HAKKEEM ADVISORY
CONSTRUCTION FINANCE & ACCOUNTING ADVISORY

Construction WIP Diagnostic Checklist

A management review for WIP, job-cost, billing and cash-flow reliability

Designed for	Owners, CFOs, controllers and accounting managers of US contractors
Use	A structured first-pass review before a deeper accounting or WIP diagnostic
Important	Do not enter confidential values or client-identifying information in a copy that will be shared publicly.

Use this checklist to identify where reported project results may be disconnected from contract status, actual cost, billing, committed cost or the general ledger.

Prepared by Abdul Hakkeem
Senior Finance & Accounting Consultant | Hakkeem Advisory

How to Use This Checklist

Review each statement and mark one status. Use the notes column for the owner, source report, exception or required action. A "No" or "Unclear" answer does not automatically mean the accounting is wrong; it means the item needs evidence, reconciliation or management attention.

Status	Meaning
Yes	Current evidence supports the statement.
No	The control, reconciliation or support is missing or not current.
Unclear	The reviewer cannot confirm the answer from available information.
N/A	Not applicable to the contractor, project or reporting period.

Suggested evidence: signed contract and amendments, approved change orders, job-cost report, committed-cost report, WIP schedule, billing register, retainage report, accounts payable aging, payroll allocation, bank reconciliation, general ledger, estimate-at-completion support and management review notes.

Immediate red flags: unexplained gross-margin swings, negative costs, closed jobs with open balances, large unapproved change orders, old unbilled amounts, WIP that does not tie to the general ledger, or cost-to-complete values unchanged despite major project events.

This checklist is a management diagnostic. It does not provide assurance, an audit opinion, a tax position, legal advice or a guarantee that a lender, surety or external accountant will accept the underlying schedules.

1. Project Setup and Contract Data

Review statement	Y	N	?	N/A	Notes / owner / action
The original contract value agrees with the signed contract and approved amendments.	☐	☐	☐	☐	
Approved and pending change orders are separately identified and supported.	☐	☐	☐	☐	
Contract type, revenue method and key billing terms are documented for each material project.	☐	☐	☐	☐	
Start date, expected completion date and project status are current.	☐	☐	☐	☐	
Retainage terms, liquidated-damage provisions and unusual payment conditions are recorded.	☐	☐	☐	☐	
The project master data uses consistent job numbers across estimating, operations, billing and accounting.	☐	☐	☐	☐	
Closed, dormant and warranty-phase projects are clearly distinguished from active projects.	☐	☐	☐	☐	

2. Cost-to-Complete and Committed Costs

Review statement	Y	N	?	N/A	Notes / owner / action
Estimated cost at completion is updated using current field and purchasing information.	☐	☐	☐	☐	
The remaining cost estimate includes executed subcontracts and purchase orders not yet invoiced.	☐	☐	☐	☐	
Known price escalation, productivity issues, rework and schedule impact are reflected where appropriate.	☐	☐	☐	☐	
Forecast labor hours and labor rates are current and reconciled to the operating plan.	☐	☐	☐	☐	
Equipment, burden, insurance, permits and other indirect project costs are considered consistently.	☐	☐	☐	☐	
Contingency is separately visible and changes in contingency are explained.	☐	☐	☐	☐	
Large movements in estimated gross profit are documented and approved by responsible management.	☐	☐	☐	☐	

3. Job-Cost Integrity and Period Cut-Off

Review statement	Y	N	?	N/A	Notes / owner / action
Vendor invoices are posted to the correct job, cost code and reporting period.	☐	☐	☐	☐	
Payroll and labor burden are allocated to jobs using a documented method.	☐	☐	☐	☐	
Credit card, equipment, fuel, material and subcontract costs are captured before the close.	☐	☐	☐	☐	
Costs recorded in suspense, clearing or uncategorized accounts are reviewed before WIP is finalized.	☐	☐	☐	☐	
Duplicate invoices, negative costs and manual journal entries are investigated.	☐	☐	☐	☐	
Shared or indirect costs are allocated consistently and not used to manage individual job margins.	☐	☐	☐	☐	
Open commitments are reviewed for canceled, duplicated or completed items.	☐	☐	☐	☐	
Closed jobs do not retain unexplained costs, accruals, retainage or billing balances.	☐	☐	☐	☐	

