

# Time out for a quick legal audit

*Continuing our look at routinely encountered legal issues through the eyes of two fictitious electrical distributors. This month: Take some time now and save countless headaches and dollars over the next several jobs.* **by Daniel Goldberg**

**If there is one theme that** Alvin Amp, owner of Distributor in a Rush, has heard time and again in 2011, it's that the economy is slow going and the recovery is even slower. So what better time than the dog days of summer to do a quick internal legal audit to get ready for the fall? With that in mind, Amp thought it worthwhile to get a jump on the season by putting a few new project systems in place and making sure the existing ones weren't broken. Here's what he did:

Amp made sure to start a project file on every project quoted. In that file he strove to make sure he had the following bases covered: quote, terms and conditions, purchase order, project or job information, waivers, and bonds. There were a number of other documents he could start to include once he got the basics down (vendor agreement, bill of materials, specifications), but this was a good place to start.

Because Amp knew verbal quotes can be trouble, he was checking to make sure his quotes were always in writing. He wanted to make sure they specified that a purchase order would only be accepted according to his terms and conditions (unless otherwise agreed to by both parties in writing), and that the quote expired on its own if it was not accepted within a certain number of days. He recalled too well the time he quoted copper wire in September only to have his electrical subcontractor customer accept the quote and issue a purchase order in November when the price of copper had gone sky high.

After setting up his project file checklist, Alvin scheduled a meeting with his sales representatives, inside and outside, to go over the importance of making certain that any purchase orders that were received were consistent with his

company's terms and conditions. He wanted to make sure every purchase order was reviewed to ensure there were no additional terms or exceptions to his terms. If any purchase orders were inconsistent, he put a procedure in place to notify the customers in writing, thanking them for their order, but letting them know it could only be accepted on Distributor in a Rush's terms. (For more on this, see page 35 in the January issue of *tED*.)

Amp realized that his current terms had not been reviewed in more than a decade, and he went into great detail on the terms he wanted to make sure were covered. The list included payment terms, no pay-when-paid provisions, no retainage, warranties, and limitations of liability. He also thought through title issues and claims and how to resolve them, and put together a wish list of the terms he wanted to be included.

When Amp started discussing what he was doing with his friend and competitor, Bobby Busduct, owner of Distributor in Control, Busduct asked whether Amp had filled out a simple job sheet for each job he was selling. Amp admitted that he hadn't and decided it was a good idea.

On the job sheet, he listed the names of the parties involved (the owner and


general contractor, including the project manager's name and cell phone number), whether the job was public or private, whether it was bonded, surety contact information, and the address.

While this information seems elementary, Amp knew that if there was an issue on the job later on, the information would be invaluable. He recalled one specific job that he wanted to lien where he did not have the correct job address. By the time an issue arose, it was difficult to get the correct information, and he lost his lien rights.

If the job was private, he wanted to have the right job information in helping to determine his lien rights. (See page 39 of the February issue of *tED*.) If the job was public, he wanted to have bonding information at his fingertips, as well as copies of the bonds. (See page 44 of the March issue of *tED*.)

By taking some time to put a few project systems in place during this slower time, Amp got a jump start on what will hopefully be a busier season—and maybe saved himself some headaches at the same time. ■

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