CONSTRUCTION
EXECUTIVE

CONSTRUCTION ACCOUNTING

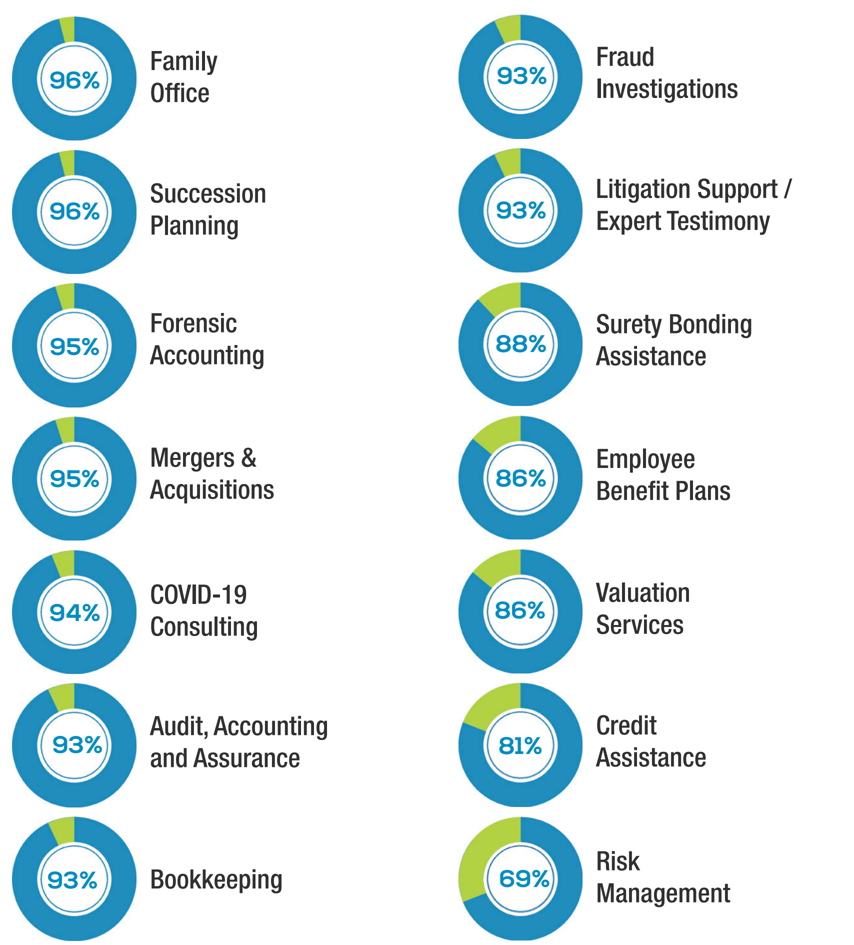
The Top 50 Construction Accounting Firms™: Calculating Calm for a Rapidly Rebounding Economy

BY CYBELE TAMULONIS

As the country emerges into a post-COVID-19 world, contractors have been relying on construction-certified public accountants to navigate federal stimulus programs, analyze cash flow concerns, review budgets—which include new, safety-related equipment and material prices unseen before in the industry—and provide advice on the best ways to remain profitable, no matter what the economic landscape holds.

For this 2021 ranking of *The Top 50 Construction Accounting Firms*™, *Construction Executive* reached out to hundreds of U.S. accounting firms with a dedicated construction practice to learn how they were guiding their clients amid ongoing economic uncertainty. Among their top concerns were supply chain stability, labor shortages and how to manage cash flow.

The Top 50 Construction Accounting Firms, Practice Areas



SUPPLY CHAIN

As the industry recovers from the sticker shock of vital materials, many contractors learned the importance of maintaining supplier relationships and reviewing contracts carefully. Lumber, which hit a record $1,700 per thousand board feet in early May, dropped to $937 in mid-June (a 44% decrease) indicating some relief for material shortage delays.

"It is increasingly important for firms to have escalation clauses for materials in their contracts," says Nick Balaity, partner at Aldrich CPAs + Advisors LLP. "We are encouraging clients to contractually protect themselves for both cost escalation and schedule delay due to materials being more expensive and harder to procure."

Adam Kellerhals, principal at Smith Schafer & Associates, agrees. "One positive thing about the continued increase in material cost is that it is well documented and known, which means escalation clauses should be added into contracts to reduce the risk of large spikes in costs. However, contractors may need to pass any material cost savings on to customers," he says.

Writing an escalation clause into a contract is a layer of protection that every contractor should employ, but maintaining relationships with suppliers, instituting financial planning and analysis (FP&A) and making supply chain contingency plans are also important considerations.

"Supply chain issues are a very real challenge and have increased the need for good procurement and control processes tied into financial forecasting and modeling. Construction companies need a good accounting system and a FP&A tool for financial forecasts to understand the impact of increasing costs on profit," says Scott Stafford, audit partner for Armanino LLP. "Running a construction business without financial insights and systems that provide adequate forecasting is a recipe for disaster," he cautions.

Managing relationships with vendors is in itself a tool for supply chain success. Making personal connections and maintaining friendly communications with vendors can ease supply chain issues and ensure a contractor is aware of changes in pricing in a timely manner.

"Supply chain and construction cost issues have benefited best-in-class operators that made more of an effort to build relationships and nurtured strong partnerships among general contractors and subcontractors rather than focusing exclusively on price," says Doug Houser, principal director of construction and real estate services for Rea & Associates. "Those that relied on the cheapest supplier or working with the lowest-cost subcontractor are finding that the lack of true relationships is now a major hindrance."

CYBERSECURITY

Recent ransomware attacks on Colonial Pipeline, Travelex and JBS made headlines as these breached companies paid millions in cryptocurrency to get back to business as usual. Contractors should be just as wary of potential ransomware attacks and enforce strict protocols surrounding sensitive financial information.

"Phishing, ransomware and other cyberfraud continue to be among the top risks for contractors. It is no longer a question of if you will be breached, but when and how significant the loss will be," says Jon Zeiler, managing partner of real estate and construction at Crowe LLP. "Having cyber insurance and understanding your coverage is paramount for risk mitigation, but the best protection continues to be training your employees on what not to click.

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> \- Jon Zeiler, *Managing Partner of Real Estate and Construction*, Crowe LLP

With the explosion of ransomware, maintaining and periodically testing a backup system is key because backups can also be exposed to ransomware schemes. Best practices include holding three copies of the data, using two different backup methods or mediums and storing one of those copies offline," says Zeiler.

The COVID-19 crisis prompted many companies not to simply go remote during the worst part of the pandemic, but to stay remote indefinitely. This naturally accrues risk for companies as workers use personal devices in unmonitored settings to complete their tasks. "With more people working from home and processing changes, false claims of changing bank accounts, addresses or other processes are more believable," says Kellerhals. "Unfortunately, this has led to an increase in cyberfraud. The best defense against such attacks is employee education."

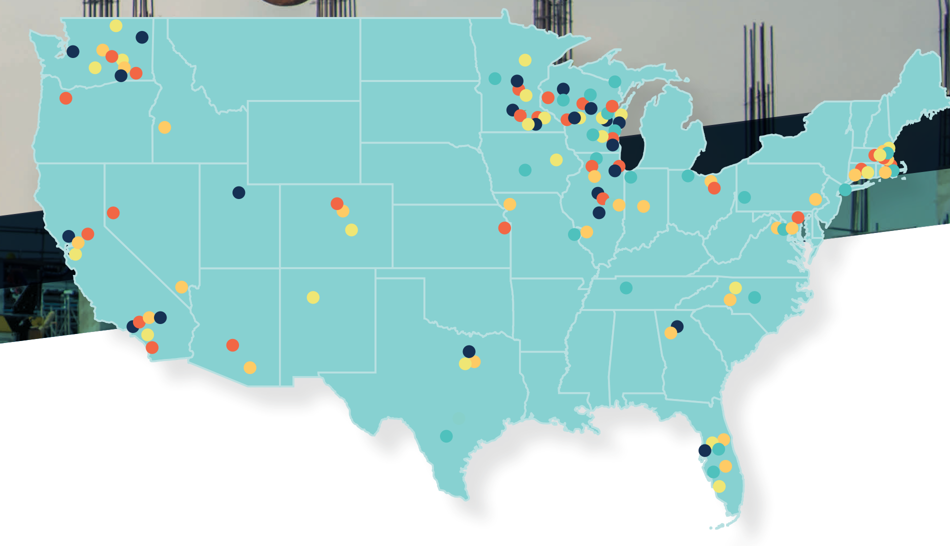
Cybersecurity firms can also help by assessing exposure, developing protocols, reviewing business continuity plans and implementing protections to reduce risk.

"Under the New York Department of Financial Services' first-in-the-nation cybersecurity regulation, New York State-based companies are required to implement written third-party cyber risk policies and confirm that due diligence is performed to evaluate the adequacy of third-party cyber practices," says Joseph Natarelli, national construction services leader for Marcum LLP.

"Contractors are increasingly asked to demonstrate sound cybersecurity practices, whether under a law such as New York's or as an emerging best practice. The standardization of cyber risk assessments makes it easier than ever for companies to vet third-party vendors and contractors. Construction companies that either lack these internal controls or are unable to effectively communicate them may be unable to survive many RFP processes—or even be ineligible

Methodology for *The Top 50 Construction Accounting Firms*

CE developed *The Top 50 Construction Accounting Firms*™ ranking by asking hundreds of U.S. construction accounting firms to complete a survey. The data collected included: 1) 2020 revenues from the firm's construction practice; 2) number of CPAs in the firm's construction practice; 3) percentage of firm's total revenues derived from its construction practice; 4) number of states in which the firm is licensed to practice; 5) year in which the construction practice was established; and 6) number of AEC clients served during fiscal year 2020. The ranking was determined by an algorithm that weighted the aforementioned factors in descending order of importance. Note: A number of accounting firms elected not to share revenues, which affected their ranking. For more information, contact surveys@magazinexperts.com.



Create Opportunities

More than 9,000 construction clients count on CLA. With more CCIFPs than any U.S. firm, CLA assembles the team you need for high performance.

