



Shrinking time  
between disaster  
and recovery.

# Contractor Fraud Checklist

Contractor fraud is a big problem in the aftermath of disaster. In fact, over 60 percent of our clients in New Orleans following Katrina suffered contractor fraud. Following Sandy, contractor fraud was prevalent as well. Our mission at SBP is to shrink the time between disaster and recovery, and one way to do this is to eliminate the setbacks and delays brought on by contractor fraud.

PLEASE USE THE FOLLOWING STEPS AND CHECKLISTS TO PROTECT YOURSELF FROM CONTRACTOR FRAUD.

## STEP 1

## Licensure/ Insurance

It is critical that your contractor is licensed and insured to perform this work. Ask the contractor to send you a photocopy of each document before your first meeting to expedite approval of the contractor, as you will not waste time meeting with someone who is unable/unwilling to provide this information. After you have requested this information, **if you answer "NO" to any of these questions, DO NOT use the contractor.**

- Contractor's Business Name
- Contractor's Full Name
- License Number, exp. date
- Do you have a photocopy of the contractor's business license?
- Do you have a photocopy of the contractor's identification?
- Does the contractor have workers' compensation?
- Do you have a photocopy of the documentation?
- Does the contractor have proof of insurance?
  - Insurance carriers name:
  - Policy number:
  - Phone Number:
- Do you have a photocopy of the proof of insurance?



### Reminder

Do not rush this process!

It is important to have everything in order before proceeding. If you have answered NO to any of the above questions, DO NOT use the contractor. Contractor fraud comes in many shapes and forms, so make asking questions a priority. Always verify a contractor's license and insurance. Never use a contractor who has expired licenses or insurance.

States that require contractors to be licensed by the state will have a publicly available online database of licensed contractors. Visit your state's website and search "licensed contractors" for more information. To check local licensing requirements, call your local government's permitting office or information line/3-1-1.

## STEP 2

## Bids and Estimates

Ask the contractor many questions during this stage. If you feel at all uncomfortable with any of the answers to these questions, or if any of your answers to any of the questions are NO, do NOT proceed with this contractor.

- First, is the bid broken into labor and material costs?
- Is the scope of work on paper?
- Does the scope of work include:
  - The contractor performing an extensive walk through of your home?
  - A list of the specified materials the contractor intends to use?
  - A timeline for how long the work will take?
- Did you obtain multiple bids? If so:
  - Have you compared price per square foot from multiple bids?
  - Have others looked at bids to see if pricing is accurate/average in regard to the market rate?
- Have you asked the contractor to provide you with three references from recent jobs?
- Have you contacted these three references, and do you feel comfortable with their endorsement?

## STEP 3

## Contract Details

Take your time during this step. If you feel at all uncomfortable with any of the answers to these questions, do not hire this contractor. Again, at the end of this step, if you cannot check all of the boxes, do NOT proceed with this contractor.

- Have you read the entire contract?
- Are the following elements in the contract?
  - Punch list: Walk through with contractor and build a punch list of all the final project items to complete before finishing the job.
  - Home inspection: Build in a requirement of a home inspection by a third party before final installation of payment (10%). The building must meet all relevant codes and standards in order for the contractor to receive payment. The cost of this inspection falls to you, the homeowner; however, it is worth the investment. Only after successful completion of the entire punch list and home inspection will the final 10% be awarded to the contractor.
  - Release of Lien: Have contractor sign a Release of Lien document to release the homeowner of liability to subcontractors and vendors.
- Have you agreed upon a payment structure? We strongly recommend "progress billing" or payments in stages as the work is completed to your satisfaction, and never pay 100% upfront.
  - Is the down payment less than 30%?
  - Have you clearly identified progress points for payment/construction? We recommend no more than 30% up front for the first three stages, with a 10% installation after punch list items are complete. **Make sure that payment is accepted by check or credit card (DO NOT PAY IN CASH!)**
  - Is there a warranty for their work (typically 1-3 years)?