FOUNDATION software

Job Costing & True Cost Evaluation

For Specialty Subcontractors: Understanding, Tracking, and Maximizing Profitability on Every Job

TODAY'S SESSION

01 True Cost Structure

02 Job Cost Reports

03 Indirect Field Overhead

04 Proactive Risk Management

05 Timely Data & Productivity

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Brian began his career with Foundation Software in 1997 as a Client Service Representative and has since held roles including Implementation Specialist, Client Sales Specialist, Senior Consultant and Product Manager. His extensive construction industry and product knowledge has allowed him to support clients, demonstrate software solutions and help guide product development.

Today, as Foundation Software's Business Development Manager, Brian focuses on building strategic partnerships that connect construction companies with integrated technology solutions. He enjoys developing relationships across the construction technology industry and helping identify solutions that meet the evolving needs of contractors.

Session Roadmap

Five interconnected modules that build from foundation to execution

01

True Cost Structure

What makes a specialty sub's P&L different

02

Job Costing Reports

Anatomy + sample small & large job reports

03

Indirect Field Overhead

Capturing & allocating costs that live between jobs

04

Revenue & Expense Tracking

What to track, when, and why change orders matter

05

Timely Data & Productivity

Reporting cadence, key metrics, dashboard

+ Action Plan & Key Takeaways

SECTION 01

Understanding Your True Cost Structure

What makes a specialty subcontractor's financials different — and why it matters for every bid

The Specialty Sub Financial Structure

Three distinct cost layers — each requiring separate tracking and management

DIRECT JOB COSTS	▸ Labor (field wages × burden rate) ▸ Materials & equipment purchases ▸ Subcontractors & lower-tier subs ▸ Job-specific equipment rental ▸ Permits & job-specific insurance	Goes directly against job revenue. Tracked by cost code per job.
INDIRECT FIELD OVERHEAD	▸ Foreman/superintendent salaries ▸ Field truck & tool fleet costs ▸ Small tools & consumables pool ▸ Safety program (field portion) ▸ Shop/yard/warehouse operations	Supports field work but can't be assigned to one job. MUST be allocated to jobs.
G&A (GENERAL & ADMINISTRATIVE)	▸ Executive & office salaries ▸ Accounting, legal, IT costs ▸ Marketing & business development ▸ Office rent & utilities ▸ Corporate insurance & bonding (non-job)	Company overhead. Recovered through markup. NOT a job cost — but must be covered by gross margin.

⚠ **The #1 Mistake: Treating Indirect Field Overhead as G&A — or ignoring it entirely — causes systematic underbidding**

Sample Contractor Income Statement

Acme Mechanical Contractors, Inc. — Fiscal Year Ended December 31, 2024

CONTRACT REVENUE	AMOUNT	% REVENUE
Completed Contracts	$12,480,000	
Contracts In Progress	$3,920,000	
TOTAL REVENUE	**$16,400,000**	**100.0%**
DIRECT JOB COSTS		
Field Labor (burdened)	$5,248,000	32.0%
Materials & Equipment	$4,100,000	25.0%
Subcontractors	$2,460,000	15.0%
Other Direct Costs	$492,000	3.0%
TOTAL DIRECT COSTS	**$12,300,000**	**75.0%**
GROSS PROFIT	**$4,100,000**	**25.0%**
INDIRECT FIELD OVERHEAD		
Superintendents & Foremen	$820,000	5.0%
Field Vehicles & Equipment	$328,000	2.0%
Small Tools & Consumables	$164,000	1.0%
Safety & Training (field)	$98,400	0.6%
Shop/Yard Operations	$131,200	0.8%
TOTAL INDIRECT FIELD O/H	**$1,541,600**	**9.4%**
FIELD CONTRIBUTION MARGIN	**$2,558,400**	**15.6%**
GENERAL & ADMINISTRATIVE		
Executive & Office Salaries	$656,000	4.0%
Office Overhead & IT	$246,000	1.5%
Insurance (non-job)	$164,000	1.0%
Other G&A	$164,000	1.0%
TOTAL G&A	**$1,230,000**	**7.5%**
NET INCOME (before tax)	**$1,328,400**	**8.1%**

GROSS PROFIT TARGET

25% is healthy for mechanical specialty. Below 20% = underbidding or cost overruns.

INDIRECT FIELD OVERHEAD

9.4% of revenue. If not allocated to jobs, your job margins are overstated by 9.4 points.

FIELD CONTRIBUTION MARGIN

15.6% — this is what's left to cover G&A and profit after ALL field costs.

G&A vs. FIELD OVERHEAD

G&A at 7.5% is the office. Separate from field. Both must be recovered in your markup.

Indirect Field Overhead vs. G&A — Know the Difference

This distinction determines your true job margin — and whether your bids are accurate

INDIRECT FIELD OVERHEAD Definition	vs.	GENERAL & ADMINISTRATIVE Definition
Costs that exist BECAUSE you do field work, but can't be directly tied to one job		Costs of running the company regardless of how many jobs you have
Examples		**Examples**
Field superintendent salary	⟷	Office manager salary
Service truck fleet	⟷	Owner's vehicle (admin use)
Small tools & consumables pool	⟷	Office supplies & IT
Field safety program & PPE	⟷	Corporate insurance & bonding
Shop/warehouse operations	⟷	Accounting & legal fees
Estimating (field-focused)	⟷	Executive salaries
How It's Recovered		**How It's Recovered**
ALLOCATED to jobs via burden rate or % of direct labor		**Recovered through MARKUP in your bid (not a job cost)**
If You Get It Wrong		**If You Get It Wrong**
Your job margins look too high → you underbid → you work for free		**Your markup is too low → every job erodes profit**

THE TEST

Ask:

"Would this cost go away if I finished all my current jobs?"

