



February 2007 News Update

The Newsletter of the UpCountry South Carolina Section,
AACE International

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President's Message

Here is a little story I thought would be of interest to you.

Once upon a time, there was a medium size concrete tilt-up project in Mytown, USA. Due to its location, the project happened to fall outside the jurisdiction of the local municipal building inspector. The owner recognized the need for quality assurance; however, the magnitude of the project did not justify the cost of a full-time resident certified building inspector.

The owner's architect suggested that the owner engage a site observer rather than a resident building inspector. The architect explained to the owner that a professional engineer engaged to observe the site on an intermittent basis would be less costly than a full-time inspector. The architect also explained that the owner would be in more direct control of the work because the site observer would not have the authority to issue corrective notices to the contractor as a resident inspector commonly would.

Unfortunately, this arrangement did not work out to the satisfaction of the owner, the architect, or the engineer engaged to perform site inspection. The owner felt that the site observer did not perform the job of ensuring quality construction and the engineer kept to the letter of the site observation contract rather than requiring the contractor to perform work per the contract documents. The architect felt disengaged from the progress of the work because the site inspector answered to the owner rather than the architect. The site observer felt pressured by the owner and the architect to intervene in the construction more than was required under the site observation contract.

Inside This Issue

- President's Message - 1
- Section Announcements - 3
- February Dinner Meeting Recap - 4
- March Dinner Meeting - 5
- 2007 Meeting Schedule - 6

Why Owners pick Site Observation instead of Inspection

Site observation is intended as a lower cost alternative to continuous inspection of ongoing construction. Problems arise when owners perceive that they should receive more services than they are owed under the site observation contract. Conversely, engineers engaged to provide site observation may owe a greater duty to the owner than agreed under the contract.



Differences between Site Observation and Inspection

In the majority of projects a local building inspector intermittently reviews conditions on the project to confirm that the project complies with the governing building code's requirements. When a project lies in a jurisdiction where there is not a local building official responsible to inspect the work, quality assurance falls to the owner. The owner has the choice between inspection and site observation.

Continuous inspection over the life of a construction project is expensive. On a smaller project like the one in our story, the cost of continuous inspection may be prohibitive when compared to the scale of the overall project. In such a case site observation may be a cost effective option.

Difficulties Arising from Misperception - - the Owner's Side

A common misperception by the owner is that site observation by an engineer or architect is equivalent to continuous inspection by a certified building inspector. Inspectors and site observers each have a finite and different amount of leverage upon the contractor. Site observers have the contract documents; inspectors have both the documents and a greater in-depth knowledge of the building codes. Site observation contracts generally do not empower the site observer to act as the owner's agent and to give the contractor direction to correct defective work. The site observer's job is to review the work and to make suggestions to the owner as to the quality of the work.

The owner who contracts for site observation and expects to receive services equal to those provided by a resident certified building inspector is likely to receive an ugly surprise. For example, a site observer may issue a corrective notice, but unless there are provisions in the contract documents requiring the contractor to recognize and obey them, the site observer's corrective notice is nothing more than helpful advice that the contractor may elect to ignore.

The owner must recognize the differences between site observation and continuous inspection and take care to balance the costs against the risks. Misperception of the site observer's duties and abilities under the contract will result in the owner's wondering why the site observer is not proactive and issuing corrective notices when the site observer is not empowered to do so.

Difficulties Arising from Misperception - - the Site Observer's Side

Professionals engaged in site observation also have a misperception problem, but it arises from the fact that State Law may require them to provide a greater level of service than they contracted for with the owner. Typically site observation requires the engineer to perform "periodic observations" but does not require the site observer to supervise and direct the on-site construction. But, when there are site construction issues that rise to the level of a potential threat to life safety, the site observer must remember that the conditions of engineering licensure impose additional duties beyond those in the site observation contract with the owner.

Moral of the story, site observation can be a cost effective method to improve quality on a project. Owners and engineers need to remember that site observation is different from resident inspection and carries different obligations. Owners need to remember that the site observer is neither a building inspector acting as the owner's agent, nor is the site observer to act as the contractor's construction superintendent. Site observers need to remember that their duty to protect the public as licensed engineers may require them to provide more services than originally contemplated in the site observation contract, especially in cases of potential threats to life safety.

The above article was pulled from another AACEI newsletter and was modified slightly. Our next meeting is on Monday, March 12th. See you there.

Sincerely, Bob Boyd, PSP



Section Announcements

Volunteer!!

We are seeking volunteers to assist us in further establishing this Section. The level of commitment varies by position but there is always a constant level of support provided by the board and by the committee members. Recertification credits are provided for serving the Section.

Volunteering on your local Section board can exponentially increase your networking base through visibility, and will provide you with leadership skills and experience above and beyond that which you gain at your job.

Positions seeking you are:

- Website Editor
- Membership Chair
- Scholarship and Student Outreach Chair
- Awards and Elections Chair
- Events and Meetings Chair

Please contact any of the persons shown on the first page if interested. Take control of your career path, by taking your membership to the next level, Volunteer.

Certification!!