NATIONAL STRATEGIC LEADERSHIP TEAM

Julian Xavier
Managing Principal of Construction

Ben Theuninck
National Construction Tax Leader

Teresa Arrighi
West Coast Leader

Darrel Mullenbach
Midwest Leader

Jay Triolo
Northeast Leader and Emerging Construction Professionals

Tim Mahoney
Data Analytics and Emerging Construction Professionals

Jeffrey Nesbitt
National Director of Consulting

Chad Zeller
Wisconsin Leader

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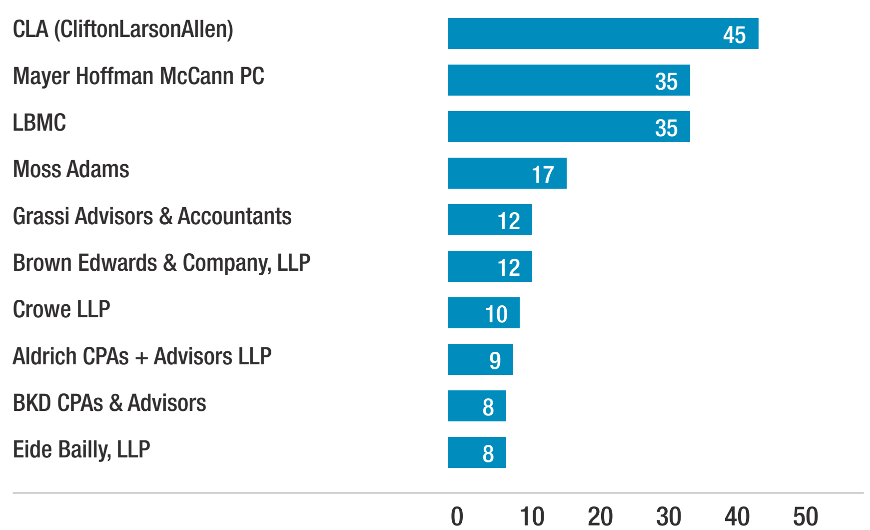
to participate or prequalify for a project owner."

Combining cyber insurance, employee training and cyber risk assessments is becoming more commonplace. Cyber insurance can act as a safeguard for construction firms that do not have a full-time IT person and give potential clients, vendors and subcontractors peace of mind while providing another level of protection when utilizing third-party services such as cloud service providers.

"The frequency of phishing and cyberattacks increased during the pandemic, and the pace does not appear to be slowing," says Brian Bohman, partner and construction industry practice leader for Wipfli. "The most frequent types of cyberattacks are related to either ransomware or business email compromise, specifically accounts payable fraud. That is where a hacker pretends to be a vendor or contractor and requests a change to the payment instructions, so that payment is sent to the hacker rather than the vendor," Bohman says.

Accounting Firms With the Most CCIFPs*



*Certified Construction Industry Financial Professionals (CCIFPs) are recognized leaders within their companies and the construction industry and have met rigorous standards recognized by Associated Builders and Contractors, Inc. (ABC), The Associated General Contractors of America (AGC), American Subcontractors Association, Inc. (ASA), Construction Industry CPAs/Consultants Association (CICPAC), International Risk Management Institute (IRMI), National Association of Surety Bond Producers (NASBP) and other professional organizations. To learn more visit cfma.org/ccifp.

CASH FLOW

Supply chain disruptions, labor shortages and rising materials prices continue to negatively impact the industry. But there is a silver lining. This perfect storm of financial factors forced many contractors to closely scrutinize and streamline outdated financial processes in order to improve cash flow. During the height of the pandemic, many construction companies turned to their accounting firms for advice on the best way to both manage finances and take advantage of federal and state assistance programs.

"We stressed the importance of building financial resiliency by using a 13-week cash flow model, which proved to be an invaluable tool during uncertain times," says Todd Carpenter, managing partner for Baker Tilly. "A well-defined and regularly updated cash flow model defines fixed and negotiable costs, identifies levers to trigger if necessary to improve cash flow and defines non-core assets that can be divested to generate cash. Having this model available not only makes it easier for the leadership team to understand how to improve cash flow when needed, but also is helpful when seeking guidance from your accounting, financial and legal partners," Carpenter says.

The Payroll Protection Program helped many contractors retain employees, putting them in a better position to tackle project backlogs. "Scheduling and planning was challenging for many, causing cash flows to be constrained at times. Without the PPP funds, it would have been a much different story," says Adam Tillman, shareholder and market leader for BerganKDV. "Despite all the unknowns and concerns, many of our clients did very well last year. The PPP funds were able to act as a buffer that allowed contractors to keep people employed so they were ready to take on work as it began instead of scrambling to mobilize."

"Project timetables were extended due to COVID-19, but with the assistance of PPP loans and the construction industry being deemed essential, contractors were back working quickly," says John Gallo, national construction practice leader at UHY LLP. "The short downtime helped contractors keep cash flow moving and the PPP loans helped to eliminate any major cash flow issues."

"For the first time in years, many construction companies have had to dig into lines of credit," says Marshall Shepherd, partner for Melton & Melton, LLP. "Their backlog of work is down and jobs are taking longer, resulting in decreased revenues. If construction companies have not

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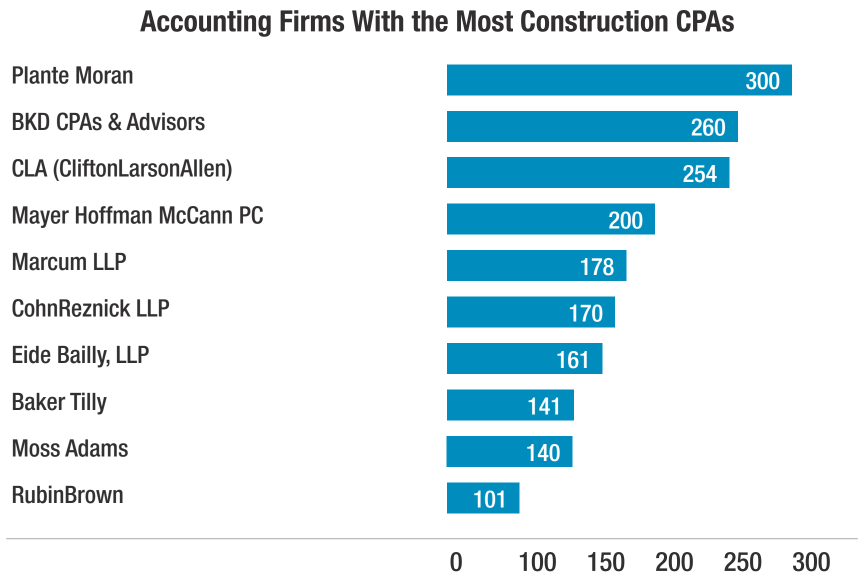

done so already, they need to develop a treasury plan for cash management. A few areas where construction firms should take a deeper look include making sure their current financing options are still viable, proactively managing receivables, focusing on inventory management and auditing transactions."

TAX PLAN PREPARATION

The roughly $1.2 trillion American Families Plan, now inching its way to being passed by Congress, includes spending for expanded public transit, road repair and infrastructure renewal. While it is unclear when the plan will be implemented, some key takeaways are: a 12.4% Social Security payroll tax for wages over $400,000, the repeal of elements of the Tax Cuts and Jobs Act for high income filers and a 15% minimum book tax for corporations making $2 billion or more (a big change from the originally proposed minimum tax on companies making $100 million or more). Whether these changes affect one's business or not, consulting with a tax expert can ease any concerns and better prepare contractors for the years ahead.

"For those who feel the uncertainty of pending changes does not command the use of current resources to make changes for the pending unknowns, they may be best served by directing attention to ensure they are maximizing the already enacted tax provisions related to the pandemic—most notably, maximizing Employee Retention Tax Credits if their organization qualifies for the ERTC," advises Bob Nagle, principal for Rehmann.

"Though the proposed tax legislation is uncertain, it is just another piece of the equation to navigate a challenging environment. The expectation is that the corporate and flow through tax on both ordinary and capital gain rates will increase," says Ken Hedlund, principal at Somerset CPAs and Advisors."Other considerations, such as depreciation rules, will be impacted. It will be important to monitor the legislation from the current proposal to its final form. Once known, there will be extensive proactive strategies to consider in order to minimize the impact of any negative legislation and maximize the benefit of any positive legislation." Estate planning for a business should not be ignored with tax changes looming on the horizon. With a proposed capital gains rate of 43.4% (up from 23.8% on earnings of more than $1 million) and the elimination of tax exemption for

KEY: [1]**Number of states** and U.S. territories where the firm is licensed to practice accounting, including Washington, D.C., Puerto Rico, American Samoa, Guam, Northern Marianas Islands and U.S. Virgin Islands. [2]**Percentage of overall firm revenues** that its construction practice represents. [3]**Areas of practice are abbreviated**: Audit, Accounting and Assurance (**A**), Bookkeeping (**B**), Business Planning (**BP**), Credit Assistance (**CA**), COVID-19 Consulting (**CV**), Employee Benefit Plans (**EB**), Family Office (**FO**), Forensic Accounting (**FA**), Fraud Investigations (**FI**), Litigation Support/Expert Testimony (**LS**), Mergers & Acquisitions (**MA**), Risk Management (**RM**), Succession Planning (**SU**), Surety Bonding Credit Assistance (**SB**), Tax Preparation (**T**), Valuation Services (**V**) and Wealth Management (**WM**). Not provided (**-**).

Labor: Making Retention a Priority

ABC's Construction Confidence Indicator for May showed an encouraging expectation of growth over the next six months, underlying the need for more workers. But even as the nation's unemployment rate dropped in April from 6.1% to 5.8%, the construction industry had shed another 20,000 jobs by May, according to the Bureau of Labor Statistics. While hiccups in a recovering economy are to be expected, contractors face even tougher challenges finding skilled labor as a result of the 1.5 million construction workers who opted for early retirement due to the pandemic. Employee retention has become a top priority for firms to survive and remain competitive.

"We have been focused on helping clients keep the good employees they already have. It takes a concerted effort, starting with leadership, to make retention visible and a priority. Employees expect respect and they deserve it. We've seen an uptick in construction companies investing in additional human resource staff just to step up to this challenge," says Bohman. "Gone are the days of managers and superintendents yelling at people. Workers will just go someplace else. Instituting stay interviews (where employees are interviewed on why they stay and what can be improved) is one way to do this, as it can help curb poaching of employees. Keeping an alumni list and calling previous employees about possibly returning has also been a popular method," he says.

The workforce shortage has directly impacted bidding, backlogs and contractor confidence. "Some construction firms are simply unable to bid for new, larger projects that would help them grow, simply because they do not have or cannot find skilled people to do the work," says Shepherd. "Alternatively, many companies are becoming less selective in the types of work they do bid on purely because they have very little to no backlog."

The pandemic lockdowns created a ripple effect on employment, and some workers opted not to return to their profession at all. Many workers elected to go back to school, stay at home with their children or change career paths altogether. The BLS reported construction having a quit rate of 2.4% in April, up 1% from the previous year.