YES → Indirect Field O/H

NO → G&A

How Misclassifying Costs Destroys Your Bids

A real example — same job, three different cost classification approaches

COST ITEM	WRONG WAY (No Indirect Alloc)	PARTIAL FIX (Some Indirect)	RIGHT WAY (Full Allocation)
Direct Labor (burdened)	$185,000	$185,000	$185,000
Materials	$142,000	$142,000	$142,000
Subcontractors	$68,000	$68,000	$68,000
Other Direct	$12,000	$12,000	$12,000
Total Direct Costs	**$407,000**	**$407,000**	**$407,000**
Indirect Field Overhead Alloc.	—	$18,000	$38,500
TOTAL JOB COST	**$407,000**	**$425,000**	**$445,500**
Contract Value	$490,000	$490,000	$490,000
Reported Job Margin $	**$83,000**	**$65,000**	**$44,500**
Reported Job Margin %	**16.9%**	**13.3%**	**9.1%**
REALITY CHECK	**Overstated by $38,500**	**Overstated by $20,500**	**✓ True margin**

⚠ **If you bid the next job using the "Wrong Way" margin as your benchmark, you will systematically underprice by 7–8 points — meaning you need $16M+ in revenue just to make the profit that a $14.5M book should generate.**

Building Your True Labor Burden Rate

Every labor hour in your bid must carry the full cost — not just the wage

LABOR COST COMPONENT	$/HOUR	% of BASE WAGE
BASE WAGE		
Journeyman Electrician Wage	$38.50	100.0%
MANDATORY BURDEN		
FICA / Social Security (7.65%)	$2.95	7.7%
Federal Unemployment (FUTA)	$0.42	1.1%
State Unemployment (SUTA)	$1.12	2.9%
Workers' Compensation	$4.23	11.0%
General Liability (labor portion)	$1.54	4.0%
Mandatory Subtotal	**$10.26**	**26.7%**
FRINGE BENEFITS & PAID TIME		
Health Insurance	$5.10	13.2%
Vacation / Holiday / Sick (3 wks)	$2.21	5.7%
401k / Retirement (3% match)	$1.16	3.0%
Union Fringes (if applicable)	$6.80	17.7%
Fringes Subtotal	**$15.27**	**39.7%**
OTHER DIRECT LABOR COSTS		
Small Tools & PPE (direct)	$0.85	2.2%
Drug Testing / Badging	$0.22	0.6%
TOTAL BURDENED LABOR RATE	**$65.10**	**169.1%**

$38.50/hr Wage
→ $65.10/hr True Cost

69% MORE than the base wage.
Bid with $38.50? You lose $26.60
on every hour your crew works.

YOUR BURDEN RATE VARIES

- Union vs. open shop: 15–20 pt difference
- State WC rates: can swing 5–12%
- Benefits package: your competitive tool
- Update your rate annually — minimum

SECTION 02

Job Cost Reports: Anatomy & Examples

What a proper job cost report looks like — for a small job and a large multi-phase job

Anatomy of a Job Cost Report

Six fields that every line of every job cost report must contain

01

Cost Code / Phase

Identifies WHERE the cost occurred (e.g., 03-100 = Rough-In Labor). Enables phase-level analysis.

02

Estimated Budget

The original estimate for this cost code. Your benchmark. Never changes after job start.

03

Actual Cost to Date

What has been spent/committed so far. Must be current — stale actuals make the report useless.

04

% Budget Used

Actual ÷ Budget. Compare to % Complete. If cost % > complete %, you have an overrun.

05

Projected Final Cost

Estimated cost at completion. Updated by PM weekly. This is the decision-making number.

06

Over / (Under) Budget

Projected Final − Original Budget. Negative is good. Positive demands immediate action.

⚑ ***A job cost report without a Projected Final Cost column is a history book. A report with one is a management tool.***

SAMPLE JOB COST REPORT — Small Job

Riverside Medical Office — HVAC Rough-In | Contract: $85,000 | Week 6 of 10 | % Complete: 60% | ⚠ LABOR TRENDING OVER

Structure: Cost Code → Cost Type within each code (Foundation / Sage / Viewpoint default format)

COST CODE 100	COST TYPE	ROUGH-IN	BUDGET	ACTUAL TO DATE	% BUDGET USED	PROJ. FINAL	OVER / (UNDER)	STS
100		Labor (field wages)	$11,200	$9,240	82.5%	$13,800	+$2,600	⚠
100		Labor Burden (29.4%)	$3,293	$2,717	82.5%	$4,057	+$764	⚠
100		Materials — Ductwork & Fittings	$14,200	$13,950	98.2%	$14,200	$0	✓
100		Equipment Rental — Lifts	$1,800	$1,400	77.8%	$1,800	$0	✓
100		Indirect Field O/H (29.4% of labor)	$3,293	$1,647	50.0%	$3,293	$0	✓
		100 ROUGH-IN SUBTOTAL	**$33,786**	**$28,954**	**85.7%**	**$37,150**	**+$3,364**	⚠
110		**TRIM-OUT**						
110		Labor (field wages)	$7,200	$0	0.0%	$7,200	$0	✓
110		Labor Burden (29.4%)	$2,117	$0	0.0%	$2,117	$0	✓
110		Materials — Trim & Connections	$5,200	$0	0.0%	$5,200	$0	✓
110		Indirect Field O/H (29.4% of labor)	$2,117	$0	0.0%	$2,117	$0	✓
		110 TRIM-OUT SUBTOTAL	**$16,634**	**$0**	**0.0%**	**$16,634**	**$0**	✓
120		**EQUIPMENT & MECHANICAL**						
120		Labor — Equipment Set & Connections	$2,800	$0	0.0%	$2,800	$0	✓
120		Labor Burden (29.4%)	$823	$0	0.0%	$823	$0	✓
120		Equipment (AHUs — owner supplied)	$16,800	$16,800	100.0%	$16,800	$0	✓
120		Subcontractor — Sheet Metal Fab	$4,200	$3,000	71.4%	$4,200	$0	✓
120		Indirect Field O/H (29.4% of labor)	$823	$0	0.0%	$823	$0	✓
		120 EQUIPMENT SUBTOTAL	**$25,446**	**$19,800**	**77.8%**	**$25,446**	**$0**	✓
130		**START-UP & TESTING**						
130		Labor — Start-Up & TAB	$2,100	$0	0.0%	$2,100	$0	✓
130		Labor Burden (29.4%)	$617	$0	0.0%	$617	$0	✓
130		Subcontractor — TAB Firm	$1,400	$0	0.0%	$1,400	$0	✓
130		Indirect Field O/H (29.4% of labor)	$617	$0	0.0%	$617	$0	✓
		130 START-UP SUBTOTAL	**$4,734**	**$0**	**0.0%**	**$4,734**	**$0**	✓
		TOTAL JOB COST	**$80,600**	**$48,754**	**60.5%**	**$83,964**	**+$3,364**	⚠
		Contract Value	**$85,000**			**$85,000**		
		PROJECTED GROSS MARGIN	**$4,400**		**5.2%**	**$1,036**		**1.2%**

