execution and performance monitoring.</p> <p>Some activities are better suited to in-person or on-the-job site visits, such as observing material controls, inspection practices, plan of weekly meetings and job site performance controls. In-field activities will be staffed from our Madison, Wisconsin, office.</p>

Audit flowchart



Technical approach

The Department's scope	Baker Tilly's approach
<p><b>Engagement planning</b></p>	<p>Baker Tilly will accomplish several important goals with engagement planning:</p> <ul style="list-style-type: none"> <li>• Identify project stakeholders</li> <li>• Confirm engagement objectives:               <ul style="list-style-type: none"> <li>• Detect potential contractor overcharges</li> <li>• Prevent construction contract noncompliance</li> <li>• Ensure best-in-breed construction management practices</li> <li>• Prevent construction fraud and claims</li> <li>• Prevent reputational harm</li> </ul> </li> <li>• Agree upon communication methods, formats and timing</li> <li>• Department, Clark Construction and Baker Tilly kickoff meeting(s)</li> </ul>
<p><b>Contract risk review</b></p>	<p>Our objective is to understand the contract terms and conditions that dictate allowable and required construction audit activities. Baker Tilly will:</p> <ul style="list-style-type: none"> <li>• Prepare a contract risk analysis that includes:               <ul style="list-style-type: none"> <li>• Favorable and unfavorable contract terms</li> <li>• Potential project risks and corresponding project impact</li> <li>• Construction controls that need to be audited to ensure contract compliance</li> </ul> </li> </ul>
<p><b>Audit program development</b></p>	<p>Based on the contract risk analysis, Baker Tilly will write a construction project monitoring, compliance and audit plan. Included in the plan will be:</p> <ul style="list-style-type: none"> <li>• Milestone schedule; phase-based budget; resource requirements; task-based audit program</li> </ul>
<p><b>Preconstruction audit</b></p>	<p>Baker Tilly will provide preconstruction audit, testing and control interviews focusing on activities and controls of:</p> <ul style="list-style-type: none"> <li>• Alternative subcontractor selection RCW 39.10.385 compliance               <ul style="list-style-type: none"> <li>• Subcontractor bid and award                   <ul style="list-style-type: none"> <li>• Meetings and communication; award documentation</li> </ul> </li> <li>• General conditions budget analysis</li> <li>• Preliminary scheduling</li> <li>• Trade contractor bid tabulation analysis and buyout</li> </ul> </li> <li>• General conditions budget development               <ul style="list-style-type: none"> <li>• Clark Construction contract</li> <li>• Mechanical, Electrical and Plumbing subcontract agreements (Assumes subcontract agreements are GMP or GMP-like)</li> </ul> </li> <li>• Contract schedules analysis               <ul style="list-style-type: none"> <li>• Labor rates: At cost, labor rates should not include profit or indirect cost allocations; this analysis will decompose General Conditions personnel rates and trade rates for unauthorized costs or profit</li> <li>• Contractor provided equipment: Rental rates should not exceed 90% of local market rental rate, and total rental costs should not exceed 80% of equipment fair market value</li> <li>• Schedule of values analysis                   <ul style="list-style-type: none"> <li>• Subcontract reconciliation</li> <li>• Arithmetic verification</li> <li>• Formula application verification</li> </ul> </li> </ul> </li> <li>• OCIP/CCIP if used               <ul style="list-style-type: none"> <li>• Insurance credits documentation analysis</li> </ul> </li> </ul>

