

Mike Merrill:

Hello and welcome back to the Mobile Workforce Podcast. I'm your host Mike Merrill and today we are sitting down with Mr. Matt Smith and Dorrie Franzello-Kurtz who are both CPAs with YHB. We have a really nice conversation about being compliance ready all year long and I think you'll really enjoy the conversation today.

Welcome Matt and Dorrie onto the podcast. Excited for the conversation today.

Dorrie Franzello-Kurtz:

Thank you for having us.

Matt Smith:

Excited to be here.

Mike Merrill:

I can tell, I feel it. I'm feeling the vibes. So here at Converge24, you all just presented a session on a rather interesting topic, which is remaining in compliance all year versus last minute.

Oh, got to hurry and get in compliance, right? So we have everything cover our tails here. Tell us about that and why are you advocating for that?

Matt Smith:

Yeah. So I guess I'll step in there, Dorrie. So we come at this presentation with an interesting dynamic because I've spent my career primarily in the assurance space.

So the year end compliance work, audits, reviews, comps. Dorrie, on the other hand, comes at it from the consulting and advisory space and is the one that is kind of out there during the year running into

these issues and see the areas where improvement can be had.

Dorrie Franzello-Kurtz:

And my background comes from being an internal accountant as well, kind of running an accounting system.

So it's a unique perspective that the people, the users that are here have an accounting system and it's really much designed to help them year round, not just, you To do an audit or a tax return at year end. And so it's kind of getting the full value out of their investments.

Matt Smith:

I also think it's worth noting that, you know, construction accounting is unique in that the users of the statements, it's not just banks or financial institutions.

It's also bonding agents, surety underwriters, and these users need these statements throughout the year, not just at year end. So that whole concept of how do we advise our clients to be compliance ready year round. Not just at your end.

Mike Merrill:

Okay. When you reference the construction circle, what does that mean and how does that come into play here?

Matt Smith:

Yeah. Great question. So that's, admittedly I'll give a sick pack a plug here. That's a construction industry, CPAs and consultants.

Mike Merrill:

I just had them on the podcast before you.

Matt Smith:

Did you really, that was Kathleen Baldwin. That's great.

Mike Merrill:

Yeah. Kathleen was great. It was fun. Just she's super, super skilled in that area.

Matt Smith:

She is. And of course she came from industry as well. So it comes with a very experienced background now as the executive director. Um, that's a presentation, uh, that I took over years ago from my mentor, Kevin Branner and Bob Beal with GBQ partners. And it just really continues to resonate is that a lot of these construction firms, they think about going from estimating the contract, moving into the construction phase, information gets fed to accounting, and then accounting feeds information back to the wrap up stage where you evaluate the job.

And that's a construction, um, you know, that's a very linear process. A communication cycle and the thought is make it a circle and that all departments should be interacting and discussing all of these aspects with each other throughout the entire construction cycle in order to ensure that project is successful.

Estimating should be talking with accounting, not just construction. Construction should be talking during the wrap up stage or feeding information back to estimating so that they can revise their estimates based on information they've learned from the history of those projects. So just speaking to kind of the interconnected communication and collaboration that needs to occur for the best and best in class contractors that we run into.

Mike Merrill:

Yeah, not the idea of a wheel. I like that too, because there's always another project waiting to start. It's there's really no pause, right? Like you're not, okay, let's regroup everybody. We're going to start a new job next month. I mean, your hair's on fire.

You're lucky to, you know, take a bathroom break, grab some lunch, right?

Matt Smith:

And if you don't take that information, even if you're mid cycle on a troubled project, there is so much information to pull out of that, to feedback, to estimating that's currently to your point bidding on new projects, right? So that constant communication flow is critical.

Dorrie Franzello-Kurtz:

And what was interesting is we did a poll, live polls during the presentation, right? And so we're like, well, who like, you know, gives you the most trouble with the communication, right? And it's the construction. It's the people in the field that are doing the producing, and they don't necessarily, I don't think, see the impact that they have on the full cycle because they're not in the office.

They're kind of removed from the cycle as far as like direct contact. So it was kind of enlightening. I mean, we know that because we deal with it every day, but to kind of see the people in the room respond to that was interesting.

Mike Merrill:

Yeah, interesting to validate. Well, that, so in construction, we know obviously the contract schedule is a little unique from other industries.

What can you tell us about that and why is it important to deal with it uniquely?

Dorrie Franzello-Kurtz:

So I think that we always talk about four components that go into that contract schedule, right? There's the contract with the customer and the amount that you're going to get paid. Right. Then the estimating department has said, here's what we think we're going to spend on it.

So that's pretty much the biggest...

Matt Smith:

Variable.

Dorrie Franzello-Kurtz:

Exactly. Right. It's the number that can change the most. And then there's two numbers, like, what did you bill the customer? And what costs have you actually incurred and paid for? And those four things factor into that to kind of tell you where you're at.

