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Construction Accounting and ERP Systems Make Busy Seasons a Little Less Busy

By Dawn Meeker and Chuck Schwartz | Thursday, April 15, 2021

Extensions aside, the annual ritual of preparing and filing tax returns and financial statements—known as the “busy season” by the accounting profession—is nearly over.

Busy season is when CPAs interact the most with their clients to obtain information, collect data, analyze and crunch numbers, and discuss strategies to minimize tax liabilities, maximize financial reporting strength and help owners run their businesses better and more efficiently.

As busy season winds down, now is the right time for construction contractors to examine their accounting and enterprise resource planning (ERP) systems, and how they are collecting, managing and reporting data.

MANAGING INFORMATION

The sooner contractors are able to figure out if they are making or losing money on a specific job or overall, the better. The most efficient and successful contractors use construction accounting systems or construction ERP systems to manage their finances and businesses, and the reports generated by these systems to furnish information to their accountants.

A construction ERP system is an integrated system for managing an entire business – from the back office to field operations. This includes:

- accounting and job costing functions;
- project accounting functions, such as change orders and purchase orders;
- project management functions, such as requests for information and submittals; and
- field operations functions such as time collection and productivity tracking.

Consider the processes used to manage a business and produce information to share with the accountant and other advisors such as bankers, bonding agents and insurance providers. Such information includes:

- cash on hand;
- committed costs;
- receivables;
- payables;
- reconciled bank statements;
- work in progress schedule; and
- jobs lists (active jobs, jobs started in the reporting tax year but not yet complete, etc.).

Contractors that are gathering and managing any or all of the above manually, using general-purpose business programs such as Microsoft Excel to collect data and produce reports, or using an accounting system or construction ERP system are sacrificing benefits that could help improve efficiency and profitability.

THE RIGHT TOOL FOR THE JOB

Contractors know not to use a forklift on a job requiring a crane. Similarly, they shouldn't be using a simple spreadsheet to do the job of a program engineered specifically for construction contractors.

Spreadsheets are a great business tool. They allow owners and financial professionals to analyze data in ways that would be extremely difficult if done by hand. They're relatively simple to use for tracking and reporting information and generating an understanding of work in progress and other important metrics. This makes spreadsheets a tool of choice for many bookkeepers, controllers and CFOs.

The real challenge, however, is that when using an all-purpose spreadsheet like Excel, there is duplication of efforts. If the contractor is maintaining company financials in a system such as QuickBooks or another non-construction accounting program, he has to copy information from that system, add any other data that's being collected and tracked elsewhere (likely in a different spreadsheet) then create the work-in-progress schedule or other report. Duplication of efforts is a time-consuming drain on staff and is a frequent complaint that accountants hear from contractors who are considering purchasing new construction accounting or ERP software.

Another challenge is human error. Spreadsheet calculations are dependent on the formulas that go into reports. Humans make mistakes, so a "1" could easily become an "11" and if extra zeros make their way into the spreadsheet, the mistake can grow exponentially.

In accounting or ERP systems, invoice or payment applications are generated directly from a contract, change order, payroll time entries or field productivity reports. Routine checks and balances mean mistakes are more easily caught and corrected.

According to the [Kroll Annual Global Fraud and Risk Report for 2017-2019](#), 83% of construction, engineering and infrastructure company executives reported fraud incidents. The report also suggested that fraud accounts for as much as 10% of all construction costs. One of the most common construction fraud schemes was falsifying documents such as manually created reports and payment applications.

THE PERFECT TIME

Now is the perfect time to have a look at the business, how company financial data is generated and reported, and determine if the business would benefit from an improved accounting or ERP system. If unsure, let a professional assist. The effort will be worth it, and the results could be eye opening.



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