The Department's scope	Baker Tilly's approach
<p><b>Contract compliance and cost verification</b></p> <ul style="list-style-type: none"> <li>• Interim monitoring at 35% and 65%</li> <li>• Change order, allowance and contingency testing</li> <li>• Application for payment testing</li> </ul>	<p>The purpose of an interim audit is to identify contract and billing variances early in the project rather than at closeout. This is to facilitate a timelier collection of overcharges and mitigate control weaknesses while the project can benefit from the recommendations.</p> <ul style="list-style-type: none"> <li>• Progress billings or pay applications match the schedule of values and are expected to be fully supported, timely and accurate</li> <li>• The Department seeks assurance that the general conditions are billed at cost without any undisclosed markup</li> <li>• Test allowable costs are passed through without markup</li> <li>• Assess project insurance administration for appropriate coverage, premiums, markups and costs billed to date</li> <li>• Contingency and allowance spend needs to be verified for appropriate usage</li> <li>• Contingency and allowance expenditures may be accounted for incorrectly, consolidated and spent on nonreimbursable costs</li> <li>• Subcontract compliance testing               <ul style="list-style-type: none"> <li>• Recalculate buyout savings and verify any savings are accounted for per contract terms</li> <li>• Examine subcontract change orders to identify any mathematical errors, scope or cost duplication and unallowable costs such as improper markups</li> <li>• Reconcile current subcontract amounts to Clark Construction payment applications to ensure billing appropriateness</li> <li>• Subcontract testing also includes evaluation of retention withholding, application of markups, insurance costs and subcontract lien waivers</li> </ul> </li> <li>• Nonfinancial contract compliance: The Department needs to verify that the reporting package contracted for was delivered</li> <li>• Disbursements need to be tested assuring overpayments and underpayments are reported</li> <li>• Baker Tilly will test disbursements for duplicate payments and other irregularities by reconciling the disbursement ledger with the pay application control schedules</li> <li>• Sales tax exemption verification: Some of the construction materials and building equipment purchases may be tax-exempt; Baker Tilly will verify, using supporting invoices, that the Department's sales tax exemption has been preserved and, if not, track sales tax paid so a refund may be applied for</li> <li>• Owner-directed purchase tracking: Construction projects often have significant owner purchases, purchasing not only furniture fixtures and equipment but also steel, and long lead time items; Baker Tilly can maximize savings by timing the market for purchases</li> </ul> <p><b>Control schedules</b></p> <p>Baker Tilly will compile control schedules and monitor select integrity documents ensuring compliance with payment terms and progress recognition and minimizing the risk of nonpayment claims.</p> <ul style="list-style-type: none"> <li>• Lien waivers or equivalent</li> <li>• Architect signed affidavit</li> <li>• Construction manager authorization for payment</li> <li>• Compliance observations schedule</li> <li>• Construction control observation schedule</li> </ul>
<p><b>Closeout audit</b></p>	<p>Beginning at or near substantial completion, the closeout audit will be performed. The primary purpose of the closeout is to ensure that the final project costs complied with contract billing terms, the scope was satisfied and post-construction risks are identified.</p> <ul style="list-style-type: none"> <li>• Ensure all final contract values include settlement or documentation of outstanding commitments</li> </ul>

The Department's scope	Baker Tilly's approach
	<ul style="list-style-type: none"> <li>• Verify final project costs</li> <li>• Review project risks for obligations and mitigation strategies</li> <li>• Review final insurance costs</li> <li>• Project turnover needs to be complete before the final payment to the contractor</li> <li>• Ensure the accounting for all tools and equipment purchased on the Department's behalf is properly done</li> <li>• Closeout and resolve all outstanding audit issues</li> </ul>
<p><b>Claims monitoring</b></p>	<p>Baker Tilly will include, at a minimum, the following potential claims activity monitoring in our audit program:</p> <ul style="list-style-type: none"> <li>• Identify subcontractor payment issues by reconciling lien waivers and payment schedules</li> <li>• Identify potential subcontractor back charges by evaluating change orders scope and contingency usage</li> <li>• Reconcile subcontractor final costs with subcontract values, change orders and allowances</li> <li>• Verify punch list items are completed to the Department's satisfaction</li> <li>• Turn over facility documentation, including as-builts, operating manuals and warranty documentation, to the Department</li> <li>• Verify commissioning process was documented and completed and that outstanding items are resolved</li> <li>• Construction claims submitted to the Department</li> </ul> <p>If the project incurs an insurance or contractor claim, Baker Tilly construction claims specialists will be introduced to the project. We will support the Department with our construction managers, architects, and insurance and litigation specialists as appropriate for the claim.</p>
<p><b>Communicating progress and results</b></p>	<p>Baker Tilly proposes the following reports and deliverables:</p> <ul style="list-style-type: none"> <li>• Status report to include findings; recommendations; system changes; financial and operational improvements; upcoming tasks; newly identified risks; barriers to success</li> <li>• Contract risk assessment(s) with recommendations</li> <li>• Engagement work plan (audit plan or schedule)</li> <li>• Audit program — a detailed testing plan</li> <li>• Preliminary findings and observation reports</li> <li>• Closeout audit report</li> </ul>
<p><b>Project success stories</b></p>	<p>Construction contract auditing success is measured subjectively and objectively. Objectivity is frequently demonstrated by detecting, valuing and recovering overcharges. Subjective project impact is best understood through risk identification and mitigation. Here are examples of each of those areas:</p> <p><b>Overcharges and recoveries</b></p> <ul style="list-style-type: none"> <li>• Testing direct labor often uncovers contract compliance issues: <ul style="list-style-type: none"> <li>• Labor burden that includes nonallowable costs like warehouse cost allocations, duplicate benefit charges and profit</li> <li>• Overtime rates that include nonallowable costs such as healthcare benefits and training costs</li> <li>• Billing when no costs are incurred like salaried personnel overtime</li> </ul> </li> <li>• Duplicate charges from unaccounted for deposits</li> </ul> <p><b>Subjective project observations:</b></p> <ul style="list-style-type: none"> <li>• Change orders that are not documented and evaluated prior to approval</li> <li>• Unapproved contingency spend</li> <li>• Failure to segregate allowance costs</li> </ul>

# Diverse business inclusion strategies

## Prioritizing diversity, inclusion, belonging and societal impact (DIBS)

At Baker Tilly, DIBS is who we are rather than simply what we do. We celebrate and value the identities, perspectives and contributions of every person. As we empower our team members to grow and bring their talents to the table, we discover opportunities to achieve better results for the Department. We hire people who bring new perspectives and experiences, including Chief Diversity Officer Shane Lloyd who joined Baker Tilly as our **DIBS strategy** leader in 2021.