In relation to revenue recognition and how the company is truly doing because when you receive cost from vendors isn't necessarily when you're going to bill that's right and so forth, right? So we need to be able to use those components But there's change orders that happen throughout the cycle that are in the field.

Sure We'll add xyz to it, but it doesn't make it back again in that case Circle to the accounting department. So, you know, the accounting department isn't aware, that they need to be billed or that they need to be factored into that. And those calculations from that schedule go into the financial statements, which affect the bottom line.

Right. And so all of those things are kind of giving you the health of the company, kind of where, you know, things stand and so forth. So.

Matt Smith:

And we had a really neat tagline. For that part of the presentation, kind of the demystification, right? I mean, the contract schedule is looked at as this, like, Herculean task at a lot of construction firms, right?

Right. When really, when you boil it down back to, it's the four components, and three of them are accounting facts. Cost to date, billings to date, In the contract value. Now, given there's a new standard, REVREC standard has been out for a couple of years, transaction price over contract value, completely understood.

Let's leave that, that's a podcast for another day. Uh, but three of them are accounting facts. One of them is that big variable, which is the estimate, which creates a lot of the need for that again, cross collaboration

and communication. That was a big theme of today's presentation. So.

Mike Merrill:

Interesting. Yeah. And the other thing too, that I think of, it's just like any investment. I mean, you don't, you don't want to be sitting on your cash too long either. You want to put it back to work. So you don't want to draw a pile of cash early and pay interest on it. If you're not, if you don't place to put it right.

So the flow of that billing versus when you're making payments and that process needs to have a nice, you don't want to be overdrawn. I mean, there's really a fine line you want to try and balance that tight rope walk to make sure. You're not over under.

Matt Smith:

Well, I mean, you bring up an interesting point as you talk about cash, right?

Because again, with this industry, as you know, I mean, cash, you know, the old adage, cash is king. It's so critical. And without having sound internal, again, I'm stealing her fire from the cash side, but sound internal process policy. Monthly close process. I mean, how do you, how do you know where your cash is at?

Dorrie Franzello-Kurtz:

But it's also interesting. Matt brought up a point today and discussed about job borrow, right? So a lot of times we try to overbill and we overbill ahead of our profit, right? And so it's fine if the cash is in the bank if the receivables are there, but if you're spending it And you're not aware of the impact of it.

Right? And so typically what happens, and we talked about this as well, a lot of companies fail in times of growth because they become over leveraged, they're spending money, and they're looking at what they're aware of, right? The owners of the company, the project managers, the What do I have to bill and who do I have to pay?

But there's so many other aspects of that as far as the timing of all of those things happening as well, that you have to kind of be cognizant of. And, you know, again, if

you're investing in the appropriate, um, software and you have the users that can utilize it, then you should be able to get this information to provide management decisions.

On a timely basis.

Matt Smith:

And that wasn't the kind of, um, part of the presentation today is we were able to pull some slides door. You know, we obviously have a ton of clients that are on the Foundation platform. Yeah, and we were able to pull in some neat visuals and stuff to bring some of these things to life, you know, that look, your program that this conference is based around, right?

You all have access to this. So given we probably were sitting in a room of obviously very talented people, Smart people sure. A lot of them probably are fully utilizing it. Yeah, but we just hoped there were a few that maybe had some of those takeaways of, Oh, I'm going to lean more into my system moving forward.

I understand what they're saying. They painted a different picture that maybe I've understood it before. And we discussed, you know, what would we consider a win out of this presentation? And it was. You know, leaning into your technology more after you hear this, um, pausing the next time that someone asks you for your internal statements, if you all pause and say, Oh, remember what Matt and Dorrie said?

Once they see it, they can't unsee it. That's what her famous saying. Exactly. Right. Then that was a success today.

Mike Merrill:

That's cool. Yeah. So you mentioned a word. I haven't really heard termed that way. And maybe it's just me. I was a general contractor for about a decade before I helped start this software company.

So I've come from that world. But, you call it job borrow. I mean, is that a PC way of saying robbing Peter to pay Paul? Exactly what it is. I

Matt Smith:

May have actually said that even during the presentation. That's the way

Mike Merrill:

We always said it, but I don't, you know, it's all kind of comes out the same in the wash, right?

Matt Smith:

It's okay though, right? Because we discussed that also in this industry, if you have the cash to cover it,

Mike Merrill:

you're using your pool of cash that's allocated from doing projects, but yeah, you got to be careful, right?

Matt Smith:

You know, retention is, let's be honest. Sometimes it's a form of finding you financing the project for the owner for the GC.

So it provides an overbillings are great, right. It provides cashflow, but just being aware of what job borrow means, robbing people to pay Paul, uh, so that you can monitor and to make sure that it doesn't create a trap.

Mike Merrill:

Yeah, makes sense. So within those processes, both internally and externally, there are lots of moving parts.

So what, I mean, what would you say external collaboration versus internal collaboration? Differences are between those two.