⚠ **ALERT: Code 100 Rough-In labor 82.5% spent at 60% complete — $3,364 overrun projected. Drill into labor hours by day; investigate crew productivity immediately.**

SAMPLE JOB COST REPORT — Large Multi-Phase Job (1 of 2)

Northgate Office Complex — Electrical Fit-Out | Contract: $2,420,000 + COs | Month 5 of 14 | Overall % Complete: 38%

Structure: Cost Code → Cost Type within each code | Phases 1–3 shown; Indirect allocation embedded within each cost code

COST CODE 200	COST TYPE	ROUGH-IN — FLOORS 1–5	BUDGET	COMMITTED	ACTUAL TO DATE	% BUDGET	PROJ. FINAL	VARIANCE	% COMP
200		Labor — Field Wages	$218,000	$218,000	$163,000	74.8%	$215,000	($3,000)	78%
200		Labor Burden (29.4%)	$64,092	$64,092	$47,922	74.8%	$63,210	($882)	78%
200		Materials — Conduit & Wire	$198,000	$198,000	$198,000	100.0%	$198,000	$0	100%
200		Equipment — Panels & Switchgear	$312,000	$312,000	$156,000	50.0%	$312,000	$0	50%
200		Subcontractors — Firestop	$3,000	$3,000	$2,478	82.6%	$3,000	$0	83%
200		Indirect Field O/H (29.4% of labor)	$64,092	$64,092	$47,922	74.8%	$63,210	($882)	78%
		200 ROUGH-IN FL.1–5 SUBTOTAL	**$859,184**	**$859,184**	**$615,322**	**71.6%**	**$854,420**	**($4,764)**	**72%**
210		**ROUGH-IN — FLOORS 6–12**							
210		**Labor — Field Wages**	**$238,000**	**$238,000**	**$37,308**	**15.7%**	**$263,000**	**+$25,000**	**12%**
210		**Labor Burden (29.4%)**	**$69,972**	**$69,972**	**$10,969**	**15.7%**	**$77,322**	**+$7,350**	**12%**
210		Materials — Conduit & Wire	$215,000	$186,000	$21,500	10.0%	$215,000	$0	10%
210		Equipment — Panels & Switchgear	$340,000	$0	$0	0.0%	$340,000	$0	0%
210		**Indirect Field O/H (29.4% of labor)**	**$69,972**	**$69,972**	**$10,969**	**15.7%**	**$77,322**	**+$7,350**	**12%**
		210 ROUGH-IN FL.6–12 SUBTOTAL	**$932,944**	**$563,944**	**$80,746**	**8.7%**	**$972,644**	**+$39,700**	**8%**

⚠ **Code 210 labor ALERT: 15.7% of budget spent at 12% complete → $32,350 overrun risk on wages + burden combined. Sequencing and crew mix investigation required immediately.**

SAMPLE JOB COST REPORT — Large Multi-Phase Job (2 of 2)

Northgate Office Complex — Electrical Fit-Out | Contract: $2,420,000 + COs | Month 5 of 14 | Overall % Complete: 38%

Structure: Cost Code → Cost Type within each code | Phases 1–3 shown; Indirect allocation embedded within each cost code

CODE 220	COST TYPE	TRIM, DEVICES & FIXTURES — ALL FLOORS	BUDGET	COMMITTED	ACTUAL TO DATE	% BUDGET	PROJ. FINAL	VARIANCE	% COMP
220		Labor — Field Wages	$190,000	$0	$0	0.0%	$190,000	$0	0%
220		Labor Burden (29.4%)	$55,860	$0	$0	0.0%	$55,860	$0	0%
220		Materials — Devices & Receptacles	$189,000	$0	$0	0.0%	$189,000	$0	0%
220		Materials — Lighting Fixtures	$312,000	$0	$0	0.0%	$312,000	$0	0%
220		Indirect Field O/H (29.4% of labor)	$55,860	$0	$0	0.0%	$55,860	$0	0%
		220 TRIM & DEVICES SUBTOTAL	**$802,720**	**$0**	**$0**	**0.0%**	**$802,720**	**$0**	**0%**
230		**START-UP & COMMISSIONING**							
230		Labor — Field Wages	$58,000	$0	$0	0.0%	$58,000	$0	0%
230		Labor Burden (29.4%)	$17,052	$0	$0	0.0%	$17,052	$0	0%
230		Subcontractor — Commissioning Agent	$38,000	$38,000	$0	0.0%	$38,000	$0	0%
230		Indirect Field O/H (29.4% of labor)	$17,052	$0	$0	0.0%	$17,052	$0	0%
		230 START-UP SUBTOTAL	**$130,104**	**$38,000**	**$0**	**0.0%**	**$130,104**	**$0**	**0%**
CO		**APPROVED CHANGE ORDERS**							
CO1		CO-1: Server Room Circuits (all types)	$38,000	$38,000	$38,000	100.0%	$38,000	$0	100%
CO2		CO-2: Emergency Lighting (all types)	$46,000	$23,000	$0	0.0%	$46,000	$0	50%
		CHANGE ORDER SUBTOTAL	**$84,000**	**$61,000**	**$38,000**	**45.2%**	**$84,000**	**$0**	
		TOTAL PROJECT COST	**$2,808,952**	**$1,522,128**	**$734,068**	**26.1%**	**$2,843,888**	**+$34,936**	**38%**
		CONTRACT VALUE (incl. approved COs)	**$2,504,000**				**$2,504,000**		
		PROJECTED GROSS MARGIN					**($339,888)**		—