Baker Tilly’s DIBS steering committee is designed to strengthen our firm’s culture of diversity, inclusion and belonging. This cross section of leaders across our firm oversees our strategy — from inclusion-related communications to accountability measures for our key diversity goals and coordination of our DIBS ecosystem. Our new, ambitious goals center around our structural pillars of DIBS — embedding this work ever more deeply into the day-to-day workings of our business. Our DIBS ecosystem includes an array of groups, initiatives and deep networks of committed team members. [Learn more here.](#)

### DIBS communities and signature initiatives

#### Activate team member network



Our core value of belonging reflects our commitment to creating a diverse and inclusive workplace for everyone. Bolstering this core value is Activate, our newest team member network. Activate’s mission is to unite and empower team members who are neurodiverse or have physical disabilities to reach their full potential and contribute to a more accessible workplace.

#### Growth and Retention of Women (GROW)



Through our GROW initiative, Baker Tilly provides women valuable opportunities to network, acquire skills, strengthen professional relationships and advance in their careers. Our commitment to GROW increases the number of women in management positions and enhances the retention of women at all firm levels.

#### NexGen: Joining workforce generations



With NexGen, we aim to empower the next generation of team members to collaboratively engage in our firm’s progress while promoting an overall investment in our future.

#### PRIDE team member network



Our PRIDE team member network exists to support the LGBTQ+ community and their allies within Baker Tilly. We strive to create an open environment centered on LGBTQ+ issues and topics relevant to the workplace.

#### Supporting Opportunity, Advancement and Recognition (SOAR)



SOAR focuses on improving inclusion and increasing retention of team members of color to create a more inclusive, innovative and productive workforce. Within SOAR, our team-member-led Black, Latinx and Asian American and Pacific Islander (AAPI) communities provide spaces for conversation, relationship-building and engagement.



### Baker Tilly Foundation



As a firm, we have made our position clear: We stand against racism and discrimination in any form. Our Baker Tilly Foundation supports causes within key pillars, including human services organizations that advance well-being, equity and inclusion.

### Making good faith efforts to achieve M/W/S/DBE objectives

Our firm is not a certified Minority, Woman, Small or Disadvantaged Business Enterprise. However, it is our goal to meet or exceed the availability percentage for women or people of color in all job groups. We consistently make good faith efforts to achieve this objective.

### Building developers, diversity and communities from the ground up

Our real estate team is helping create opportunity with underrepresented developer services. Program Lead Matt Paschall and Partner Don Bernards are bringing the “S” in environmental, social and governance (ESG) to life through a passion for equity and opportunity expressed through their budding Underrepresented Developer Services offering. These services help developers who have historically experienced barriers to entry in real estate, including Black and Indigenous peoples, LGBTQ+ individuals and women.

In collaboration with ULI Atlanta and the Women’s Affordable Housing Network, Baker Tilly hosts the annual [DevelUP: affordable housing workshop](#). This educational and networking event is designed to help underrepresented developers conquer the real estate industry, scale their business and build diverse teams. DevelUP convenes stakeholders from commercial real estate, community development, social impact, ESG and the built environment in support of emerging and underrepresented developers and businesses within commercial real estate.



**Offering our firmwide resources**

Baker Tilly has 6,700+ team members, including 600+ partners and more than 1,800 certified public accountants across 50+ office locations across 20 states, including Washington. Your engagement will be staffed with professionals primarily from our Madison, Wisconsin, office, which includes more than 370 team members and 45 partners.

**Meeting financial disclosure requirements**

Baker Tilly is a privately held company and partnership and does not distribute detailed financial information without a properly signed nondisclosure agreement. To satisfy financial disclosure requirements for proposals, we do provide five years of net revenue at the firm level. This financial information is available publicly and included below.

FISCAL YEAR	NET REVENUE
FY23	\$1.58 billion
FY22	\$1.3 billion
FY21	\$1 billion
FY20	\$794 million
FY19	\$755 million

**DEMONSTRATING FINANCIAL STRENGTH AND STABILITY**

*Our firm continues to experience growth year over year, as evidenced by our net revenues.*