



Lessons Learned: Not Getting Paid for all the Work Done

Leslie C. Shiner
The ShinerGroup
LShiner@ShinerGroup.com

Annie Kendrick
Kendrick Business Services
Annie@AnnieKendrick.com





Copyright Materials

This presentation is protected by US and International copyright laws. Reproduction, distribution, display and use of the presentation without permission of the creators is prohibited.

© 2020 The ShinerGroup & Kendrick Business Services, LLC.
All rights reserved.

Introductions

Leslie Shiner



- Owner of The ShinerGroup
 - Financial & management consultant for over 25 years
 - MBA in Accounting and Finance from U.C. Berkeley
- Certifications
 - QuickBooks Advanced ProAdvisor
 - Sage Certified Consultant
- Author:
 - A Simple Guide to Turning a Profit as a Contractor

Annie Kendrick



- Owner of Kendrick Business Services
 - Over 20 years experience in construction accounting
 - B.S. University of Utah
- Certifications & Software
 - QuickBooks Advanced ProAdvisor
 - Developer Method CRM for Solar
- Business Development Programs
 - Port of Portland Mentor Protégé Program contracted trainer since 2012 for Estimating and Construction Accounting

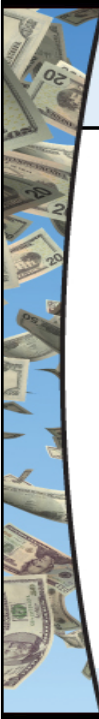
From the Blog: Lessons Learned – Not Getting Paid for all the Work Done



- Where the Sun Always Shines Solar
 - Blair was an excellent project manager with rave reviews
 - Gary was a good sales person and sold a job for difficult clients including a large cushion as a 'difficulty' factor
 - Blair started the job, but the clients asked to change the location of the panels, requiring a redesign
 - Blair agreed to make the change assuming the cushion should cover any additional costs
 - When he added money to the final bill instead of getting a signed change order, the client refused to pay and trashed the company on the web


Read the blog at:

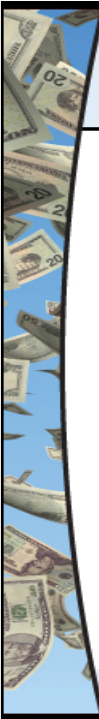
<https://insider.energytrust.org/programs/solar/business-development/#lessons-learned>



What Did Blair Do Wrong?

What should have been done differently and when should it have been done?




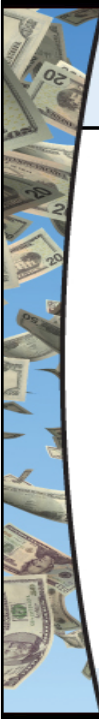


Change Order Management

- What are your change order policies and procedures?

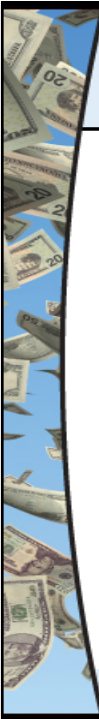
Does this work?





Start the Job of Right – Sales Process

- Clearly distinguish between the “Job Budget” and the “Client Proposal”
 - Create a proposal for the client
 - Create a budget that will be the basis of all job cost reports
 - Budget never includes overhead or profit
- Clearly state the scope of work in the contract
 - Define the process for changes
 - Prepare your client for change orders



What is Negotiable?

