

Best Practices in Monthly Job Reviews



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Today's Speaker:

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Teeing Up the Presentation:

- **Today's Theme**
- **Process**
- **Reports**
- **Meetings**
- **Project Manager Training**
- **Questions & Discussion**



Today's Theme: Facts

- **Job profit/loss is the primary determinant of a construction company's profitability.**
- **49% of contractor failures are attributed to a limited number of loss jobs. This is particularly true for small to midsize contractors.**
- **Every company will have loss jobs. Early detection is critical to mitigation.**
- **There is job profit upside potential if actively managed.**



Today's Theme

Timely and Accurate Monthly Job Reviews are critical to maintaining a Construction Company's Profitability!



Monthly Process

Objective:

Monthly issuance of an accurate W-I-P

Timely issuance of financials every month is a priority!



Monthly Process

- **Close the General Ledger/Job Cost System**
- **PM's prepare individual Job Cost Reports (JCR/PCR)**
- **Preliminary WIP is prepared, reviewed and distributed to Management and each PM for their jobs**
- **Monthly job review meetings**
- **WIP finalized, reviewed and distributed**
- **P&L prepared, reviewed and distributed**



Report Package for Each Job

- **Summary Sheet**
- **Contract Extract**
- **Job Cost Report**
- **Change Order Log**



Report Package: Summary Sheet

- **Job Number**
- **Project Name**
- **Project Owner**
- **Location**
- **Description of Work**
- **Bonded Yes/No**
- **Liquidated Damages Yes/No**
- **Contract Type**
- **Job Profit Trend**



Report Package: Contract Extract

Attached to first report and carried forward

Should Include

Exact name of contracting party

Savings split for GMP contracts

Indemnification Clause

Liquidated Damages, if any

Dispute Resolution/ADR

Purpose? (RTFC)



Report Package: Job Cost Report

Should be a standard report from ERP.

If Excel, standardized across PM's

Subcontract Values, including submitted Change Orders, shown as Committed Cost

Moving money from J/C Contingency must be approved by management

At PM level, Unapproved Change Orders cannot be recognized until approved. Management can improve recognition



Report Package: Change Order Log

Change Orders average 14% of contract Value.

Change Order recovery is a Profit opportunity.

Failure to collect an entitled Change Order is an unnecessary Loss



Report Package: Change Order Log

Should be from a standard automated system.

If not automated, a standard format.

Should include:

CO Number

Description of work

Amount

Status

Comments



Monthly Meeting

- **Schedule**
- **Attendees**
- **Discussion Items**
- **Follow-up Actions/Documentation**



Monthly Meeting - Schedule



- **Monthly meeting date based on consistent schedule**
- **Annual schedule of dates issued in early December of preceding year.**
- **Monthly meetings are not optional. Rescheduled as necessary for individual schedules and business needs.**



Monthly Meeting - Attendees

- **Individual Project Managers**
- **COO/Key Operations Executives**
- **CFO & Controller**
- **CEO and Chief Estimator at least Quarterly**
- **Project Manager Group Quarterly**



Job Profit Factors

- **Bid Accuracy**
- **Owner Support/Documents**
- **Productivity on Self-performed work**
- **Materials Prices and Usage**
- **Subcontractor Buys**
- **Subcontractor Performance**
- **Schedule**
- **Change orders**



Monthly Meeting Discussion

- **Discuss Profit Trend, Current Period Change and Over/Under Billings**
- **Review all applicable Job Profit Factors**
- **Review Accounts Receivable collection status**
- **Agree on possible WIP adjustments**
- **Agree on follow-up actions**



Monthly Meeting – Follow-up Actions

- CFO maintain notes on monthly key discussion points
- Clearly identify follow up actions
- Clearly assign each follow up action to an individual
- Discuss follow-up actions at next meeting



Project Manager Training

Key Objectives:

Understand the overall financial reporting process

Understand the importance of their role in the process

Understand Revenue Recognition

Understand Over/Under Billings



Key Take-Aways

- Meetings must be held Monthly
- Must establish a Consistent and Disciplined Process
- Senior Management must be actively engaged

Timely and accurate Monthly Job Reviews are critical to maintaining a Construction Company's Profitability!



Closing Thought

You must perform accurate and timely Monthly Job Profit Reviews!

*“It is not necessary to change.
Survival is not mandatory.”*

W. Edward Deming



Questions:

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