"The majority of our clients have fought, and continue to fight, to keep their skilled workers on full payroll during the pandemic. Unfortunately, a skilled worker lost due to a layoff is often not available to be replaced when the time comes that a postponed job is back in progress. Some skilled workers may never return to the construction industry after leaving due to safety concerns or other issues," says R.A. Bobbi Hayes, partner at Carr, Riggs & Ingram CPAs and Advisors. "The scarcity of skilled workers is likely to continue, causing profound implications for the construction industry and creating an acceleration in the development and use of autonomous robots in the future."

The message is clear: Keeping skilled workers happy and on the payroll is critical in the current economic climate.

"The need for developing talent and building teams has never been more important. Contractors should put programs in place to incentivize their older workforce to build and develop their younger teams," says Ken Van Bree, partner-in-charge for the construction services group at RubinBrown.

"If employees aren't engaged or having a great experience with your company, they won't come back to you," says Stafford. "Construction companies also must make sure they have the right technology and internal controls and pay people on time. These key tasks protect both reputation and project timelines."

When seeking new employees, employers should remain cognizant of the safety risks inherent in hiring untrained or inexperienced workers.

capital gains at death, contractors should prepare now for this change.

"Look at your strategic plan, succession plan and estate plan now. If you were planning to make any significant changes in the next year or two, I recommend talking to an advisor and potentially making that change this year," says Shane Brown, construction and real estate industry group leader at Plante Moran."Tax increases are expected, so if a significant change is in your future, make the call today. Your advisor can also lead the tax planning process, which is an essential part of your overall business plan."

THE SUM OF IT

With the financial lessons learned from the pandemic fading in the rearview, contractors are preparing to forge ahead with a renewed expectation of work. History, however, has shown that it's never clear what lies around the next bend in the road. Owners and managers must exercise caution when recruiting new talent and continually revisit their financial practices.

"The pandemic has been disruptive to many businesses and requires an evaluation of infrequent and unfamiliar financial reporting issues that construction companies have not encountered before," says Lisa Palladino, partner for The Bonadio Group. "Areas needing further consideration are fair value measurement and asset impairment, going concern, revenue recognition, loss contingencies, insurance recoveries and subsequent events disclosure. Construction companies should complete a thorough evaluation of the impact of the pandemic on financial reporting."

Julian M. Xavier, managing principal of industry, construction for CliftonLarsonAllen LLP, offers a list of key focus areas. "Contractors should update business plans and cash flow projections to make sure they understand what their costs look like over the short term; study backlog revenues and then make hard decisions on expenses to ensure the viability of the company; revisit bidding and pricing practices on new work to make sure that pricing for materials, labor productivity, etc. are aligned with current conditions; and examine and place heightened awareness around billing and collection practices to keep cash coming in the door," Xavier says. "Meet with project teams to identify any issues or delays to make sure these are quantified and captured as potential contract changes, and take another look at contract terms for appropriate language around delays/cost overruns to incorporate the changing market conditions."

Keeping flexible and planning for ongoing disruption are key to successfully navigating through future downturns. A CPA experienced in construction can help identify and address weak points in a company's financial system and better position a business for the next bump in the road.

"The world has changed, and companies need to be able to pivot. Work will be there; it will just be different. Water systems, HVAC systems, as well as buildings and roads aren't getting younger. Contractors will be needed to repair them. It just won't be business as usual," says Marty McCarthy, managing partner for McCarthy & Company, PC.

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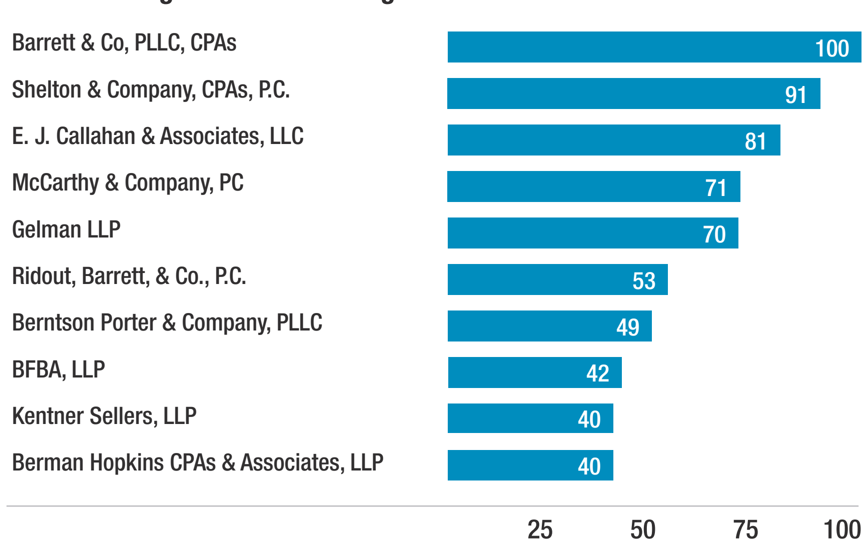
> - Lisa Palladino, *Partner,* The Bonadio Group

Accounting Firms With the Highest % of Revenue From Construction



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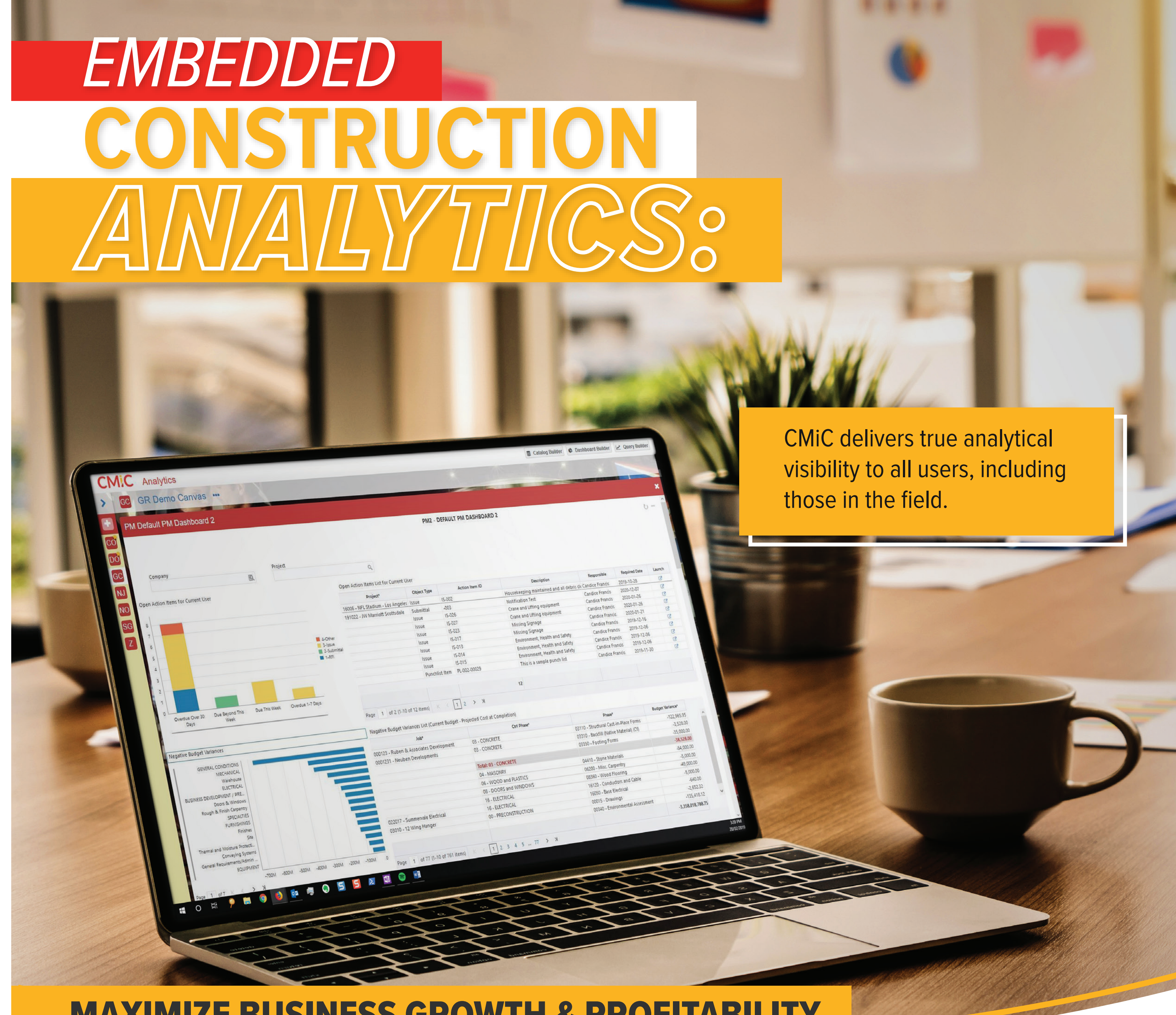

