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The Blueprint for Better Expense Management

How Construction Companies Can Boost Cash Flow and Profitability

By: Center Team

Content

Executive Summary

For construction companies, employee-initiated expenses are critical to moving jobs forward. Your employees keep trucks and equipment fueled. They make runs to the hardware store, order supplies for the home office, and pay for everything from postage to deliveries, parking, and even occasional lunches for the crew.

> *All of these expenses—and thousands more each month—need to be properly accounted for in the financial system.*

You also need clear policies, data analytics, and controls to reduce the risk of fraud and abuse.

Expense management probably isn't top of mind for most construction business owners, but it touches virtually every aspect of a construction business. How your company pays for purchases and manages those expenses impacts your employees, your customers, and your key business metrics, including profitability.

And in today's economy, with rising costs, labor shortages, and disruptions to supply chains, it's more important than ever to manage cash flow and profit margins effectively.

The good news is that when the expense management process runs smoothly, your crew can keep jobs running, the accounting team can bill customers promptly and close the books on time, and your management team has the right data to manage budgets and bid future jobs.

In this white paper, we'll share how to modernize your expense management process to:

- Help employees work more efficiently

- Streamline the accounting process

- Improve cash flow with faster billing

- Track job costs more accurately for better profit margins

Why Efficient Expense Management Matters

When the new CFO of a nationwide commercial contractor with a large fleet organization joined the company, he took a look at the accounting systems and quickly discovered that expense management was still a very manual, paper-based process. The AP coordinator was spending a huge amount of time matching up original receipts with approvals, filing them, and manually linking them to the GL entry.

> "It was just crazy. This was 2020, and we were using a process that was good for the eighties."
> CFO, Commercial Contractor

It might seem crazy that although expense reporting software has been around for nearly 25 years, people still collect paper receipts and manually update their accounting software. But the reality is that many construction companies struggle with expense management and don't actually know what's been spent until the end of the month or later.

The impact flows straight to the bottom line, with frustrated employees, error-prone financials, expenses that could have been charged to customers instead of absorbed, inaccurate bids, and thin profit margins.

The Relationship Between Expense Management and Cash Flow

For businesses that bill time and materials, an efficient customer billing process is critical for prompt reimbursement and to protect cash flow. Without a good billing process, you might end up carrying thousands of dollars of costs for months—or worse, not recover the costs at all.

A real-time expense management solution, integrated with your corporate card, can help you accelerate the reimbursement cycle by weeks. Your crew marks expenses as "Billable" at the time of purchase, while capturing a photo of the receipt.

Accounting has immediate visibility into all expenses, including those that are billable. They can post transactions to the GL sooner and send itemized bills to customers faster.

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Expense management is a fundamental accounting activity that impacts people across the organization. When it doesn't work well, employees waste valuable time filling out expense reports, and receipts and important details like project names and cost codes go missing.

> *When it doesn't go well, accounting is late to close the books, and customers get bills months after work is done.*

When it doesn't go well, accounting teams are late closing the books and may need to restate financials. Customers get bills months after work is completed, creating tension and squeezing cash flow. And inaccurate job costing results in cost overruns and lower profit margins.

The CFO of the commercial contractor quickly realized that he needed to make changes because the company had big growth plans, including an acquisition or two. Whatever process he chose, it had to be easy to use for his field organization, it had to provide accountability around spending, it had to be customizable, and it had to be paperless.

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Why Expense Management Is Particularly Challenging for Construction Companies

1. Distributed workforce

With staff working on job sites near and far instead of in a centralized office, construction companies need solutions that don't require day-to-day access to laptops, desktops, or copy machines.

2. Complex accounting

Construction accounting is, by nature, complex. Companies need to be able to track costs by a number of variables, including project, cost code, client, and vehicle. But most software can't capture this level of detail without expensive customizations or consultants.

