



by Mike Ode

Software Feature Line-Up

NO. 4: THE GRAND SLAM: CONSTRUCTION-SPECIFIC PAYROLL

Editor's Note: This is the fourth article in the series, "Software Feature Line-Up," by Mike Ode. Each article focuses on must-have accounting software features.

Payroll can be one of the most challenging aspects of running a construction business. Union reporting, multiple states and localities, varying pay scales, multiple job classifications, deductions, withholdings and tax reporting are just some of the things that contractors must deal with each and every pay period. And since nothing has a greater impact on job profitability than labor costs, more and more contractors are turning to technology for help in controlling labor costs and simplifying the entire payroll process.

Just as a finely crafted Louisville Slugger will surely outdistance a wiffle bat, sophisticated job cost accounting systems offer more payroll productivity and efficiency than general business payroll and accounting software.

There are at least nine features that can help automate and streamline the payroll process:

1) Timecard Entry—Flexibility is key when it comes to payroll timecard entry. A construction accounting system's payroll module should support unlimited timecard styles (paper,



spreadsheets or remote systems, for example) as well as methods of delivery (via fax, phone, the Internet or intranet). Above all, the system should seamlessly integrate with third-party timecard applications.

2) Multi-State, Multi-Locality and Multi-Job Processing—It's not uncommon for construction employees to work on a number of jobs in multiple states and localities—all in a single payroll run. It's also not uncommon for laborers to work under various trade classifications and/or receive different pay rates—all on a single timecard. As a result, many contractors require the capability of automatically computing different tax rates, deductions and changing pay rates, depending on job location. In addition, with

Software Feature Line-Up

Home Safely:

1. Lead off with Job Cost Reporting
2. A Double Play: Date-Sensitivity/Audit Trail
3. Triple Your Success with 3rd Party Software Integration

At Bat:

- 4. The Grand Slam: Construction-Specific Payroll**

On Deck:

5. Score with Better Progress Billings
6. Purchase Orders/Subcontract Management: A Line Drive
7. Game-Saving Plays: Over/Under Billing & Bonding Reports
8. Avoid Wild Pitches With Overhead Allocation
9. The Closer: "Live" Customer Support

the ability to assign an employee's time to multiple jobs and phases and automatically calculate various deductions, contractors not only save time on payroll processing, but gain a greater understanding of how and where labor job costs are being spent.

3) Job Cost and General Ledger

Integration—Contractors need a system that integrates payroll with general ledger and job costing modules to track and manage job costs effectively. Efficient software assigns a job number to every labor and employer burden dollar so that data can be pulled from either general ledger or job costing by job. Balancing of job costing and general ledger is then seamless and automatic. Integration of payroll data to the general ledger can lead to another advantage—overhead allocation reporting, which allows contractors to determine the net profit (rather than gross profit) of each job.

4) **Certified Payroll**—The inability to produce certified payroll reports—such as prevailing wage and statement of compliance—can prevent contractors from competing on government-funded jobs. Most construction-specific accounting systems should instantly produce these reports for any payroll period.

5) EEO and Benefit/Deduction

Reporting—Many contractors need help preparing precisely formatted, detailed reports for other government agencies and reporting requirements. Construction-specific systems eliminate the need for manual preparation of Equal Employment Opportunity (EEO) reports. Reports are generated detailing the total number of employees on a job, the number

of minority workers on that job and the number of minority hours worked within a specific period. Sophisticated systems should also include a generous number of user-defined deductions that allow for instant computation of liability insurance, garnishments, employee loans, 401(k) deductions and so on. Finally, the software should be flexible enough to allow users to define how their deductions are calculated (hourly, with or without overtime factors, percent of gross, fixed amounts or based on trade classifications) as well as when (weekly, concurrent, one-time, recurring) and where (multiple state/job classifications).

6) **Standard Payroll Reports**—In addition to certified payroll and other previously mentioned payroll reports, contractors should consider the other types of reporting they may need from their payroll software. For example, the software should be capable of generating various federal and state payroll tax reports, including year-end W2s (both printed and magnetic), and it should generate such on-demand reports as timecard history, detail report by job and accrued time off.

7) **Security Controls**—Security controls that can guarantee both confidentiality and transparency are necessary software features since sensitive salary information is held within the payroll module. Examples of such features include: the ability to control which users have access to data at various pay levels, the option of creating and assigning an unlimited number of user IDs and passwords and easy-to-follow audit trails that detail every element of change (e.g., user, date, time, transaction type

and old vs. new values).

8) **Direct Deposit**—Direct deposit is a money-saving feature for contractors and a convenience for employees and helps avoid problems of fraud and increases payroll department productivity. Unfortunately, not all payroll software supports Automated Clearing House (ACH) direct deposit capabilities to allow the software to produce a file that can be sent to the bank or uploaded on the bank's website. This feature enables the direct deposit option to be done as quickly and seamlessly as possible without re-keying check information on the bank's website.

9) **Distinguish Between Direct/Indirect and General and Administrative Costs**—A good construction payroll system needs to be able to handle the general ledger ramifications of an employee moving from the field (direct costs) to the shop (indirect costs) or office (general and administrative labor costs).

Not only do contractors need to satisfy complex reporting requirements, but they also depend on the information derived from payroll to analyze ongoing job costs. Thanks to ongoing advancements in construction-specific accounting technology, contractors can handle payroll tasks with greater efficiency and less risk.

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