

Sage Construction and Real Estate

Is It Time to Deploy Construction-Specific Accounting Software?



Introduction

The last thing most construction executives want to worry about is their accounting software. But as your company grows, accounting becomes more complex and more integrated with operations. While a generic accounting package like QuickBooks or Sage 50 Accounting—U.S. Edition (formerly Sage Peachtree) got your business off the ground, it may be time to deploy accounting software designed specifically for the construction industry.

The right software isn't cheap; in fact, you'll likely spend \$3,000 to \$30,000 to deploy a construction-specific accounting system. However, the benefits of the move will pay out early and often. Construction accounting software will help you get a better grip on your job costs, manage your risks, and generally "speak your language." Here we highlight six powerful benefits of accounting software built for the construction industry.

Job Costing: Get a Handle on Your Profits

You probably know if you're losing money on a job or not. But do you know if you are losing money on subs, materials, or labor? Do you know what phase of the project is over budget? Perhaps the biggest benefit of switching to construction accounting software is that it provides integrated job costing and reporting. Rather than simply recording invoices and payments, a job cost module will provide detailed cost breakdowns for each job and for each component of the job.

Moreover, you can start each job with a detailed budget and later compare your actual costs against your original estimate. You'll be able to identify unexpected materials costs, overtime hours, and other factors affecting your profitability. Most importantly, this data will be available early enough to change course on unprofitable jobs. Detailed job cost data will also help you on future projects. You'll be able to better estimate your next job and even understand what types of jobs are most profitable for you. For example, you might realize that government jobs are less profitable than commercial or residential work.

CSI Codes: Software That Speaks Your Language

Does your current accounting software speak your language? Most jobs are put out for bid using CSI codes, so it helps if your accounting software is built around those codes. Construction accounting software packages integrate industry-standard CSI codes into their database. With a CSI dictionary in your accounting system, you can easily assign codes to purchase orders and invoices. As a result, all expenses invoiced and paid will be allocated to the right divisions in your job costing system.

A generic accounting system may allocate costs to detailed accounts but won't be able to offer the granularity and standardization of CSI codes. By assigning costs to the right CSI code, you can break down each division of the job and know exactly what was spent on permitting, site work, finish work, and so on. With that level of costing, you'll be able to tell exactly which components of the job are exceeding the budget.

Insurance Certificates: One More Thing to Track

Most construction software packages have features to manage a major construction management headache: insurance certificates. Insurance and risk management has become one of the most important issues in the construction industry today. Your subs need to be insured to a certain level; it's your responsibility to verify this. They need to submit documentation; you need to track it. The more subs, the more complicated it is to track your compliance for each phase of the job.

Unlike generic accounting packages, a construction-specific system will typically track certificates for each sub, by job. By integrating complex insurance certificate tracking with accounting, you have the power to withhold payables until you get the certificates you need. Instead of having your staff dedicate time tracking down certificates for each sub, your system will simply enforce compliance. Withholding payables is a sure way to ensure compliance.

Audit Trails: Track Down Mistakes, and Even Fraud

Do you ever get the feeling that everything isn't adding up? As your company grows, so too will the number of people using your accounting system; you'll have more accounting staff, new operational users, and perhaps an accountant. Unfortunately, not everyone is perfect, or even honest. What happens when someone makes a mistake and tries to cover it up by deleting it from the system?

A sophisticated construction accounting system will offer a new level of security and auditing to avoid these risks. With detailed audit trails, you know which user changed what and when they changed it. You can also assign various permissions. So, different users will have different levels of access to different jobs and different authority throughout the system. For example, you can force rigid workflows on approval processes to cut checks.

Reporting: Fast Answers to Important Questions

A construction-specific accounting system will transform your accounting department from simple tax compliance and financial management to a valuable operational resource. To date, your accounting system has probably been the domain of the accounting department, not operations. The reports you run probably relate more to year-end accounting than project status.

With an integrated job costing and accounting system, you can provide your field project managers and executives with powerful reports that answer questions such as:

- How many hours and dollars have we spent so far?
- How does that match to the budget?
- What is our cost to completion?

Complex Payroll: Comply and Simplify

If you do any union or prevailing wage work, you know that payroll is complicated. Your jobs require certified and auditable payroll reports. Maybe you're doing jobs in different states with different tax rates. If you are finding yourself nervous when having to notarize payroll reports or just exhausted from compiling them, you need a payroll system, that is designed for construction firms.

A construction payroll system will track hours, ethnicity, social security numbers, work type, check numbers, images, fringe benefits, and everything else you need to comply with state, local, and union payroll requirements. Accurate reports can be produced for each worker so that compliance is efficient and complete. You can do away with the spreadsheets and file cabinets that currently complement your generic payroll system as these industry-specific requirements will be in your accounting system.

Conclusion

If any of the six benefits outlined above strike a chord with you, it might be time to consider a construction accounting system. While the investment is substantial, the returns are many times greater. You might even be surprised how much of your staff's time is being spent generating basic reports and how many opportunities there are to make errors. By automating more construction-specific processes in your accounting system, you're sure to get a better handle on your business.

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