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Construction Compliance with Acumatica

A Playbook for Construction and Land Development Organizations

HOW MODERN ERP SOFTWARE PREPARES THE CONSTRUCTION INDUSTRY FOR COMPLIANCE AND REGULATIONS

The modern construction industry is complex and requires an ever-increasing alignment of people, processes, departments, and companies. This means there are more areas to coordinate, track, and report, ranging from budgets and material costs to change orders and field reports to revenue and profitability.

By its nature, construction carries many risks, financially and to the personal safety of everyone on the job site. Because of this, construction is one of the most regulated industries of any trade. To be successful and profitable, construction firms need to consider regulated billing and tax zone requirements, insurance and bonding obligations, well-regulated safety training and certification requirements, certified and union payroll reporting, special business consideration requirements, and more. Contractors must also ensure that any subcontractors and vendors on their job sites adhere to these rules and regulations. If any one of these considerations is overlooked, it can bring the job site to a complete stop while it is addressed. It can also present a significant risk to the contractor through penalties, fines, non-payment, and lawsuits. In some cases, it can even result in a project or company becoming insolvent.

This playbook from Acumatica provides construction executives with an overview of modern ERP features that support construction regulations and compliance. In addition, it gives a summary of standard quality requirements across the industry with a self-assessment, strategies to implement compliance-friendly workflows and systems, and steps to execute on quality software implementations.

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COMPLIANCE OVERVIEW

Types of Compliance in Construction

The construction industry regularly deals with six categories of regulation and compliance—finance and accounting; insurance and bonding; liens and retainage; safety and training regulations; labor laws; and subcontractor and vendor documentation.

"With Acumatica we have a single source of truth that's actionable, which cuts down on errors, cuts down on confusion, and ultimately makes us more profitable."

– SHEL WAGGENER, PRESIDENT
AMERICAN ASPHALT REPAIR & RESURFACING

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FINANCE AND ACCOUNTING

In construction, accounting and financial reporting compliance varies by jurisdiction, all the way from municipalities to counties, states, and countries. The American Institute of Architects (AIA) sets standards for the industry. AIA reporting and billing is a set of forms contractors use for a specific style of progress billing, plus the practices around them. This is required for varied jobs. Equally important are tax rules and regulations that vary drastically by location and are dependent on the type of contract executed (lump sum vs. time and materials), when and where construction materials are purchased and billed, and tax exemptions by project.

Your construction accounting software should natively support AIA reporting and billing standards. Common construction accounting standards such as GAAP and IFRS should also be available to you.

Acumatica supports AIA billing and reporting and forms G702 and G703. The flexible tax reporting in Acumatica natively allows you to configure value-added taxes (VATs), use taxes, and easily retrieve details for different tax zones. Tax compliance, IFRS, and GAAP accounting standards are also supported by Acumatica and powered by Avalara.

INSURANCE AND BONDING

In addition to general liability insurance, most construction projects require contractors and subcontractors to carry several other policies to mitigate specific types of risks. Builder's Risk or Course of Construction (COC) insurance covers the building and related structures while construction is in progress. Errors and Omissions (E&O) or professional liability insurance protects businesses against claims arising from errors or mistakes in the work done during the course of the project.

Several types of construction surety bonds may be required to be in compliance on a job site. The most common four needed are the contractor license, bid, performance, and payment bonds. The latter three are often issued simultaneously by the same provider. It is essential to have these issued timely, ensure they are on file, and not expire if the project goes beyond the originally scheduled completion date.

Acumatica allows you to store insurance and bond certificates electronically. Bonding Reports give a work-in-progress (WIP) status during the review process. Documentation and bond certificates are available on-demand and provide automatic status updates and can be set up to alert staff when policies and bonds are set to expire.

LIENS AND RETAINAGE

Mechanical liens and retainage are two major levers that ensure payment to contractors and subcontractors upon completion of work. A mechanic's lien ensures that labor and material costs related to a construction project are paid if the project or owner becomes insolvent. Companies have defined timelines to file mechanical liens based on project type and geography. Retainage is an agreed-upon percentage of a contract that is not billed or paid until the project is complete and the work is deemed satisfactory.