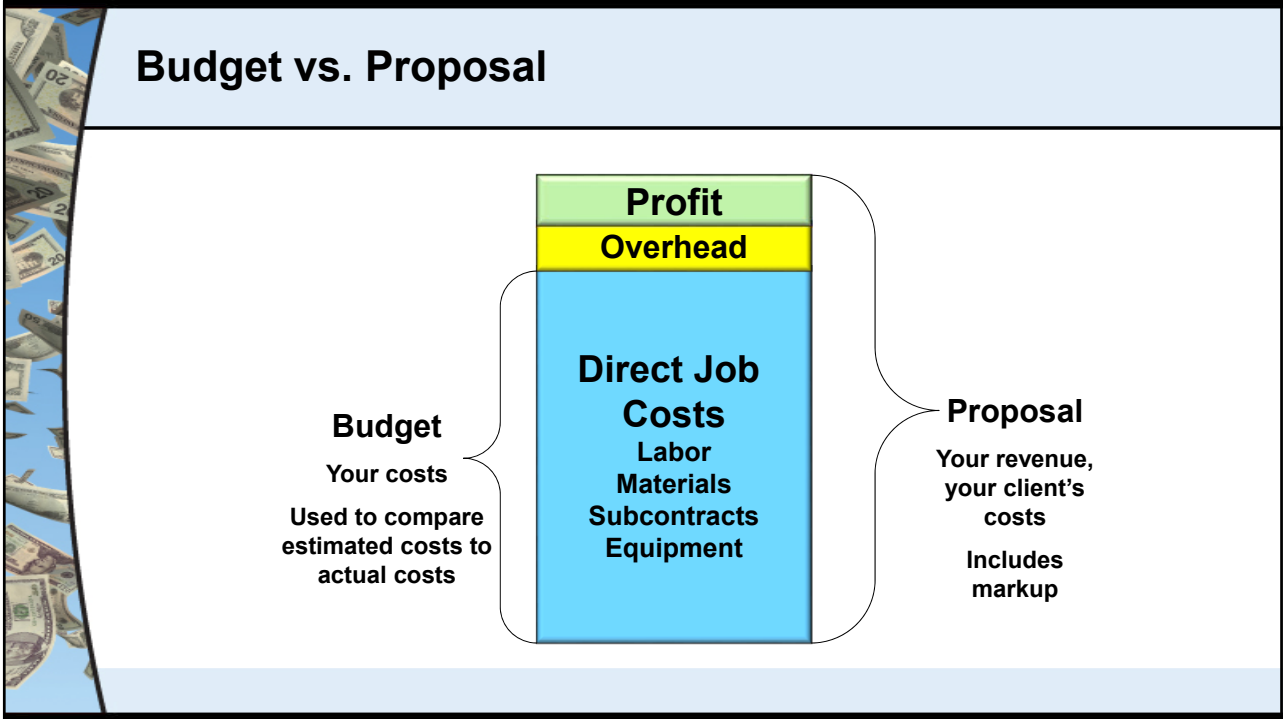
Profit

Overhead

Direct Job Costs
Labor
Materials
Subcontracts
Equipment

Negotiable

Non-negotiable without change of scope

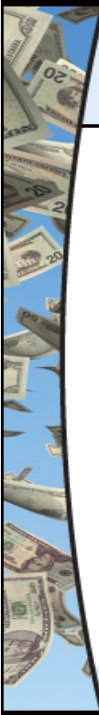


Manage Change Orders

- Are you consistently going over budget?
 - *Could it be that there is more work done in the field than in the original scope of work*

If you are already doing the work...
Why not get paid?

The slide features a light blue header with the title 'Manage Change Orders'. Below the header, a bullet point asks if the viewer is consistently going over budget, with a sub-point suggesting that more work might be done in the field than in the original scope. At the bottom, a blue rounded rectangle contains the text 'If you are already doing the work... Why not get paid?'. A decorative vertical strip of US dollar bills is on the left side of the slide.



Create a Process for All Changes

- Create field documentation
 - *Change order work authorization form*
 - *Filled out on the job*
 - Manually or electronically
 - *Three part form for 1) client 2) field 3) office*
 - *Not necessary to include pricing*
 - *Get signature from client*
- Make the process easy for your field crews

Too much paperwork may mean more free work




Communicate the Budget with the Field Crew

- Provide hours estimate to field crew based on scope of work
 - *At the start of the job!*
- Field crew can then track their own time against budgeted time based on the project scope
 - *The field crew may be more aware of changes than the project manager*
 - *The field crew can identify possible change orders sooner rather than later*



