

Plumbing Perspective

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Hub Chat: Joseph Natarelli, CPA Construction Services Leader with Marcum LLP

Tim Ward August 19, 2020

In July 2020, we ran a feature highlighting the release of Marcum LLP's first annual Marcum National Construction Survey. Overall, the survey reflected a fairly positive outlook by respondents about the current and future state of the industry, despite the COVID-19 pandemic.



The survey was conducted in the first quarter of 2020 by Marcum's national Construction Services group, a premier provider of accounting, tax, and advisory services to the construction industry.

According to Joseph Natarelli, Marcum's national construction industry leader, said, "The industry was well-positioned prior to the pandemic, even with a potential recession looming. Those going into COVID-19 with weaker balance sheets will be negatively impacted. We believe that as long as firms work with their internal teams and professional advisors to address

labor safety issues and material sourcing, and have a pandemic plan in place, they will come out of this in good shape.”

We recently conducted a Hub Chat with Mr. Natarelli to expand on the survey, industry trends, hot button topics as well as discuss his direction of Marcum LLP’s Construction Services Group, which is dedicated to assisting contractors with personalized and attentive service, strong technical expertise, and uncompromising integrity.



Mr. Natarelli is leader of the Firm’s national Construction Industry Practice group, as well as the Firm’s office managing partner in the Long Wharf Drive office in New Haven, Connecticut. In addition, he is a member of the Firm’s Management Committee. Natarelli has more than 30 years of experience with international accounting and consulting firms. He frequently serves as the lead audit engagement partner for a variety of consulting matters.

Mr. Natarelli frequently speaks on accounting and auditing matters. For more than two decades, he has served as a technical reviewer for the AICPA’s Audit Risk Alert for Real Estate and Construction Industry Developments and the AICPA Audit and Accounting Guide — Construction Contractors.

He has been interviewed by a number of prestigious media outlets including the Wall Street Journal, Bloomberg, Businessweek, Fox Business and now, Mechanical Hub Media.

The following is our Hub Chat with Mr. Natarelli.

MH: Thanks for taking some time to chat with us. What’s the Marcum LLP elevator speech and how does your team create construction curriculum for construction contractors and industry observers such as the National Construction Survey, which we shared with our readers last month?

JN: Marcum is a top national accounting and advisory firm that places a high value on being industry experts and resources for our clients and friends in the marketplace. We know

contractors can get their basic financial reporting needs met at a lot of firms but what sets us apart is our commitment to excellence and leadership in their specific sector. This mission is further realized in a curriculum of in-depth thought leadership, instruction, benchmarking and more. For example, our nationally renowned Chief Construction Economist, Anirban Basu, provides hard data and analysis about and for the construction industry each quarter to our subscribers.

MH: Tell us a bit about yourself – how long have you been involved with Marcum, focused on Construction Services and what has your journey looked like up to this point in your career?

JN: For over 10 years, I have served as the Firm's office managing partner in New Haven, Connecticut, and the leader of our National Construction Industry Practice group. I previously served as the national construction leader at UHY LLP before the UHY's New England region merged with Marcum in 2010. I have over 30 years of experience with providing auditing and consulting services and remain a resource on various construction projects, offering expertise on job performance and enhancing profitability to contractors. I also spend my time providing thought leadership on accounting and auditing matters for various industry events and publications, and I have served for more than 10 years as a technical reviewer for the AICPA Audit and Accounting Guide – Construction Contractors and the AICPA's Audit Risk Alert for Real Estate and Construction Industry Developments. I had the privilege of chairing the AICPA National Construction Program Conference Committee from 2012-2014. With one of the best teams in the industry, I have helped lead Marcum to become a top national accounting services leader for contractors.

MH: The COVID pandemic has created disruption and uncertainty across all segments of society, how is Marcum working to address issues that affect construction markets such as loan programs, taxing issues, and business interruptions?

JN: In a crisis, people need answers and they need them right away. Marcum established a Coronavirus Resource Center in mid-March and has been producing timely and essential thought leadership specific to the construction industry, ever since. Whether that takes the form of an alert, a tax flash or an in-depth webinar, our construction industry clients and other subscribers have access to the newest information available via the resource center. We have been leading the charge with our construction clients to make sure that they are taking full advantage of governmental programs that can support and preserve their businesses during this difficult time. At the end of the day, we know that our clients aren't just companies, they are people who have worked to provide for their families and communities for years and we will do everything in our power to see that they make it through this intact.