Reading the Warning Signs in Your Job Cost Report

Three ratios that signal trouble — before it's too late to act

URGENT

COST % > COMPLETE %

Formula: (Actual Cost / Budget) > (% Work Done)
Example: Labor is 74% spent but phase is only 58% complete → productivity issue
Stop. Measure production units. Investigate root cause. Re-sequence crew.

Detect this weekly.
Act within 48 hours.
Document all decisions.

WATCH

COMMITTED > REMAINING BUDGET

Formula: Committed (POs + Subcontracts) > Remaining Budget
Example: $180K in open POs but only $155K left in materials budget → $25K exposure
Review POs immediately. Negotiate with suppliers. Submit change order if scope changed.

Detect this weekly.
Act within 48 hours.
Document all decisions.

CASH FLOW

BILLING % < COST %

Formula: (Amount Billed / Contract) < (Cost Incurred / Total Budget)
Example: 28% billed but 35% of costs incurred → cash flow negative, financing the GC
Update Schedule of Values. Submit revised application for payment immediately.

Detect this weekly.
Act within 48 hours.
Document all decisions.

Percent Complete & Cost to Complete

The two numbers that determine whether your job will make money

METHOD	HOW IT WORKS	BEST FOR
Units Installed	Count completed units ÷ total units (e.g., 340 of 500 fixtures = 68%)	Repetitive scope with measurable units
Hours Earned	Estimated hrs for completed work ÷ total estimated hours	Labor-intensive specialty work
Cost Incurred	Cost to date ÷ total estimated cost (CAUTION: overstates if early costs front-loaded)	Use as secondary check only
Milestone / Phase	Assign % weight to each phase; complete phases = earned %	Complex multi-phase projects
⚑ Best Practice	**Use HOURS EARNED or UNITS INSTALLED as primary. Cross-check with cost incurred.**	**Specialty field work**

COST TO COMPLETE CALCULATION

Original Budget	$285,000
Actual Cost to Date	($212,400)
Budget Remaining	**$72,600**
Work % Complete (hours)	74.5%
Work % Remaining	25.5%
Projected hrs remaining	420 hrs
× Burdened rate	× $65.10
= Estimated Cost to Complete	= $27,342
Projected Final Cost	**$239,742**
Original Budget	$285,000
PROJECTED SAVINGS	**($45,258) ✓**

The WIP Schedule — Where Job Costing Meets Your Balance Sheet

Your banker and your bonding company live and die by this report

PROJECT	CONTRACT VALUE	BILLED TO DATE	EST. COST AT COMP.	COST INCURRED	% COMPLETE (COST)	EARNED REVENUE	(UNDER) / OVERBILLED
Northgate Office Electrical	$2,420,000	$918,000	$2,207,000	$661,100	29.9%	$723,480	$194,520
Riverside Medical HVAC	$85,000	$42,500	$82,600	$54,170	65.6%	$55,750	($13,250)
Parkside Retail — Plumbing	$310,000	$186,000	$298,000	$238,400	79.9%	$247,690	($61,690)
Summit Tower — Mechanical	**$1,850,000**	**$1,110,000**	**$1,920,000**	**$1,497,600**	**78.0%**	**$1,443,000**	**($333,000)**
Metro School HVAC	$425,000	$85,000	$408,000	$40,800	10.0%	$42,500	+$42,500
TOTALS	**$5,090,000**	**$2,341,500**	**$4,915,600**	**$2,492,070**	**50.7%**	**$2,512,420**	**($170,920)**

UNDERBILLED PROJECTS

Overbilled = cash flow risk; Underbilled = revenue you've earned but haven't invoiced. $170,920 underbilled = submit billings immediately.

NORTHGATE OFFICE — OVERBILLED

Billed $918K but earned $723K at cost %. Overbilled by $194.5K → future revenue is already spent. Manage cash carefully.

BONDING & BANKING USE

Surety uses WIP to assess your financial health. Consistent underbilling signals cash flow management problems.

SECTION 03

Capturing & Allocating Indirect Field Overhead

The costs that live between your jobs — and how to make sure they don't eat your margin

Indirect Field Costs — A Specialty Sub's Hidden Margin Killer

These costs are real. They're field-driven. And they must be recovered through jobs.