3. Paper-based systems

From bidding to purchasing to billing, many construction companies still process a huge amount of paper. This slows down the ability to make timely, well-informed business decisions.
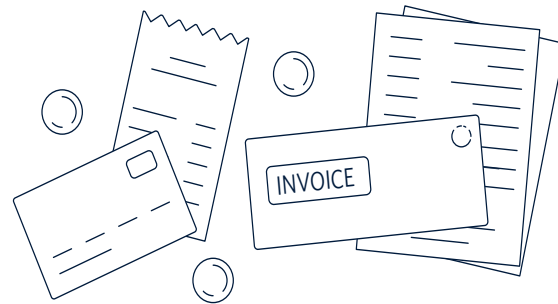
COVID-19 Puts Construction Companies to the Test

The pandemic may have impacted your business differently depending on your industry, location, and specialty, but it has certainly impacted every construction business. New legislation and the infrastructure bill could also have a big impact on the construction industry and introduce additional uncertainty. Some of the ongoing challenges include:

- **Increased cost of goods**
  Building materials across the board cost more today. Profit margins on fixed-cost projects could be slim to none. It's critical to get a clear, real-time understanding of job costs to ensure profitability on new bids and for the business in general.

- **Labor shortages and rising wage costs**
  A tight labor market is pushing up wage costs. Contractors have deadlines to meet, which means they need their crews focused on critical production work, not busywork like expense reports.

- **Supply chain backlogs**
  Disruptions to the global supply chain have impacted everything from steel deliveries to appliance installations. These backlogs can even impact contractors who might have planned to replace vehicles.

No matter your region or your trade, the ongoing effects of the pandemic on the economy mean your organization needs to pay more attention than normal to financial performance.

Better Expense Management Equals a Better Bottom Line

Better expense management processes give your company visibility, accountability, and controls. You know exactly what's been spent at any given moment. You know who spent what and why. And you have the information you need at your fingertips to ensure projects stay on budget and bills go out on time.

The Benefits of Better Expense Management

Simple Spend Solution for Employees	Streamlined Accounting Operations
Whether they travel to job sites, purchase materials for clients, or order pizza for crew working late, your employees keep business running. They need an easy, mobile way to make purchases and capture expense details.	With an automated expense process, your accounting team has the controls and systems they need to close the books accurately and on time, which enables better reporting, faster billing, and fewer errors.
More Accurate Job-Costing	**Faster Customer Billing**
You need to know what jobs truly cost to bid accurately. With labor and materials costs on the rise, inaccurate job costs will make your bids too high to be competitive or too low to be profitable.	Your expense management process significantly impacts your cash flow, since you want to charge billable expenses back to customers as quickly as possible. The sooner you bill your clients, the sooner you get paid.

How Good Expense Software Works

A good expense management system should do more than digitize a traditional paper-based expense reporting process. It should gather expense information in real time, automate routine activities, and connect directly with your accounting software. It should adapt to your company's way of working instead of forcing you to adapt to it.

Filing expenses should take employees less than a minute, not an hour.

Expenses should flow to the right person for review—project expenses to project managers, vehicle expenses to fleet managers, expenses over $5,000 to the CFO, or whatever rules make sense for your organization—and anything out of policy should be automatically flagged for additional attention. And all of the data should be available for review and analysis at any time of the month, not just after the books are closed.

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# Expense Management Impacts the Entire Organization

People across the organization interact with the expense process, from the employees who travel or make purchases, to the accounting team who tracks those expenses, to the leadership team who needs financial data to help make business decisions. Building a better expense process means understanding the unique issues and needs of all stakeholders:

Supervisors, Drivers, Crew, Staff *Keep Business Moving Forward*	Accounting *Ensure Controls and Compliance*	Leadership *Make Informed Decisions*
Your employees are out on the front line, keeping business running: they add gas to the truck, travel to remote job sites, pick up supplies at the hardware store, rent equipment, and a lot more.	The accounting team manages the day-to-day process, which includes reviewing and coding individual expenses, reconciling card statements, and preparing expenses for billing.	Accurate financials are always critical, but even more so in economic uncertainty. Leaders need accurate, timely data to make business decisions about operations, services, and pricing.
Issues • Paying for supplies • Keeping track of receipts • Filling out expense reports	**Issues** • Late expenses and missing receipts • Time-consuming, manual processes • Delayed month-end close & billings	**Issues** • Delayed project cost data • Slow customer billing • Inaccurate project bidding
Pain Points • Card denied on the job • An hour after work to file expense reports	**Pain Points** • Monthly card reconciliation • Needing to restate financials	**Pain Points** • Going over project budgets • Eating job costs due to bad billing/bidding
Requirements • Widely accepted payment method (Visa or Mastercard) • Mobile receipt capture • Easy expense submission	**Requirements** • Visibility into expenses as they happen • Flexible spend controls and policies • Customizable expense coding and robust ERP integrations	**Requirements** • Real-time reporting and analytics by project or cost code • Timely billing processes • Accurate job cost data

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The Problem with Traditional Expense Solutions

Every company tracks expenses somehow. The majority of organizations [we've surveyed](#) still use paper or spreadsheets to manage employee expenses.

