

CFO WEBINAR SERIES · APRIL 22 · 12 PM CT

# Proven SOPs to bill sooner, collect faster, and tighten your entire AR process



YOUR PRESENTERS

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# Three finance practitioners



**Luke Boyenger**

Owner, Cruzumi CFO  
& Advisory



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Former Sub Owner &  
Relationship Manager, Billd



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Former GC & Director  
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## You'll walk away with...

- 1 **Diagnose** – 8 questions and 4 KPIs to evaluate your AR systems
- 2 **Fix** – 4 AR SOPs used by best-in-class subcontractors
- 3 **Solidify** – 3 steps to create a cash-flow-forward culture
- 4 **Q&A** – Submit questions in the chat

# How strong are your AR systems?

## Eliminate unforced errors

### QUESTIONS TO ASK

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- Do you have a contract review process to reduce compliance errors?
- Are you maximizing billing based on payment terms?

### NUMBER TO CHECK

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- What percentage of invoices are accepted on first submission?

## Bill as much as possible, on time

### QUESTIONS TO ASK

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- Is monthly billing a submission of prepared materials — or a paperwork chase-down?
- Do you have consequences for underbilled PMs?
- Do you have incentives for overbilled PMs?

### NUMBERS TO CHECK

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- Are you backdating invoices?
- WIP report — are we overbilled or underbilled? By how much?

# Never let an invoice slip through the cracks

## QUESTIONS TO ASK

- Does one specific person own AR collection for each job?
- Is there an on-paper process for what collection looks like?
- Is there a system to track and document that collection process?

## NUMBER TO CHECK

- Review AR-aged report — how many jobs are aged in each bucket?

30  
days

60  
days

90  
days

120  
days

# 4 AR processes used by best-in-class subcontractors

## Creating contract abstracts

- 1 Within the first 24 hours of contract review, **Project Admin uploads the contract** to CRM + accounting system
- 2 Within the first 24 hours, **Project Admin completes a templated contract abstract**
- 3 **Project Admin sends the contract abstract** to PMs, Executives, and AP/AR
- 4 Within 48 hours, all **team members confirm** they have reviewed
- 5 Upon approval, **Billing Admin drafts the first billing documents per contract** and adds key dates to calendar  
Note: As pay apps are approved, Billing Admin updates the first submission billing approval rate

## A great contract abstract includes:

### OPPORTUNITIES TO FRONTLOAD PAY APPS

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- i Mobilization
- ii Permitting costs
- iii General conditions
- iv Overhead
- v Stored materials

### BILLING REQUIREMENTS

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- i Billing process – due dates and format
- ii Submittal process
- iii Insurance requirements
- iv Certified payroll

## Running a weekly billing process

- 1 Every week, **CFO/Controller + PMs conduct WIP review** to determine over/underbillings  
–Work completed · Percent complete · Billable milestones
- 2 By Day 2 of the cycle, **accounting prepares draft invoices**
- 3 Within 48 hours, **PM approves or revises invoices**
- 4 No later than Day 5, **accounting issues invoices**
- 5 Upon submission, **accounting updates the billing dashboard**  
–Work completed · Invoices issued · Unbilled balance

## Filing pre-liens

- 1 Annually, **AR updates lien deadlines** for every state where you do work
- 2 At contract review, **PM documents pre-lien information**: public vs. private, necessary recipients (GC/ Project Owner/ Property Owner)
- 3 When start date is in place, **PM notifies the AR team** of start date and pre-lien information
- 4 On reception, **AR sets a calendar reminder 10 days after start date**
- 5 10 days after start date, **AR sends pre-liens / uploads project to lien provider**

## Standardized collections and escalations

**Day 3** | Accounting confirms receipt of invoice

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**-5 days** | accounting sends pre-due reminder

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**Due date** | PM contacts customer

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**30 past due** | PM + Controller contact customer

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**60 past due** | Owner + CFO escalate with the customer

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**Weekly** | Accounting updates collection status report · PMs review project AR statuses in a collections meeting

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# **3 steps to create a cash-flow-forward culture**

## STEP 1

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# Set the tone from the top

## THE MINDSET SHIFT

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- We are in the business of generating cash
- The job is not done until cash is collected
- We **celebrate** collecting cash as much as winning jobs

## THE OWNER AND CFO SHOULD BE A BROKEN RECORD ON AR

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- Discussing AR at **weekly production meetings**
- Discussing AR at **quarterly town halls**
- Celebrating collected cash in the office, every day

## STEP 2

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# Get the Owner to buy in

### 1. OUTLINE THEIR GOALS

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Build a high-growth, legacy business?

Pay into their kids' college funds?

Reduce the stress of cash flow?

### 2. TWO CASH FLOW FORECASTS

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**Exhibit A:** "This is what EOY looks like with these changes"

**Exhibit B:** "This is what EOY looks like without these changes"

### 3. CONNECT THE DOTS

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"We can invest in equipment, training, and certifications"

"We can double our growth rate"

"You can take a larger distribution at EOY"

## Make PMs the tip of the spear

LEVEL 1

Update your PMs' job descriptions to include collecting cash

LEVEL 2

Shout out top performers in team-wide meetings

LEVEL 3

Send a biweekly over/underbilled PM leaderboard to create competition

LEVEL 4

Tie PM compensation to overbilling and underbilling

Performance bonuses · Monthly spiffs