MotionOps

CONTRACTOR SCALER HUB · GROW PROFIT, NOT JUST REVENUE

Margin Leakage Checklist

For lesson 3, Margin Erosion. Run part 1 on every job before the final invoice goes out. Do parts 2 to 6 once, on your last 10 closed jobs, with the crew leads and whoever invoiced them: find your two biggest leaks and fix those first.

1. Before the final invoice

- [ ] Every hour of time is recorded on the job
- [ ] Every receipt and supplier invoice is on the job
- [ ] Every extra done on site has a change order
- [ ] Every approved change is on the final invoice
- [ ] Rework is coded on timesheets and receipts, with a reason
- [ ] Walkthrough done with the customer before the crew left

2. Where margin leaks, stage by stage

Each leak sits at a stage of the job, and so does its fix. Use it on any job that came in under its bid margin.

Stage	Common leaks	Question to ask	Found here?
Estimate	Labor hours guessed rather than taken from past jobs; missing items; no waste factor; old material prices	Did similar jobs run over on the same line?	
Sale	Discounts to win the job; vague scope that turns into "I thought that was included"	Was the scope written clearly enough to say no to an extra?	
Readiness	Wrong or late materials; permits or inspections not lined up; schedule gaps	Did the crew lose time on day one?	
Work	Rework; extras done without a change order; waiting on other trades, deliveries or decisions; supply-house runs	How many hours on this job didn't move it forward?	
Closeout	Receipts not on the job; time not recorded; approved changes not on the invoice; return trips for the punch list	Is every approved change and every cost on the final invoice?	

Stage	Common leaks	Question to ask	Found here?
Payment	Late payment; disputes over undocumented extras; write-offs	Did we collect the full invoice, on time?	

3. Your last 10 closed jobs

The actual margins come from the Budget vs. Actual Job Cost Worksheet (lesson 2). Mark the three with the biggest gap.

Job	Bid gross margin	Actual gross margin	Gap (points)	One of the 3 biggest?
Example Kitchen remodel, $48,000	35%	29.1%	5.9	

4. Where did the money go?

Go through each of the three jobs with the crew lead and whoever invoiced it, using part 2 as the list of places to look. Put a dollar amount on each leak, even a rough one. Labor in the example is at an assumed burdened cost of $45 an hour.

Job	Leak	What happened	Profit lost
Example Kitchen	Unbilled extras	Customer asked for an extra outlet and under-cabinet lights; the crew did it, nobody wrote a change order	$260, never invoiced
Example	Rework	A cabinet door measured wrong, reordered and reinstalled	$410 materials + 6 h = $680
Example	Waiting	The countertop template was two days late; the crew left and came back, losing set-up and drive time	10 h = $450
Example	Extra supply runs	Missing fittings and trim, three separate trips	8 h = $360
Example	Price increase	Cabinet hardware and two appliances went up between the quote and the order	$540
Example	Punch list return visits	Two extra visits for small items that could have been caught at the walkthrough	8 h = $360
Example	Small purchases not estimated	Caulk, blades, fasteners, shims	$190
Example	**Total**	Gross profit $13,960: a 29.1% margin instead of the 35% bid	**$2,840**

5. Tally the leaks by type

Add up the three jobs by leak type. Often two or three types account for most of the money.

Leak type	Job 1	Job 2	Job 3	Total
Unbilled extras				
Rework				
Waiting and supply runs				
Price increases				
Missed costs at closeout				
Punch list return visits				
Estimating gaps, including small purchases not estimated				
Other:				
Total				

6. Fix the top two, not all of them

Tick the two leak types that cost the most in part 5. Give each fix an owner and a start date.

Leak	The fix	Top two	Owner	Start by
Unbilled extras	No work outside the scope without a change order, with a limit the crew lead can approve on site			
Rework	A rework code, a reason, and a fix for the most common reason			
Waiting and supply runs	A readiness check before the crew is scheduled: materials confirmed, decisions made, other trades booked			
Price increases	Quotes valid for a set period; prices on long-lead items confirmed before the order			
Missed costs at closeout	A closeout check before the invoice: time, receipts and every approved change on the job			
Punch list return visits	A walkthrough with the customer before the crew leaves			
Estimating gaps	Estimates built from your own past jobs, not memory			

7. Make rework visible

- [ ] A rework code on timesheets and receipts: "rework" or "callback", on the job it belongs to
- [ ] A one-line reason on every rework entry: measured wrong, wrong material ordered, failed inspection, damage, unclear instructions
- [ ] Rework totaled every month: hours as a share of all labor hours, and cost in dollars

Month	Rework hours	All labor hours	Rework share	Rework cost	Most common reason

When the same reason keeps repeating	Fix this first
Measuring errors	A measuring and checking step
Wrong materials	The handoff between the estimate and the order
Unclear instructions	What the crew gets before the job

What to review every month

- The gap between bid and actual gross margin, job by job and as a monthly average
- Rework hours as a share of labor hours
- Approved changes not yet invoiced at closeout