75%
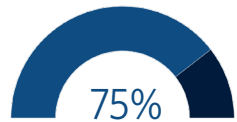
75% of survey respondents use paper or spreadsheets to manage expenses. Only 25% use expense software exclusively.

Whether they use paper, spreadsheets, or traditional expense report software, companies encounter a range of problems managing expenses efficiently:

⊗ **Late expense reports.** Employees hate filling out expense reports and often wait until the end of the month, by which time receipts are lost and key information like phase code is forgotten.

⊗ **No visibility into spend.** Project managers don't know what's been spent until expense reports are submitted, so they have no idea if projects are on track or over budget.

⊗ **Manual reviews required.** Expenses may be miscoded or assigned to the wrong project. Accounting ends up auditing each expense report manually to ensure everything is legitimate.

⊗ **Simplistic reporting.** Most systems report only top-level results, making it difficult to analyze data and find meaningful insights related to project costs or upcoming maintenance needs.

How Much Does Your Current Expense Solution Cost?

There's also the cost associated with expense management, both in terms of headcount and software.

Because accounting teams report that the majority of their time is spent on tactical, operational work like reconciling credit card statements and auditing expenses, some consider hiring additional help to ease the burden.

Others invest in software that usually comes with a hefty licensing fee, with additional fees for customization and support.

Tip: Next-generation card and expense solutions save you time and money, with no fees. Depending on your spend, you may even earn a rebate.

The Blueprint for Better Expense Management

Transform Your System in 3 Steps

Employee-initiated expenses can really add up: they are one of the main drivers of discretionary spend and have a significant impact on cash flow and profitability. An effective expense management process is critical for facilitating spending while maintaining good controls, streamlining accounting, and having the right information to make better business decisions and prepare bids.

Transforming your expense process doesn't have to be complicated. There are 3 key steps to take at a high level:

1. **Set the foundation.** The first step is to get **visibility** into what's being spent. If you can't see it, you can't control or manage it. But you need to keep the process simple for your crew so they can focus on their jobs.

2. **Frame up the process.** Next, you need **clarity** into what the expenses are for so you can book them in your financial system. Which job? Phase? Division? Is it billable?

3. **Put the process to work.** Finally, you need to **operationalize** your data across the company so the accounting team can close the books, business leaders can manage customers, costs, and profit margins, and sales can accurately estimate bids.