Dorrie Franzello-Kurtz:

I think from like, internally. We look at like what we're trying to achieve and looking at the entire team, right? So everybody has a role within an organization. So like accounting has to get monthly financial reports out to management and so forth.

But it involves other people in the team. Um, whether it's project managers and so forth, or even individual transactions, for example, like one of the things I think

people struggle with, you know, in a lot of the clients that I see is getting timesheets on Monday morning in order to process payroll, right?

It's like we have cutoffs internally to get payroll process, to make sure that the guys are getting their paychecks on time, but if we don't have the timesheets and we're struggling with that, it like disrupts that process, right, but I don't think. Sometimes we explain that, we're just like, where the hell are the timesheets, right?

And I think if it's like, guys, here's the process that's working on this and everybody within an organization understands their role in. Because, you know, the flip side of that is the project manager is like, if my guys don't get paid, if their timesheets aren't correct, they're going to walk off the job.

And it's like, well, I would love to pay them. But we have to have the timesheets. Right. But I think it's just having that open collaboration to all the people within a team makes the wheels go around. Right. So.

Matt Smith:

And then from the external, first of all, I love hearing that you have a GC background, right?

Because we're also speaking your language here. Yeah. Um, but from the external perspective, what we hit on was just the regular meetings with the users of the financial statements, right? Whether that's the, uh, whether that's management, uh, investors, the shareholders, but then also your bonding agent, your surety underwriter.

Your banker and your CDA, right? I think that a lot of times, you know, contractors get comfortable when they're doing well, and they have several years of just great history and profitability. And we all get caught in this, right? That some things fall by the wayside. Those regular meetings, keeping people up to date.

Well, everything's going well. Everything's fine. We don't need to meet, right? But then when you come across that tough contract, Or that lost contract or that large job where you need to get it bonded. Now you're trying to scrap to get everyone back in that communication loop in order to make sure that they

are there, they are timely, they can give the contractor what they need.

So from the external collaboration and communication piece, it really, the message was just Regular meetings with your external users in those statements.

Dorrie Franzello-Kurtz:

And I think it helps prevent surprises, right? Like a lot of times like if you wait till the end of the year to kind Of make sure everything's buttoned up You could have more income that you thought you would have or less income, right?

And there's surprises like I have to pay what? When do I need to pay it for from a tax perspective? And so it's like if we can have that information again throughout the year Because we're compliant, you know, we're keeping it up. It makes it be a little bit proactive rather than reactive on like, you know, the day that the tax return is done.

The payments are due.

Mike Merrill:

You could have invested in a pile of equipment that you needed because you knew you had access instead of paying it in tax and you don't have the equipment to show for it either. Right. So, um, What so speaking of that you're talking about, internal communication field employees don't necessarily know how to read, you know, a balance sheet, nor do you want them to.

There's certain data that the field needs and then data that the office needs. How do you. Collaborate getting the field enough information and getting enough feedback from them while also translating appropriately so that the back office people have what they need as well.

Dorrie Franzello-Kurtz:

So I think it's a two pronged approach one in relation to a contract schedule and jobs like there needs to be a meeting between accounting.

And the project management, right? So it's a matter of making sure everybody understands like what

does this job schedule mean? What are you being held accountable for as far as this is concerned? Let's discuss the estimate versus like the actual cost But the other aspect of that is we talked to clients a lot about setting up processes on how to get timely information You know when do we need to have this document by or this process completed by and so forth in order to be able to pull those Reports together for that report You And so it's important that once those processes and procedures are established to communicate them through the entire company, again, it goes back to that payroll conversation where it's like, if the project manager doesn't understand why not having timesheets is important and we're not just, you know, you know, nagging to for lack of a better term, right?

And so it's that open communication that brings it together. So everybody isn't, you know.

Matt Smith:

Exactly. You're right Dorrie, as you're sitting here talking about this and even the presentation earlier accountability and that's a piece that we even spoke with the audience about was just that This concept of including project managers or superintendents into the financial information.

So many contractors shy away from that

Mike Merrill:

Yeah,

Matt Smith:

We don't want to show them how much money we make on the job You Well, then how can you hold them accountable for the performance of their job?

Mike Merrill:

How do they know what the goal is? How are they, what are they working towards other than a date? You know, you spend extra money to get done early?

Dorrie Franzello-Kurtz:

Well, and that's a very valid point, right? Because people in the field understand what needs to happen,

and it's usually date driven. We have to get out of here. We have to do this by these milestones, right? And so they understand what a process is. It's just looping them into that full process kind of helps as well.

Mike Merrill:

Well, and you mentioned timesheets a few times, and truly that was the genesis of About Time Technologies and WorkMaxes. Getting that labor reporting in and knowing, and before you hit overtime, I can see we're approaching overtime, having daily visibility into labor and not waiting for timesheets. Heaven forbid, even after payroll, right?