Acumatica's dashboards, process workflows, and business events help companies stay on top of lien deadlines. Easily track mechanical liens and alert parties to any issues, status changes, or expirations. Manage initial retainage and changes to streamline invoicing and payments. Retainage tracking is supported for progress billing, time and material billing. Project cost commitments are calculated with retainage in purchase orders and subcontracts.

LABOR LAWS AND DOCUMENTATION

Any contractor or subcontractor working on a government-funded project is subject to pay local prevailing wage rates and provide detailed weekly records that show hours worked, the wages paid to each employee, and the jobs those employees performed. This is known as certified payroll. Likewise, if a construction company is working on a job site that has unionized labor, payroll reports for wages, fringes, overtime, and dues must be reported. In both cases, heavy fines are the result of non-compliance.

Acumatica's Payroll provides easy tracking for worker's compensation, union dues and fringes, and other employee information. Certified payroll and reporting are embedded in the platform, allowing for effortless documentation of prevailing wages and additional pertinent information that can be painlessly exported for reporting to the government and any other interested parties such as unions.

SAFETY AND TRAINING REGULATIONS

The construction industry's safety laws and labor regulations are among the most stringent of any trade. These include safety protocols set forth by the Occupational Safety and Health Administration (OSHA). OSHA requires all construction companies to keep careful records of their training practices and certifications for the areas of fall, stairway and ladder, scaffolding, electrical, trench and excavation, and highway work zone safety. Regulations also compel organizations to keep an occurrence log that records all instances of workplace accidents and their outcomes. These are audited by OSHA regularly and can cause job sites, and in some cases, even entire companies to temporarily shut down if the proper records can't be produced.

With Acumatica, forms and documents can be easily created within the system to record employee training and occurrence logs. Acumatica also integrates with top Human Capital Management applications such as WorkForceGO! to manage employee skills, certifications, and training requirements.

SUBCONTRACTOR AND VENDOR DOCUMENTATION

Any subcontractor or vendor that a construction firm hires for any portion of a project is subject to the same safety and labor regulations as the contractor. Furthermore, if the job is government-funded and the contract was given with special considerations such as EEO (equal employment opportunity) or MWOB (minority & women-owned business), then they must supply documentation and comply as well. Another concern for subcontractors and vendors is that they must have a W-9 tax form correctly filled out and on file so that any wages can be reported to the IRS in the form of a 1099 at the end of the year.

Acumatica's software allows construction firms to collect all needed documentation, certifications, and tax information to store electronically, ready to be pulled up at any time.

COMPLIANCE SOFTWARE

Improve Documentation, Training, Security, and Reporting

Few ERP applications support all construction compliance requirements. Many construction organizations still rely on physical records and filing systems as their primary way to keep compliance, tax, and other necessary documentation. This method leaves vital records vulnerable to decentralization, loss, and destruction. Modern applications like Acumatica provide an adaptable platform with Open APIs to tailor system workflows, secure data, and connect disparate applications for ever-changing compliance regulations. Below are the key areas of documentation, security, and reporting crucial to smooth, efficient, and accurate construction compliance.

FINANCE AND ACCOUNTING DOCUMENTATION

There are many areas of finance and accounting that need to be properly documented for construction compliance. AIA forms G702 and G703 are essential to their billing and reporting standards. These forms are standard within Acumatica Construction Edition. Certificates of Insurance and license, bid, performance, and payment bonds (as well as any specialized bonds required by a project) should be kept and filed electronically so that they can be accessed at any time from the jobsite or office. Liens, lien waivers should also be accessible with automatic notifications to changes in their status. Retainage billing should be automatically calculated based on contracted agreements. Tax certifications, W-9s, and 1099 forms should be available to accountants in the office and superintendents on the job site. With Acumatica, all these things are possible.

With Acumatica, you can manage all financial and accounting documents under one umbrella. Get automated notifications and reporting with access from anywhere.