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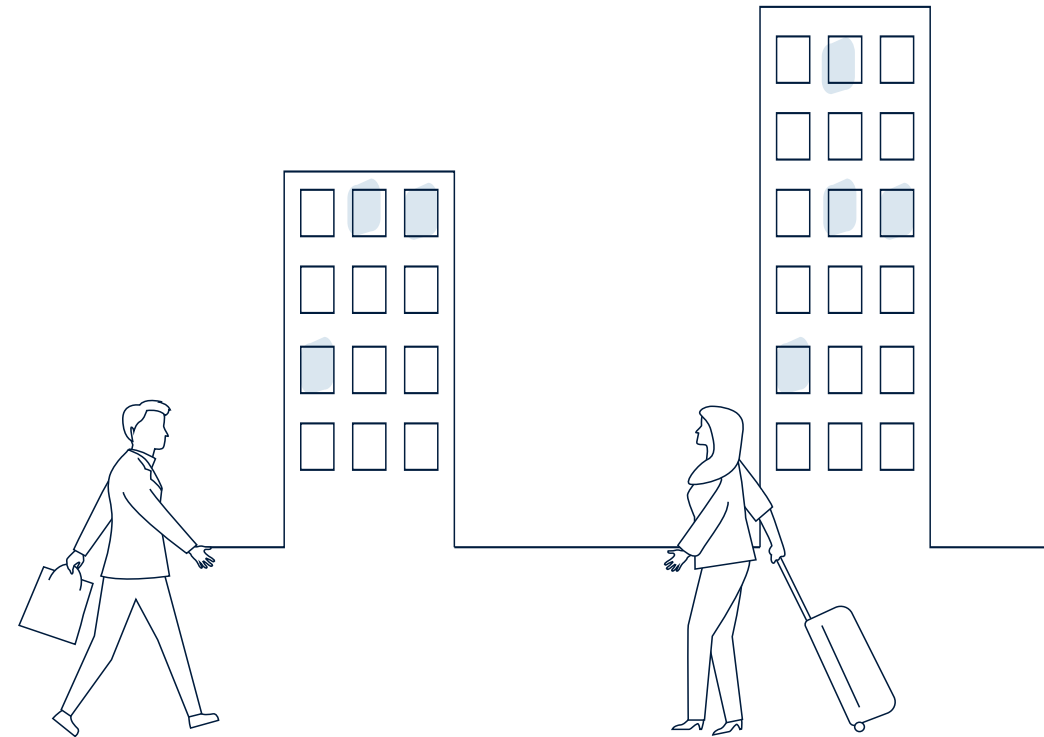
Set the Foundation for Spend Management

Improve Visibility

1. **Look for an expense solution based on real-time expense data.**

   One of the biggest problems with most expense processes is the delay in accessing spend actuals. When you're waiting for expense reports and credit card statements, there's no way to tell at any given moment if projects are on track or over budget.

   > *To gain visibility, you need expenses to flow into the expense management system as they happen, ideally using an integrated card and expense solution.*

   This way, your finance team and project managers can see spending in real time, without waiting for expense reports at month end.

An additional bonus for the accounting team: no more time-consuming credit card reconciliation. Your expenses and card statements match up automatically.

> *Choose a card system on a network that's widely accepted like Visa or Mastercard, so your crew isn't stranded and forced to use a personal card.*

2. **Next, distribute corporate cards to spenders.**

   When employees make purchases for work, they need a way to pay for those purchases. Corporate credit cards give you immediate visibility into spending while relieving employees from the financial burden of fronting the cash for expenses.

   Every company is a little different, so you'll need to decide who gets a card: crew, supervisors, drivers, or frequent travelers. Look for flexible card administration and controls to make it easy to issue new cards, change credit limits, and lock or replace missing cards. Some card solutions can offer additional spend controls such as limiting a card to gas purchases only.

   > *Look for a corporate card program that includes shared procurement cards in addition to individual cards. Procurement cards are a great way to track spending tied to a specific department, location, or project instead of to a specific person.*

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3. Ensure success with an easy-to-use mobile solution.

The last thing most people want to do after a long day on the job is swing by the office with a packet of receipts or sit in a hotel room filling out an expense report.

Make it easy for your employees to capture expense details on the go with their smartphone. Your crew can snap a picture of the receipt while still at the checkout counter, enter the job number, and submit the expense. No more expense reports or piles of crumpled receipts.

> *"I don't have to remember to submit everything at the end of the month. It saves me time from doing the boring stuff."*
> *Crew Member, Construction*

When you roll out a new corporate card and expense management system to employees, train your managers or your most tech-savvy group first. Then have them train their teams or other groups. Follow up with occasional coaching as needed to answer questions and clarify policy points, like what gets charged to projects vs. to general expenses.

Strong Profit Margins Depend on Accurate Job Costing

It's difficult to tie expenses, receipts, and purchase orders back to hundreds of jobs, often with multiple phase codes. When costs aren't allocated to the right job (or any job at all), finance and project managers don't know where they stand vs. budget or how profitable jobs are, which affects bids on future projects.

An integrated corporate credit card and expense management solution can streamline this process. The crew assigns a job code to each expense at the time of purchase instead of waiting until next month's expense report, when the details may have been forgotten. Embedding cost-coding into the expense process also improves data accuracy.

World-class software uses business logic to further reduce the chance of errors by limiting which codes are displayed based on employee or project. With accurate job costs, management knows if a project goes off track, and the sales team can more accurately price future contracts. The net result: you have the data you need to protect profit margins.

