

"An investment in knowledge always pays the best interest."
- Benjamin Franklin

A Message From Our President



I feel like we are speeding toward the Thanksgiving and winter holidays, which marks the end to our 2022 Membership Events Calendar. What a difference two years makes!

We are firmly back to in-person events, and I'm so thankful that you have continued to support our Long Island Chapter with resounding attendance. Our October 21st Information Security and October 28th Young Professionals Nine and Dine events filled up quickly.

Special thanks to our October 21st panelists: Stephen Breidenbach of Moritt Hock & Hamroff LLP; Jason Starr of Marcum Technology; and Marc Schein of Marsh McLennan Agency. And thanks to Matt Crennan for organizing and moderating.

Our Young Professionals continue to do a great job building their own membership. A good time was had by all at the Stonebridge Golf Links and Country Club. I heard the reported scores continued to get lower at Rockwell's as the evening progressed.

This is likely my last column for 2022. I hope you all get to spend some well-deserved time with friends and family over the holidays. As I reflect back, our Chapter remains on solid ground – a testament to you, our members and a testament to our steadfast sponsors and Board, both old and new.

Looking forward, I'm filled with optimism. Our Chapter is healthy, vibrant and growing. You can count on us for bringing you our signature events in 2023.

Save the Date: Our Economic Outlook event is on Friday, February 10th, 2023.

We welcome your feedback and suggestions to rmalongisland@gmail.com.

Sincerely,

Michael Heller

OUR SPONSORS



Save the Date

Annual Economic Outlook Breakfast

February 10, 2023, 8am – 10am

Venue: Radisson Hotel Hauppauge

RMA LI - Young Professionals

If you're interested in joining our Young Professionals group, please contact
Roger Rose (chair):

Roger.Rose@Dime.com

Annual Sponsorships Still Available

For information regarding Sponsorship please contact:

Neil Seiden at neil.seiden@assetenhancement.com

or call 516-767-0100

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RMA Scholarships

James T. McCarthy Scholarship - \$2,500

Dr. Pearl Kamer Scholarship - \$2,500

Patrick M. Demery Bankers' Lifetime Achievement Award - \$1,500

Application deadline: May 1, 2023

Eligibility:

Bankers and students interested in pursuing their education and career in the area of banking, commercial lending or credit risk management. You must be enrolled at an accredited college, pursuing a pertinent degree program.

Application package must include the following:

- College transcript and evidence of current enrollment at an accredited college
- Essay from applicant stating:
 - Why you have chosen or are interested in a career in banking
 - Your career goals and how this scholarship will help you meet your goals
- Employment history and current job description, if applicable
- Extracurricular activities, community service
- List of leadership positions, honors and awards
- Letter of recommendation from your current employer or professor

Note: Incomplete application packages will be disqualified.

Applications will be reviewed by the
Scholarship Committee of the
Long Island Chapter of Risk Management Association.

Forward questions or your completed application package to:

Bonnie Dougherty, Senior Vice President

Valley National Bank

BDougherty@valley.com

Join. Engage. Lead

Why Job Costing is Essential for Construction Companies



Ken Godin, Jr. Marcum LLP

In my years as a public accountant working in the construction industry, I have been fortunate to work with many different company leaders — and I've learned that most have a similar reaction to the prospect of job costing:

- Why do I need to job cost?
- This is going to be a lot of extra work for my staff.
- I have a good feel for how each of my jobs perform.

As soon as I hear comments such as these, as an accountant, I feel obligated to educate leaders on the importance of job costing and how it ultimately affects their company's future.

Other construction companies I've worked with dedicated a tremendous amount of time and resources to tracking and analyzing job costs. One client has a sign in their office that reads, "If you don't know your labor costs, you have already failed." This statement could not be any truer.

By definition, job costing is the process of accounting for all of the costs and revenues associated with a specific contract. When properly conducted, job costing reveals an accurate calculation of the profitability of a specific contract.

Now that you know the definition of job costing, let's discuss the types of costs. There are direct costs, which consist of labor (payroll, taxes, insurance, benefits, dues, etc.), materials, and any other costs you can directly associate with a specific job (i.e., sub-contractors, performance bonds, etc.). There are also indirect costs, which are often called overhead costs. These costs, which are not directly associated with a specific contract, consist of insurance, depreciation on property and equipment, labor (i.e., back-office personnel, project managers, and estimators), and travel and automobile-related expenses.

Each job should have an initial budget (used to bid the contract) for all of the direct costs involved in completing the job, plus the estimated overhead to cover the indirect costs. It's important to properly record all direct costs associated with each specific job so that, at any point during the construction process, you can create a report and compare the direct costs incurred against the initial budget.

The person in charge of the job should communicate all departures from the original contract. For example, change orders must be communicated timely so the company can bill customers for additional work performed. Otherwise, the company could end up negotiating for less money than the work performed.

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Here are some benefits to job costing:

- It generates cash flow. The ability to properly invoice customers for work performed timely is critical. Most of the time, a company incurs costs for work performed before it can bill its customers.
- Comparing costs incurred against the original estimate helps you identify efficiencies and inefficiencies throughout the process.
- Identifying job inefficiencies early on may allow a company to submit a claim for possible labor overruns or delays.
- Management can reward certain employees for outperforming and also identify employees who regularly underperform and cost the company profits. These underperforming employees can be retrained or terminated.
- Analyzing the efficiencies and inefficiencies helps companies better estimate and bid future jobs and identify common factors (i.e., size, complexity, etc.) that can help leaders identify promising jobs in the future.

Here are some disadvantages of job costing:

- It requires commitment from the top down. That means owners need to be strong advocates for the change. They need to explain the importance of properly recording all direct costs and hold everyone involved accountable. Project managers should be held responsible for the overall project, including job costing.
- Existing employees have to take on additional work, which will create more stress. The company may need to hire additional personnel to handle the work, or train existing employees on job costing methodologies.
- The company may need to invest in new technology to track costs. Payroll processing services offer various packages to track employees and allocate their time to specific jobs. There are also software packages that help companies track costs by job and compare them to the budget.

As a construction company grows, job costing becomes critical to its success. Cash flow is paramount, and it can only be generated and collected timely when companies job cost so they can bill for work performed. Accurate record- keeping is key to identifying successes and avoiding failures.

In addition, outside lenders and bonding companies require financial statements to be prepared in accordance with generally accepted accounting principles. This can only be done if job costing is performed.

In the end, job costing is an investment — and if you want your company to succeed, it is necessary.

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