

Guide to Automating General Contractor Payments



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Processing applications for payment, or pay apps, should be easy. Subcontractors complete work as assigned and submit their pay apps accordingly. Unfortunately, for most general contractors, that's where the bottlenecks begin. Paper checks. Compliance documents. Lien waivers.

While technology has transformed many facets of construction, including project management, BIM and smart machines, the payments process has lagged. In this guidebook, we'll explore what makes paying subcontractors so darn complicated and demonstrate how innovative cloud-based software solutions break the bottlenecks.

Why Paying Needs Fixing

Although many general contractors have attempted to simplify their subcontractor payments process by creating Excel or other spreadsheet versions of documents, these solutions still require manual work. The dream of achieving a truly digital and automated process has remained out of reach for several reasons.

> Regulatory Red Tape

Firstly, each general contractor or developer tends to have their own policies and required documentation for compliance, lien waivers, retainage, and more. And these policies may vary from job to job or state to state. The result is a convoluted pile of paperwork (physical or digital) that is difficult for subcontractors and GC accounts payable departments to navigate.

> Lost in the Line Items

One step that tends to slow GCs down on applications for payment is the schedule of values (SOVs). These are your line items with unit pricing based on hours or quantities. It's meant to be an easy itemized list that provides the GC with an understanding of the work they will be billed for. Unfortunately, there is no standardization of how detailed or broad SOVs are meant to be. They are often rejected and rewritten, costing precious time over something that should be simple.

> Lien Waiver Logjams

Next up, the wonderful world of lien waivers. We have no-lien clauses, lien subordinate clauses, conditional waivers, un-conditional waivers, and so on. We have 12 states that regulate what the lien waiver must say, and 38 other states that are a mess of non-standards. No matter what kind of lien waiver you have to process, they are typically so full of legal jargon and fine print that it's impossible to deduce what they even mean. Plus, getting subcontractors to fill these out and get them back on time can create its own issues.

> Pay App Pain

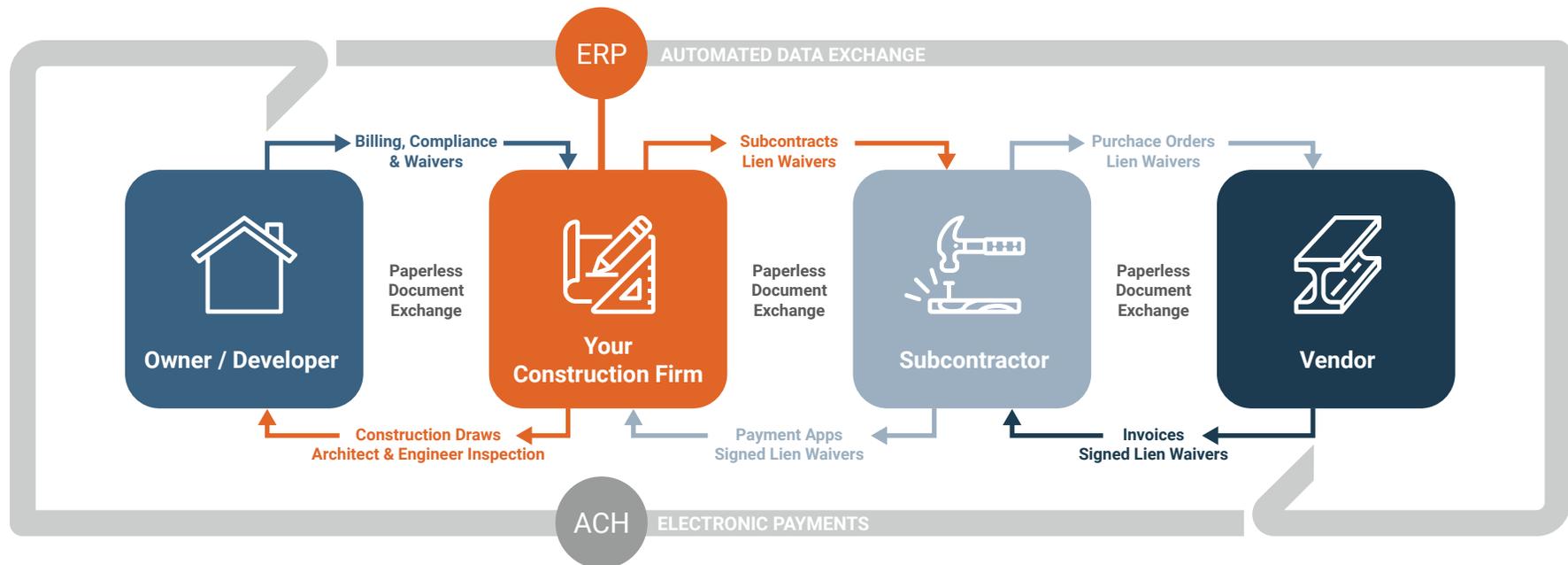
Have a look at the AIA contractor form G702 Application and Certificate for Payment. This is the form a contractor uses to invoice the general contractor for the job. It's riddled with potential pitfalls: manual calculations, change orders, checking math, partially complete work, and on and on. The potential for mistakes is high and the time it takes to fix them higher.