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Frame Up Your Ideal Expense Process

Build Clarity

1. Track the information that's important to your organization.

Construction organizations use a variety of different metrics to review their expenses, whether by project, job phase, client name, cost code, vehicle code, etc. These metrics help with job costing, customer billing, equipment maintenance, and other critical tasks.

To make your accounting as efficient and accurate as possible, you want to capture relevant details *at the time of purchase.* Look for software that lets you customize the fields that appear in the expense form.

> *Your accounting needs will change over time, so look for a solution that's flexible. You may want to add phase codes to larger projects, for example, or start tracking odometer readings on vehicles. Make sure your accounting team can update software themselves without coding or special consultants.*

2. Keep your expense data and accounting software in sync.

Ultimately, your accounting software is your system of record, and you need your expense system to reflect the accounting processes you use to run your business.

> *You don't want delays in your expense process to prevent you from closing the books.*

To minimize unnecessary work, look for expense software that integrates with your GL. You'll want to be able to pull in cost centers, expense types, and codes from the GL, and you'll want to be able to export your expenses quickly and easily. This enables you to close your books quickly, which in turn speeds up billing and reporting.

> *If your company bills expenses back to clients, speed up your billing process by tagging those expenses "Billable." They can export to your GL as receivables, and you may even be able to quickly produce PDF files with receipt images as documentation.*

Emerald Aire Speeds Monthly Close and Analyzes Fleet Performance With Center

Emerald Aire is a commercial contractor based in Auburn, Washington, serving the Seattle area. Their team of 100+ employees designs, constructs, and services award-winning HVAC systems.

With the majority of the team in the field, the company used a combination of bank cards and fuel cards to cover everyday purchases, including fuel, parking, materials, and routine vehicle maintenance like oil changes and tire repair.

Visibility into purchases was very limited, and the finance team was stretched thin. They had to print out individual card statements by employee and match them up to receipts each month. This highly manual process put Emerald Aire behind on closing the books by more than a month, meaning August expenses weren't booked until October.

CFO Rodney Vieira knew there must be a better way, and he began evaluating expense management solutions to replace his bank card, fuel card, and paper process. Ultimately, Vieira found Center and issued CenterCards to management, sales, project managers, foremen, and drivers. The crew loved the new process: "You get an alert right away. They take a picture of the receipt, code it to job 1, phase 2, and hit submit. They're done and can just throw away the receipt. It's very quick and easy," said Vieira.

Emerald Aire immediately gained a month on the month-end close process. They're now booking transactions in the month they actually happen and properly matching revenues with expenses in the period.

Streamlining the process means Vieira and the finance team can devote more attention to analysis. With 70 vehicles in the Emerald Aire fleet, fuel and maintenance costs really add up. The team uses Center's Customizable Policy Controls to gather vehicle IDs and odometer readings when drivers make fuel and maintenance purchases. Vieira and the fleet manager now have the reporting and insights they need to analyze mileage and maintenance costs by truck.

"When you consider the time savings, eliminating paperwork, and rebate, my department is delivering significant savings. It's a big deal."
Rodney Vieira, Emerald Aire CFO

Put Your Expense System to Work

Operationalize Your Data

1. **Automate the review and audit process.**

   Accounting teams often spend hours each month manually reviewing expenses, transaction by transaction, to ensure they are within policy and coded correctly.

   Your expense software should be able to identify which expenses are in policy and which need human review. Correcting any miscoded expenses should be easy, and ideally, your software should learn from your actions to make the process even more accurate.

   > *When setting up the review process in your expense software, consider who actually needs to review and approve expenses. World-class expense software should be able to replicate your ideal approval workflow.*

2. **Mine your expense data for information and insights.**

   Your data should be a wealth of information for project managers, sales executives, bidders, and leaders, but it's typically impossible

to access that information easily. That's because expense data gets consolidated into the general ledger at a category level, which doesn't provide enough detail for analysis.

Look for software that provides self-service, dynamic reporting on current data—not just last month's or last quarter's—so you can review expenses across different dimensions, including any custom fields like vehicle or cost code, and at different levels of depth, from top-line to drilled-down detail.