EMPLOYEE OFFICE DOCUMENTATION

Human resources and payroll documentation are essential for construction compliance. All projects completed for the government need to report prevailing wage rates and provide detailed weekly records that show hours worked, the wages paid to each employee, and the jobs those employees performed. These abilities are available natively in Acumatica's Construction Edition. Union payroll documentation is also a common need within the industry. Acumatica supports this functionality with customizable forms and reporting. Some demographic information that verifies and supports specific federal business designations such as EEO, MWOB, and SBA are also effortlessly handled within Acumatica's payroll system and using customizable forms and reporting.

Acumatica allows you to easily track and record time worked for employees in the field, and labor rates for certified and union projects. Customizable forms and reporting allow you to track additional employee demographics and union information.

"With Acumatica, I'm giving employees an ultra-efficient tool to do their jobs easier."

– MATTHEW SHAMP, EXECUTIVE DIRECTOR, CARLSON-LAVINE INC.

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EMPLOYEE SAFETY DOCUMENTATION

The construction industry is one of the most heavily regulated, especially in terms of job site safety. Incidents and accidents are required to be recorded in an occurrence log. Acumatica's employee file provides custom attributes to manage employee skills and certifications. Advanced training management applications are available on the extensive Acumatica Marketplace for Human Capital Management (HCM) systems. Employee activities within the platform create tasks for recertification and required training with the ability to notify supervisors and employees of upcoming deadlines.

Manage employee training requirements with integrated HCM applications such as Arcoro. Get customized support with Acumatica's embedded CRM and connected marketplace applications.

EMPLOYEE JOBSITE NOTICES AND CERTIFICATIONS

In addition to extensive safety training for employees, there are specific field conditions and jobs that dictate that only employees that have been through an in-depth training course and received a certification in that area are allowed to enter that job site or a specific area of the site. Good examples of this are fall/tie-off and scaffolding training. If an OSHA representative is on the job site, it is crucial that contractors can pull up certifications an verify employee eligibility on the spot. Acumatica's ability to access documentation remotely gives contractors this option. Safety notices and bulletins can also be accessed and posted in the field in the same manner. Acumatica also has Daily Field Reports that allow you to track visitors, issues, and other vital job site activities.

Connect data across platforms for real-time access to crucial compliance documentation such as safety training certifications and safety notices.

"Having a solution that can communicate with other tools was a must. In construction, there are a lot of pieces and moving parts, multiple vendors and subcontractors, and different expenses and financial controls that need to be tracked and communicated in multiple places. Integration is essential."

– BRUCE YOUNG, PRESIDENT & CO-FOUNDER CURRAN YOUNG

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SYSTEM SECURITY

Multiple levels of security protect the integrity of your data. Avoid cyber-attacks with the super-secure Acumatica platform. Acumatica has passed SOC 1 and SOC 2 Type 2 compliance audits as well as other domestic and international compliance mandates. Further, built-in Acumatica role-based security provides the necessary internal controls to limit access to information without restricting employees' ability to get work done on time.

Protect your systems and data with Acumatica's multiple layers of security. Use role-based security controls for limited data accessibility.

SECURITY PERMISSIONS

Several levels of permissions and security are needed to be fully compliant and send reports reflecting that status on regularly. Acumatica arms construction companies with real-time information through role-based dashboards, powerful business intelligence, and flexible reporting and inquiry capabilities with permissions mapped automatically for all functions.

Stay compliant with Acumatica's proven security permissions. Automate data collection and capture test results for improved data accuracy.

ASSESSMENT

Are You Prepared for Construction Regulations and Compliance Audits?

Your ability to remain in compliance depends on your business systems, the number of regulations you manage, and the complexity of those regulations. Take the quality and compliance readiness survey to understand your risk exposure.

"With Acumatica Construction, we have access to current data that helps us understand where our business is coming from, how profitable it is, and just where it stands at any point in time."

– ERIC HUGUNIN, CHIEF OPERATING OFFICER
PHOENIX RENOVATION AND RESTORATION

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QUALITY READINESS SURVEY

Complete the survey below by clicking the boxes in each column. Then, count your results and enter the total at the bottom.

