

CASTLE AXIOM

The 5-Point Trapped Cash Checklist for Scaling Builders

Stop acting as the bank for your clients.

When you cross the \$2M revenue mark, your financial blind spots become exponentially more expensive. You have crews working flat-out, yet cash is inexplicably tight. The problem usually isn't your margins—it's trapped capital. Use this institutional-grade diagnostic to find exactly where your cash is hiding on the job site.

1. The Retainage Trap (Regulatory & Contractual Leakage)

Many mid-market builders unnecessarily surrender working capital by accepting standard retainage terms without pushing back based on statutory limits or phase completions.

- Do we have a proactive system to bill for retainage reduction at 50% project completion?
- Are we strictly tracking state-specific statutory caps on retainage to ensure owners aren't over-withholding?
- Is our team automatically matching subcontractor retainage terms to our owner contracts?

2. The Unbilled Change Order Bleed

Doing the work before the paperwork is signed is the most common way construction cash dies. You incur the labor costs immediately, but the revenue gets trapped.

- Do we have a strict "no work without executed change order" policy enforced by project managers?
- Are unapproved change orders actively tracked and reviewed on a weekly cash flow dashboard?
- Is there a maximum dollar threshold where work stops entirely until the client signs off?

3. Over/Under Billing (WIP Disconnects)

If your Work in Progress (WIP) schedule isn't perfectly aligned with your field reality, your Profit & Loss statement is lying to you. Underbilling means you are financing the project.

- Are we reconciling field completion percentages with accounting billing schedules at least bi-weekly?
- Do we routinely find ourselves "underbilled" at month-end because the billing cycle missed field progress?
- Are project managers held accountable for front-loading the schedule of values to accelerate initial cash flow?

4. The Vendor Terms Imbalance

Your cash conversion cycle dictates your growth. If you pay suppliers in 15 days but clients pay in 45 days, you have created a massive structural cash deficit.

- Have we audited our top 10 vendor terms in the last 12 months to push for Net-30 or Net-45?
- Are our client invoicing terms strictly enforced, complete with automated follow-ups for accounts over 5 days past due?
- Do we tie subcontractor payments directly to the receipt of owner payments ("pay-when-paid" clauses)?

5. The Labor Capacity Illusion (Throughput Leakage)

Not all revenue is equal. If you don't know your cash velocity per crew-hour, you might be assigning your best crews to projects that drain your working capital in reality.

- Do we know exactly which project types generate the highest cash throughput per labor hour?
- Are we blindly accepting bids based on gross margin rather than the impact on our total crew capacity?
- Do we have a system that maps our general ledger directly to our daily field hours?

Is your capital trapped?

Identifying the leak is step one. Re-engineering your financial engine to permanently fix it is step two. At Castle Axiom, we deploy Big-Four forensic integrity to move construction owners from The Fog to The Fortress.

Ready to secure your financial infrastructure? Email michael@castleaxiom.com or visit www.castleaxiom.com