4. WIP Calculation and General-Ledger Reconciliation

Review statement	Y	N	?	N/A	Notes / owner / action
The WIP schedule uses a consistent and documented calculation method.	☐	☐	☐	☐	
Costs-to-date on the WIP schedule agree with the job-cost system or are reconciled.	☐	☐	☐	☐	
Revenue recognized on the WIP schedule agrees with the general ledger after approved adjustments.	☐	☐	☐	☐	
Billings-to-date agree with the billing system or accounts-receivable records.	☐	☐	☐	☐	
Overbilling and underbilling balances agree with the balance sheet.	☐	☐	☐	☐	
The current-period WIP adjustment is reviewed and approved before posting.	☐	☐	☐	☐	
Prior-period WIP balances roll forward without unexplained breaks.	☐	☐	☐	☐	
Loss jobs are recognized promptly under the company's applicable accounting policy.	☐	☐	☐	☐	
Material manual overrides are visible, supported and approved.	☐	☐	☐	☐	

5. Billing, Retainage and Cash Flow

Review statement	Y	N	?	N/A	Notes / owner / action
Billing status reflects current approved work, milestones and contract terms.	☐	☐	☐	☐	
Unbilled amounts are aged and assigned to a responsible owner.	☐	☐	☐	☐	
Underbilling caused by missing documents, pending approvals or internal delay is separately identified.	☐	☐	☐	☐	
Overbilling is evaluated together with remaining cost and available cash.	☐	☐	☐	☐	
Retainage receivable and payable balances are reconciled by project.	☐	☐	☐	☐	
Accounts-receivable aging is reviewed alongside WIP and project status.	☐	☐	☐	☐	
Cash-flow forecasts incorporate expected billing, collection timing, payroll, vendors and subcontractors.	☐	☐	☐	☐	
Projects with positive reported margin but negative cash generation are specifically reviewed.	☐	☐	☐	☐	

6. Change Orders, Claims and Contingencies

Review statement	Y	N	?	N/A	Notes / owner / action
Approved, submitted and potential change orders are separately classified.	☐	☐	☐	☐	
Revenue is not recorded for unsupported or unapproved amounts without an appropriate basis.	☐	☐	☐	☐	
Related cost exposure is included even when change-order revenue remains uncertain.	☐	☐	☐	☐	
Claims, disputes and back-charges are documented with status, owner and expected resolution.	☐	☐	☐	☐	
The effect of delays, penalties, rework and warranty exposure is considered in the forecast.	☐	☐	☐	☐	
Management can explain the cash impact of pending change orders and disputed receivables.	☐	☐	☐	☐	

7. Management Review and External Support

Review statement	Y	N	?	N/A	Notes / owner / action
Project managers review and sign off on cost-to-complete and significant forecast changes.	☐	☐	☐	☐	
Finance challenges unusual margins, stale estimates and unsupported assumptions.	☐	☐	☐	☐	
The owner or senior finance leader reviews the final WIP schedule before financial statements are issued.	☐	☐	☐	☐	
Key differences between WIP, backlog, billing and cash forecasts are explained in management reporting.	☐	☐	☐	☐	
Supporting schedules can be reproduced consistently for lenders, sureties and external accountants.	☐	☐	☐	☐	
The close calendar identifies who prepares, reviews, approves and posts each WIP-related item.	☐	☐	☐	☐	
Access to accounting and project systems follows role-based controls.	☐	☐	☐	☐	
Material corrections are documented, approved and retained with the close support.	☐	☐	☐	☐	

8. Red-Flag Score and 30-Day Action Plan

This score is a prioritization aid, not an assurance conclusion. Count only items marked "No" or "Unclear." Give greater weight to items affecting multiple jobs, large balances, external reporting or near-term cash.

Area	No	Unclear	Priority / comments
Project setup and contract data			
Cost-to-complete and committed costs			
Job-cost integrity and period cut-off			
WIP calculation and GL reconciliation			
Billing, retainage and cash flow			
Change orders, claims and contingencies			
Management review and external support			
Total			

Indicative priority	Suggested response
Low	Resolve isolated items in the normal close cycle and document the correction.
Moderate	Assign owners and complete reconciliations before relying on the next WIP or cash forecast.
High	Escalate to the owner/controller, protect cash, validate material jobs and consider external diagnostic support.
Immediate	Pause reliance on the affected reporting until material errors, unsupported assumptions or reconciliation breaks are understood.

30-Day Action Plan

Select the highest-impact items that can be completed or materially advanced within 30 days. Keep the plan specific: named owner, evidence required and completion date.

Priority issue	Required action / evidence	Owner	Due date	Status

Need a deeper review?

Hakkeem Advisory provides construction WIP review, job-cost diagnostics, QuickBooks cleanup, accounting reconstruction, cash-flow forecasting and controller-level reporting support.

Abdul Hakkeem | Senior Finance & Accounting Consultant
a.hakkeem@hakkeemadvisory.com | +1 (414) 300-7524 | hakkeemadvisory.com