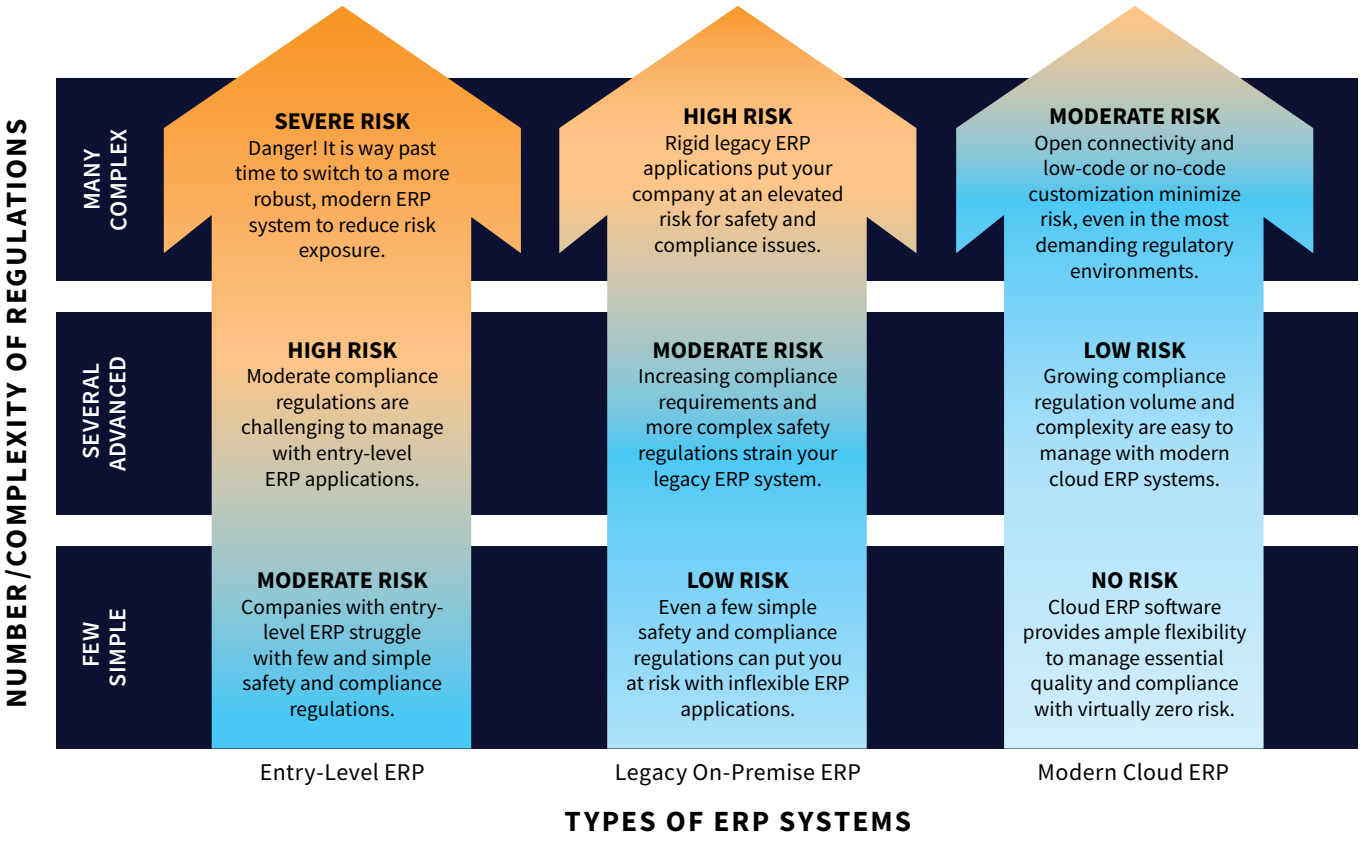
COMPLIANCE READINESS	TRUE	FALSE
ERP databases and applications are secured with multiple levels of security.		
System and database changes are tracked by the user with date and time stamps.		
Systems provide a standardized and enforceable business process workflow.		
Applications are provided to track employee training, skills, and certifications.		
Employee OSHA training certifications can be created, stored, and produced as needed.		
An electronic OSHA workplace occurrence log is available for quick reporting and documentation.		
Electronic certified payroll documentation and reporting are available.		
You have not failed an OSHA audit in the past three years.		
Certificates of insurance and surety bonds can be stored electronically and downloaded.		
Notice is automatically sent to all relevant parties when insurance and bonds will lapse or cancel.		
Mechanical liens are stored electronically and downloaded.		
Notice is automatically sent to all relevant parties when there are issues with mechanical liens.		
AIA reporting and billing are embedded with forms G702 and G703.		
Billing by tax zone is automatically available.		
Tax exemptions are automatically applied in the billing and invoicing process.		
Tax certifications are stored within the system and are readily available at any time for audits.		
W-9 and 1099 forms for subcontractors are stored and reported on within the system.		
EEO, MWOB, and other important designations are documented and stored within the system.		
TOTAL		