This is the 2020s. There has to be a better way, right? Actually, there is.

Conquer Complexity in the Cloud

A new era of cloud-based payment management platforms has arrived. In the graphic shown below, you'll see how GCPay – a cloud payment management platform for construction – does away with paper-based methods and PDF forms.

How a paperless payment app processing works:



Project owner saves time and money by submitting billing, compliance and waivers digitally through contractor's GCPay portal. Potential ERP integration simplifies project payments and eliminates double data entry.

General contractor simplifies all aspects of the payment application process – from paperless document and lien waiver exchange to compliance and e-payments. The dream of a 100% digital payment app process is real.

Subcontractor saves loads of time and manual paperwork by submitting lien waivers and payment apps digitally. Bonus: subcontractors reduce receivables time outstanding through digital automation.

For vendors and material suppliers, GCPay eliminates manual invoicing, payment processing, and integration into accounting systems to save vast time and energy. GCPay also offers third-party vendor reporting.

The Advantages of a Paperless Payment App Process

The time has come where general contractors can no longer ignore the costs of manual application for payment processes. The case for a streamlined process is compelling. Three benefits of adopting a cloud-based subcontractor pay app management system include:

1 Save Time with a Streamlined Workflow

It's exhausting to manage the endless back-and-forth emails between your team and your subs. Missing lien waivers, outdated spreadsheets, expired compliance docs — they can bring jobs to a grinding halt. Automating as much of this process as you can is the best way to speed things up and keep jobs running on time.

A cloud-based payment management platform makes it easy to control what is required from the subcontractor before even letting them submit the application for payment. Built-in automation capabilities enable you to customize workflows that makes sense for your company. From routing of pay app approvals, collection of lien waivers and compliance documents all the way through to getting your subcontractor paid faster and on time.

Every general contractor has their own processes and workflows that work for them. So it's vital to select a payment management platform that allows you to get as granular as you want to meet your needs.



2 Simplified Lien Waiver Creation and Exchange

Payments can't be processed until you have the right lien waivers signed, approved, and delivered. This can be a complicated and time-intensive process so you need a system that handles documentation. The right cloud-based platform will significantly improve lien waiver exchange by automating the process for all parties involved. The GC can populate customized lien waivers and pass them on to subcontractors. Data is automatically pulled from your ERP system via API, improving accuracy and saving time.

3 No Need to Double-up on Data Entry

Your accounting system is the backbone of your business. Any new finance-related software application you adopt must establish a seamless data exchange with the accounting solution. The schedule of values, change orders, and other contract data are all vital data when it comes to processing your subcontractor pay apps. Any payment management system worth considering must make it easy to confirm this data before releasing payment.

Direct integrations mean contract data from the payment management solution is updated without human intervention in the accounting or ERP solution – no need to double-enter anything. The reverse should also be true: with the payment management solution syncing so that any changes made in the ERP are reflected auto-magically.



Bonus: Electronic Payment

Cutting paper checks costs your team a significant amount of money. There is the cost of the materials and stamps of course, but mostly it costs your team valuable time.

Digital payments can automate processes and reduce the time your team spends handling pay apps by at least 50%. You can automate the application for payment management process so all that is left is for your accounting team to hit “approve.” Once approved, subcontractors are paid electronically through integration with a B2B payment exchange network, which provides prompt and secure payment. And once payment has been received, the cloud platform kicks back the lien waiver for the GC’s records.

Your Path to Paperless Payments

Digital payment app processing is a way to save time, increase visibility across your supply chain, and reduce the risk of fraud. And in the construction industry, the simplest way to achieve this frictionless, automated payment app workflow is GCPay.

GCPay is a cloud-based payment management platform designed specifically for the construction industry. By managing the entire application for payment process, the GCPay platform saves your team and your subcontractors from having to double-enter data and make phone calls to get clarification.

GC Pay Revolutionizes the Way You Pay

Pay App Management

Our platform allows you to customize workflows that work best for your business. Customize how you manage SOVs and COs, how you process retainage, and how you ultimately release payment for subs.

Lien Waivers and Compliance

Your custom lien waivers are automatically populated in GCPay with company, project and contract data. You also have the ability to require lien waivers or other compliance documents at any step in the pay app process.

Custom Reporting

GCPay includes custom dashboards at the company and project level for GCs. Subs also have a dashboard so they can see status on their AFPs and change orders, as well as any outstanding tasks on their list.

To learn more, visit us online at www.gcpay.com or talk to a digital payments expert at: xxx-xxx-xxxx



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