👷 Field Supervision

- General foreman / superintendent salaries
- Supervision time not billable to one job
- PM field time (not project-specific)

Typical annual cost: $320,000–$580,000

🚚 Field Fleet & Tools

- Service trucks, vans, trailers
- Fuel, maintenance, licensing
- Small tools pool & replacement

Typical annual cost: $180,000–$340,000

🏭 Shop & Yard

- Warehouse/shop lease & utilities
- Yard equipment & forklift
- Material staging & prefab labor

Typical annual cost: $95,000–$210,000

🦺 Safety Program

- Safety officer salary (field portion)
- PPE stock, training, drug testing
- OSHA compliance & signage

Typical annual cost: $65,000–$140,000

📐 Estimating & Ops

- Estimator time (field-focused portion)
- Blueprint/takeoff software
- Bid preparation costs

Typical annual cost: $80,000–$160,000

🔧 Other Field Support

- Field technology (tablets, GPS)
- Temporary facilities on larger jobs
- Consumables & expendables pool

Typical annual cost: $40,000–$85,000

Three Methods to Allocate Indirect Field Overhead to Jobs

Choose the method that best reflects how your indirect costs actually behave

METHOD 01
% of Direct Labor Cost

Formula:
Indirect O/H Rate = Total Annual Indirect Field O/H ÷ Total Annual Direct Labor

Example:
$1,541,600 ÷ $5,248,000 =
29.4% of direct labor

- ✓ Simple to calculate and apply
- ✓ Labor-driven costs track with labor
- ✓ Easy to include in estimates
  - Distorted if material or sub content varies widely between jobs
  - Less accurate for equipment-heavy jobs

Best for: labor-intensive specialty subs (electrical, mechanical, plumbing)

METHOD 02
% of Total Direct Costs

Formula:
Indirect O/H Rate = Total Annual Indirect Field O/H ÷ Total Annual Direct Costs

Example:
$1,541,600 ÷ $12,300,000 =
12.5% of total direct costs

- ✓ Spreads cost across all job cost types
- ✓ Smooths out labor/material mix variation
- ✓ Commonly used in construction industry
  - Sub-heavy jobs absorb overhead on sub cost (no field exposure)
  - Slightly more complex in estimates

Best for: mixed specialty subs with varied job profiles

METHOD 03
Direct Labor Hours

Formula:
Indirect O/H Rate = Total Annual Indirect Field O/H ÷ Total Annual Direct Labor Hours

Example:
$1,541,600 ÷ 80,800 hrs =
$19.08/direct labor hour

- ✓ Most accurate for labor-driven indirect costs
- ✓ Immune to wage rate inflation
- ✓ Ties directly to production tracking
  - Requires accurate hour tracking (which you should have anyway)
  - More complex calculation in estimates

Best for: union shops with standardized labor rates

Sample Indirect Field Overhead Allocation Worksheet

Acme Mechanical Contractors — Budget Year 2025 | Method: % of Direct Labor Cost

STEP 1 — Identify & Budget Total Indirect Field Overhead

INDIRECT FIELD COST CATEGORY	ANNUAL BUDGET	% OF TOTAL
Superintendent / General Foreman Salaries & Burden	$485,000	31.5%
Field Vehicles — Depreciation, Fuel, Insurance, Maint.	$212,000	13.8%
Small Tools, Consumables & Tool Replacement Pool	$138,000	9.0%
Shop / Warehouse / Yard Operations	$145,000	9.4%
Safety Officer (field portion) + PPE + Training	$118,000	7.7%
Estimating Staff (field-estimating portion)	$175,000	11.4%
Field Technology (tablets, GPS, apps)	$48,000	3.1%
Temporary Facilities & Mobilization Support	$62,000	4.0%
Other Indirect Field Support	$158,600	10.3%
TOTAL INDIRECT FIELD OVERHEAD	**$1,541,600**	**100%**

STEP 2 — Calculate Allocation Rate

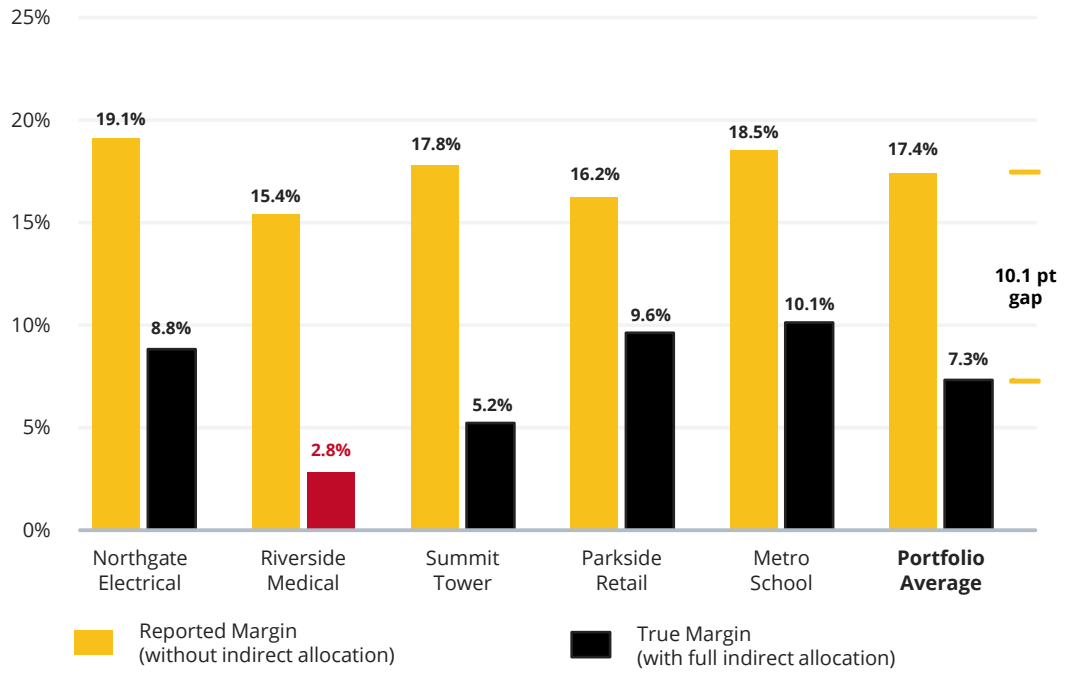
CALCULATION	AMOUNT
Total Indirect Field O/H (from Step 1)	$1,541,600
÷ Projected Annual Direct Labor $	$5,248,000
= INDIRECT RATE (% of Direct Labor)	**29.4%**
CROSS-CHECK (% of Total Direct Cost)	
Total Indirect Field O/H	$1,541,600
÷ Projected Total Direct Costs	$12,300,000
= RATE (% of Total Direct Cost)	**12.5%**

