

Accounting & Finance Talent Solutions for High-Growth Construction Company

Vaco transforms a construction company's accounting and finance function through a critical cleanup initiative to support ongoing growth and private equity funding.

Client

Privately owned, U.S.-based construction company with several locations

Services

Consulting
Direct Hire

Area of Expertise

Accounting & Finance

Industry

Construction

Challenge

A high-growth solar-construction company with several locations across the U.S. was experiencing challenges within its accounting and finance function. These challenges had led to accounting errors and uncertainty around monthly expenses, operating capital and cash flow.

Prompted by acquisition conversations, the organization sought an assessment of its accounting and finance operations and the implementation of Generally Accepted Accounting Principles (GAAP). The client needed specialized accounting and finance skills to assist with the initiative.

Solution

Vaco engaged a team of finance and accounting experts, including a project lead and senior-level certified public accountant (CPA), an accounts payable (AP) specialist, an accounts receivable (AR) specialist and a payroll consultant. The CPA's extensive accounting and audit background enabled the team to address immediate cleanup activities and troubleshoot cash flow problems. The project strategy and key activities and results included:

- Analyzed the organization's financial records and uncovered irregular bookkeeping practices and entries that were not documented or understandable. Each transaction was reexamined and reclassified resulting in an organized AP function and an improved understanding of cashflow.
- Improved the AR function by defining and optimizing the collections process, including implementing a plan to collect on accounts outstanding since before the pandemic.

- Established accounting controls and segregated duties to provide clarity for the finance team.
- Aided in the configuration of the construction customer relationship management (CRM) software to process all work orders.
- Implemented a virtual work-order process board, enabling all relevant parties to view a job's progress from start to finish. This was developed to attain job efficiencies and accuracy while increasing critical communication touchpoints among team members.
- Shifted paper copies of work orders from the hands of production managers to the CRM, resulting in accounting's ability to track the progress and collection of all work orders.
- Developed a vendor workflow and payment process to prevent duplicate payments to vendors (which often previously occurred).
- Improved cash forecasting by creating procedures to obtain subcontractors' invoices weeks, instead of days, before due date.
- Reconciled cash on a weekly basis, and instituted a formal monthly cash reconciliation process.
- Created a more organized cash application process.
- Implemented processes to create accurate internal management reporting, enabling the company to share critical financial information on demand.

Freddie Mac recently found that approximately 4 million new homes will be needed to meet existing demand, representing a 52% increase compared with 2018. (Source: [Freddie Mac](#))

The construction industry has been on a rollercoaster ride since the pandemic hit. The number of construction jobs lost in March 2023 constituted a 17% drop compared to March 2022. The first quarter of 2023 alone has seen its share of ups and downs: half of the open construction positions vanished in January, and then a large number returned in February before the dip in March.

In addition to talent challenges, the construction industry continues to grapple with material shortages and disruptions in the supply chain to source the basics, like sand, cement and bricks. (Source: [Industry Drive](#))



Early in the initiative, the client's controller, AP/AR accountant and payroll accountant resigned. Under the direction and support of the client's chief financial officer (CFO), Vaco's consultant absorbed many accounting responsibilities, including:

- Served as the main accounting point of contact.
- Made daily deposits.
- Handled cash application and reconciliation.
- Communicated with production managers across all business locations to ensure subcontractors were paid promptly.
- Ensured AP was reconciled as necessary.
- Performed accounting calculations and cash forecasting.

Meanwhile, Vaco worked to backfill the controller role and recruit a finance manager.

Impact

According to our client, Vaco has had a significant positive influence on the financial well-being of the construction firm. Right from the start, our team of consultants delved into the financials, effectively analyzing extensive data, resolving inconsistent reporting and addressing various other financial challenges.

As a result of Vaco's work, the CFO now possesses a comprehensive understanding of the underlying causes of the challenges previously encountered. Additionally, Vaco has implemented effective processes, tools and structural changes to address these issues. As a result, the finance team now has a clear plan for ongoing success and improvement.

A highlight of client benefits include:

- Cleaned up the balance sheet and thousands of entries and phantom payments.
- Aided in the configuration of the client's CRM to process all work orders electronically.
- Entered thousands of invoices into the client's accounting system that were previously missed and identified outstanding invoices.
- Optimized the AR collection process and results.
- Established procedures and made other suggestions to ensure accurate internal reporting, enabling the client's ability to share financial information as they pursue private equity funding.

In addition, Vaco successfully helped the client find a replacement controller and hire a finance manager.