READINESS ASSESSMENT RESULTS

Add up all the True answers. Then, use the table below to identify how much risk you face by using your current compliance documentation practices or existing ERP software with disconnected systems and manual processes.

16–18	**No Risk**	Your modern ERP application and compliance applications present virtually zero quality and compliance risks.
12–15	**Low Risk**	Your modern ERP platform and connected compliance applications empower you to effectively manage safety and compliance regulations. Stay current with product releases and look for ways to improve processes using native functionality and new features.
8–11	**Moderate Risk**	Your current systems meet many of your compliance needs. Next, look for customizations or third-party products to improve processes, documentation, security, training, and reporting. Then, start planning for an ERP replacement.
4–7	**High Risk**	Disconnected systems cause data silos with manual processes that create barriers to construction compliance. Investments in specialized applications and customizations may help, but you will likely need a new ERP system soon. Start looking now.
0–3	**Severe Risk**	Current systems and processes are prone to significant errors with security issues that prevent your organization from complying with industry and business regulations. Consider upgrading to a modern ERP application.

The compliance strategies you deploy depend on the number and complexity of compliance regulations you manage and the capabilities of your ERP system. Entry-level accounting systems such as QuickBooks and low-end ERP systems provide limited compliance features. In addition, old legacy ERP software is expensive to customize and difficult to connect with applications regularly used in the construction industry. By comparison, modern cloud ERP software is designed for connectivity, reducing risk by providing a flexible platform to adapt to ever-changing safety and compliance regulations.



STRATEGY

Strategies for Improved Compliance

STEP 1: WAYS TO IMPROVE YOUR COMPLIANCE DOCUMENTATION WORKFLOW

Entry-level accounting and legacy ERP applications provide little support for compliance initiatives. Set the proper foundation for safety and compliance with a modern ERP application built from the ground up with open connectivity and native tools for process automation and control.

1. **Review of Current Practices:** What are your current compliance and certification practices? Where are your certificates of insurance, bonds, liens, and lien waivers stored? Where is prevailing wage and payroll documentation stored? Is reporting done manually or electronically? How are safety training/certifications, safety notices, and your occurrence log kept? Are these forms processed manually or electronically? Do all relevant parties have access to all this information and documentation at any time or place they are needed?

2. **Review of Current Accounting/ERP software:** Does your current software offer automatic timestamps and customizable forms for compliance reporting? Are there silos in your available information and documentation? Are software integrations available that allow your data to be accessed under one umbrella? Can information and documentation be directly input and accessed from the office and job sites? Are automatic notices and reporting for safety and compliance requirements available? Who has access to information and documentation? Can you modify processes and permissions as your organization and business needs grow and evolve?

STEP 2: UPGRADE OR REPLACE YOUR ERP PLATFORM

Research and document construction safety and compliance technologies so you can prioritize your wants and needs. First, review the detailed readiness assessment section to identify all potential compliance issues.

Then, conduct a thorough business process review to identify what areas can be improved. Create a list of compliance issues and rank each one based on cost and potential benefit.

1. **What capabilities are available in the market in ERP platforms?** What is your wish list in an ERP system? What modern systems are currently on the market that check the most boxes?

2. **After you have the list of features you need, what are your next priorities?** Is a user-friendly experience important? How important will mobile functionality be within your organization? How vital will role-based functionality be?

