Welcome to autumn! This is my favorite time of the year as temperatures cool off, leaves change color, and the sounds of football fill the air. I hope this message finds each of you enjoying a beautiful fall season and a productive time of preparing for the upcoming year-end workload!

In our roles as CFMs, we are often called upon to manage the many risks inherent in construction. At CFMA’s 2019 Annual Conference & Exhibition, I spoke about how many of us throughout our careers will find ourselves unexpectedly at Destination Unknown. While I focused on the individual aspects, arriving at Destination Unknown can also be the result of a company’s poor risk management.

As the articles in this issue of *CFMA Building Profits* will delve into several key risk management areas, I would like to share a few practical risk management situations I have personally faced in my role as a CFM.

**Purchase Orders**

My company uses purchase orders (POs) extensively to help control and monitor costs. Recently, I was alerted that a key vendor was threatening to place my company on credit hold on a very large jobsite. Since this needed to be addressed swiftly, my accounting team quickly mobilized to find the source of the problem.

In the process, they discovered that on a completely separate job, a project manager (PM) was out of available spend on a PO; invoices were no longer being approved for this vendor and job.

While this issue had nothing immediately to do with the job at risk, it meant that we had past-due invoices. Further research determined that the PO was out of spend because the PM inadvertently approved approximately 10 invoices with material costs over the quoted PO amount! While this was a frustrating situation to work through (and caused stress for several days), the PO did its job – it managed the risk. Without it, we would have overpaid and given away job profits.

Even in the face of pressures to move invoices through your systems at an increasingly faster pace, I encourage you to truly evaluate the risk to which you may be exposing your company. Is the gain really worth the risk?

**Internal Controls**

Internal controls are in place to prevent fraud. Our company’s accounting teams work hard to do whatever it takes to quickly meet the needs of both our internal customers (employees and operations teams) and our external customers (clients). But I believe that requests from our stakeholders must be approached with a high level of suspicion and due diligence.

For example, my company recently received a request from one of our major customers to enroll in their new payment system. In order to be highly responsive to this client, steps were quickly taken within our accounting team to get this enrollment completed – including providing full banking information.

Once I became aware that all communication regarding this change had been done via e-mail, I abruptly put a halt to any further steps in this enrollment process until an accounting team member spoke directly with an employee of the client via telephone!

In our ever-growing electronic world, I believe that nothing can replace a phone call to confirm a
critical change. Thankfully, this particular request was legitimate, but a huge risk was taken, and steps are now in place to minimize this risk. Does your company have an internal control to avoid unauthorized changes to an employee’s direct deposit information? Does your company have a risk management process to confirm the legitimacy of any new vendors? Does your company have an internal control to avoid sharing unauthorized banking information? Having internal control processes that protect your company will make a huge difference in managing and minimizing risk.

So, before you find yourself in a corporate Destination Unknown, spend some time thinking about changes you can make and processes you can use to manage risk.

Also, encourage your employees to identify and report areas where risk could be further minimized should a new process be adopted.

And finally, if you ever do find yourself or your company at Destination Unknown, remember that your CFMA compass and peers will always help you move through that time with as little difficulty as possible!

Please enjoy the rest of this issue of CFMA Building Profits and the information these articles contain on risk management! Education and due diligence can go a long way in protecting your very hard-earned profits. As always, I wish you all the best in your pursuit of excellence!

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