



Take the Stress Out of Audit Preparation

Effective audit preparation isn't just about compliance, it's about clarity and confidence in your financials. This checklist is designed to help you gather what you need, identify potential gaps early, and approach your audit with greater ease.

WIP Schedule Structure & Tie-Outs

- Use a consistent WIP template month to month (no format changes without documentation, formula driven calculations as much as possible).
- WIP ties to the General Ledger every month:
 - Monthly change in Contract revenue per WIP = monthly revenue booked to GL
 - Monthly change in Costs incurred per WIP = monthly CIP/Job cost booked to GL
 - Under/over billings per WIP = contract asset/liability accounts per GL
- Retainage is separated and supported:
 - Retainage receivable and payable tracked by job
 - Totals reconcile to GL retainage accounts
- Backlog and remaining performance obligations are clearly defined (same logic used every period).

Job Setup & Contract Master Data

For each active contract/job:

- Executed contract on file (including scope, price, retainage terms, billing terms).
- Job set up in accounting system matches contract: original contract value, start date, customer, job number, segment.
- Contract type identified (lump sum, T&M, GMP, unit price, etc.).
- Revenue recognition method documented (overtime/percentage of completion vs point-in-time, and why).
- Performance obligations defined where needed (especially for design-build, precon, or multi-phase jobs).

Cost-to-Complete (CTC) / Estimate-to-Complete (ETC)

For every job in WIP:

- Current total estimated cost is updated before month-end close (not after).
- Support for ETC/CTC updates is retained, such as:
 - PM forecast report
 - Subcontractor commitments & remaining buyout
 - Labor productivity assumptions
 - Equipment usage assumptions
 - Material pricing updates
- Large CTC changes are explained in writing (simple note is fine).
- Contingency usage policy is documented (what counts, who approves draws).
- Margin fade/gain analysis is performed monthly and reviewed.

Costs Incurred Are Complete & Accurate

- All vendor/subcontractor invoices recorded in correct period.
- Open AP/commitments reviewed for unbilled costs.
- Subcontractor accruals booked monthly when work performed but not billed.
- Labor posted to correct jobs, with review of:
 - Miscodes/reclasses
 - Overtime allocation logic
 - Burden rates
- Equipment costs/rates follow a consistent policy (and reviewed annually).
- Change order costs tracked separately when possible.

Billings & Under/Over Billings

- Billings per WIP match A/R and billing system totals.
- Billing is tied to approved progress estimates.
- Under/over billings are reviewed monthly with PMs:
 - Underbillings explained (timing, slow billing, disputed amounts, contract terms)
 - Overbillings explained (front-loaded schedule, stored materials, etc.)
- Stored materials policy documented and consistently applied.

Project Close-Out & Remaining Cost Risk

- Jobs >95% complete reviewed line-by-line for:
 - Punch list cost risk
 - Warranty/closeout exposure
 - Unresolved claims
 - Retainage collectability
- Loss jobs identified timely and loss provisions recorded immediately.
- Inactive/stalled jobs flagged with written status.

Change Orders, Claims, and Variable Consideration (ASC 606)

For each job with changes:

- Change order log maintained showing:
 - Description
 - Amount
 - Status (approved, pending, disputed)
 - Date submitted/approved
- Approved COs included in contract value with support.
- Unapproved COs/claims included only if:
 - Collectability is probable,
 - Amount is reasonably estimable, and
 - There is documentation (emails/meeting minutes/client acknowledgement).
- Cutoff testing support exists for COs recognized near period end.
- Revenue reversal policy documented for disputed claims.

Review, Approval, and Controls

- PM signs off on WIP monthly (or provides documented approval).
- Finance/controller reviews WIP for reasonableness, including:
 - Unexplained margin swings
 - Negative costs or billings
 - Jobs with zero ETC movement for multiple months
 - Unusual under/over billing patterns
- Segregation of duties: PM forecasts, accounting posts, controller approves.
- Audit trail retained (who updated what, when).

Turn Audit Preparation Into a Strategic Advantage.

With deep expertise in both audit and construction, CSH helps you go beyond compliance, identifying insights and opportunities along the way. Reach out to your CSH advisor or connect with our team to get started.

[Contact Us](#)

This checklist is a planning tool designed to support your preparation. Always defer to your auditor's specific requests and requirements.