STEP 3 — Apply to Active Jobs

JOB	DIR. LABOR	ALLOC. O/H
Northgate Office	$342,000	$100,548
Riverside Medical	$34,000	$9,996
Summit Tower	$680,000	$199,920
All Other Jobs	**$4,192,000**	**$1,232,448**
TOTAL ALLOCATED	**$5,248,000**	**$1,541,600**

The Margin Impact of Proper Indirect Allocation

Your jobs look very different — and your bids will change — once you see the full picture



10.1 POINT GAP

Average margin appears to be 17.4% but is actually 7.3% — a 10.1 point overstatement.

SUMMIT TOWER ALARM

Appears to make 17.8%. Actually makes 5.2%. On a $1.85M job — that's $235K less profit than reported.

BID IMPLICATION

If your target margin is 12%, you're actually bidding at 1.9% once indirect is counted. You need to bid higher or cut costs.

SECTION 04

Revenue & Expense Tracking

Every dollar of revenue must be captured — and every cost must be coded correctly

Sample AIA-Style Schedule of Values

Northgate Office — Electrical Fit-Out | AIA G703 | Application #5 — Month 5 of 14 | Contractor: Apex Electrical Services

ITEM#	DESCRIPTION OF WORK	SCHEDULED VALUE	WORK COMPLETED PRIOR APPS	WORK COMPLETED THIS PERIOD	MATERIALS STORED	TOTAL COMPLETED	% COMP	BALANCE TO FINISH	RETAINAGE (10%)
PHASE 1 — ROUGH-IN (FLOORS 1–5)									
1.1	Mobilization & Temp Power	$48,000	$48,000	$0	$0	$48,000	100%	$0	$4,800
1.2	Conduit — Floors 1–5	$198,000	$158,400	$39,600	$0	$198,000	100%	$0	$19,800
1.3	Rough-In Wiring — Floors 1–5	$145,000	$87,000	$58,000	$0	$145,000	100%	$0	$14,500
1.4	Panelboards — Floors 1–5	$235,000	$94,000	$141,000	$0	$235,000	100%	$0	$23,500
	PHASE 1 SUBTOTAL	**$626,000**	**$387,400**	**$238,600**	**$0**	**$626,000**	**100%**	**$0**	**$62,600**
PHASE 2 — ROUGH-IN (FLOORS 6–12)									
2.1	Conduit — Floors 6–12	$215,000	$0	$21,500	$0	$21,500	10%	$193,500	$2,150
2.2	Rough-In Wiring — Floors 6–12	$198,000	$0	$0	$0	$0	0%	$198,000	$0
2.3	Panelboards — Floors 6–12	$340,000	$0	$0	$85,000	$85,000	25%	$255,000	$8,500
	PHASE 2 SUBTOTAL	**$753,000**	**$0**	**$21,500**	**$85,000**	**$106,500**	**14%**	**$646,500**	**$10,650**
PHASE 3 — DEVICES, TRIM & TESTING									
3.1	Devices & Receptacles (all floors)	$189,000	$0	$0	$0	$0	0%	$189,000	$0
3.2	Lighting Fixtures (all floors)	$312,000	$0	$0	$0	$0	0%	$312,000	$0
3.3	Start-Up, Test & Commissioning	$145,000	$0	$0	$0	$0	0%	$145,000	$0
	PHASE 3 SUBTOTAL	**$646,000**	**$0**	**$0**	**$0**	**$0**	**0%**	**$646,000**	**$0**
APPROVED CHANGE ORDERS									
CO-1	Additional Circuits — Server Room	$38,000	$38,000	$0	$0	$38,000	100%	$0	$3,800
CO-2	Emergency Lighting Upgrade	$46,000	$0	$23,000	$0	$23,000	50%	$23,000	$2,300
CO-3		$31,000	$0	$0	$0	$0	—	$31,000	$0
	CONTRACT TOTALS	**$2,389,000**	**$425,400**	**$283,100**	**$85,000**	**$793,500**	**33.2%**	**$1,595,500**	**$79,350**

⚑ **CO-3 is PENDING — do not start work. Track pending COs separately. Never perform out-of-scope work without written authorization.**

Change Orders: Your #1 Revenue Recovery Tool

For specialty subs, unmanaged change orders are the single biggest margin killer

CO STAGE	YOUR ACTION	RISK IF YOU SKIP	TIMING
1. Scope Identified	Issue written RFI or Potential Change Order notice IMMEDIATELY. Never start work silently.	No record = no money. You own the cost.	Same day
2. Cost Developed	Build detailed bottom-up estimate: labor hrs × burden, materials, sub markup, overhead + profit.	Underpricing the CO destroys the job margin.	Within 48 hrs
3. Submitted to GC	Submit formal CO request with backup. Include schedule impact. Reference contract clause.	Late submissions get rejected by GCs.	Before work starts
4. Work Performed	**NEVER perform out-of-scope work without authorization (written or documented verbal).**	**You waive the right to claim. Period.**	**Not until approved**
5. Approved CO	Add to contract value in your system. Create new cost code in job cost. Update SOV.	Unbilled completed work = cash flow hole.	Within 24 hrs of approval
6. Billed & Collected	Include in next pay app. Track retainage on COs. Follow up at 30/60/90 days.	Cash collected at job close, not when earned.	Next draw cycle
7. Pending CO Log	**Maintain log of ALL pending COs with $ value, submission date, and follow-up status.**	**Forgotten COs = permanently lost revenue.**	**Weekly review**

INDUSTRY DATA: Specialty subcontractors leave an average of 3.5–6% of contract value on the table through unmanaged, underbilled, or abandoned change orders.