THE TOP 50 CONSTRUCTION ACCOUNTING FIRMS

Rank	Firm	Year Founded	# States and Territories Admitted to Practice[1]	# Office Locations	# Firm CPAs	# Firm Employees	# Construction CPAs	# Construction Partners	Total # of Employees With CCIFP Certification	Total # of Construction Clients in 2019	Construction Practice as % of Total Firm Revenues[2]	Areas of Practice[3]
1	**CLA (CliftonLarsonAllen)**	1953	51	120	2,910	7,396	254	92	45	9,912	8.10%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
2	**BKD CPAs & Advisors** Springfield, MO	1923	55	40	1,400	2,850	260	19	8	1,130	8.56%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
3	**Marcum LLP** New York, NY	1951	51	30	806	2,375	178	43	5	2,747	6.44%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
4	**Crowe LLP** Chicago, IL	1942	51	39	1,383	4,270	98	21	10	749	5.41%	A, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
5	**Wipfli** Milwaukee, WI	1930	55	45	720	2,752	66	42	6	2,700	10.95%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
6	**Moss Adams** Seattle, WA	1913	53	33	1,273	3,099	140	62	17	1,460	4.46%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
7	**CohnReznick LLP** New York, NY	1919	37	20	902	2,802	170	28	6	1,200	4.44%	A, BP, CV, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
8	**Baker Tilly** Chicago, IL	1931	41	52	1,215	3,706	141	38	3	3,034	3.53%	A, B, BP, CV, EB, FO, FA, FI, LS, MA, RM, SU, T, V, WM
9	**Plante Moran** Southfield, MI	1924	44	21	1,590	3,268	300	35	6	1,050	3.51%	A, B, BP, CV, EB, FO, FA, FI, LS, MA, RM, SU, T, V, WM
10	**Mayer Hoffman McCann PC** Kansas City, MO	1954	55	26	1,800	4,800	200	15	35	300	3.02%	A, B, CV, EB, FA, FI, LS, MA, RM, SU, T, V
11	**Grassi Advisors & Accountants** New York, NY	1980	11	7	169	353	33	11	12	428	32.90%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V
12	**Eide Bailly, LLP** Fargo, ND	1917	55	42	1,054	2,468	161	53	8	2,163	4.01%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
13	**RubinBrown** St. Louis, MO	1952	31	6	385	648	101	40	2	1,634	12.40%	A, B, BP, CV, EB, FA, FI, LS, MA, RM, SU, T
14	**Aldrich CPAs + Advisors LLP** Salem, OR	1973	52	7	150	366	41	9	9	660	24.20%	A, B, BP, CV, EB, FO, FA, FI, LS, MA, RM, SU, T, V, WM
15	**Withum** Princeton, NJ	1974	24	13	500	1,200	47	17	5	575	5.45%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
16	**DHG** Charlotte, NC	1959	51	30	850	2,262	38	16	3	634	3.02%	A, B, BP, CV, EB, FO, FA, FI, LS, MA, RM, SU, T, V, WM
17	**Somerset CPAs and Advisors** Indianapolis, IN	1960	55	4	115	232	60	19	1	2,444	28.29%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
18	**Carr, Riggs & Ingram, LLC** Enterprise, AL	1997	22	68	797	1,942	93	47	3	1,300	3.82%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
19	**Berntson Porter & Company, PLLC** Bellevue, WA	1985	3	1	58	117	37	9	5	1,708	48.71%	A, B, BP, CV, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
20	**Anchin, Block & Anchin LLP** New York, NY	1923	7	2	155	395	33	13	0	500	11.86%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
21	**BerganKDV** St. Cloud, MN	1945	16	9	155	467	45	7	1	1,150	13.24%	A, B, BP, CV, EB, FA, FI, LS, MA, RM, SU, SB, T, V, WM
22	**UHY Advisors Inc.** Farmington Hills, MI	1968	42	23	421	961	65	12	0	520	5.14%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V
23	**Warren Averett, LLC** Birmingham, AL	1972	21	14	340	880	60	35	3	393	5.14%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
24	**Doeren Mayhew** Troy, MI	1932	26	5	160	392	32	10	1	1,487	11.00%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
25	**Sax LLP** Parsippany, NJ	1956	2	3	80	193	35	13	1	190	16.91%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM

SEE KEY ON PAGE 28

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26	**The Bonadio Group** Pittsford, NY	1978	21	10	282	754	48	28	7	678	6.88%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
27	**Schneider Downs & Co., Inc.** Pittsburgh, PA	1956	26	3	166	470	59	15	3	132	7.79%	A, B, BP, CV, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
28	**HORNE LLP** Ridgeland, MS	1962	18	50	136	1,333	17	3	2	350	4.82%	A, B, BP, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
29	**Rea & Associates** New Philadelphia, OH	1938	2	17	141	339	25	8	1	912	13.82%	A, B, BP, CV, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V
30	**Sikich, LLP** Chicago, IL	1982	50	16	268	960	60	30	3	495	3.36%	A, B, BP, CV, EB, FO, FA, FI, LS, MA, RM, SU, T, V, WM
31	**Redpath and Company** Saint Paul, MN	1971	7	2	91	186	18	3	4	1,642	25.32%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V
32	**BFBA, LLP** Sacramento, CA	1983	7	2	41	75	38	13	0	250	42.14%	A, B, BP, CV, CA, EB, FI, LS, MA, RM, SU, SB, T, V
33	**HBK CPAs & Consultants** Canfield, OH	1949	4	16	204	430	65	6	5	61	6.00%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
34	**Kreischer Miller** Horsham, PA	1975	37	1	108	214	30	8	4	150	14.84%	A, B, BP, CV, CA, EB, FI, LS, MA, RM, SU, SB, T, V
35	**Rehmann** Troy, MI	1941	5	21	342	890	24	9	1	396	4.38%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
36	**Berman Hopkins CPAs & Assoc, LLP** Melbourne, FL	1958	15	3	27	62	24	10	0	830	39.84%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
37	**Brown Edwards & Company, LLP** Roanoke, VA	1967	12	11	175	389	19	5	12	486	8.93%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
38	**Aronson LLC** Rockville, MD	1962	14	1	130	276	14	3	3	208	9.36%	A, B, BP, CV, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V
39	**Weaver & Tidwell, L.L.P** Houston, TX	1950	13	12	304	818	36	18	2	487	3.02%	A, B, BP, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V
40	**Smith Schafer & Associates** Rochester, MN	1971	3	3	46	92	23	9	0	1,460	25.94%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, T, V, WM
41	**Hannis T. Bourgeois, LLP** Baton Rouge, LA	1924	5	3	69	128	32	17	3	341	24.09%	A, B, BP, CV, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V
42	**YHB | CPAs & Consultants** Winchester, VA	1947	6	8	91	192	22	7	2	900	13.71%	A, B, BP, CV, EB, FO, FA, FI, LS, MA, RM, SU, T, V, WM
43	**Harding Shymanski & Company, PSC** Evansville, IN	1975	21	2	57	139	35	9	2	389	21.13%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
44	**McCarthy & Company, PC** Lafayette Hill, PA	1967	3	2	14	32	12	5	3	162	70.65%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM
45	**Moore Colson CPAs and Advisors** Atlanta, GA	1981	26	1	83	155	31	7	1	93	13.86%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V
46	**Melton & Melton, LLP** Houston, TX	1963	8	1	53	114	32	13	1	283	19.66%	A, B, BP, CV, EB, FO, FA, FI, LS, MA, RM, SU, SB, T
47	**Ridout, Barrett, & Co., PC** San Antonio, TX	1986	1	2	27	60	13	4	1	750	52.87%	A, B, BP, CV, EB, FO, FA, FI, LS, RM, SU, T, V
48	**Barnes Dennig & Co., Ltd.** Cincinnati, OH	1965	3	4	80	180	12	6	1	462	17.67%	A, B, BP, CV, EB, FO, FA, FI, LS, MA, RM, SU, T, V, WM
49	**Calvetti Ferguson** Houston, TX	2003	2	5	43	122	3	1	0	154	19.29%	A, B, BP, CV, EB, FO, FA, FI, LS, MA, RM, SU, T, V, WM
50	**Armanino LLP** San Ramon, CA	1969	55	13	358	1,410	50	10	0	391	1.11%	A, B, BP, CV, CA, EB, FO, FA, FI, LS, MA, RM, SU, SB, T, V, WM

SEE KEY ON PAGE 28

CONSTRUCTION EXECUTIVE

CORPORATE PROFILE:

LEADERS IN CONSTRUCTION ACCOUNTING

COMPANY HIGHLIGHTS

- 55 dedicated construction professionals serving more than 400 contractors and subcontractors
- Ranked #4 in the nation for number of Certified Construction Industry Financial Professionals*
- 88.5% of clients who responded to a 2021 client satisfaction survey rated Grassi a 9 or 10 out of 10

WE ADVISE

- General Contractors and Construction Managers
- Civil and Heavy Highway Construction
- Mechanical Contractors
- Electrical Contractors
- Plumbing Contractors
- Other Specialty Trade Contractors

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Benchmark your construction company's performance with Grassi's 2021 Construction Industry Survey report. **Visit grassicpas.com to download your free copy.**

Upgrading Your Prequalification Process to Today's Market Demands

With the bidding landscape drastically altered by the COVID-19 pandemic and economic downturn, contractors and subcontractors are fighting uphill battles to find and win new work. As they burn through their backlogs, it becomes increasingly important to strategically reposition the way they present their company's qualifications.

CHANGES TO THE PREQUALIFICATION PROCESS

Now that the bid spread is wider and higher on almost every job, contractors and their qualifications are facing more scrutiny and competition than ever before. And with new jobs being scarce for the foreseeable future, subcontractors may need to seek work beyond existing relationships with general contractors.

This new environment has necessitated changes in the prequalification process to make a company stand out in the crowd and improve its chances of success.

STANDING OUT FROM THE COMPETITION

There are several areas a contractor or subcontractor can highlight to differentiate their qualifications from the rest, including:

Experience – Customize the bid to highlight the unique trade, type of work (public/private), market sectors and other experience the company has that would be relevant to the job being bid on.

Past Performance – Quantify your performance record of coming in on time and within budget on past jobs. Consider including cost performance reports, customer testimonials, quality reviews and other materials that support your promises of efficient, high-quality service.

Safety Record – Go beyond the basic safety record that is required in the bid and demonstrate your overall commitment to safety. Outline the safety training, compliance programs, technology and other tools your company employs to create a safe jobsite, avoid project delays and protect the customer from financial and reputational risk. If you have a safety officer, explain his or her role and how it will benefit the customer's overall experience with your company.

Technology – In an industry that is slow to adopt new technologies, your investment in safety technology, digital financial tools, data analytics and artificial intelligence will go a long way in differentiating your company from the rest. Explain how these technologies allow your company to increase efficiencies, avoid project delays, make the billing process easier on the customer's staff and provide other benefits to improve their overall ROI.

Financial Capability – Your bid should paint a clear picture of your company's financial solvency, both now and in the future. Include details on credit lines, cash flow projections, relationships with lenders and other advisors, top-line revenues and audited financial statements. Savvy customers know the lending restrictions, delayed payments and economic damages that are plaguing the construction industry today and will find extra reassurance in your transparency in a depressed economy.

* *Construction Executive's Top 50 Construction Accounting Firms*, June 2020

GRASSI
ADVISORS & ACCOUNTANTS

Scott Stern, CPA, CCIFP
Construction Principal
scott.stern@grassicpas.com

Steve Lemke, CPA
Construction Principal
slemke@grassicpas.com

Payment History – Emphasizing your strong history of on-time payments to your subcontractors and vendors will further demonstrate your financial capability and put the customer's mind at ease that project delays will not be caused by delinquent payments or liens.

Compliance With Contracts – Particularly if you are bidding on a contract with government agency-specific requirements, highlight your past compliance with MBE/WBE or other hiring obligations. Even if the contract does not explicitly require it, highlighting the diversity in your hiring practices could serve as another differentiator that separates you from your competition, especially as customers are looking for additional ways to expand their diversity, equity and inclusion efforts.

While these extra steps may put an additional responsibility on your already-strained project team as they recover from COVID-19 delays and damages, the benefits and ROI will position your company for long-term financial stability and success. Be sure to lean on the experience of your CPA, surety and other advisors to help you create the prequalification process that works best for your company and the bids that will put its best foot forward.

