TYGART MEDIA • OPERATIONAL FIELD CARD

Restoration Accounts Receivable: Fix Your Cash Cycle

Current version — Oct 31, 2026
Update history: https://tygartmedia.com/restoration-accounts-receivable/

Direct Field Principle: A restoration company's P&L and its bank account tell two different stories; the gap is the AR cycle. Construction DSO averages ~83 days (highest of any major industry), and claim cycles stretching beyond 60–90 days are common. Compressing days-to-cash from 90+ down to a defensible 45–60 days directly funds growth without external debt or equity dilution.

1. THE XACTIMATE-TO-CASH TIMELINE MAP (DAY 0 TO DAY 180)

Day 0 Dispatch	Days 3–7 Mitigation	Days 7–14 Submission	Days 14–35 Adjuster Review	Days 35–60+ Carrier & Lender

Phase & Window	Operational Deliverables & Packet Elements	Critical Friction Points & Cycle Traps
Day 0: Loss & Dispatch	Emergency dispatch, arrive on site, establish containment, signed Work Authorization, initial photos.	Failure to secure signed Work Authorization on day one invalidates direct payment authority; missing pre-mitigation photos.
Days 3–7: Mitigation Phase	Equipment deployment, daily psychrometric moisture logs with timestamps, daily tech reports, dry standard verification.	Equipment pulled before dry standard verified; moisture logs logged retroactively rather than daily on site.
Days 7–14: Invoice Submission	Assemble complete packet: Xactimate estimate, full photo sheet, moisture logs, daily reports, Work Auth, Certificate of Completion.	**The 7-Day Trap:** Invoicing delayed post-drying. Documentation assembled at billing time has gaps that trigger adjuster return.
Days 14–35: Adjuster Review	Desk/field adjuster review, line-item validation against price list, scope negotiation, initial approval.	**The 5–14 Day Round Trip:** Missing photos, inconsistent line items, or unsupported scope trigger revision loops. Each loop costs 5–14 days.
Days 35–60: Carrier Processing	Carrier accounting processes payment. Mortgage joint-check endorsement routing on checks >$10K–$15K.	Lender staged fund release ($10K–$15K threshold) delays clearance; homeowner sits on joint check without lender packet ready.
Reconstruction Phase	Reconstruction scope approval, material procurement, rebuild execution, ongoing progress draws.	Cycle repeats on a longer timeline. Scope disputes between mitigation and rebuild teams create duplicate adjuster reviews.
Days 90–180: Final Closing	Final scope reconciliation, depreciation holdback recovery on RCV claims, commercial retainage release (5–10%).	Depreciation holdback recovery delayed by unfiled completion certificates; commercial retainage allowed to age passively.

2. WHY SINGLE DSO FAILS — THE 3-WAY SLICING MATRIX

Standard DSO (AR / Total Revenue × Days) produces only a directional read. Because AR is heterogeneous, the well-run shop slices AR across three dimensions simultaneously:

Dimension	Fast Band (Target)	Average / Warning Band	Lag Band / Operational Trap
1. By Carrier *Program & Portal Variance*	**30–45 Days:** Top preferred programs, automated Verisk/Symbility portal routing.	**60–90 Days:** Standard regional carriers, manual adjuster email submission.	**90+ Days:** Sluggish independents, heavy desk review, un-deprioritized low-margin programs.
2. By Service Line *Scope Complexity*	**45–60 Days:** Emergency Mitigation (standardized Xactimate line items, fast drying).	**60–75 Days:** Mixed Mitigation & Reconstruction portfolios.	**75–90+ Days:** Reconstruction-heavy (scope disputes) & complex specialty (docs/electronics).
3. By Job Size *Review Attention Trap*	**< $10,000:** Fast adjuster sign-off, minimal desk audit, immediate authorization.	**> $100,000:** Dedicated large-loss adjusters; high attention once scope is frozen.	**$10,000 – $50,000 Trap:** Worst of both worlds: full documentation audit without executive attention.

