



# **8 Advantages of Automated Construction Payments**

# Automation Is a Better Alternative to Traditional Payment Methods

## IT'S A SMART, STRATEGIC APPROACH FOR CONTRACTORS THAT WANT TO GET AHEAD

Optimizing accounts payable is an important aspect of every construction project. Yet this area often is overlooked in our industry's movement toward digital transformation. In fact, many contractors' AP departments are still mired in traditional, manual methods and outdated desktop software. "While it's more common now for general contractors to use software technology out in the field, we find that many still have manual-process mindsets in how they run their accounts payable operations," said Mike Milligan, GCPay global head of marketing.





## THE CONDUIT TO MODERNIZATION IS IN THE CLOUD

Fortunately, there is an effective alternative to traditional payment methods and legacy software: cloud-based SaaS automation technology. This can be a key enabler for achieving major efficiencies in your company's back office. In fact, the right software solution will automate, streamline and simplify payment processes to help your business cut costs, minimize risk and run a more efficient operation.

In this guide, you will discover eight significant advantages you can gain by automating construction payments.

**"The ability to staff, manage and lead increasingly automated organizations will become an important competitive differentiator."**

**— MCKINSEY & COMPANY**



# 1. Save Time

When you replace old, manual methods with payment automation, you are helping your accounting staff perform their jobs more efficiently and effectively. Automation increases their productivity by streamlining internal workflows and accelerating payment approvals. “We work with contractors that are running 20 or 50 or 100 projects simultaneously. And each one has 10, 15 or 20 subcontractors, resulting in high volumes of payment applications coming in every single month,” said Evan Zachmann, GCPay product marketing manager. “The entire burden is put on the AP department, and that’s what makes automation so necessary. It gives the AP department a programmatic framework to allow for handling a complex process at a high volume.”

Payment automation also will enable your staff to pay electronically instead of dealing with the administrative hassle of cutting paper checks. Electronic payments are much easier and faster to process. Plus, electronic payments eliminate the inconvenience of sending checks through the mail or calling subcontractors to tell them to pick up their checks at your office.

Essentially, payment automation eliminates tedious, low-value, time-intensive work. This frees up time for team members to focus more on high-value, business-building priorities, such as managing expenses, forecasting revenue and supporting growth strategies. Saving time through payment automation also may prevent the need to hire more employees as your business grows. This will allow your company to remain lean and nimble while expanding existing accounts and attracting new clients.

**Even as general contractors become more innovative and agile in the field, many accounting teams are still spending their days cutting paper checks. Eliminating this process will help the back office become more agile as well.**

## 2. Simplify Lien Waiver Exchange

Obtaining lien waivers from subcontractors is essential for reducing your company's risk. However, the process of drafting, distributing and collecting valid waivers can be complicated. Therefore, navigating the legal aspects can be especially difficult without an automated payment solution. "You want to find a solution that will automate lien waiver procurement to meet legal requirements regardless of the state in which you work," Milligan said.

**When your team is engaging in manual, labor-intensive processes to verify contract and lien waiver data, it creates a bottleneck. Payment automation can help prevent that from happening.**

Also, not all subcontractors submit lien waivers on time. That type of setback complicates the process even more, while increasing aggravation for internal accounting employees. No one wants to waste time chasing down lien waivers that are overdue. Yet that scenario plays out often in the construction industry because GCs want to avoid delays that can seriously affect project timelines.

Is there an easier way? Absolutely. With the right payment-automation software, you can standardize and simplify the entire process of requesting, collecting, approving and tracking lien waivers. You can configure those steps in a way to fit your internal workflows and processes. You can allow stakeholders to review or make changes to any of the documentation as deemed necessary. You can make sure only the latest version is routed for approval. You can even authenticate and use digital signatures. All these capabilities ensure easier, faster lien waiver exchanges in order to minimize project gridlock.