> *"In an industry that is slow to adopt new technologies, your investment in safety technology, digital financial tools, data analytics and artificial intelligence will go a long way in differentiating your company from the rest.*

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CONSTRUCTION EXECUTIVE

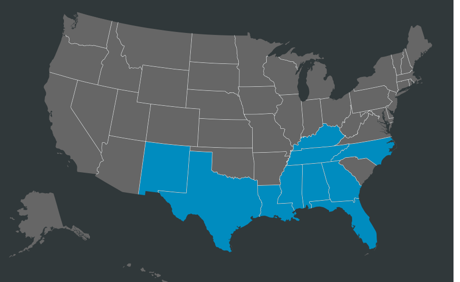
CORPORATE PROFILE:

LEADERS IN CONSTRUCTION ACCOUNTING

ABOUT US

Carr, Riggs & Ingram CPAs and Advisors (CRI) is a top 25, nationally ranked accounting and advisory firm offering tax, audit and business consulting services.

LOCATIONS



Locations across Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, New Mexico, Tennessee and Texas.

SERVICES

- Audit & Assurance
- Tax Consulting
- IT Audits & Technology
- Valuation & Litigation Support
- Business Transition

CRI CARR RIGGS & INGRAM CPAs and Advisors

Contractors Can't Afford to Ignore Retention Credit Changes

Cash flow is king, and contractors that remain unaware of significant changes to Employee Retention Credit (ERC) requirements could potentially be throwing money away—sometimes in the hundreds of thousands of dollars.

Since its creation in 2020, the credit has been available to eligible companies for wages they paid during a total or partial shutdown. However, the original Coronavirus Aid, Relief, and Economic Security Act specified that they couldn't take the credit if they had received a paycheck protection program loan. The Consolidated Appropriations Act signed on December 27, 2020, retroactively allowed the retention credit, even for those receiving the loan, with one caveat—the eligible wage dollar can't also be used in support for PPP loan forgiveness or another credit program.

"In other words, you can't use the same wage dollar in multiple programs," says Carr, Riggs & Ingram partner R. A. Bobbi Hayes in Albuquerque. In addition, there have been other changes along the way. The bill signed in December also provided for the continuation of the retention credit for the first two quarters of 2021. On March 11, the American Rescue Plan extended the availability of the ERC through the end of this year.

HOW IT'S CALCULATED

ERCs are available for eligible wages paid after March 12, 2020, through the end of 2021, and are equal to 50% of up to $10,000 of eligible wages for calendar year 2020 with a maximum potential credit of $5,000 per employee in 2020. In 2021, the credit increased to 70% of the first $10,000 of eligible wages per quarter with a maximum potential credit of $7,000 per employee, per quarter, for calendar year 2021.

For 2020, a business qualifies based upon specific criteria. First, the business must be able to demonstrate a decrease of over 50% in gross receipts from a calendar quarter in 2019 to the same calendar quarter in 2020. If a business does meet the 50% decrease in gross receipts for a quarter, it continues to qualify until the quarter after the calendar quarter, where gross receipts recover to at least 80% of the prior year comparison.

For 2021, the rules are more moderate, and there's a much larger credit available—a business must demonstrate a decrease of over 20% in gross receipts from a calendar quarter in 2019 to the same calendar quarter in 2021. And as an alternative, a business can use the immediately preceding quarter to qualify.

For both 2020 and 2021, if a business did not experience the specified decrease in gross receipts, it might also qualify depending upon a national, state or local government order that required a total or partial suspension of business. If a business is considered "essential," as most construction companies have been, it must meet more stringent qualification rules.

Therefore, possible qualifications require careful analysis and strong supporting information. The IRS issued guidelines stating that an essential business could qualify for a total or partial suspension of business if it had an event that had a "more than nominal" impact. The IRS has clarified "nominal" to mean not less than an impact of 10% of the gross receipts of a quarter, compared to the same quarter in 2019.

TAKE A HARD LOOK AT ERC QUALIFICATION

It's an admittedly complex process, but it's well worth every contractor's time to determine their ERC qualifications. "It's always worth exploring the possibility of qualification for any company," Hayes says. "The dollars involved can often be startling, but no matter the size of the credit, a business owner always appreciates improved cash flow."

CRI interviews its clients to determine eligibility and helps them piece together documentation about job stoppages, restarts and the numbers of employees impacted by COVID-19. If a contractor qualifies for the ERC, CRI then helps them assess their eligible wages.

Even in those states where construction was deemed essential, contractors often suffered from total or partial suspensions of work. "We retroactively go through all of our contractors' documentation and look at their potential eligibility," Hayes says. "Ultimately, we qualified several companies based upon partial suspension of work in 2020 and, while working on their financial 'year ends,' we had more conversations about events that might qualify and requested documentation for work suspensions and starts, etc."

Hayes estimates that CRI has already saved millions of dollars for their clients in the process. "One client had two jobs shut down completely for two months," she adds. "Its retention credit was $365,000."

> *"One client had two jobs shut down completely for two months. Its retention credit was $365,000.*
>
> – R.A. Bobbi Hayes, Partner
> Carr, Riggs & Ingram CPAs and Advisors

COMPANY CONTACT

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cricpa.com

CONSTRUCTION EXECUTIVE

CORPORATE PROFILE:

LEADERS IN CONSTRUCTION ACCOUNTING

eleVia software

EleVia Software provides software for finance and field professionals to extend the value of the Deltek Vision® and Vantagepoint® ERP systems, and to elevate key financial and operational processes.

TIME SAVED SURVEY

- 46% of respondents report saving 10 hours a month per person on billing and invoicing
- 43% of respondents report improving time to invoice by up to four days
- 68% of respondents report time savings for invoice review and approval

COMPANY CONTACT

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How Can ONE KPI Significantly Help Improve Your Cash Flow?

Improving your day sales outstanding (DSO) is critical to improving cash flow, and DSO is described in multiple ways with multiple formulas—but let's simplify, as DSO is the measurement from the time the work is completed to the time payment for the work is collected. DSO is made up of two main time components that deserve to be measured:

- Time to invoice (TTI)
- AR aging (from time of invoice to time of collection, preferably an AR-weighted KPI)

The latter item, AR aging, is an area that all of us are used to working on.

> The need for process and accountability in AR management and collections is imperative.

Also important is developing a reliable process to improve collections. But the primary focus should be on how to address TTI. Four primary issues crop up to add days to the TTI measurement:

- A non-automated process that delays the gathering and processing of invoice information
- Inadequate field or work systems to get the right information gathered promptly
- Single-month billing—waiting to bill work until the first two weeks of the following month can cost double-digit additions to TTI days
- Waiting for exceptions to be resolved before billing

Measuring TTI is as simple as using your Vision® or Vantagepoint® reporting system to identify the exact date of work completion and the date of the invoice. Improving this number trending over time can have huge paybacks. To make sure you are reducing your days and improving your cash flow, you may want to:

- Begin measuring TTI as soon as you can, reviewing it weekly and monthly for trends (makes a great dashboard item)
- Automate your invoicing processes with solutions such as EleVia Electronic Invoicing to reduce TTI days
- If you have a field team or project team, directly integrate their work with the accounting reporting system—a single point of entry as much as possible
- Automate the process of finding and resolving exceptions and issues by using software that helps accounting and project management teams use the same information
- Measure response times for project management and others to help them achieve improved results

Many organizations have improved their TTI by five to eight days by applying these strategies and utilizing improved processes and automated, simple improvements.

EXECUTIVE**INSIGHTS**

What is the importance of establishing and using cost codes in accounting software?

Tracking job costs accurately using cost codes allows the contractor to know whether their job will make the planned profit and alert the contractor when to intervene if a project has a problem.

LARRY MAY
PARTNER
Carr, Riggs & Ingram CPAs and Advisors

The "what you do not know" is impacting job profitability, team morale and the company culture. So, how do you turn this around?

SCOTT STAFFORD
PARTNER, AUDIT
Armanino LLP

If costs are attributed to "catch-all" codes or multiple codes are being used for the exact same type of cost, your data suffers as a result.

MIKE ODE
CEO
Foundation Software

Despite the scale of their projects, I recommend that independent contractors apply the same accounting practices and best practices that larger organizations do.

BILL GUSTAW
TEAM LEADER, SOLUTIONS GROUP
CMiC

Accounting software provides the ability to associate transactions to the cost code so you can analyze the budgeted versus actual costs and revenue values.

JOEL HOFFMAN
SENIOR MANAGER PRODUCT MANAGEMENT - CONSTRUCTION
Acumatica

In the event of scope changes, specific cost codes can be created to capture discrete or short-term issues.

ALEX MCBRIDE
SENIOR MANAGER
Wipfli

How should construction firms mitigate the ongoing impact of the COVID-19 pandemic?

There were some obvious negative impacts, and the best-in-class contractors reacted quickly to increase their ability to continue operating successfully.

JULIAN XAVIER
MANAGING PRINCIPAL OF CONSTRUCTION
CLA

What are the biggest lessons for construction firms from the Payroll Protection Program?

The importance of documenting how the construction firm was eligible for the PPP loan, as well as maintaining and tracking how the funds were used, were top concerns.

KEVIN L. BRANNER
PRINCIPAL
YHB | CPAs & Consultants

Why should construction businesses instantaneously transform field operations data into accounting data?

Construction businesses require specialized software to produce cost and financial reporting the moment they are required to maximize profits and equity.

NEIL ASHIZAWA
CHIEF PRODUCT OFFICER
Jonas Construction Software

How should recipients of a Payroll Protection Program loan navigate the Employee Retention Credit?

Any wages for an employee that are in excess of the PPP wage limit can be used for ERC purposes. There is an interplay between the two programs in order to achieve the greatest combined benefit.

PHILLIP ROSS
PARTNER
Anchin

In your experience, what are the biggest mistakes that construction firms make when facing a crisis like the pandemic?

Many of my clients learned valuable lessons from missteps and actions that were taken or not taken in 2008.

JON ZEILER
MANAGING PARTNER OF REAL ESTATE & CONSTRUCTION
Crowe LLP

The ability to deliver documents electronically to your employees can be achieved rapidly with minimal internal IT commitments and in a budget-neutral manner.

KEELY WUERTZ
SAAS EXECUTIVE CONSULTANT
National Payment Corporation (NatPay)

We see some that make knee-jerk reactions and overreact to a situation, as well as some that take the approach that everything will be okay and are not prepared.

ADAM TILLMAN
SHAREHOLDER AND MARKET LEADER
BerganKDV

A big mistake is to take work for the sake of getting a win and keeping your people busy.