Monitor Costs Throughout the Job

- Be sure that Project Manager is comparing actual costs to estimated costs, not actual costs to the total contract price
- Compare actual costs to estimated costs regularly
 - *Cost overruns could help identify potential change orders*
- Compare actual hours to estimated hours regularly
 - *Additional time could help identify potential change orders*
 - *Or help the estimator for future projects*



Type of Change Orders

- Create process for each type of change order
 - *Client directed*
 - *Unforeseen circumstances*
 - *Equipment availability*
 - *Price increases*
 - *Redesign requiring equipment upgrades or modifications*
 - *Weather*



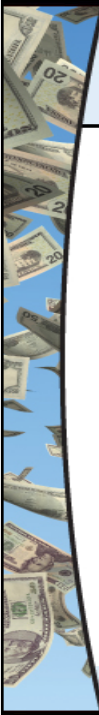
Be Honorable

- Don't sell the job just for the change work
- You can't improve profits with angry clients!




Time is Money!

- There are additional costs for doing change work other than additional materials and labor
- How much time does it take to manage the changes?
- Are you tracking every one's time for the changes?



Change Orders add Money and Time

- Significant change order work should be accompanied by additional contract time to complete the project
- Include time delays on all change order documentation
- Time delay has a dollar value
 - *Additional project management time*
 - *Additional overhead for longer projects*
- Set expectations with clients



Stop Losing Money on Change Orders

- Review past jobs
 - *Did change orders cause slippage in estimated gross margin?*
- Create zero dollar change orders
 - *Even if you don't want to charge for the work, create a change order to provide to client*
- Turn change orders into “Profit Center”, not administrative nightmare



Change Orders – Pricing

- Determine pricing of change work as part of contract
 - *Who is your competition?*
 - *You can charge different overhead and profit rates for change work*
 - *You can charge different rates for increase/decrease in scope of work*
- Determine pricing for change work
 - *Flat price vs. T&M or cost plus*



Do You Charge a Fee?

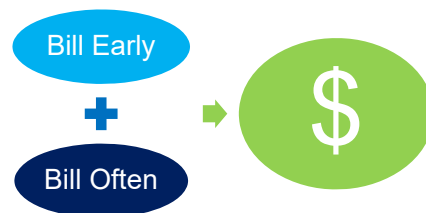
- Your expertise and additional time has value!
 - *Change orders should always include additional project management!*
- Consider including a processing fee
 - *Change order flat fee*
 - *Percentage for increased job management*
 - *Charge for additional time in research, coordination*
- You can always waive the fee if you want
 - *But be sure to show it, and then you can waive it*

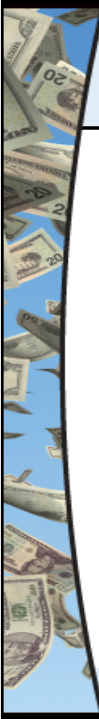
Change Orders – Communication

- Set the expectations with the client right from the get go!
 - Teach clients and employees about process
- Make sure that all personnel know who is authorized to approve change work
 - Prior to starting the project
- Document discussion with owners, engineer, designer and all parties involved

CO's – the Ever Changing Budget

- Track two components of change work
 - Adjustments to contract price
 - Adjustments to budget
- Revise project budget to reflect change work
- BEBO – Bill Early, Bill Often
 - Early invoicing of change work (even partially complete) keeps the change from being forgotten





Summary

- Analyze completed jobs to review change order process
- Create a clear Scope of Work document and share with PM, field crew, and client
- Create and follow process for all change orders
- Document all changes to the job, even if no increase in price



Thank You



Leslie C. Shiner, MBA

LShiner@ShinerGroup.com
(415) 383-6255
www.ShinerGroup.com
www.facebook.com/TheShinerGroup
Twitter: @TheShinerGroup




Annie Kendrick

Annie@AnnieKendrick.com
(541) 926-6438
www.AnneKendrick.com




© 2020 The ShinerGroup & Kendrick Business Services, LLC. All rights reserved.


