



It's as Simple as A...P...V

Key Elements Critical to Selecting the Right Construction Accounting Software for Your Business

I could sense it as soon as I answered the phone. They were no strangers to accounting software. As a matter of fact they had just purchased a new accounting system not three months ago. But their story was strikingly similar to others...selecting an accounting system based solely on name, cost or an acquaintance's passing reference. Spent a good deal of time and money. **And after all was said and done they realized too late that this system would not work for their business.**

Some just try to "live with it". Many go back to their old system and scrap the new. A select few spent *more* money on another system. All have wasted substantial time and money and are losing a long-term competitive advantage.

When selecting accounting software how do you avoid these costly mistakes? Very simply, following a simple, structured process called APV.

APV – What is it?

Analysis, Product and Vendor. A very simple concept I put together years ago to help contractors select the right software for their business the first time around.

A Three-part Analysis

The analysis phase can be broken down into three easy components – Research, Organization and Planning.

- Research

Before you begin, it is important to understand what you truly need your accounting program to do. The best way to find this out is to interview all personnel that will use the system (from clerical and project management to the owner). Find out what their jobs entail, the type of information they require, the problems they encounter with the current software and their "wish list" of items for a new system.

Also gather information on construction accounting software systems and vendors. The internet is an exceptional source for initial research. Utilize easy to use search engines such as Google (www.google.com). Use specific keywords such as "construction accounting" as opposed to the general "accounting software". Other helpful resources include The CTS Guide to Software Selection (www.cts.com), Find Accounting Software.com (www.findaccountingsoftware.com), and Accounting Software.com (www.as411.com).

- Organization

Once the initial research is complete, you must organize it. In a perfect world, your accounting software would provide everything needed. In the real world, you must prioritize. Place a value or "cost vs. benefit" for those items you are looking for in your new software. Lastly, you must organize the product and vendor information collected according to your needs.

- Planning

Finally, you must create an action plan. Make a prioritized list of features and functions. Establish the number of software vendors to contact. Name a selection committee. Most importantly, establish timeframes for demos, decision, installation and implementation.



Narrowing Down the Software Choices

Ideally, you should consider only software that addresses your industry. MAS 90, Quickbooks and Great Plains are examples of great accounting packages. However, they are not developed exclusively for construction, nor will they handle a contractor's unique and sometimes complex accounting needs.

An example of a specialized need is construction payroll. The correct handling of prevailing wage, union reciprocity, state reciprocity and reporting of taxes and wages is critical. Proper revenue recognition, work in progress and over/under billing should automatically be generated. Retainage in accounts receivable and accounts payable must be seamlessly handled and reported. Job costing should track and flag change orders.

Construction-specific accounting systems such as Timberline Gold, Foundation for Windows and GEAC Starbuilder will handle these special needs easily and efficiently.

Technology to grow

Technology is important. The software should be a true Windows®, not a Window's overlay of an old DOS or UNIX program.

How can the novice tell the difference? Tell tale symptoms that the software is not true windows include:

- Hard close features
- Outdated databases
- Inefficient input and access of information.

For example, a system that utilizes a Microsoft SQL Server database gives the end-user a great deal of flexibility in data manipulation and usage.

Although you want flexible software, it should not be forced on you. Many systems provide a robust feature set, but the end-user can only use those features as originally determined by the vendor. A good system should provide "front-ended flexibility". Front-ended flexibility allows you to soft customize your system to automatically handle only your requirements.

A Quick Guide To APV

This "battle plan" can help prepare you for an extremely productive experience when selecting accounting software.

Analysis

Research – Gather Information
Organization – Categorize & Prioritize
Planning – Feature List, Vendors, Demos, Timeframes & Implementation

Product

Industry Specific
Matches Your List of Features, Functions & Benefits
Technologically Current
Flexible, Yet Efficient
CPA & Professional References

Vendor

Great Product and Great Company is Necessary
Evaluate The Salesperson
Product Focus – 250+ Customers on Product
Evaluate Training Programs & On-Going Support
Customer References
Evaluate Financial Stability of Vendor
Future Product Plans
Visit Vendor Site if Possible



Things to See During the Demonstration

In order to determine efficiency and power, ask the salesperson to perform a full accounting cycle, with an emphasis on day-to-day activities. Some vendors will only show you the end-results because the processes to get there are cumbersome. A few areas to look at include:

- Enter several time cards
- Print Checks
- Post Payroll
- See all relevant reports related to payroll
- Void a check and examine the audit trail
- Design a report from scratch (as opposed to seeing the finished product)
- Set up a full AIA Document, post it to history and then roll it back to the previous estimate

Follow this pattern for looking at all modules that interest you.

Finally, select software that is recognized and recommended by the professionals serving the construction industry such as CPA's, sureties, legal professionals, consultants and other professionals. For example, if the software has the endorsement of a CPA firm that has a significant number of construction clients, you can be reasonably confident that this software deserves your consideration.

Which Vendor is Best for You?

A great product without the backing of a great company is a frustrating endeavor. Remember, the investment is significant and chances are you plan on using the software for the next 5-7 years (or more!). Translation – you will be working with this company for quite some time.

Start with the salesperson. He or she should know the software well enough to train and support it. Beware of dealerships that represent several different products. A vendor should have, at a minimum, 250 construction clients directly supported through their facility. A variety of training programs should be available to accommodate your company's requirements. Phone support is critical and should be provided in a timely and competent manner. Get references and call at least six of them. Ask specific questions about training and on-going support. Find out what the vendor's product development plans are for the future. Where they are today is not necessarily where you want to be tomorrow. Run a Dun and Bradstreet report for the vendor, or if unavailable, ask for financials from the last three years. Visit their corporate site where possible.

The more you learn about the vendor, the better your decision will be and the happier you will be with the accounting software you choose.