TYGART MEDIA • OPERATIONAL FIELD CARD

Operator Levers, Discipline & Working Capital Math

Current version — Oct 31, 2026
Update history: https://tygartmedia.com/restoration-accounts-receivable/

3. CYCLE DRIVERS: CONTROLLABLE LEVERS VS. EXTERNAL REALITIES

Operator-Controllable (Highest Impact) — SHOP CONTROL

- **Documentation Gaps (#1 Cause):** Missing photos, incomplete moisture logs, unlogged psychrometrics, or unsigned Work Auths give adjusters defensible reasons to delay. Eliminating gaps stops the 5–14 day revision loop.
- **Xactimate Scope Quality:** Estimates using incorrect line items, unverified off-price-list pricing, or scope unsupported by logs get slashed. Level 1 certification minimum (Level 2 ideal) pays for itself in 6 invoices.
- **Submission Hygiene:** Invoicing within 7 days of mitigation completion prevents file cooling on adjuster desks.
- **Structured Follow-Up:** Contact at Day 14; escalation request at Day 21; carrier claims service line at Day 30.

Partially Controllable & External — EXTERNAL / PROCESS

- **Mortgage Involvement ($10K–$15K Threshold):** Lender checks require dual endorsement and staged releases. *Intervention:* Educate homeowner on Day 0; prep packet (completion certs, lien waivers) early.
- **Carrier Program Structure:** Portal requirements (Verisk/Symbility). *Intervention:* Master specs cold; de-prioritize slow-paying programs.
- **Public Adjuster Involvement:** Higher scrutiny. *Intervention:* Strict factual documentation; professional communication.
- **Coverage Disputes & Litigation:** Confirm coverage upfront; get written change orders; avoid unapproved work.

4. THE 5 GOLDEN EXECUTION MOVES FOR EVERY LOSS

Operational Move	Standard Operating Procedure	Cash Cycle Impact
1. Job-Level Real-Time Logging	Lead tech captures Day 1 photos, daily moisture readings, and daily report before leaving site via CompanyCam, MICA, or ENCIRCLE.	Packet is 100% complete on Day 7 when drying finishes. Zero time lost hunting field logs.
2. Progressive Xactimate Scoping	Mitigation estimate drafted concurrently during drying; reconstruction scope drafted during mitigation phase.	Eliminates the post-job 10-day drafting delay. Invoice ready immediately upon dry standard sign-off.
3. Strict 7-Day Invoicing Rule	Mitigation packet submitted to adjuster within 7 calendar days of drying completion. Zero tolerance for shop-side drift.	Fresh files receive prompt review. Signals operational competence to desk adjusters.
4. Day 14 / 21 / 30 Follow-Up Protocol	Day 14 polite inquiry; Day 21 supervisor escalation; Day 30 carrier claims management escalation. Assigned weekly.	Files stay at top of adjuster queue. Prevents claims from drifting into 90+ day abandonment.
5. Weekly Cash-to-Invoice Review	Management reconciles open receivables weekly by carrier and adjuster, not monthly. Direct action assigned per open file.	Flags stalled files at Day 21 rather than Day 60. Keeps aging clean and actionable.

5. WORKING CAPITAL STRATEGY & CASH RECOVERY MATH

Working Capital Math (Published Ratios) — BALANCE SHEET

Every dollar of revenue requires roughly proportional dollars held in AR for the average cycle length:

- **$10M Annual Shop @ 90-Day Cycle:** Carries **$2.50M** in average AR.
- **Compressed to 60-Day Cycle:** Carries **$1.65M** → **$850,000 cash freed**.
- **Compressed to 45-Day Cycle:** Carries **$1.25M** → **$1,250,000 cash freed**.
- **$5M Shop @ 60 Days:** Frees **~$830,000** in usable working capital.
- **$20M Shop @ 60 Days:** Frees **$1.7M to $3.3M** in cash.

Result: Funds 30%+ annual growth without bank debt or equity dilution.

Reserve Sizing & Financing Guardrails — TREASURY POLICY

- **Cash Reserve Sizing:** Size reserves to **75–90 days of operating cost** (not 30 days) to absorb slow collection cycles without payroll stress.
- **Line of Credit:** Sized for 1–2 months operating cost. Use solely as a flex tool for monthly collection variance, never as permanent capital.
- **Avoid Fragile Models:** Avoid permanent factoring (2–4%/mo fee eats margins) and AOB-reliant models (state reform risk).
- **Billing Service Decision:** Shops <$3M benefit from third-party billing specialists; shops >$5M must build in-house competence.

Field Benchmark: Pull your last 10 mitigation and 10 reconstruction invoices. If >30% of submissions trigger adjuster revision requests, your Xactimate or documentation practice has gaps. Fix documentation and line-item logic first — this single discipline recovers up to $1.25M per $10M revenue.