

ASSEMBLE SYSTEMS

WORKFLOW GUIDE

Pay Application Management

Overcome the Pitfalls of Traditional Requisitions and
Issue Accurate Payments

Pay Application Management

No general contractor can deliver a project successfully without the cooperation of competent subcontractors. To ensure success on the current project and build a foundation for future business, both parties must work to develop a dependable relationship.

One critical element of this effort is the contractor's timely payment to subcontractors and suppliers based on work completed to date. In many cases, this is also essential to meeting the requirements of the project contract. Validating a payment application against an accurate percentage of work completed ensures that accounts payable is in line with the contractors' actual, billable progress on the job – so your cash flow won't be compromised because of too-early release of outgoing funds. Providing quantity/percent validation also can result in more timely payments from the owner.

However, validating payment applications against work completed can be difficult and time-consuming. Fortunately, software is available today that links to the building information model (BIM) so contractors can easily validate quantities and percentages complete. It helps contractors overcome the pitfalls of the traditional "pencil requisition" and issue accurate payments to subcontractors without delay.

THE PROBLEMATIC PENCIL REQUISITION

Most business owners would be in trouble if they paid staff based on a gut feeling or a walk around the office to estimate how much work has been accomplished. Yet that's precisely what many contractors do to "validate" payments to subcontractors. In the traditional pencil requisition, team members walk the project field, come up with a best-guess percentage of work complete, and then base payments on that number. Even if only slightly inaccurate, such approximations can add up to a lot of money – that is, compromised cash flow – when applied across all subs on a large project or over the entire production timeline of

a small project. In addition, when a contractor makes assumptions regarding the percentages applied to any schedule of values (SOV) line item, disagreement with subs can result.

Another problem that's common to this manual approach is when subcontractors front-load SOVs or they bill for work not yet completed, whether intentionally or not, and are subsequently overpaid. If you don't manage this situation, you can reach a point where you have paid out 100% of project expenses before the project is actually complete.



BIM-Based Payment Management

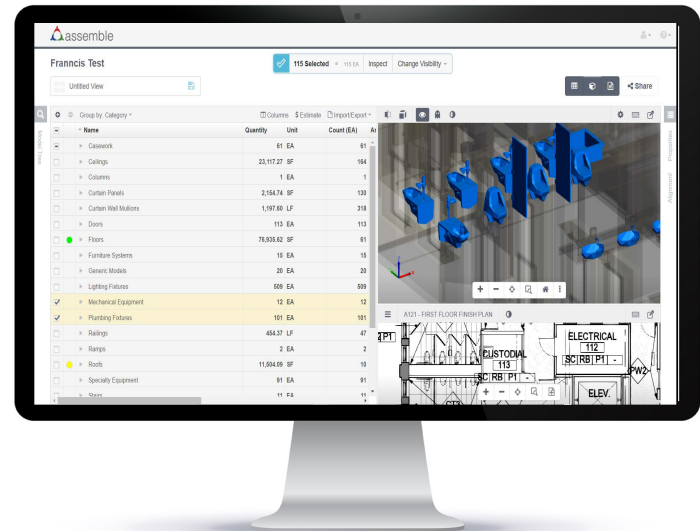
When contractors tap into BIM-based payment management, the result is highly accurate, timely payments; improved cash flow; and happy, productive subcontractors. That's a solid foundation for project success.

A BETTER WAY: BIM-BASED PAYMENT VALIDATION

If you could easily determine the exact quantity of materials in place compared with total project quantities, you'd have a highly accurate percentage of work completed on which to base subcontractor payments, and you'd be able to virtually eliminate the drawbacks inherent in the pencil requisition approach.

Assemble Systems has developed an affordable, flexible solution that makes this process easy. The cloud-based software draws on BIM to deliver a deeper analysis of progress based on the latest percentage of work complete (materials used). Users can generate reports containing relevant information in a variety of formats.

For example, Assemble can import schedule activity data that you can group or filter according to specific activities and tag items as installed as work progresses. You can create views specific to each subcontractor and group by activity installation dates to verify work completed and in progress for the current payment period. Or you can add schedule of value cost information and activity ID numbers to the database for the scope of work for each subcontractor to accurately track actual work in place.



With Assemble, it's also very easy to drill down to a subset of data from the model. As you move through the project, you can add information about work in progress, then quickly retrieve it at any time down the road. This process does not directly manage the payment process; rather, it provides additional quick summaries and validation of completed work.

In addition, Assemble can display data in the form of a colorized project model and graphs — in this case, showing where materials are installed. This visual helps the contractor as well as other project team members to easily view and understand job progress and the origin of work completed percentages. And you can compare the Assemble visual directly with site photos to see where discrepancies occur. You also have the ability to generate a variety of graphs and charts based on the data you have added and conditioned in Assemble connected to the construction work process.

Easy access to the total quantities and installed quantities greatly simplifies the validation process. Although there are other interpretations to be made regarding stored materials, non-modeled items, and so forth, the data delivered via Assemble helps you speed up the approval process and deliver more accurate payments than is possible using traditional methods.

ADVANTAGE: CASH FLOW

Building subcontractors who can't trust general contractors to issue timely payments will resort to practices such as inflating bids — or not bidding at all. Others these days are willing to offer a discount to GCs who issue payments within 15 days of invoice rather than the common 30- to 45-day turnaround. If you're still doing manual payment validation, you'll very likely be a victim of these realities rather than a benefactor.

Any number of software solutions can help contractors manage payment activity; however, without a link to the BIM model, these tools don't offer a way to easily validate payment applications. In the construction industry today, margins are often slim so managing cash flow is critical. When contractors tap into BIM-based payment management, the result is highly accurate, timely payments; improved cash flow; and happy, productive subcontractors. That's a solid foundation for project success.

Assemble Systems with offices in Boston and Houston provides construction data management solutions. Its core offering, Assemble Insight is a cloud based platform allowing AEC firms to leverage 3D data for increased project insight, advanced project collaboration and data driven decision making. Assemble is used today to manage over 8,000 projects.