Expense Tracking: The Cost Code System (1 of 2)

Cost code first → cost type within each code | Consistent across every job, report, and estimate | Matches Foundation / Sage / Viewpoint format

COST CODE 100	COST TYPE	ROUGH-IN	WHAT TO TRACK	UNIT / MEASURE	BENCHMARK / NOTE
100	Labor — Field Wages		Foreman + journeyman hrs × straight-time wage	Hours / LF of conduit or pipe	$38–$55/hr wage (pre-burden)
100	Labor Burden (your rate %)		Payroll taxes, WC, benefits applied to wages above	Auto-calculated on wages	Typically 29–45% added to wages
100	Materials — Conduit, Wire, Pipe, Fittings		PO quantities vs. quantities installed; flag overages	LF / Unit / Reel	Match PO receipts to job delivery tickets
100	Equipment — Rental Lifts, Forklifts		Rental invoices coded to job; internal equip @ market rate	$/Day or $/Week	Compare rental cost vs. owned equipment rate
100	**Indirect Field O/H (your alloc. rate %)**		**Applied as % of labor wages for this cost code**	**% of Labor $**	**Same rate as your WS-2 worksheet calculation**
	100 ROUGH-IN SUBTOTAL		**Sum of all cost types above**		**Flag if cost % > complete % by >5 pts**
110	**TRIM & FINISH**				
110	Labor — Field Wages		Journeyman + apprentice hrs; track hrs per fixture / device	Hours / fixture or device	$35–$50/hr wage — apprentice mix reduces rate
110	Labor Burden (your rate %)		Same burden rate as Rough-In labor	Auto-calculated on wages	Apply consistently — same rate every code
110	Materials — Devices, Fixtures, Trim		PO vs. installed qty; track substitutions and upgrades	Unit / Each	Owner-furnished items tracked but NOT costed here
110	Subcontractors — Specialty Trades		Sub contract $ vs. billings received; track % complete	Contract $	Never pay subs beyond % work verified complete
110	**Indirect Field O/H (your alloc. rate %)**		**Applied as % of labor wages for this cost code**	**% of Labor $**	
	110 TRIM & FINISH SUBTOTAL		**Sum of all cost types above**		

⚑ **RULE: Every cost code contains the same cost types — wages, burden, materials, subs, equipment, indirect O/H. If a cost type is zero for a code, leave it blank. Never merge codes or skip cost types to save time.**

Embed in every cost code — not as a lump at job end

Expense Tracking: The Cost Code System (2 of 2)

Cost code first → cost type within each code | Consistent across every job, report, and estimate | Matches Foundation / Sage / Viewpoint format

COST CODE 120	COST TYPE	EQUIPMENT & SYSTEMS	WHAT TO TRACK	UNIT / MEASURE	BENCHMARK / NOTE
120	Labor — Equipment Set & Connections		Hours to set, connect, and align equipment	Hours / unit set	Track separately — productivity differs from rough-in
120	Labor Burden (your rate %)		Same burden rate applied to equipment labor	Auto-calculated on wages	
120	Equipment / Systems (owner or contractor furnished)		PO value vs. contract allowance; track field orders	Lump Sum / Each	Flag any field change from spec'd model immediately
120	Subcontractors — Rigging, Craning, Sheet Metal		Sub billings vs. approved sub contract; CO log current	Contract $	Back-charge any defective sub work before paying
120	**Indirect Field O/H (your alloc. rate %)**		**Applied as % of labor wages for this cost code**	**% of Labor $**	
	120 EQUIPMENT SUBTOTAL		**Sum of all cost types above**		
130	**START-UP & TESTING**				
130	Labor — Start-Up, TAB, Commissioning		Foreman + tech hours; include travel time to site	Hours / system tested	$70–$95/hr wage — higher skill level
130	Labor Burden (your rate %)		Applied to start-up labor wages	Auto-calculated on wages	
130	Subcontractors — TAB Firm, Commissioning Agent		Sub contract vs. billings; verify report delivery	Lump Sum / contract	Don't pay final invoice until report accepted by GC
130	**Indirect Field O/H (your alloc. rate %)**		**Applied as % of labor wages for this cost code**	**% of Labor $**	
	130 START-UP SUBTOTAL		**Sum of all cost types above**		
140	**WARRANTY & CALLBACKS**				
140	Labor — All Callback Hours		Track every callback hour by job — even after closeout	Hours	Budget 0.5–1.5% of total labor $ at job start
140	Labor Burden + Materials (callback)		Burden on callback labor; any materials used on callbacks	Auto-calc / Actual $	Excess callbacks signal a quality or design problem
140	**Indirect Field O/H (your alloc. rate %)**		**Applied as % of callback labor wages**	**% of Labor $**	**Even callbacks must carry their overhead allocation**
	140 WARRANTY SUBTOTAL		**Track monthly — compare to budget at job close**	**⚠ Spike in callbacks = re-examine QC process**	

SECTION 05

Timely Data for Maximum Productivity

The window to act closes fast — data that arrives late is a history lesson, not a management tool

The Cost of Stale Data — A Specialty Sub's Real-World Example

Every day of delay in cost visibility is a day of lost corrective opportunity

SCENARIO: Foremen submit timesheets every 2 weeks. Labor overrun on Phase 2 goes undetected for 3 weeks.

