

ending the Paper Chase

Herb Brownett, CCIFP

Philadelphia Construction Leaders Are Changing Payment Practices

WHILE THE CONSTRUCTION INDUSTRY is widely accepting cutting edge operations technology like BIM, the critical Billing and Payment activity largely remains mired in archaic nineteenth century processes. These paper based processes consume staff resources, create risk and slow down payments. Ending this "Paper Chase" with the use of the Textura Payment Management System was the topic of a recent General Building Contractors Association (GBCA) sponsored forum of construction owners, general contractors and subcontractors.

The Textura Payment Management System is web based software as a service (SaaS) that facilitates collaborative processing of construction billings and payments. Textura's process sends an email to all participants to initiate the monthly draw. Subcontractors can click on links within the email to view their schedule of values. They enter requested payment amounts and electronically sign the requests. Properly completed, AIA 702/703's and/or custom documents, as well as a properly completed lien release, are emailed to the general contractor for review. Upon approval, the system automatically generates the general contractor's pay application. The owner, lender, or architect can electronically review the application online if they are on the system, or the application can be printed and mailed. The system will then

allow the General Contractor to disburse funds when it is ready, with subcontractors usually having available funds in their accounts within 24 hours. The system also tracks document compliance (signed subcontract, insurance certificated, bonds, etc.) with automatic reminders to subcontractors and payment holds for non-compliance. The system integrates with most of the commonly used accounting systems in the construction industry.

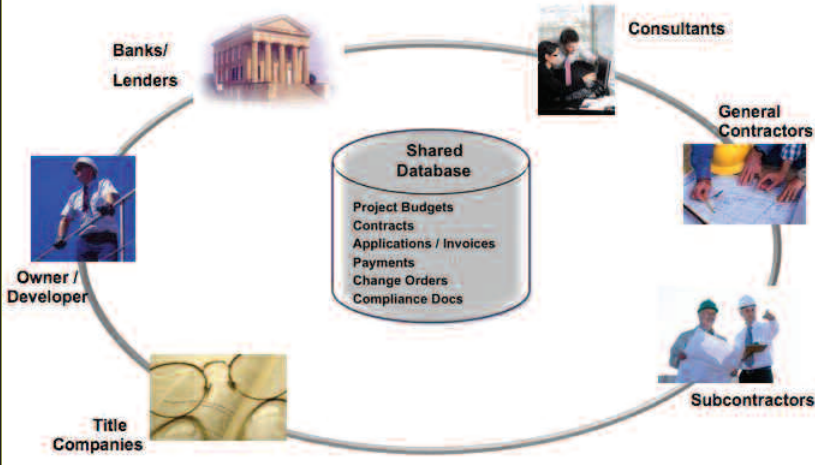
Subcontractor Benefits

Subcontractors benefit from ease of billing, the knowledge that documents are properly prepared and electronic payments are deposited directly to their bank account. Subcontractors are challenged by General Contractors to use a variety of forms and maintain accurate billing history, even though invoices are changed without their knowledge or consent. Nino Morello of National Glass and Metal, states: "With Textura our people have time to run the business rather than preparing documents and chasing payments. We typically get paid sooner on our Textura projects."

General Contractors Benefits

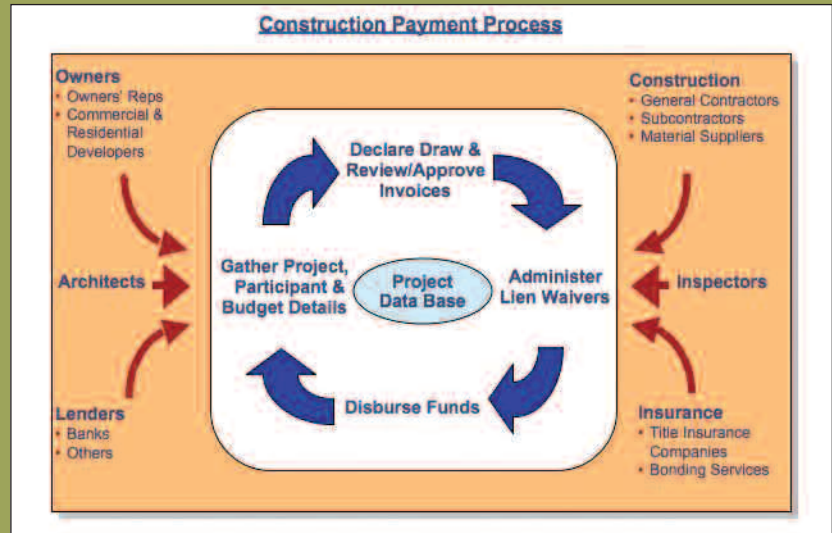
General Contractors recognize that the risk of lien exposure is greater now than ever. Textura assures receipt of a properly executed lien waiver from first tier subcontractors