12




Business Development Program



- Blog Posts and Webinars
- QuickBooks Assessment or Re-assessment
- Ongoing help with QuickBooks Desktop and business questions
- Remote CFO Meetings



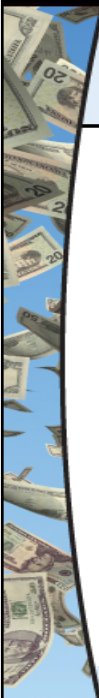
Lessons Learned – Blog and Webinar Program




- Six blog posts and webinars
 1. *Project Controls*
 2. *Internal Controls – When you make a profit you should get to keep it*
 3. *Labor Controls – My jobs look profitable so why is my business losing money*
 4. *KPI's – Making decisions based on false profits*
 5. *WIP – Paying too much in taxes*
 6. *Project – Not getting paid for all the work done*
- Check the website for more information

Learn more about other Lessons Learned at:

<https://insider.energytrust.org/programs/solar/business-development/#lessons-learned>




QuickBooks Assessment




- Analyze current business processes and compare to best practices for the solar industry:
 - *Chart of Accounts setup and reporting*
 - *Project set up for tracking profitability – estimate vs actual*
 - *Project set up for managing projects and change orders*
 - *Use of cost codes for the solar industry*
 - *Entering of transactions associated with production and overhead*
 - *Best use of time tracking*
 - *Handling of inventory stock for job costing*
 - *Use of the matching principle*
 - *Accuracy of posting procedures*
 - *Many more review items summarized in 35-40 page report*
 - *Suggested improvements checklist*
 - *Follow up with meeting to discuss findings with key team members and outline for assistance*

\$500 after ETO match

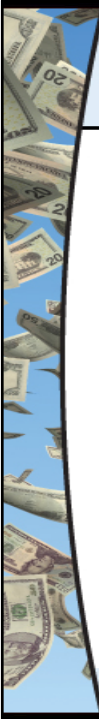


Ongoing Help with Your Business




- Assistance with...
 - *Payroll for good job costing set up*
 - *Forecasting and budgets*
 - *Labor burden calculations*
 - *Asset and Loan setup*
 - *3rd party program integration and implementation*
 - *Work in Progress Reports*
 - *Tracking key performance indicators*
 - *Much more, just ask*

\$100 per hour after ETO match



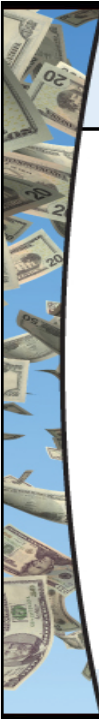
Remote CFO Meetings




Pre-requisite: file assessment and clean up

- Potential topics:
 - *Analyze trended Profit and Loss Statement*
 - *Evaluate profitability, gross, net*
 - *Evaluation overhead and markup*
 - *Review fully burdened labor costs*
 - *Review process for job costing*
 - *Analyze business plan, mission statement and vision statement*
 - *Perform ratio analysis*
 - *Create Key Performance Indicators (KPI) metrics for your company*
 - *Review internal controls*
 - *Create and manage a cash flow projection*
 - *Investigate productivity reports and charge-out rates*
 - *Reconcile your books to the latest tax return*

\$300 per meeting after ETO match



How to Get Started



- Complete the participation agreement and send to Jeni Hall at Energy Trust of Oregon. Jeni.Hall@energytrust.org
 - *Once approved you will be directed to Survey Monkey to answer a few questions about your business and then you will be contacted to set up your first meeting*
 - *You can also contact Annie Kendrick at Annie@AnnieKendrick.com or 541-926-6438 and she will help you navigate the start up process*



Thank You



Leslie C. Shiner, MBA



LShiner@ShinerGroup.com
(415) 383-6255
www.LeslieShineroup.com
www.facebook.com/LeslieShiner
Twitter: @LeslieShiner



Annie Kendrick



Annie@AnnieKendrick.com
(541) 926-6438
www.AnneKendrick.com



© 2020 The ShinerGroup & Kendrick Business Services, LLC. All rights reserved.

16