Like I mean, you're literally, you might as well just pay him salary if that's what you're going to do, because essentially you're cutting checks for money that you don't know really is due or not.

Dorrie Franzello-Kurtz:

Interesting because we talk a lot about even in public accounting, right? Time, right? Yeah. Yeah. And when you look at time after the fact.

It's like, what is it? Baking cookies with a smoke alarm, right? They're bad. They're more than that. You don't know until it kind of like is obvious. You're afire truck.

Mike Merrill:

I think the cookies are bad. Cookies are done.

Dorrie Franzello-Kurtz:

Yeah. But if we can see it as we're progressing and understand, that factors into the estimate.

Are we over? And our labor budget and so many pieces of that, you know, and so it's that visualization, right? It's kind of making sure everybody has the tools and the information To do their job to the best of their ability.

Matt Smith:

And I actually love, you know, you mentioned another one of the products, underneath the Foundation umbrella, I like that theme of this conference, which

we spoke about several times throughout our presentation is just tech Yeah, right and tech is scary a lot of times You But there's so much power and benefit that can come out of it.

If people just lean into it and just under, you know, understand it, lean into it, and you will see the positive out. But again, we, you know, it is an industry where sometimes people were slow to change.

Mike Merrill:

Yeah.

Matt Smith:

And I think that's, that's, that's a lot of industries.

Mike Merrill:

Yeah, that well, and then, you know, they're better together approach is it's, I mean, it's really, you know, utopia for what people are looking for.

It's like, how do I make one on one three? You know, if you've got two great products that are, um, you know, maybe best of breed solutions, but they have a really nice integration. Now you're really winning because you're saving and processing. You have extra visibility. You've got one single source of truth where the data flow is going how you want.

You've got visibility instantaneously, or at least if worst case on demand, if not, you know, flowing in as it goes. And then with the cloud, obviously now, uh, I mean, I would never go back to on premise software. Now it was really hard, even internally in our company, we were in a, an on premise accounting package before.

And it was painful to move to the cloud to pay that subscription. And then pretty soon the subscription was more than what we paid for, you know, the whole system before, but that visibility on my cell phone to look at reports from, from the Bahamas, if you want it right. Like, how do you, I mean, how do you put a value on that when, you know, you're running a real time business?

Dorrie Franzello-Kurtz:

We look at that sometimes, right? To say like we're always looking for capacity, right? The industry as far as accounting, finding people to do the work and so forth, technology should eliminate some of that. It should actually, you know, take away a fraction of somebody's because there's efficiency gained on that.

So that's part of it. And the other thing is I gave a presentation once from a visual perspective because I think it's important to point out, like sometimes people are so hung up on that change.

And I printed, I presented a paper map I'm like, we don't use paper maps anymore. Right. And nobody even thinks about paper maps.

Right?

Matt Smith:

Yeah. I remember Senior Beach Week using an atlas to make it to Myrtle Beach. I think that's the last time I ever opened a, opened a map. Right.

Dorrie Franzello-Kurtz:

But we don't think about where we came from when we're comfortable with something. But there was that hurdle to get over to become comfortable. But once you get there, you don't look back.

You don't look back to, you said, like, you know, You're now in the cloud, and it's like, why would we go anywhere else?

Mike Merrill:

Yeah, they, well, and I think back, and I remember being in Canada, up in Ontario, um, we had printed maps on MapQuest. I mean, this is like 18, 20 years ago, like forever ago. And we had like this demo tour plan with like six different customers over a three day period, and some were like two to three hour drive away, and one of them canceled or switched their time, and it was like, Oh, crap. You know, I don't know how to get to there from here because we, and it was just so weird that was a thing. Right. And so, but it does, I mean, displays the point that, you know, once you get your head around it and you actually realize the value and the benefit and the convenience of technology.

You would never go anywhere without it if you count.

Dorrie Franzello-Kurtz:

But if you think of like MapQuest, right? Yeah. It's this turn in 1.2 line. I don't know. Yeah, right. Yeah. What is that? Yeah. Now I have somebody going, you make a U-turn. Make it the turn.

Mike Merrill:

This is the turn. Yeah, this is the turn. This is the turn. This is the turn.

Matt Smith:

And it's funny, you know, when I registered my account for this conference, it said, what's your tagline? Or something like that.

Mike Merrill:

Oh, interesting.

Matt Smith:

And something that I always say is, you know, change is the only constant. Change is inevitable. It's a matter of when you want to adopt change.

Nice. Internally at our firm, we, you know, at least with my department, I oversee the insurance department. I'm the insurance practice leader. I talk about the change curve, right? Where you have the early adopters, the early majority. The late majority and then the laggards. And it's a matter of what side of the curve you want to be on.

Because if you're constantly on the lagging end, there's always a new technology. There's a new process. There's a new something that's going to come along. And do you always want to be behind? Right. Right. And at some point you have to get on the front foot and get off the back foot.

Mike Merrill:

I got it. I thought you were going to say, if he ain't first, you're last.