Textura utilizes proven advanced Internet technology to join together some or all of the participants involved in the project payment process.

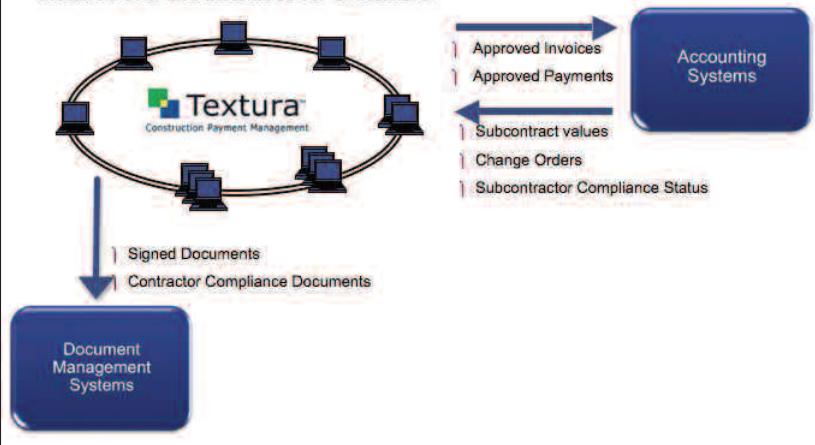


The Textura Payment Management System is web based software as a service (SaaS) that processes construction billing and payments.

Simplifying the Construction Payment Process



Textura enhances the value of your Accounting, and Document Management systems by interfacing real-time, financially accurate data. Textura has built and installed over 250 interfaces for customers.



Textura facilitates properly executed lien waivers from first tier subcontractors and can be used to collect second tier releases.

and can be used to collect second tier releases. Stan Edelstein of Jacoby Donner pointed out that "the risk of paying for something twice became very real with the 2007 changes to the Pennsylvania lien laws. Because of that, it is critical that a prime contractor make sure it has releases from second-tier subcontractors and suppliers." Textura can be used to do that.

General Contractors however also realize significant efficiency from the system. Industry cost studies show that on a typical construction project, thirty to forty hours per month is spent by general contractors on manual paper activities that can be eliminated with Textura. Roger Ball of Shoemaker Construction said "We started using Textura to reduce lien risk, but are also enjoying significant efficiency."

The importance of general contractor's assuring subcontractor document compliance was reinforced by Mike Mitchell of The Graham Company. "Due to the current economic conditions, more subcontractors are going to be problematic. When things like signed subcontracts and proper additional insured status fall through the cracks, it affects the credibility of the general contractor and their insurance agent in the eyes of insurance company underwriters."

"We started using Textura to reduce lien risk, but are also enjoying significant efficiency." – Shoemaker Construction

Owner Benefits

Construction owners also suffer from the inefficiencies of paper processes, as the documents roll up to their level. Errors and inconsistencies in subcontractor billings that general contractors may miss must be checked for and corrected, slowing down the payments to all participants. They also recognize that ultimately they have the lien risk. As a result, the University of Pennsylvania Health systems (UPHS) is considering requiring general contractors to use the system on all projects above a certain size. Joe Palombit, UPHS Project Manager says "Textura is simple to use, the real time information is valuable and the assurance of doc-

ument compliance is very important from the owner perspective."

A Win-Win for all Parties

The general consensus at the recent GBCA Forum was that when people are able to focus on business issues and not paper chasing, contractual risks are averted and money flows on schedule, everybody wins!■

Herbert W. Brownett, CCIFP, has been a construction financial professional for more than 30 years. Brownett is a past National Chairman of the Construction Financial Management Association (CFMA) and a frequent seminar presenter and author on subjects regarding construction financial management.

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