

Work-In-Progress (WIP) Health Check: A Checklist for Construction Companies

A clear WIP schedule isn't just an accounting report; it's a management tool. This checklist highlights common areas where inaccuracies and blind spots tend to show up.

PROJECT SETUP & CONTRACT DATA

- Contract values reflect executed agreements only, not pending scope
- Change orders included in the contract value are fully approved & documented
- Retainage terms are correctly reflected
- Contract types (*lump sum, guaranteed maximum price, time & materials*) are clearly identified

COST TRACKING & FORECASTING

- Actual job costs are updated in a timely & consistent manner
- Estimated costs to complete are reviewed & refreshed regularly
- Field updates flow to accounting without delay
- Overhead allocations are applied consistently
- Cost categories align with how jobs are managed operationally

BILLING & CASH FLOW ALIGNMENT

- Billings match contractual terms & job progress
- Under-billing is intentional, understood, and temporary
- Over-billing is monitored & planned for later in the project
- Retainage receivables are tracked separately & clearly

REVENUE RECOGNITION CONTROLS

- Revenue reflects work performed, not anticipated outcomes
- Unapproved change orders are excluded from earned revenue
- Claims are evaluated conservatively & supported by documentation
- Uninstalled materials are treated appropriately & consistently

MARGIN & TREND ANALYSIS

- Gross margins are reviewed at both job & portfolio levels
- Gains and fades are tracked & investigated
- Patterns in margin erosion are identified early
- Forecast adjustments are explained & documented

WIP REVIEW PROCESS

- WIP is reviewed monthly by leadership
- Variances are discussed, not just recorded
- Adjustments are supported by facts, not assumptions
- The WIP tells a clear, defensible story

If your WIP requires frequent explanations, revisions, or after-the-fact fixes, it may be time to revisit the underlying processes, not just the numbers.