

CONTRACTOR 30-POINT DIAGNOSTIC TEST FOR A POSSIBLE CASH FLOW PROBLEM

This is a checklist for symptoms that individually may not constitute a serious health risk, but collectively could cause an obstruction of the cash (blood) flow - with irreparable damage as a result.

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| <p>1. Have you been able to avoid any recent cash-flow shortages that would have impaired normal operations? ___Yes
___No</p> <p>2. Do you read and understand all contract terms? ___Yes
___No</p> <p>3. Do you verify the source of funds for each contract before submitting your bid? ___Yes
___No</p> <p>4. Do you double check each estimate? ___Yes
___No</p> <p>5. Will the contract terms permit billing of materials suitably stored on or off the jobsite? ___Yes
___No</p> <p>6. Does the first progress billing provide for mobilization costs and the entire bond premium? ___Yes
___No</p> <p>7. Is there a sufficiently strong job cost control system in place to detect and monitor change orders at the field/project management level? ___Yes
___No</p> <p>8. Is conditional payment language in contracts (such as "pay when paid" or "pay if paid" clauses) avoided whenever possible? ___Yes
___No</p> <p>9. Are your customers' billing policies and payment cycles understood and confirmed? ___Yes
___No</p> <p>10. Do you negotiate <i>out</i> of each contract a "no damage for delay" clause that would waive your company's right to damages for delay? ___Yes
___No</p> <p>11. Do contract billings usually occur in a timely and accurate manner? ___Yes
___No</p> <p>12. Does someone call each customer to follow up on whether the billing was received and if it was correct before it's due to be paid? ___Yes
___No</p> <p>13. Were contract terms negotiated to provide for release of retainage upon satisfactory completion of your work? ___Yes
___No</p> <p>14. If permitted by your state law, do you refuse to waive your lien rights? ___Yes
___No</p> <p>15. Are cash receipts deposited as early as possible each day? ___Yes
___No</p> <p>16. Are funds deposited into a sweep account or at least an interest-bearing account? ___Yes
___No</p> | <p>17. Are purchase discounts usually taken? ___Yes
___No</p> <p>18. Is it company policy that your subcontractors and suppliers are not paid before your company collects its receivables from the general contractor or owner? ___Yes
___No</p> <p>19. Has the bank line of credit been paid off/retired for at least 30 days in the last year? ___Yes
___No</p> <p>20. Are bonded job accounts receivable excluded as collateral for bank lines of credit? ___Yes
___No</p> <p>21. Do you bond your subcontractors if the general contractor or owner requires your company to be bonded? ___Yes
___No</p> <p>22. Is the interest rate on your company's line of credit less than 2% above your bank's prime rate? ___Yes
___No</p> <p>23. Have you been able to avoid asset-based accounts receivable financing as your collateral source for a bank or other line of credit? ___Yes
___No</p> <p>24. Are you able to avoid having accounts receivable payments in the form of joint checks made out to your company and another subcontractor or supplier? ___Yes
___No</p> <p>25. Were you granted both an increase in the amount your company can borrow, as well as a reduction in the interest rate it was charged in the last year? ___Yes
___No</p> <p>26. Are signed change orders required prior to starting the work? ___Yes
___No</p> <p>27. Is a formal safety program in place? ___Yes
___No</p> <p>28. Is there a procedure in your contracts for the resolution of disputes? ___Yes
___No</p> <p>29. Do you communicate liquidated damages and backcharge provisions to primary field supervisors and explain the impact they can have on cash flow? ___Yes
___No</p> <p>30. Do you regularly attend your local American Subcontractors Association chapter's Business Practices Interchange? ___Yes
___No</p> |
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All "No" answers are warnings signs and should warrant immediate attention.