CARL OLIVERI
PARTNER, CONSTRUCTION PRACTICE LEADER
Grassi Advisors & Accountants

A crisis can illustrate how ready your leadership team is for the next step—whether it's growth, a leadership change or an ownership change. Are they ready to take over?

SHANE BROWN
PARTNER, CONSTRUCTION AND REAL ESTATE INDUSTRY GROUP LEADER
Plante Moran

Companies that were able to stop, analyze the situation, determine headcount and establish how to move forward were the most successful.

ELAINE ERVIN
PARTNER, CONSTRUCTION NATIONAL PRACTICE LEADER
Moss Adams

EXECUTIVE**INSIGHTS**

What are your recommended best practices for managing prompt payment?

Moving forward, we expect that contractors will continue to invest in process automation as a critical component of their best practices.

BASSEM HAMDY
CEO/CO-FOUNDER
Briq

General contractors risk having to pay subcontractors and suppliers prior to payment receipt if invoice approval is not timely.

LINDA L. ROBERTS
PRINCIPAL
BerryDunn

Technology eliminates paper-based workflows, manual processes and double-entry accounting practices, saving time and money.

MIKE MILLIGAN
HEAD OF GLOBAL MARKETING AND STRATEGIC PARTNERSHIPS
Zuuse

A project office, if properly designed, detects cost overruns, out-of-scope identification for timely change order documentation, along with accurate and timely billings.

KEN HEDLUND
PRINCIPAL
Somerset CPAs and Advisors

What are your best practices for managing prompt payment? (con't)

Payment receipt integration is key; it accelerates cash flow and cash flow visibility, speeds payments, automates manual coding and reduces manual steps.

RICK JANES
SENIOR DIRECTOR, EVPAY
EleVia Software

How should construction firms prepare for a potential audit of Payroll Protection Program loans?

While little is known about this audit process, it is certain that applicants will be required to provide loan documentation including strategic plans and financial records.

TODD A. FEUERMAN
DIRECTOR
Ellin & Tucker

We recommend clients put a narrative together in order to be able to easily refresh their minds regarding their thought process when they applied for the PPP loan.

JOHN GALLO
PRINCIPAL
UHY LLP

The company should maintain documentation of all amounts spent on eligible payroll and non-payroll costs.

JOSEPH NATARELLI
NATIONAL CONSTRUCTION SERVICES LEADER
Marcum LLP

How should a construction firm approach building and protecting its creditworthiness?

Pay on time all the time! This is the number-one rule in any credit situation.

MICHAEL B. CESCHINI
MANAGING MEMBER
Ceschini PLLC

Build and protect your creditworthiness through regular, regimented actions.

TIM CUMMINS
LEAD PARTNER, CONSTRUCTION AND REAL ESTATE
Aronson LLC

What trends have you seen in contractors' abilities to obtain insurance and surety bonding?

Contractors must be able to report this information on a consistently accurate basis in order to provide assurance as to the past, present and future financial health of the company.

MARSHALL SHEPHERD
PARTNER
Melton & Melton, LLP

Read all the insights these leaders have to share at ConstructionExec.com/ExecutiveInsights

Maximize Cash Flow With ACH, Payment Automation and Clean Operations

BY JEFF CARSON

Cash flow is the lifeblood of any business. As such, the process of collecting and managing cash is defined as "cash management"—and it is a critical component of a company's overall financial health. While it may seem basic, many companies do not have this fundamental cash management strategy in place—or they do not revisit and revise their strategy on a regular basis.

Here are three tactical steps contractors can take to boost cash flow.

1. Use Technology to Your Advantage

Remote deposit allows contractors to scan and transmit checks digitally, and it requires only a mobile device or a check-scanning device a bank can provide. This speeds up deposit availability and eliminates transportation costs and time.

Automating the payables process can reduce contractors' accounts payable and payments process by up to 60%, protect them from fraud, improve control of managing invoices and save the finance/accounting team valuable time.

Use a lockbox service to reduce the time and expense of collecting payments through a fully imaged portal that provides online access to checks and remittance data. This automated processing helps reduce errors, improves productivity and makes it easier to reconcile by importing payment and invoice details into the system. Lockboxes allow accounts receivable and other incoming payments to be processed remotely. The bank handles everything, meaning the mail comes to a P.O. box, is picked up by a courier and then deposited into the account.

Go paperless with an electronic collection system. An automated clearinghouse (ACH) lets contractors transfer money and collect and make electronic payments without checks, cash or a credit card network. Often used for direct deposit of employee wages, ACH also provides payments to vendors and other money movements, even on a same-day basis if needed.

2. Make Extended Payment Terms Work

For some industries, extending payment terms is not a new phenomenon. But with the financial challenges created by the coronavirus pandemic, extending payment terms is becoming more of the norm—and the impact is serious. Waiting longer for payments can strain operational costs, reduce investment in other areas of a business and make paying vendors more difficult.

To lengthen payables, don't pay bills earlier than they are due. Automating payables allows contractors to make payments on their due date, not before. Conversely, incentivize customers to pay as quickly as possible. For example, some companies offer favorable pricing or a discount for paying in 15 days. A combination of these two strategies will help contractors' cash position.

An efficient merchant payment processing program can also help improve cash flow, reduce operating costs and minimize fraud risk. Merchant processing allows contractors to accept payments from all major card brands, including cards stored in mobile wallets. If contractors already accept card payments, it may make sense to review the program for costs, fees and service levels.

3. Get Rid of Profit Busters

Regardless of how lean a contractor runs, every organization has profit busters that negatively impact the bottom line. Here are some of the most common—and what contractors can do to minimize their impact.

Operational inefficiencies are common. From employee onboarding to collection procedures to insourcing versus outsourcing, contractors must be sure they regularly review processes and procedures to eliminate waste. A great way to ensure this happens is to assemble an advisory team to help pinpoint opportunities. That team may consist of an accountant, banker, lawyer and other trusted advisors who can take a more objective, third-party look at operations.

With tax laws and your business situation changing regularly, be sure to review tax strategies at least yearly—but ideally twice a year. At the state and local levels, explore tax credit opportunities, including renewable energy and historic preservation.

Small and mid-sized businesses are particularly vulnerable to fraud because they are less likely to implement anti-fraud controls. Coronavirus-related programs and payments, in particular, brought out the fraudsters with new and creative tactics to make companies part with money. To help ensure contractors don't fall victim to fraud, they should consider options such as ACH debit block and debit filters, dual authorization and payee positive pay, which matches the check number, dollar amount and payee on checks against a list of checks previously issued by the company.

Companies often fall victim to business email compromises, so be especially vigilant about fraudsters compromising or mimicking emails associated with employees, vendors or clients, and using that email to request a fraudulent wire or ACH. In some cases, the fraudster will use an email address that closely resembles an employee or vendor email address.

Every client service organization has unprofitable—or less profitable—clients. Explore whether it is something the company can fix. For example, is the contractor simply overinvesting time? If the situation does not seem fixable, there are options, including firmly renegotiating terms, pricing the clients out or referring them to a more suitable partner.

In efforts to provide programs, seminars, tools and training, be sure to not burden the sales team. Best practices include focusing on behaviors and outcomes, not reports—eliminating redundancies like multiple versions of the same presentation, automating things like lead distribution and reporting, and creating a strong partnership with marketing. Looking for other ways to help your sales team be more efficient? Ask them!

There is no question that the time cost associated with employee turnover dings profitability. The time it takes to find, hire and train new staff may not be something contractors have factored into the profitability equation, but a study by the Society for Human Resource Management found that employers can spend the equivalent of six to nine months of an employee's salary to find and train their replacement. On an upcoming hire, consider tracking actual time spent to help understand the true cost of turnover.

Avoid the temptation to cut marketing spend. Since marketing is the lifeblood of business development, focus instead on inefficient marketing that may be impacting the bottom line. The best way to ensure marketing efforts are paying off is to tie the tactics to lead generation. When marketing value is questioned, it is typically because the cost cannot be directly tied to the outcome.

One caveat: Marketing tactics that create awareness and goodwill are important, even if measuring their value is more complicated. CE

Jeff Carson is president of the Kansas City Region Enterprise Bank & Trust. For more information, visit enterprisebank.com.

Construction Execs' Succession Plans Uncertain Due to Market Conditions

BY BRIAN BOHMAN AND PAUL LALLY

Wipfli LLP, an accounting and business consulting firm, recently completed a survey of nearly 400 construction company owners and C-suite executives that asked respondents about their top internal and external business concerns, their recent business valuation and transition planning activities, the impact of the COVID-19 pandemic and more—and it provoked interesting conclusions.

Significantly, 73% of respondents had their construction business professionally valued in the last three years, and 68% have a documented and actionable succession plan. Yet 66% listed ownership and management succession planning as a top internal business concern. How could this be?

Well, it makes more sense when one considers that 83% also said the pandemic has changed either their business transition plan, their timeline or both.

Many owners have been through disruptive events over the past two decades, including the 2008-2009 Great Recession. The pandemic has served as another reminder that most of their net worth is tied up in their businesses. While the industry has seen 13 years of growth, everyone knows that past performance never guarantees future success.

> That's a total of 81% of construction businesses looking to transition ownership within the next 10 years.

In fact, 73% of survey respondents listed market conditions as a top external business concern. It was the No. 1 concern in the survey, even above profitability. Owners are starting to consider how they can maximize the value of their businesses now so they can properly bequeath them to successors while ensuring they maintain their current lifestyles in retirement.

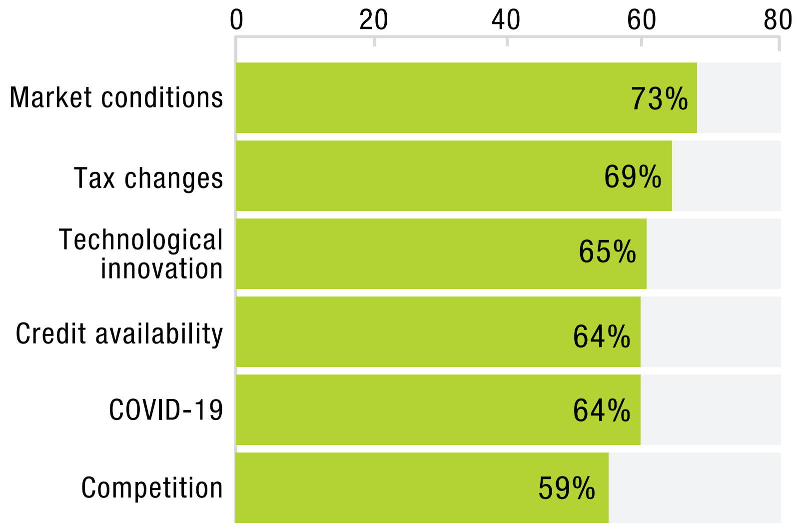
The transition is looming for many. The survey found that 15% of owners want to transition their ownership in the next one to two years, 33% want to transition in three to five years, and another 33% want to transition in five to 10 years. That's a total of 81% of construction businesses looking to transition ownership within the next 10 years.