STEP 3: STRATEGIZE YOUR TRANSITION

Create a list of quality issues and rank each one based on cost and potential benefit. It is essential to start with a few high-priority activities. Look for ways to get more out of your current applications first. Be mindful of cost. Further, many advanced regulatory requirements may push you into expensive and unnecessary quality management systems or intrusive customizations.

1. **Final considerations:** Contact your ERP partner to learn more about available modules, features, or third-party applications to improve safety and compliance. Do these applications fill most of your current and future gaps? Are they easily integrated? What are the costs?

STEP 4: DEVELOP A PLAN

Develop a plan that defines the desired goal, supporting technologies, and a timeline and process for conducting the compliance system and process implementation from start to finish.

1. **Goals & Desired Outcomes:** It is essential to outline the expected results clearly. Document the current state of safety and compliance regulation documentation and workflows beforehand so you have a benchmark to use as a measure of your success. Make sure to note which processes that you want to change will have the most significant impact across the organization and brainstorm ways to minimize this ahead of time.
2. **Compliance Technologies:** Document which compliance and Human Capital Management applications will be used, application dependencies, integration points with other systems, known limitations, and provide contacts for assistance.
3. **Timeline:** How long would a transition to a new platform with new integrations ideally take? What is realistic given the size of your organization? Is it possible to complete any transitions needed during the slower winter months to minimize the impact on your day-to-day business operations? You may not have a start date for your compliance project, but you can develop the detailed phases and timeframes to complete each step in the process.
4. **Workflow:** Ensure that all your ideal daily workflows for compliance data and documentation at the office and from the field have been properly mapped out. You should understand prior to starting any implementation process what information needs to flow to what teams and managers across the organization. Who needs access to safety and compliance data and documentation? Who should be restricted from accessing specific data and documentation?
5. **Contingency Plans:** Define contingency plans in case you run into technical issues or other conflicts that prevent full implementation. Contingency plans may include manual workarounds, alternative systems, or a combination of both. Ensure that all plans are clearly documented and communicated to all key users.

"First thing every morning, I can see what our case load is like, what's in our backlog, what are our active projects, and see from an executive level key indicators of the health of the business. I don't have to wait until the end of the month or two or three months after that to have clean labor data to learn the profitability of a job. With Acumatica Construction Edition, all of us have that data in real time."

– JEFF HAMILTON, PRESIDENT, ROBERTS GLASS & SERVICE

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EXECUTION

Going Live: Construction Compliance Implementation

It is time to execute the new compliance program. Remember that you do not have to tackle everything simultaneously. It is easier to start with simple requirements and move to more complex needs in the future. Execution covers five phases: preparation, training, and adoption, go-live, perfecting the process, and continuous improvement. Each stage is essential for the successful roll-out of new construction compliance workflows.

PHASE ONE: PREPARATION

Preparation should start well in advance of your desired go-live date. It should include a review of the project plan with project owners, internal and field staff, users, technology providers, and consultants. The time it takes to prepare will depend on the project's complexity, including the technologies used and the scope of changes to systems and processes.

1. **Plan Review:** Review the implementation plan with your team. Set the start date for the project and assign dates to each step in the project. Make sure you have a firm understanding of how long it will take for the Training and Adoption phase to get users up-to-speed and using the software properly. Consider the contingency plan to ensure there is a solid plan if something goes wrong.
2. **Team Preparation:** Notify participants of timelines and their roles and responsibilities. A conference room pilot (CRP) improves success rates dramatically.

PHASE TWO: TRAINING AND ADOPTION

1. **Documentation:** Assure that wikis, manuals, and sandbox environments are available to users to access for review and practice prior to the go-live date.
2. **Training sessions:** Schedule live training session with all key users before going live. This training should include simulated workflows that closely reflect the day-to-day activities of your organization.

PHASE THREE: GO-LIVE DAY

Successful go-lives are well-organized. Identify one person as the project lead or a designated lead within every department. The project lead(s) orchestrates each step in the project.

