

Factors Affecting Cash Flow

Managing cash balances in the bank does not constitute cash management. It is impossible to effectively manage cash without considering the other sources of credit and liquidity that a contractor relies on each day.

Contract Terms

In a mixed or down economy, an owner or upstream contractor may hold the payments that a contractor is legally entitled to receive. This creates a serious drain on cash flow since the contractor has probably paid out a significant amount of money for the draw that is being held. When negotiating a contract, consider adding language that calls for payments to be made at regular intervals and in a reasonable time frame after performance of that billing cycle's work.

Subs should try to eliminate "pay when paid" or "pay if paid" clauses. However, tension will always exist between subs and GCs in this area. GCs will want to incorporate these clauses into their contracts to allow for legal flexibility in the event bills are not paid on a particular project, and subs will want to avoid these clauses whenever possible.

Retention

The retainage clause is another often overlooked source of liquidity. This clause should be monitored to ensure that no more retainage is being held than originally agreed upon.

For example: A sub participated in a government project that required the 10% retainage to stop being withheld after the project was 50% complete; however, the upstream contractor continued to withhold retention, enhancing its cash flow at the sub's expense.

It's also important to include a clause that reduces the amount of your down-stream retainage that will be held when upstream retainage is reduced.

Legal Factors

There are a number of legal factors or processes that can affect a contractor's liquidity. These include:

- Obtaining lien waivers from all suppliers and subcontractors,
- Ensuring that mechanics lien rights are kept in place by following the specific state statutes for liens,
- Filing of a lien itself, Collection actions, and Outright suing for non-payment.

In order to be successful in the ebb and flow that is a contractor's existence, it is crucial that liquidity management, not just managing the cash balances in the bank, be the focus of a contractor's cash and credit management strategy. A contractor that is effectively managing its overall liquidity is set up for a successful run, even in a mixed economy.

JustinTime Payee Positive Pay Assistant

Experts estimate that the banking industry faces more than 1.2 million worthless checks in the banking system each day. Due to the overwhelming cases, prosecutors fail to pursue 75% of bank check fraud cases. Driven by growing bad debt check fraud write offs, banks and businesses are protecting themselves and are promoting a technique called *Positive Pay* as a method of fighting check fraud.

Wright Office has created an easy to use *Positive Pay* solution. Using Sage Master Builder and **JustinTime Payee Positive Pay**, a company generates an electronic file containing all checks written against the company's account(s). The file includes a record of each check's issue date, amount, check number, account and payee name. When a check reaches the bank for payment, the bank compares the check against the electronic pay file. Any discrepancy found triggers a flag to the bank that the check may have been altered. The bank notifies its corporate customer that the discrepancy has been noted and asks the company to verify the authenticity of that check.

According to industry sources, over 64 billion checks are cleared in the U.S. each year. With the number of checks being processed, "sight examination" is unrealistic and is not an automatic reason to claim bank negligence if a bogus check slips through the system. The bank's duty to provide "ordinary care" no longer extends to inspecting signatures. Don't wait for check fraud to happen. JustinTime Payee Positive Pay is a viable solution. Visit our website or contact our office for further details.

Tech Support Calls From Our Customers



I have an a/p invoice and an a/p credit. I have selected both for payment but SMB will not print a zero check. It creates a check for the invoice amount and ignores the credit.

We had to see this for ourselves. Sure enough, both the a/p invoice and the credit was selected for payment. The print zero check box was checked and still a check for the invoice amount was printing. The Reason: The "Separate Checks" was checked in the vendor file therefore printing the first check, the a/p invoice amount, and not printing the second check, the negative amount, because you cannot print a negative check in SMB.

How do I get the employee's name for the Supervisor that is assigned on a job to print on my subcontract form?

You need to create a calculated field as follows:

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{SELECT employ.fstnme employ.lstnme FROM employ WHERE employ.recnum = {actrec.sprvsr}}
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