AACEI offers 4 certifications currently with more being planned in the not to distant future. Currently they are:

1. Interim Cost Consultant Certification (ICC)
2. Certified Cost Consultant (CCC) / Certified Cost Engineer (CCE)
3. Planning and Scheduling Professional Certification (PSP)
4. Earned Value Professional Certification (EVP)

For descriptions and requirements regarding each of these certifications go to the AACEI web page (<http://www.aacei.org/certification/certExplained.shtml>).

Contact Chris Swanson (chris.swanson@fluor.com) if you have any questions or need assistance regarding any of the certifications mentioned above.

A training workshop is being offered at Augusta State University in August, Georgia on May25, 2007 for the PSP Certification Examination. Cost is \$295.00 and includes a text book, Cost Engineering Skills & Knowledge – 5th Edition Course. If interested, contact Asoka K. Pillai (Ashok), CCE, EVP, and President of AACEI CSRA Section at: asoka.pillai@srs.gov



New AAACEI Members !!

Individuals wanting to become a member of AAACEI and the UpCountry South Carolina Section can go to the below website. Being a member of AAACEI keeps you informed of best practices for Project Controls and Estimating. You will also get member discounts on Bookstore Orders and a monthly copy of Cost Engineering.

Join online at <https://www.aacei.org/membership/join/renew.shtml>, or call 800.858.COST.

February 2007 UpCountry SC Section Dinner Meeting Recap

The Upcountry SC Section meeting was held on February 12, 2007 at Buffalo's Southwest Café. Our guest speaker was Buck Filbey, CCC, senior estimator for Fluor's Government Group. Buck recently became a Certified Cost Consultant and we wanted him to share his view on some key factors needed in order to write a certification paper. His certification paper was titled "Planning and Maintenance for Top Plant Performance". Here is a recap:

A certification paper needs to contain a minimum 2500 words and be related to a cost engineering subject. This equates to maybe eight to twelve pages (double spaced and depending upon amount of graphics). It is best if the topic of your paper is based upon your experience and knowledge. It is not necessary to use references but if you do capture an idea or thought process from something you have read, you need to reference it. The hardest part of writing the certification paper is coming up with a topic. Once that ordeal is over with, write an outline and then the rest is history. A certification paper must demonstrate your general knowledge of the subject and also your ability to present the material in an orderly, informative manner. The paper does not have to be highly technical. For more information about the requirements and guidelines for a certification paper, please visit the AAACEI website.

With regard to the subject of the paper, Buck explained how using a cost benefit analysis enabled a person to keep track of the Waste Water Plant Performance. Most times, this is not performed. So a plant can be built with little thought to the long term expectations of its operation. This can lead a company to spend money unwisely either upfront (too much capital) or during the O&M period (constant upgrades and refurbishments). Proper planning and analysis of needs, expectations and objectives will go a long way towards building a cost efficient waste water treatment plant.

The Upcountry SC Section would like to thank Buck Filbey for his presentation.

Michelle Jones
UCSC Secretary



March 2007 UpCountry SC Section Dinner Meeting

Monday, March 12, 2007

Guest Speaker: Bob Boyd and Chris Swanson

Location: Buffalo's Southwest Café on Haywood Road

Cost Contingency – Myths, Truths & ??? **Guest Speakers: Bob Boyd & Chris Swanson** **Fluor Enterprises, Inc. – Power Group – Estimators**

During the life cycle of a Project, "Contingency" means different things to different people. Most projects now carry both a cost contingency and risk event contingency.

At the 2006 AACE Convention, a presentation was made regarding Contingency, **Is "Estimate Accuracy" an Oxymoron**. This presentation by Larry Dysert presented his viewpoint and will be handed out to everyone at the meeting. Another presentation by Dan Schottlander on **How Accurate Are Your Estimates** will also be distributed. We will talk about these papers, the various definitions of a Cost Estimate, Estimate Accuracy, Estimate Classes, items typically covered by Contingency, items excluded from contingency and what this all means to Project Controls.

We want this to be an open and entertaining discussion session. Let your beliefs, war stories and opinions be heard. Don't miss it!

Please RSVP no later than Friday, March 9th at 5 PM by e-mail or phone. The cost of the meeting is **Actual Meal Cost + \$5⁰⁰** or **\$5⁰⁰**.

Schedule:

6:00PM to 6:30PM Registration and Networking
6:30PM to 7:00PM Dinner
7:00PM to 8:00PM Presentation / Program

Reservations

For information, please contact:

Chris Swanson (864) 517-1571 (e-mail – chris.swanson@fluor.com)



2007 Meeting Schedule for AACE UpCountry SC Section

Description	Day of Week	Date(s)	Topic & Location
UCSC Dinner Meeting	2 nd Monday	12 March 2007	Contingency – Myths, Truths & ??? Buffalo's Southwest Cafe
UCSC Dinner Meeting	2 nd Monday	09 April 2007	Primavera Presentation by Jaime Crate Crowne Plaza, Greenville
UCSC Dinner Meeting	2 nd Monday	14 May 2007	Construction Productivity by Hans Picard Crowne Plaza, Greenville
AACEI Annual Convention	Mon. to Wed.	16 to 18 July 2007	Nashville, Tn.