1. **Coordination:** The project lead(s) coordinate the implementation, delegates tasks to team members, and provide feedback to management. They make decisions based on input and chart progress and gaps throughout the transition.
2. **Documentation:** The actual go-live should be as close as possible to the planned implementation. Last-minute changes inevitably happen along the way. Carefully document changes and include all pertinent details for future review with the implementation team.

PHASE FOUR: REVIEW

It will take time for things to settle into place after you complete your new safety and compliance project. Therefore, give users time to adapt to new processes while providing time to collect data.

1. **Go-Live Notes:** Review the go-live notes for last-minute changes to the project plan. Identify if there are any follow-up activities to fine-tune the process.
2. **User Feedback:** Talk to users about new processes and technologies. Are workflow maps working as planned? Are information flows from the office to the field working correctly? Are automatic notices working as intended? Are permissions working? Are they helping or hindering efficiency? What do users like? What do they dislike?
3. **Analytics:** Review the early results. Were you able to meet your goals? If not, why? Were there gaps in data or planning? What can you do to improve the process?

"Acumatica will always maintain SOC reports, which is fantastic for us because it takes the auditors out of the equation to ensure that there's compliance and control standards."

– SCOTT LYONS, CHIEF FINANCIAL OFFICER
ALPHA INSULATION & WATERPROOFING

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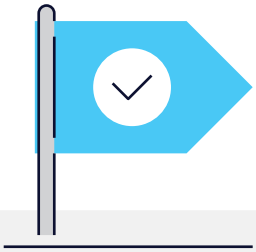
PHASE FIVE: PERFECTING THE PROCESS

Application upgrades and other issues impact the original project. For example, new versions of the ERP application or HCM software can provide increased value.

1. **Improve Processes:** Take the information from going live and build on it. Can forms, workflows, and notifications be improved? Can new workflows be built that further enhance your efficiency? Go back to the original project and implement more advanced features or tweak workflows and permissions to get value and streamline additional processes.
2. **Explore New Opportunities:** Look for new ways to extend your safety and compliance projects to other types of requirements or business processes. Growth or new projects may require new or modified forms, documentation, and workflows to be established. New safety and financial regulations could mean changing current practices. Know what's coming and create plans to address changes to remain in compliance with laws and regulations.
3. **Maintain Technologies:** Stay current on the latest updates of your ERP software and connected safety and compliance systems. Review product road maps and understand technology lifecycles. Set up a sandbox for testing upgrades.

Construction Compliance Streamlined and Simplified with Acumatica



> "Our customer satisfaction has grown tremendously because of Acumatica."
>
> – MARISKA-LEE BEZUIDENHOUT, DUKATHOLE

Many types of compliance are required across the construction industry. Recording and storing compliance documentation manually leads to a lack of real-time information and hinders workflows and efficiency. Furthermore, an inability to produce compliance documentation on-demand and a lack of automatic notifications for non-compliance can cost time and money—it can even shut down a job site or company. Fines, penalties, lawsuits, and a loss of business are other common negative outcomes associated with failures in compliance documentation.

Acumatica, combined with HCM applications, such as WorkForceGO! and Arcoro, allow construction organizations to gain efficiencies and avoid devastating, costly non-compliance mistakes. Templates and customizable forms will enable you to customize your documentation to meet your organization's needs. Automatic timestamps and notifications ensure that critical documentation is recorded correctly and that nothing is missed—saving money, potential fines, and potential shutdowns.

Customized workflows and permissions ensure the correct information gets to the right people at the right time. Financial compliance avoids costly errors and omissions and ensures that your company gets paid for the work done. Insurance and bonding compliance protect the contractor, the customer, the building during the process, and the new building tenants. With all these compliance features at your fingertips, Acumatica offers the most comprehensive integrated compliance tools in the ERP marketplace.

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ABOUT ACUMATICA

Acumatica Cloud ERP is a comprehensive business management solution that was born in the cloud and built for more connected, collaborative ways of working. Designed explicitly to enable small and mid-market companies to thrive in today's digital economy, Acumatica's flexible solution, customer-friendly business practices, and industry-specific functionality help growing businesses adapt to fast-moving markets and take control

Learn more about how Acumatica can work in your business by visiting us online at **www.accordantco.com** or calling us at **973-887-8900.**