No, I got you tagged on that one, but it's okay. It's okay, baby. Uh, no, that's that's funny. Um, all right. So we talked about some of the red flags that are out there. Are there some other red flags that people could really, get their eyes on a little early in some of this reporting that maybe isn't as commonly focused on or?

Do you guys see anything where you're like, you know, I wish more people would look at this or be aware of that, because this is a sign of, of something worse coming maybe before it's, you know, the wheels are falling off completely.

Dorrie Franzello-Kurtz:

I think a lot of times what happens is people don't utilize the reporting and they don't know.

So it's just the overall concept of. If you don't know, you don't know, and you think things are going well, but having the ability to make sure that the system or the reporting is providing that information then gives you the information to make informed decisions and be ahead, be proactive. A lot of times when we look at like compliance, whether it's, you know, your audit or your review or your tax return, it's happening after year end and it's like history at that point.

It's like, let me tell you how you did Well, I can't go back and change that but if you have the information and if you're utilizing it, you can be more proactive and maybe change the results as they're Occurring and not go. Well, I had a feeling that was gonna be that way Yeah There's a lot of feelings that you know, and you talk to a lot of people in construction and they're like And I will tell you that they all have every single thing about their jobs, about their company in their heads.

They know exactly where it is and you know, they're right. But that's really hard to get on paper to present to third parties, right? Or to visualize. And when you kind of pull it all together, it can have a different, um, outlook than maybe you thought. So.

Matt Smith:

Then I think from the financial management end too, it's just back to kind of the fundamental purpose.

And reason why, you know, percentage of completion,

which I know now that's under 606 called recognition of revenue over time. But the whole concept of revenue being recognized based off of your costs, I think is just something that once people grasp, we mentioned this in the presentation today, we always love them.

We see that light bulb go off with a client that we're working with that maybe doesn't understand it. And then finally they understand the concept because you hear it all the time in this industry that, Oh, I Track the bank and if I got cash in the bank, all right, if I'm billing, then I know I'm good.

Yeah, well the whole premise of the construction accounting is it matches revenue with your cost that you reckon that you're incurring. And to fully understand the analysis of that contract scheduling to your question, The red flags and the analysis and the value of that is just, it's so critical in this industry.

If you're dealing with fixed price contracts, right. We know that there's unit price guys out there, guys that are heavy in T and M service contracts. But for those fixed price contracts, you have to understand that.

Mike Merrill:

Well, yeah, you've got, I mean, you know, I have experiences in that too, where. You know, right around 9 11, we started shipping plywood over to Iraq and other places and other materials.

And so we had a shortage here and the price went, I remember I was paying five and a half dollars for a sheet of seven sixteenths OSB and within 90 days it was 32 bucks a sheet.

Matt Smith:

And interesting, right? Cause you're in a project

Mike Merrill:

Oh, yeah.

Matt Smith:

if you don't, if you don't have a price, that's like

Mike Merrill:

I had 38 projects going and if you don't have a price

Matt Smith:

escalation clause in your contract

Mike Merrill:

and yeah.

Matt Smith:

If you don't adjust your estimate of cost on that contract, you can just keep that estimate where it was. You really have no clue where, your financials are landing at the end of the day.

Mike Merrill:

No. Where are you going to make that

Matt Smith:

up? Yep.

Dorrie Franzello-Kurtz:

Well, and also like when you need a half a sheet and they cut it and they throw the other half away.

Mike Merrill:

Yeah.

Dorrie Franzello-Kurtz:

It's a big difference than when it's 5, you know, I mean, you should do it, but that's what's happening.

Mike Merrill:

You're, it's all of a sudden very, very big deal. Yeah. I mean, you can, you can cut costs. You can complete the project quicker, or, you know, I mean, there's, there's some, some ways you can squeeze blood out of that turnip, but there's only so many ways.

And at a point it's just that this thing's, this thing's underwater, right? So,

Matt Smith:

And to your point, even being on the front foot though, with knowing that it's going to be underwater, there are still. Yeah. Proactive measures. Mitigation measures. There's mitigation measures that can be taken in. Uh, that can be taken.

Mike Merrill:

Well, you're mid bid on other projects.

Dorrie Franzello-Kurtz:

Exactly. I was just about to say that, right? Like people are estimating at 5 a sheet and if we're not having those communications, no one's aware. I mean, I think estimators probably know. Even if they, but if they

Mike Merrill:

do, it was a week late or if they didn't get the memo or.

A week's expensive if you have a bid that

Matt Smith:

just went

Mike Merrill:

out. Yeah. What is that communication loop? And, and how frequently is that happening? And a lot of times with

Dorrie Franzello-Kurtz:

the job schedules or like with the accounting, I would say it's like cookie, cookie cutter estimating. Like if we continue to do it and we've never analyzed it, we're making the same mistake because we think it's working, but we don't know.

And so, I mean, those are the things that kind of have impact if we can change those cycles.