MH: As we started 2020 the construction market had seen significant growth over the past 5+ years, how is the current economic climate affecting the industry? What are some of the challenges and how is Marcum addressing those challenges? How can contractors use market data to set their business in a better direction?

JN: The crisis has really put a spotlight on challenges that have been haunting the corners of the industry for a while. Specifically, the labor shortage. In our quarterly Marcum Commercial Construction Index we've seen access to skilled labor bubble up to the top of the challenge list for the past few quarters. While unemployment is up in general, a lack of an organized trade educational system and other factors have put commercial contractors in a vice where there aren't enough workers to execute all of the jobs they have and those that are available are being paid at a premium. Our annual JOLT survey is an essential tool for contractors to reference as it indexes wages across subsectors and positions and would be a valuable benchmark.

MH: Tariffs and trade policies are hot button topics as we get deeper into the election year. What are a few trends you're seeing based around the election or how is the election affecting the market?

JN: The threat of trade war and an uncertain diplomatic future with China can have a bottom line impact on construction contractors, today. For example, tariffs on essential material such as steel or aluminum can cause hard cost price increases. The global pandemic has also choked off or threatened to choke off supply chain routes and sources – another area worthy of concern and, more importantly, innovative solution. Industry best practice should be to secure your key materials from a geographically diverse but still economical set of sources, lock in your pricing, and get those goods stateside and on the jobsite, ASAP.

MH: How is Marcum addressing environmental issues in the industry?

JN: The construction industry has been at the forefront of changing the way America interacts with its environment, since the beginning. Whether it is the use of innovative materials, high tech insulation techniques, green technologies, water recapture, or the reclamation of abandoned or "brown field" land for redevelopment, there is someone in a hardhat making it happen. Aside from the obvious social capital that helping the environment provides, there are credits and incentives from the government which construction contractors can take advantage of to align their environmental goals with their financial success. We work with numerous clients in that exact position and it can really make a difference.

MH: What are a few trends that Marcum has identified in the industry?

JN: There are several issues and trends Marcum has identified in the construction market. These include ESOPs, revenue recognition, cybersecurity, succession planning, burden analytics, SALT consulting, valuations, due diligence & quality of earnings, public private partnerships and Section 179D energy deductions. Additionally, we have identified 3 trending categories for construction: technology and innovation (i.e., project management software, building information modeling, drone usage, green design & construction technology, improved safety equipment), profitability (i.e., growing material costs, maximizing labor while decreasing labor force, targeting Gen Z in the work force, analytics and data) and sustainability (preservation of the environment, efficient use of resources).

MH: How do you see Marcum helping to create change in the future?

JN: Marcum, as a firm, has embraced technology in all parts. For our clients, we take the same approach. Whether it be through software consulting, robotic process automation, cloud computing or other new tech, we're always looking to help our clients improve their processes and increase their profitability.

MH: What are some of the things you're doing to boost Marcum's visibility and grow market share?

JN: Marcum's Construction Group is proud of their long history of membership and leadership with all of the major national and regional construction trade organizations. We just can't overstate how important it is to be shoulder-to-shoulder with your clients in the places where they play. To see and be seen. Of course, we hope that our commitment to the creation of business-critical content such as the Marcum Commercial Construction Index, the JOLT report, the national Marcum Construction Survey, our newsletter and flashes also helps keep us in front of decision-makers and position us for growth with them. We also host our own large-scale industry events in several regions, the Marcum Construction Summit. Our events are dedicated to updating construction contractors and finance and accounting professionals on the economic state of the construction industry. The Summit features high-profile, nationally recognized speakers who are experts in the construction arena.

MH: Crystal ball time, what's 2021 and 2022 look like in the construction industry after all the turmoil of 2020?

JN: The long-term effects of COVID-19 are unknown, and the future of the construction industry is uncertain; however, we remain optimistic. Pre-COVID, 72% of economists were predicting a recession would occur by the end of 2021. As such we were encouraging firms susceptible to business cycles to take steps in building up cash reserves and strengthening relationships with bankers and insurers to prepare for 2022 and 2023. However, the pandemic affected the economy at a faster pace than expected and moved up the predicted timetable. With the country slowly reopening and with the hopes of a vaccine in early 2021, we are now more optimistic about the construction industry in late 2021 and 2022.

MH: In closing, is there anything you'd like to add?

JN: Stay the course, continue the blocking and tackling. We are going through a tough time but we are optimistic moving forward.