

The "All Zeroes One" Code Prevents Lost A/P Invoices – 0000-0001

Executive Summary: A key component of job cost reporting is accurate posting of accounts payable (A/P). The time between receiving the invoice in the mail and posting it to your job cost reports can be fatal to a job, or a company. The answer is to not let the invoice out of the main office until it's been posted to the project. Use the "all zeroes one" code to capture this cost in a job immediately.

The Problem: Invoice arrival at your office is a result of the United States Postal Service and your vendors' billing cycles – and you cannot really control either party. But, this isn't the problem – the problem starts when the invoice finally does arrive and it's on you to manage the invoice through the *Labyrinth of Processing* to ensure it gets posted to the correct job in a timely fashion.



The danger zone is that period in time between the letter opener hitting that invoice envelope and the day the invoice gets coded to a job. If you're not getting A/P posted in a timely manner to the projects, this leads to:

- Inaccurate job costs
- Inability to forecast working capital
- Loss of credibility with the bank and a reduced line of credit
- Decreased bonding capacity

The posting of an invoice to a project is often delayed because it gets

- Lost in the corporate office
- Delayed by the project manager because he/she has not cost coded it
- Lost on its way back to the corporate office
- Lost by the A/P department
- Miscoded due to a data entry error by the A/P Department

The Solution: All invoices stay in the vault until they're coded to the *All Zeroes One* code!

By now you're asking two questions, the first being "what is this *All Zeroes One* code?". The answer is this new cost code you see below which should exist in every single one of your projects (number of digits and dashes vary per accounting system):

00-00-0001 Outstanding Accts. Payable

The second question is "what is the vault?", and here's that answer:

Vault = your main office where invoices are received; more specifically, your A/P department

Scott Jennings, P.E., is the President of SJ Construction Consulting, LLC. He recently exited his heavy/civil construction company and now provides cost estimating, litigation support, and efficiency advice to contractors. Contact Scott: (808) 271-5150, sj@sjcivil.com, or www.sjcivil.com. He is the founder of Runjob Software, Inc. (www.runjobsoftware.com).

If you can get your purchasers to, at a minimum, assign a job number to each purchase, the A/P staff can get every invoice into your job cost system immediately.

In conclusion, your A/P process remains the same except that you add a step to enter all invoices in the job, under cost code 00-00-0001 Outstanding Accts. Payable until it returns from the field. This process will ensure that all accounts payable is posted in a timely fashion and that job projections can be done with confidence.

Modified Accounts Payable Process