Mike Merrill:

Well, even worse, if the project manager or the foreman learn, Oh, this takes about, and this takes about, and it may not really be what it takes. It's just

what they're used to putting and used to making sure it comes in at that or less.

It doesn't mean it. You could be, you might be 33 percent more efficient if you were really watching it. And you weren't pencil whipping and you weren't taking this budget here and throwing it over there. You know, we, we hear that even still all the time when I talk to companies, you know, I got budget and you can bring it over here or you can, it's like, what are you doing?

So you're in our industry. Maybe there's some of that going on. You're literally disconnecting the wires of the job costing process that you've invested all this time, money and effort into,

Dorrie Franzello-Kurtz:

and it may work for that one job, but it might not work for the one that you're starting next week.

Mike Merrill:

If it becomes the actual.

Way that you roll and not the exception, right? It is now the rule, then you really, it's, that's pretty broken, right?

Matt Smith:

Yep. It's critical.

Mike Merrill:

So, with that, I, I think, you know, we've got, we've got communication issues and challenges. We've got software tools and technology. We talked about the cloud and that real time expediency of data.

We have backend processes. Are there, are there some common things that when you're in that room or when you're out meeting with clients that you seem like you run into more commonly than other words, like, man, if these guys are just fix this one thing, they would be so much better off. Is there any one thing that stands out to you?

Dorrie Franzello-Kurtz:

Yeah, I would say, um, the appreciation for the accounting function in general, right? I always say that. Um, we can't make you money, but we can sure as hell keep you from losing it. Right? Because you're going to get that in for me.

Matt Smith:

Sure. Sure.

Dorrie Franzello-Kurtz:

And so I think when you are, you know, in the contracting or construction industry, you're looking at my pieces of equipment make me money.

You know, I'm, you know, putting all of these inputs into this as far as like the jobs are concerned. And those are, you know, tools that are working towards the contract, but there has to be the appreciation of the accounting function to kind of help. And that understanding, I think, of how important these things are.

Matt Smith:

Yeah, I guess my perspective would be just, honestly, back to the communication, right? I mean, the contractors that you see that are, that are doing well, a lot of times they have very sound communication internally, and they're involving the field. And back to your point, you know, yeah, your labors, maybe they don't necessarily get that financial information, but at least your project managers, your superintendents who are actually running those field teams, looping them into that financial feedback loop.

So that they have all the information that they need to, to go make sure that they execute.

Mike Merrill:

What are some, we've talked a lot about direct costs and things that you can track. What about indirect costs or what are, what are common ones that you see people neglecting to be aware of, or at least just seem to.

You know, miss, miss their analysis,

Dorrie Franzello-Kurtz:

A lot of the contractors, um, Especially it's like subcontractors. It's equipment cost, right? Okay. So it's not the yellow equipment. It's the trucks the vans like for the roofers, right? It's the fuel that they're putting on the jobs It's the cost of like insurance that are is for the jobs and those sorts of things like when you're looking at it's very easy I always said there's like the five elements the labor the equipment the subcontractor You Um, materials and then other, right?

So if those five things are pretty much, you know, what's my bonding cost going to be? They're very fixed or they're normal. But when you think of like, well, remember that truck that the superintendent of the PM is driving? Like, how are we factoring that into it? Because that's chipping away at your profit as well, you know?

Those types of things I think are important to, um, be cognizant of, but also like, how are you estimating? Versus how are you actually accounting for those costs? And there can be a disconnect. So if you don't have the indirect in your estimate, but you have these costs, well, we're already like chipping away at the gross profit.

Or if we have them in the estimate, but we're not applying it to the job, it may look like we're under budget. But really, we have this whole litany of costs that we're not accountable.

Matt Smith:

Yeah, it's, Dorrie hit the nail on the head. I think it's also worth noting with indirects that, I mean, if we had 40 contractors in the room, you'd probably have a hard time finding two contractors to do it the same.

Yeah. And that's okay, right? But at the end of the day, it's a matter of understanding the impact of indirect costs as Dorrie just, you know, went over. But then also being consistent and systematic in the way that you apply your, your method of allocating those indirectly.

Mike Merrill:

Yeah, I think all, I mean, you, you've highlighted a lot of very important areas and, and I think people, people could pick any one and we'd be better off.

But is there one area that you would say, you know, Here's a good place to start if a lot of this stuff that we've talked about is kind of a mess in a given company or they just haven't gotten a handle on it, or they're so busy, they just, they know they're making money. It's all coming out in the wash. I got money in the bank account and we seem to be rolling along here.

I just don't want to mess with anything or don't have time. What's the first thing that you would recommend they do?

Matt Smith:

I mean, I guess I'll take that one first story, but I guess the first thing that comes to my mind is you were saying that is. Don't be afraid to align yourself with advisors that understand your industry.

More than trying to figure it out internally.

Mike Merrill:

Yeah.