For many, it won't be easy. Gone are the days when company owners could anticipate transitioning their business to their adult children. Now, many have to look internally at key employees or existing partners. For an industry that struggles with attracting and retaining young talent, that's a huge concern.

Not only do owners have to identify how best to determine and maintain transferable business value, but also they must properly motivate, incentivize and develop key employees who may be a future part of a transition plan.

Throw potential tax changes into the mix, too. Nearly 70% of respondents are concerned about tax change, which includes an uptick in business valuations and clients looking to have conversations about the estate tax exemption, capital gains tax and other key estate

TOP EXTERNAL BUSINESS CONCERNS



planning and tax planning considerations. Contractors are learning about their options and developing plans for how to tackle what may or may not happen during the current administration's time in office.

Executives should consider five key pieces of advice:

1. Be Proactive and Understand the Options

Being proactive is extremely helpful. Waiting too long to develop an actionable succession plan eliminates previously viable options. It also makes it more difficult to build transferable business value in time for a sale to a third party or even an internal transition.

Understanding options also reveals alternatives, such as gifting the business to the next generation, maintaining ownership into retirement while relying on key employees to manage the business, or transitioning the business to an employee stock ownership plan structure. Once contractors understand the options, as well as the pros and cons unique to their situations, they can start to make decisions and develop a viable succession plan.

2. Understand What Builds Value

Transferable businesses are stable, sustainable and profitable. They can continue to function even if something unexpected were to happen to the owner. The more crucial the owner is to the day-to-day operations of the business and its key relationships, the less the business is worth. The lack of robust management or key employees in development can decrease value. Even something like a lack of modern technology or the presence of outdated technology can decrease value.

In this way, the value of a business can be a great indicator of the business's overall health.

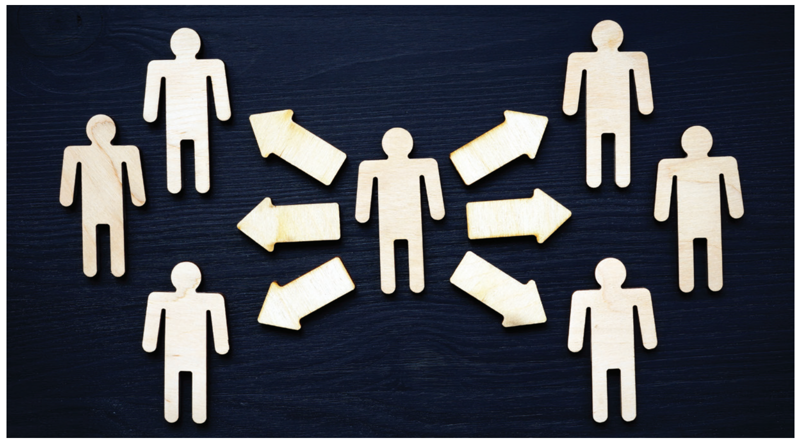
3. Embed Succession Into Strategic Planning

A good strategic plan factors in internal and external pressures. Like using GPS in daily life, a good strategic plan provides a road map to arrive at the desired destination, and it builds in contingencies in case one gets lost or detoured along the journey. Building succession into the strategic plan helps ensure the succession is viable and actionable to ensure the business minimizes its operational disruption—and that it's actively being worked toward.

A big blind spot for owners is planning for the unexpected. Succession planning should take into account what would happen if the owner had to be hospitalized for a long period of time or even passed away unexpectedly. Who would take over, and would they be prepared? How are outside relationships going to view the viability of the company afterward? Would major customers leave for a competitor?

4. Develop and Retain Key Employees

Think of transition planning as not just succession of ownership but also leadership development. Employees are the future of the business. They are what makes it successful. Every contractor seems to have those one or two project managers who turn everything they touch into a profitable project. The focus should be on how to further develop them into future leaders and incentivize them to stay.



Owners should recognize, too, that the way they did business isn't necessarily going to be the same way their successor does business. Baby boomers, Gen Xers and millennials all have different workplace styles. While future leaders should be mentored by older, experienced managers, they should also be allowed to utilize their strengths—one of which is likely an enhanced ability to usher the company into the digital age.

With 66% of survey respondents listing technological innovation as a top concern, it's important to consider transitioning leadership to someone who demonstrates digital know-how, or at least the capacity to learn.

5. Don't Confuse Succession With Exiting the Business

Lastly, don't confuse succession with exiting. Many owners have mentored a key employee, promoted that person to president and stayed on as the owner to keep the business and its relationships stable until they feel comfortable fully retiring.

> *The more crucial the owner is to the day-to-day operations of the business and its key relationships, the less the business is worth.*

A hard and fast exit doesn't have to be the only option, and many owners are realizing that. In the survey, 30% of respondents indicated they want to transition ownership but remain active in the business for varied periods of time afterward, and 7% want to decrease their activity while remaining the owner.

Successful business transitions are proactive ones. Securing value for an owner's life's work while also ensuring it perpetuates long after they retire requires planning ahead.

Only 36% of construction executives are completely satisfied with the amount of time their company spends on ownership and management. Diving into best practices can help owners jump-start their transition planning, increase business value and gain greater peace of mind that they're on track to meet their financial and personal goals.

Want to view the full Wipfli construction owner survey results? Visit wipfli.com/CRE to access the report. CE

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Is the Employee Retention Tax Credit a Windfall or a Nonstarter?

BY ALEX H. GLASER AND CURTIS R. HEARN

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act of March 2020 included an important but often-underutilized feature: the employee retention tax credit (ERTC). The ERTC allowed eligible employers across industries to earn a refundable tax credit for wages paid to employees during periods in which the employer's business was subject to a suspension, a shutdown or a significant decline in revenues.

While many large companies took advantage of the ERTC, the tax credit was not generally used by employers with fewer than 500 employees. A primary reason for this was quite straightforward: Employers that borrowed funds using Paycheck Protection Program (PPP) loans could not take advantage of the credit.

> *Despite the now-expanded availability of the ERTC, many eligible employers still have not taken advantage of the credit.*

To expand eligibility for the ERTC, Congress included several key provisions in the Consolidated Appropriations Act (CAA) and the American Rescue Plan, both of which were recently signed into law. These provisions permitted employers with PPP loans to take advantage of the ERTC, increased the amount of the available tax credit and allowed employers to obtain the credit for qualifying wages paid from March 2020 through December 2021.

Despite the now-expanded availability of the ERTC, many otherwise-eligible employers still have not taken advantage of the credit. This is due, in no small part, to the fact that many companies—inundated as they are by reopening issues, vaccine testing and ongoing PPP administration—appear to continue to be unaware that, under the CAA, they may now qualify for the ERTC.

For the construction industry in particular, the situation is even more complex. The cyclical nature of construction activity,

> *Contractors need a sense of how much the tax credit may be worth to them, as well as how to identify issues that may need further analysis.*

the closures of worksites during the COVID-19 pandemic, the relatively high use of contract or temporary labor, and other industry-specific issues make it difficult to determine whether an employer is eligible for the tax credit and, if so, what wages are covered for the purposes of claiming the credit.

Commercial and industrial construction company owners, executives and other professionals need to better understand whether they may qualify for the ERTC. They also need a sense of how much the tax credit may be worth to them, as well as how to identify issues that may need further analysis before deciding whether to use the credit at all.

Which Employers Qualify?

Under the CAA's expanded eligibility, employers qualify for the ERTC for one of two reasons:

1. The employer's business was "fully or partially suspended" due to a government order.
2. The employer experienced a significant decline in gross receipts.

A **suspension of business** means that an employer's operations have been, or continue to be, partly or entirely limited because of a government order that affects commerce or travel. Activities affected by such orders span the range of the spectrum. For the construction industry, and depending on the jurisdiction and type of project, certain contractors have had no option other than to reduce the number of on-site workers—or to shut down altogether.

A **significant decline in gross receipts** means that an employer experienced a decline of at least 20% in gross receipts during a calendar quarter in 2021 compared with the same calendar quarter in 2019. For calendar quarters in 2021, an employer may also choose to use the immediately preceding calendar quarter and compare gross receipts with the same quarter during 2019 to determine whether the employer qualifies. For example, to determine eligibility for the tax credit during Q1 of 2021, an employer could compare Q4 of 2020 with Q4 of 2019.

For wages paid during 2020, the required decline in gross receipts is a bit more steep: The reduction in receipts must be 50% or more for a calendar quarter in 2020 compared with the same quarter in 2019. Any employer that, prior to the passage of the CAA, was not eligible to claim the credit due to having received PPP funds may now retroactively take a tax credit for calendar quarters during 2020 if it meets this standard of decline in gross receipts.

The CAA also includes additional thresholds that determine the types of wages paid for which an employer can claim the ERTC. For calendar year 2020, employers with more than 100 employees can only claim credit for wages paid to employees who were not actively providing services (e.g., were furloughed). For 2021, this threshold number was increased to 500 employees. This means that for employers with fewer than 100 or 500 employees, a credit may be claimed for all wages paid to employees, regardless of whether the employees were furloughed.

What Is the Value of the ERTC?

For quarters beginning on or after Jan. 1, 2021, the amount of the tax credit available is 70% of "qualified wages" (cash compensation plus qualified health plan expenses) paid through June 30, 2021, up to a limit of $10,000 in qualified wages for each employee (or a maximum tax credit of up to $7,000 per employee per

> *"A key consideration will be tying the reduction in revenues to a reduction in activity occasioned by the pandemic.*

quarter, or $14,000 per employee for the first two quarters of 2021).

This figure is more generous than the tax credit available during 2020, which was 50% of qualified wages paid per employee for all quarters (in other words, up to $5,000 per employee).

How Does an Employer Claim the Tax Credit?

Employers claim the credit by offsetting applicable employment tax withholdings to the IRS. In connection with the direct offset, an employer reports total qualified wages on IRS Form 941, Employer's Quarterly Federal Tax Return, which has been amended to include reporting of employee retention tax credits.