### 3. Improve Document Control

With payment automation, your AP staff can easily manage and track all documentation pertaining to subcontractors and suppliers.

An automated system eliminates the need to manage and store paper documents, such as payment applications, lien waivers and backup for stored materials. This allows for digital routing and approval processes, which reduce oversights, speed up payment approvals and help ensure that all costs are recorded in your accounting system.

Payment automation also improves the sightline to important accounting documents, which makes it easier to oversee your operating cash flow.





## 4. Simplify Subcontractor Management

A good payment-automation solution will send automated email reminders to subcontractors at predetermined times so they know exactly what documents or bills are required and when they need to submit those. This decreases the likelihood that important deadlines will be overlooked.

For example, suppose a subcontractor's workers' compensation insurance is about to expire. A well-designed payment-automation system will be able to detect that problem, and then it will automatically send a reminder to enforce renewal of the insurance coverage.

Payment automation also provides greater transparency by allowing subcontractors to see the status of their payments through an online portal. This eliminates the hassle of answering their payment inquiries via phone calls and emails.



## 5. Reduce Miscommunication and Manual-Entry Errors

Ideally, you'll choose a payment-automation solution that integrates with your accounting software system. That's an important feature, because it eliminates miscommunication by creating one unified, seamless system for all team members to use. It also eliminates laborious, double-entry accounting processes that require hand keying, which can lead to inaccuracies.

The result is a smoother, faster, error-free process: When a subcontractor's application for payment is approved internally, that approval is then fed automatically from your payment-automation system to your ERP. This assures that your general ledger will show that the subcontractor's application has been approved for payment.





## 6. Manage Payments on Any Computer or Mobile Device, From Any Location

With the right payment-automation solution, you can enhance and accelerate the entire payment exchange—without being chained to in-house desktop computers. All your AP information will reside in the cloud so that it is accessible on any computer or device with an internet connection, whether that's a laptop at home or a tablet or phone in the field.

This is beneficial for any of your own employees who may be working remotely, away from the office. However, it also is beneficial for subcontractors that have their own portal to your payment-automation system. This will allow them to monitor the status of their payment applications and payments remotely, at any time, with any mobile device.

### SMARTPHONE ACCESS TO INFORMATION IS BECOMING MORE PERVASIVE THROUGHOUT THE SUPPLY CHAIN

The 2020 JBKnowledge Construction Technology Report — a survey of contractors and construction workers focused on the state of construction technology — found that 92% of respondents used their smartphone every day at work. A SaaS payment-automation solution capitalizes on this widespread use of mobile technology by allowing access to payment information from anywhere out in the field.

## 7. Be Confident You Have Thorough and Accurate Audit Trails

**With an automated payment system in place, data retrieval is easy to do whenever an audit is required.**

Payment automation tracks and stores all documentation and activity related to payments, thereby creating an accurate, exhaustive audit trail. This is essential for handling any subcontractor payment disputes that may arise.