Matt Smith:

It's overwhelming, right? You know, align yourself with a CPA firm that knows construction and engage them in this conversation and let them help you figure out and navigate that path. Um, that would be my perspective, at least from the, from the, uh, from my seat.

Dorrie Franzello-Kurtz:

But I think even from just a general business, when I talk to clients, you know, I'm working with like roofer, like I'm terrified of heights. I promise you I'll never get on a roof, but that's what they do. Right. They're roofers. They understand the roofing industry. Well, I understand the accounting, so let's work together.

You do the roofing. I can, you know, interpret the financial statements for you, make sure that you're getting the information.

Matt Smith:

And help train their team too, right? Yes, it's not a

matter of hiring a CPA to do it for you. It's a matter of training, helping train your internal team to make sure that they understand that.

Dorrie Franzello-Kurtz:

Because, you know, I call it like, you know, I don't, I mean, I know enough to be dangerous about what my contractors do, but I'm like, I couldn't go out there and bid something for them or come up with those estimates, right? But understanding and educating so that we have that, you know, Appreciation for what we both do

Matt Smith:

But then to answer your question though and not work for construction cpas at least would be Not just trusting your cash in the bank that is one again back to that comment that we covered earlier That's one thing that's commonly said.

Well, I got cash in the bank. I'm good. You can't falsely be you know, that's that's that's It's a blind way of leading and running a business. Is that cash in the

Mike Merrill:

bank really your cash even though? I don't know. Maybe. Back to

Matt Smith:

job borrow. Someone might think

Mike Merrill:

it's theirs, but maybe it's not. They just didn't know it yet because.

So some stuff was missed, right?

Matt Smith:

It's, it's a risky industry at the end of the day. And just acknowledging that and again, surrounding yourself with advisors and a team that can help you, I think is, is most critical.

Mike Merrill:

Yeah, it's, uh, it's tricky. Um, I know the one thing that, that I, you know, I used, I, I learned this later on in life.

I wish I had known it when I started business, but, I was an entrepreneur. I was a businessman. That happened to be in the business of constructing things, um, first, you know, nobody's a plumber and they're an entrepreneur. They're a businessman or businesswoman who happens to be in the plumbing business and provide plumbing services or you know, plumbing construction, mechanical construction. I mean, you know, you're not a roofer. I mean, the, it is the trade that you've chosen to operate your business in. But I think, I think a lot of the trades companies don't necessarily look at it that way and it would be healthy for them to take a step back and realize, you know, I need to run this a little bit more like.

I mean, you could be doing widgets, donuts, hot dogs. It doesn't really matter what you're, you're selling something for a number and for a value. And you're hopefully charging more than what it costs you to produce. And if you sell more of those and you're making a margin, you're going to make more money.

I mean, it's just, it's really just the way that you break it down and look at us. So what about, um, you know, we've got, uh, partnering with trusted advisors of all sorts, right? Of all sorts,

Matt Smith:

not just the CPA. That

Mike Merrill:

coach, that team, that whatever it is that fills the gap that you can't do on your own. So that's great.

What about you, Dorrie? Anything else you would add to that?

Dorrie Franzello-Kurtz:

I can't think of anything. No, I mean, I think it's just also, again, looking at it throughout the year as well, right? So it's not, you know, it's kind of being cognizant. And it was interesting when we were talking about this, right? Like, I understand because I've done, you know,

The assurance world as well or even the tax world like what needs to be done at year end But it's like from what I'm doing now, I can look at it to say what it needs to happen in February It needs to happen, you know every month of the year

Matt Smith:

Should always be happening I mean, I guess back to the whole title of the presentation, right?

I guess that's a that's a great point or you kind of looped it right back to the to the presentation just Being, being ready year round, not, not taking it and just thinking that it's one time a year where you have to get ready for your tax compliance or your review statement compliance, but actually realizing that it's a, it's a constant accounting is constant, right?

Financial management is constant. It doesn't, it's not a point in time. It should never just stop.

Mike Merrill:

Every game is a Super Bowl. Every project is

Matt Smith:

100%. I mean, look, we run into that all the time where contractor has an outstanding year. But there's that one contract or they had a bad year. And it would have been outstanding if it wasn't for that one contract, right?

But without timely, relevant, real time data, how are you ever going to get to the point where you're able to be proactive and you're not just reactive once you've already entered that contract? How do you get ahead of it?

Mike Merrill:

You'll take more of those projects that are losers because you didn't know. And the other thing I'll submit, you know, as we wrap things up is, Back to the time and labor and production tracking that, that we do at WorkMax, um, I've also heard a lot of customers say, you know, I was, I was really surprised once we put that tool in the field and gave our team a better tool.

Um, the cream rose to the top and a lot of times the guys that were studs, that were the people that were really their key personnel weren't necessarily the same people that they thought. They're the most productive or the ones that were truly diligent in, in their work. And, you know, so that's happening on your jobs too.