Special Considerations for Construction Employers

Employers in the construction industry will need to examine their unique situations carefully before determining whether to claim the ERTC. A significant issue is the definition of a full or partial suspension of operations. The number of employees on a worksite or actively providing services in support of a project can often vary considerably from day

to day, week to week and month to month, depending on the stage of construction.

Employers that believe they qualify for the ERTC due to government orders that suspended their operations must be prepared to connect such reduced employment levels to specific directives.

Likewise, the level of gross receipts—if used as the basis for claiming the ERTC—may be difficult to demonstrate if payments received in quarters for which the credit is being claimed (e.g., all of 2020 and the first half of 2021) and the comparison quarters in 2019 were somewhat variable or erratic.

This may be particularly true for construction companies, where payments are often tied to completion of specific stages of a project or may be delayed—or accelerated—for reasons independent of the COVID-19 crisis.

Again, a key consideration will be tying the reduction in revenues to a reduction in activity occasioned by the onset of the pandemic.

The manner in which construction companies hire, deploy, lay off or furlough employees—before, during and as the nation moves out of the pandemic—may also pose administrative burdens that make it difficult to determine the amount of the "qualified wages" paid to employees and used as the basis for the claimed tax credit.

These issues should not necessarily discourage construction companies from investigating whether to claim the ERTC, particularly given the expansion of eligibility under the CAA. However, they do point to the importance of seeking qualified counsel to help determine whether—and to what degree—it may be financially wise to pursue this tax credit. CE

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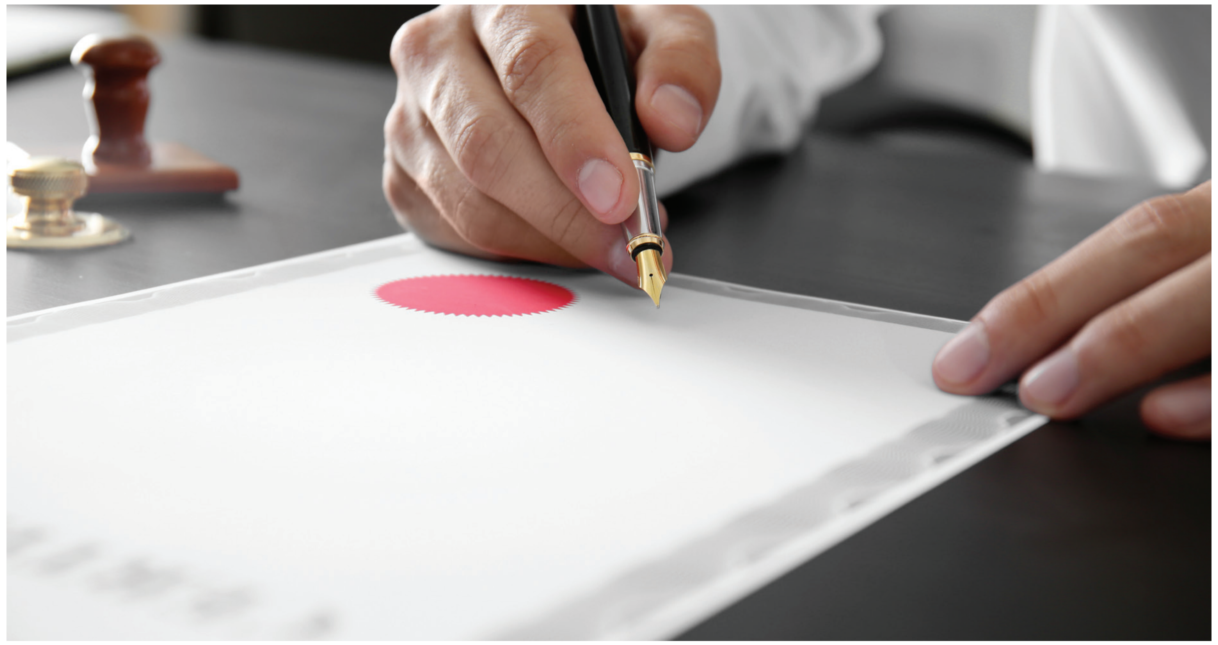

Increase Construction Marketability of Accounting Firms With Certification

BY JAY MONTALBANO

When a firm is looking for a market differentiator, certification is one that pays off in many ways. Finance employees who work in construction practice groups should become Certified Construction Industry Financial Professionals (CCIFP). Certification adds marketability to accounting firms and helps the team to be better equipped to serve construction clients.

Establish the Depth of Employee Experience
The CCIFP certification covers a robust set of knowledge domains that touch many parts of the construction financial sector, such as income recognition, budgeting and planning, as well as risk management. Obtaining such a certification reassures clients that a firm's employees have a depth of knowledge in every aspect of their job.

Demonstrate the Standards to Which Employees Are Held
Having CCIFPs on staff offers clients an added layer of assurance that their project team is professional, ethical and has met a nationally accredited standard.

> *"The certification covers a robust set of knowledge domains that touch many parts of the construction financial sector.*

It provides peace of mind that the project's finances are being managed effectively and efficiently by a certified professional.

Show Bench Strength
Gone are the days when accountants focused solely on the numbers. Today's construction accounting professionals are involved in every aspect of financial and operations management. A conventional accountant has little to no experience dealing with work-in-progress schedules, complex revenue recognition rules specific to construction, certified payrolls, sureties and risk management, workers' compensation and more. Construction accounting is truly unique and has different standards related to revenue, expenses and gross profit recognition.

Having the CCIFP designation helps demonstrate to clients that the team understands their financial needs. It also equips employees to look at the client company as a whole and focus on other areas of the client's business, which helps the firm serve its clients more completely, have richer conversations and strengthen its relationships.

Showcase Dedication to the Industry
When responding to requests for proposals and meeting new

clients, spotlighting the CCIFPs throughout the firm shows its dedication to working with construction industry clients. Clients often find value in seeing that a firm has invested time and resources into learning as much as they possibly can. The CCIFP designation shows that a firm believes in the value of its employees and its commitment to the construction industry.

Boost Employee Satisfaction
Certification underscores that employees meet set national standards, which can help identify potential hires and motivate current employees to continue working at the top of their game. This helps to broaden an organization's reach while also building credibility for the firm. By investing in certification for the team, the firm is supporting its staff's professional skill and career development. This not only increases the job performance of individuals but also their loyalty to the organization and stability for clients, which helps the firm win and retain clients. Plus, certified professionals tend to solve complex problems more efficiently and effectively, allowing the firm to bill services at premium rates.

> *"Clients often find value in seeing that a firm has invested time and resources into learning as much as they possibly can.*

Underscore That the Team Is Current
CCIFPs are required to submit continuing education credits to maintain their certification. Most CCIFPs regularly attend annual conferences and workshops that offer topics focused on tax and legal updates, which assures clients that the team's knowledge is up to date.

Certification goes well beyond helping a firm win a coveted spot on industry lists. It is a competitive advantage that underscores the firm's unique and advanced skill set and in-depth technical know-how in construction finance. This one investment pays dividends in many ways. Firms should define their advantage and learn more about the CCIFP certification at cfma.org/ccifp. CE

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Overcome Troublesome Time-Tracking Challenges

BY JACQUELYN GRINDER

Tracking time might not seem like the most vital administrative task, but for construction companies that do prevailing wage work, it is difficult and critical. Although it might seem to be fairly straightforward to capture hours worked and issue paychecks, many things can go wrong.

By using the following strategies, construction companies can identify and overcome their most troublesome time-tracking challenges.

Tracking Work Classifications

There is a lot going on at the jobsite, so changing work classifications on the go often gets overlooked. The problem is that work classifications are directly tied to prevailing wage rates. When a worker changes from task to task in the field, it must be tracked so that wage determinations can be correctly assigned. Any mistake at this point will lead to additional payroll mistakes and leave you out of compliance with prevailing wage laws.

Inaccurate Time Tracking

Accurate time tracking is directly tied to profit for every business, but for construction companies it is even more critical. Having a clear understanding of the labor costs involved in completing tasks and projects is key to creating competitive bids. For this reason, every hour needs to be correctly tracked in accordance with the task being done. It must also be attributed to the project being worked on to get a complete picture of the true labor costs involved.

Wage Determination Errors

Wage determinations set the hourly wage and fringe benefit rate for every classification of laborer and mechanic. These rates apply to federally funded prevailing wage jobs, and they come from wage surveys conducted by the Department of Labor. Some states have similar laws in place and publish their own wage determinations that apply to state-funded jobs.

Selecting the wrong wage determination for the work being performed is easy to do, but it leads to significant errors throughout the entire payroll process.

Accountability Problems

Forgetting to clock in and out, "buddy" punches and off-site punches are common problems faced by construction companies. This issue can take a big toll on the overall accuracy and efficiency of payroll processes. Unfortunately, they can also bite into profit and impact the accuracy of bids.

When dealing with prevailing wage jobs, the problem is compounded because it's a compliance issue that requires correcting both payroll and reporting.

Manual Process-Related Errors

Manual processes, such as keeping track of hours with handwritten timecards, frequently leads to mistakes. These errors can be difficult to catch and time consuming to correct. Unfortunately, many construction companies still rely heavily on manual processes for tasks like tracking hours from the field or moving information between timecards and their payroll system.

Construction companies can take steps to reduce miscalculations in their payroll processes.

Solidify the payroll processes: Without a solid payroll process in place, errors are far more likely to occur and go unchecked. Be sure to include every step required to complete payroll, including a timeline for submitting hours and a process for verifying time, as well as double-checking work classifications and wage determinations. To make sure everything stays on track, formalize the processes with an official checklist and have everyone mark off tasks as they are completed.

> *Accurate time tracking is directly tied to profit for every business, but for construction companies it is even more critical.*

Reduce manual processes: Removing manual steps in the payroll process is critical for reducing errors. There are a few easy ways to do this, starting with moving to digital time tracking. Look for a system that makes it easy for workers to capture hours digitally and feeds directly into the payroll system or provides an export. This single change will remove several manual steps, reduce data entry mistakes and improve the accuracy of payroll.

Prioritize training: Do workers in the field understand the importance of tracking changing roles? Does everyone on the administration team understand where to find and how to verify wage determinations? No matter how experienced the team, it is important to make continuing education a priority. This can be as easy as sharing articles about prevailing wages, watching webinars and sending reminders to everyone about best practices.

Payroll mistakes affect the welfare of workers, but they also undermine business profits and can create legal problems. While it is not possible to completely eliminate them, by utilizing these strategies, companies can greatly reduce mistakes and feel more confident in their payroll and reporting processes.

Jacquelyn Grinder is a content and marketing specialist for eBacon, a prevailing wage software company. For more information, visit eBacon.com.