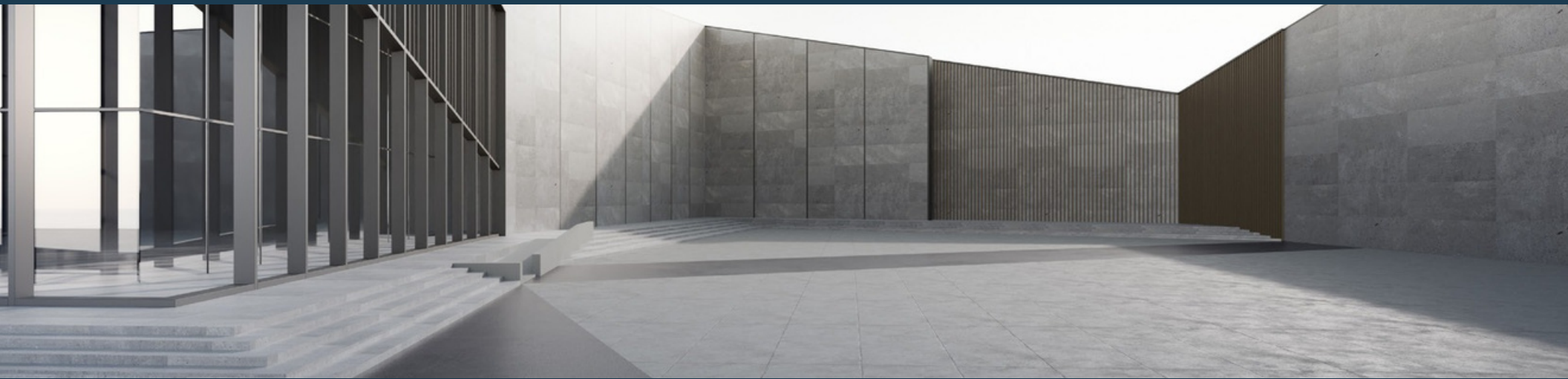
Your staff can easily track, access and report on various aspects of accounts payable without having to sort through diverse paper documents and desktop spreadsheets. That's because all the contract, change order, compliance and payment information exists electronically in one consolidated system.

Ideally, your payment-automation system should create an audit trail for every level of granularity. That means it should

produce an audit trail for everything happening at the broader project level as well as a separate audit trail for every payment application, every lien waiver, every SOV and every change order connecting your business with each subcontractor.

For example, if any change happens to an SOV—if something is rejected or adjusted—the change should be reflected in a separate audit trail for that particular SOV. And both parties should be able to see that audit trail through their own online payment-system portal.





## CAN YOU RELATE TO THIS SCENARIO?

For Dome Construction, a large general contractor out of California, *its manual process made it nearly impossible to determine a single source of truth*. All its subcontractors would email their applications for payment to one person, and then project managers would have to get involved to try to make sense of each invoice. The web of communication was nearly impossible to track effectively.

So the company turned to GCPay, a payment-automation platform, to simplify team collaboration and data tracking. This platform provides a collaborative location where the most up-to-date information is stored and available, thereby assuring data reliability.



## 8. Enhance Working Relationships With Your Subcontractors

The right payment-automation solution will offer complete, online payment transparency from project initiation to completion. This can enhance relationships with subcontractors by making them feel more included, respected and supported during every project. “Over time, this builds credibility—a track record of adherence to processes and timely payments,” Milligan said. This helps cement GC-sub relationships that can lead to repeatable, ongoing work, which can have a direct effect on the success of future projects.

Subcontractors also will appreciate ACH payments, which are a big part of automating the payment process. ACH payments speed up the process to ensure that your subcontractors are paid faster—which they are sure to appreciate, because that will

enhance their cash flow. (Late payments can negatively affect subcontractors’ ability to meet their payroll and invoice payment obligations.) Plus, they don’t have to worry about paper checks getting delayed, intercepted or lost in the mail, or having their account number stolen along the way.

Effective payment automation also streamlines the release of lien waivers: When a payment is sent to a subcontractor, the associated lien waiver is automatically released. This eliminates a major step in the process by doing away with frustrating back-and-forth exchanges.

# How To Get Started With Payment Automation

Automated construction payments offer a wealth of advantages that offer real value to general contractors. If you are ready to begin automating payments for your business, be sure to look for a plug-and-play software solution that does all the following:

- integrates seamlessly with your existing accounting system without the need for custom
- coding allows you to customize workflows that make sense for your company
- can be up and running in a matter of hours
- has a quick learning curve and requires minimal training

These features help ensure a speedy transition process so you can start reaping the benefits of automated payments right away.



GCPay simplifies the application for payment processes between general contractors and subcontractors by automating the payment application process. Create and exchange lien waivers, organize and collect compliance documents, and improve subcontractor communication. Integrate directly with your Construction ERP platform to save time and get your subs paid faster.

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