You think you're good at these, you think you feel better about these are the high profile projects. And we need these for visibility and for our reputation. And this is the kind of projects that we do. Maybe it is. Maybe it isn't, but let's, let's look at data, right?

Dorrie Franzello-Kurtz:

Customers, right? Like, yeah, I think we want to work with that customer, but at the end of the day, we might not make any money off of that customer.

Right. Or it could be like a project manager. We think that project manager is running efficient jobs, but if we. Roll them all up together and look at it by person estimators are the same way You can make a lot of decisions by how you slice and dice information That you have that's reconciled and not necessarily after the fact as well

Matt Smith:

But another great plug for the contract schedule right because what better performance evaluation tool We talk about it all the time.

We advise our clients, add more columns to it, add in the, who the contractor was, who was the owner, who was the lead estimator, who was the project. Key data points, KPIs, then to Dorrie's point, you can slice and dice that contract schedule. Anytime that we get approached by a client that says, Hey, you know, you have any feedback on a, on a bonus program for my guys, yeah, tie it back to the contract schedule, job performance, be able to slice and dice it, you know, to Dorrie's point, understand if you're working with a customer, are the Isn't profitable, but you think that they're a great customer.

So many ways to slice and dice that schedule to get great, great data points out of it.

Dorrie Franzello-Kurtz:

Talk today about like taking that job schedule and then tying it into your financial statement, because now you're saying it reconciles to my income statement and the money that I'm making, but who's, who's. Making the money, who's making the most money, who's doing the most profitable jobs, who's made it, you know what I'm saying?

So it's kind of like, what's contributing to the bottom line, what's covering my overhead and those sorts of things as well.

Mike Merrill:

Yeah. The, um, one other thing that this dovetails right into this, we did a, uh, podcast with one of our customers, a bit large electrical last night, um, here at the event, and they talked about their estimating.

So they happen to be using McCormick, one of foundation's estimating systems. And they said once they got that dialed in and they started to realize. You know, this company really never gives us any work or this one, we were, we're always low on this. Our margins are bad and it's always for this one contractor.

And so they're getting data points and feedback that they didn't realize before because the spreadsheet and the old way of doing things just was not giving them visibility. And so it's like, you know, let's just quit bidding their stuff. You know, number one, we're losing money if we win it. Number two, it's hard to even win them.

Okay. Let's go find new water to fish in, right?

Matt Smith:

Data driven decisions, right? Period. Right? And yes, maybe you could still hand jam a spreadsheet and have that data. But think about the time that it takes to do that versus leaning into technology and having a platform that provides that to you and feeds that to you versus having to pull it out of a spreadsheet.

It can be pushed to you from some of these more tech forward products. So yeah, it's interesting.

Dorrie Franzello-Kurtz:

Using a GPA versus a math, right? Yeah. Correct.

Mike Merrill:

Yeah. Correct. Yeah. Yeah, that's great. Correct. Yeah. I love it. Well, I think, uh, you know, from my, from my angle and I'll let you all wrap up with, with your final thought, but I, I just feels to me like sometimes we, and I'm in the, we also, sometimes we get emotionally attached to a result or an outcome or a situation.

Where we feel comfortable because we like it. We're used to it. We, whatever it is, there's some reason we're drawn to that. And it's not always in our best interest. So let's get emotionally attached to better data results and to the things that, that look better when you track them accurately and it's profitability.

Right. It's efficiency. But those are, those are success indicators that I think we need to work and fight to get to versus, you know, hand jam a spreadsheet, like you said.

Dorrie Franzello-Kurtz:

But I also think that there's patience there, right? Because. A lot of times when people utilize something different, it doesn't always work the first time.

Oh, it doesn't work. It's like, you gotta try it again. You gotta, like, get, you know, lean into it and not just say because it's not what I'm used to looking at or used to doing. I think I read a survey once it takes 66 time for something to become a habit, right? So you can't just go in and do it once and go off.

Matt Smith:

Not working. That's while working on them. Interesting. You make it through two months. Yeah.

Dorrie Franzello-Kurtz:

And when you look at like implementing something new or looking at something new, it's new. It's that change management. It's kind of saying it's going to take a while for this to become my norm because it's not what I'm used to looking at as well.

So it's just giving that. You know, birth for something to become the change.

Mike Merrill:

That's good. How about you? Yeah. I mean,

Matt Smith:

I guess closing comment for me is just, uh, lean into tech, right? Um, the world is moving fast and this industry moves fast and, you know, the more you lean into tech, the more you accept change and the more that you lean into your advisors to help you through that, I think the more successful our contractors could be, um, also goes without saying that we really appreciate this opportunity.

Uh, with Foundation and appreciate the opportunity to be here in Nashville.

Mike Merrill:

Yeah, thank you. It's been a lot of fun. Matt and Oregon, I know you both and have, have a fun discussion, so appreciate you coming on.

Matt Smith:

Thank you.

Dorrie Franzello-Kurtz:

We appreciate it.