WEEK	WHAT ACTUALLY HAPPENED	WHAT MGMT KNEW	CORRECTIVE WINDOW	CUMULATIVE OVERRUN EXPOSURE
Week 1	Phase 2 crew running 18% over budget on conduit install	Nothing (timesheet not in)	FULL — reschedule, add foreman, adjust crew mix	$4,200
Week 2	Overrun continues; supervisor requests more crew	Nothing (timesheet not in)	GOOD — stop, reassess, change method	$9,800
Week 3	**Additional crew added at OT; productivity not improving**	**Nothing (still waiting on timesheets)**	**LIMITED — too late to change method**	**$18,400**
Week 4	**Timesheets submitted. Data entered. Report run.**	**OVERRUN DISCOVERED — 3 weeks late**	**POOR — damage mostly done**	**$24,600**
Week 5	PM meets with foreman. Crew reassigned. New approach.	Full picture now visible	MINIMAL — minor cleanup only	$24,600
Weeks 6–9	**Corrected approach, but $24,600 is already lost forever**	**Managing the aftermath**	**ZERO — history only**	**$24,600 PERMANENT LOSS**

Same-day timesheet entry would have surfaced the overrun in Week 1 for $4,200.
The 2-week delay turned a $4,200 fixable problem into a $24,600 permanent loss.

The Reporting Cadence That Drives Productivity

Right report, right person, right frequency — every time

DAILY
FIELD CREW & FOREMAN

- Time entry by cost code (same day)
- Material receipts scanned to job
- RFI / out-of-scope work logged
- Equipment hours recorded

Output:

Accurate daily cost data in system by 8 PM

WEEKLY (Every Friday)
PROJECT MANAGER

- Job cost vs. estimate by cost code
- Update % complete (hours earned)
- Calculate revised cost to complete
- Flag any Phase warnings / CO needs

Output:

Updated projected final cost and margin by 5 PM Friday

WEEKLY (Monday Review)
OPERATIONS DIRECTOR / VP

- Portfolio view: all jobs at a glance
- Jobs with ≥2 warning flags escalated
- Billing vs. cost review (cash flow)
- CO status update

Output:

Action items assigned and documented

MONTHLY
COMPANY LEADERSHIP

- P&L vs. budget with field O/H detail
- WIP schedule with trend analysis
- Estimated vs. actual on closed jobs
- Indirect rate variance vs. budget

Output:

Strategic decisions: bidding, staffing, capacity

Key Performance Metrics — The Specialty Sub Scorecard

If you track nothing else, track these — weekly, every job

JOB PERFORMANCE

METRIC	TARGET	WARNING
Projected Final Margin %	≥ Target Bid Margin	< Bid Margin − 2pts
Labor Productivity (hrs/unit)	≤ Estimated Rate	≥ 105% of estimate
Cost % vs. Complete %	Cost% ≤ Complete%	Cost% > Complete% + 5pts

CASH & BILLING

METRIC	TARGET	WARNING
Days Sales Outstanding (DSO)	< 45 days	> 60 days — collect now
Underbillings as % of Revenue	< 5% of revenue	> 10% = billing gap
Retainage Outstanding	Collect per contract terms	Any retainage > 90 days past due

FINANCIAL HEALTH

METRIC	TARGET	WARNING
Gross Margin % (all jobs)	Industry: 22–28%	< 18% needs action
True Margin (w/ indirect alloc)	Industry: 10–16%	< 8% danger zone
G&A as % of Revenue	< 8% for most subs	> 12% = overstaffed

OPERATIONAL

METRIC	TARGET	WARNING
Estimating Accuracy (est. vs. actual)	Variance < ±5%	Consistent miss in same category
Change Order Capture Rate	> 95% of scope changes billed	< 90% = systemic loss
WIP Overbillings	< 5% of contract values	> 10% = cash flow risk

The 7 Most Common Job Costing Mistakes — Specialty Subs

Identify which ones your company is making — and what they're costing you

1	**Bidding with Base Wage Instead of Fully Burdened Rate**	Cost: $10–20K per foreman per year in unbilled labor cost
2	**No Separation Between Indirect Field O/H and G&A**	Cost: Systematic margin overstatement of 8–12 points
3	**Timesheet Submission More Than 3 Days Behind**	Cost: 3-week-old data = no corrective opportunity on labor overruns
4	**Change Orders Started Without Written Authorization**	Cost: 3.5–6% of contract value lost annually — often $150–400K
5	**No Projected Final Cost Updated Weekly**	Cost: Jobs aren't managed — they're reported after the damage is done
6	**Indirect O/H Not Allocated to Jobs in Estimates OR Actuals**	Cost: Every job is mispriced and every PM is congratulated for phantom profit
7	**WIP Schedule Not Reconciled Monthly**	Cost: Banker and bonding company see a distorted financial picture

Key Takeaways

01 Your P&L must separate Direct Costs, Indirect Field Overhead, and G&A — three distinct layers that require different management strategies.

02 Your labor burden rate is your most important cost calculation. Recalculate it annually — benefits inflation, WC rate changes, and SUTA can shift it 3–5 points.

03 Indirect field overhead (typically 8–12% of revenue) must be allocated to every job — in your estimates AND your job cost reports.

04 A job cost report without a Projected Final Cost column is a ledger. Add that column and review it weekly to shift from reactive to proactive management.

05 Change orders are your highest-margin revenue. A pending CO log, reviewed every week, typically recovers $150–500K/year for a $10–20M specialty sub.

06 Timely data entry is not an IT problem — it's a management discipline. Same-day timesheets pay for themselves within weeks on any job with a labor overrun.

Resources & Q&A

🏛️ Industry Resources

- ASA National: asa-hq.org
- CFMA: cfma.org
- AGC: agc.org (financial practices)
- Construction Financial Management Assoc.

💡 Questions to Ask Your Team

- What is our current burdened labor rate?
- Where is our indirect O/H allocated?
- When did we last review our WIP schedule?
- What is our CO capture rate?

Thank you for attending — Questions Welcome!