> *Give project managers more control over their budgets with access to current reporting on expenses so they can monitor actuals against target, identify potential overruns, and make adjustments before problems snowball.*

Can Machine Learning Help Automate Expenses?

Machine learning is a computer algorithm that can classify data or predict outcomes with increasing accuracy through experience and the use of data. Machine learning can help in expense categorization. For example, an office manager and an IT director buy different items from Amazon. Machine learning can predict and apply tags so that the office manager's purchase is categorized as "General Office Expenses" while the IT director is buying "Computer Equipment."

DualTemp Clauger Accelerates Customer Billing and Improves Cash Flow with Center

When Ursula Klicker took on the CFO role last year for DualTemp Clauger, a Chicago-based construction, manufacturing, and services company, she did what any new CFO would do: she evaluated the finance team's processes and tools to see if she could make it more efficient.

And when it came to expense management, there was plenty of room for improvement. DualTemp Clauger typically bills customers for time and materials, so when the expense management process got backed up, it blocked the accounting team from recovering those costs from customers.

They typically waited a month to get their bank credit card statement and another 3 weeks to post it. That meant it would sometimes be 6 to 7 weeks before they could bill a customer because they didn't have all the costs in yet.

Klicker knew that improving the expense management process could be a quick win with a big impact. She explored various solutions and chose Center. It took about a week to roll out the CenterCard payment card and the Center mobile app to her team.

"We're now posting expenses and receipts weekly and have cut nearly 5 weeks out of our customer billing process," said Klicker. She reports that cash flow has improved significantly and her team receives fewer billing questions and concerns from customers. "It's a lot easier for the approver on the customer side because bills go out in a timely manner. It's fresh in your mind," said Klicker.

And the crew out in the field loves the change. "Everybody feels like they've gained valuable time by using Center," said Klicker.

"I think that even if you have a lot of other problems to fix, it's a good idea to quickly put in a credit card and expense process because it improves your cash flow and you can focus on other things."

Ursula Klicker, DualTemp Clauger CFO

Conclusion

One of the big themes of the last few years has been digital transformation, which can sound daunting, but can actually be as fundamental as eliminating paperwork and tedious manual processing. A smooth expense management process doesn't just make life easier for your crew on the road and accounting teams. It can also improve your bottom line.

When you modernize your expense process, your employees have more time to focus on the things that really matter, while your finance and leadership teams will have the systems and information they need to improve your financial performance.

The Results of a Modernized Expense Process

Easier Expensing for Employees	Less Manual Work for Accounting
A simple, mobile expense solution connected to a corporate credit card eliminates the need for expense reports and reimbursements, so your crew can focus on what matters most.	Accounting teams keep financial systems running smoothly so budgets stay on track, spending is in policy, bills get out quickly, and the business stays profitable.
More Accurate Job Costing	**Faster Customer Billing**
Capturing a complete record of current costs by embedding cost coding directly into the expense process helps avoid overruns, increases bid accuracy, and protects profit margins.	Timely, accurate data and receipt documentation accelerate the billing process by weeks, making it easier to collect billable expenses.

You can transform your expense management process relatively quickly, strengthening your financial foundation and empowering everyone in your organization to focus on the work that matters most.

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About Center

Center is a next-generation spend-and-expense management solution tailored to meet the needs of construction companies.

With **CenterCard** and **Center Expense**, construction industry finance teams gain better visibility, accountability, and controls over their expense process, with a corporate credit card program, easy mobile expensing, customizable workflows, integrations with most construction ERPs, and real-time reporting.

On average, Center customers reduce time spent on review, reconciliation, and audit by 90%, close the books 1-2 days faster, and accelerate customer billings by 4 weeks.

With Center, you can:

- Get real-time visibility into expenses with flexible spend controls
- Embed cost-coding directly into the expense process for more accurate job costing and billing
- Eliminate card reconciliations, manual coding, and accruals
- Reduce risk of budget variance, waste, and out-of-policy spend
- Set up and deploy a customized system in days
- Save thousands of dollars per year by eliminating expense software fees for good

We invite you to visit getcenter.com/industries/construction to learn more about how Center can improve your cash flow, protect profit margins, and help you get more from your crew.

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We'd love to hear from you!
Learn more at getcenter.com

Center is based in Bellevue, Washington