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SMACNA ANNUAL CONVENTION

Maui, Hawaii

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Prequalification: A Pillar to Project Success



Don Campbell, CHST Vice President

Subcontractor Prequalification: Not A “Nice to Have” – A MUST-HAVE



- **Crucial to ensuring project success and minimizing risks and develop long-term partnerships**
- **Prevention delays, disruptions, rework, accidents, cost overruns**
- **Capacity to deliver within deadlines; equipment; manpower**
- **Reduce the risk of hiring the unqualified**
- **Only those that meet the prequalification criteria should be invited to bid.**

Subcontractor Prequalification: **IMPACT OF MISTAKES**



Data shows that in over **35%** of potential defaults, those issues were identified during the prequalification process....***but they were not addressed***

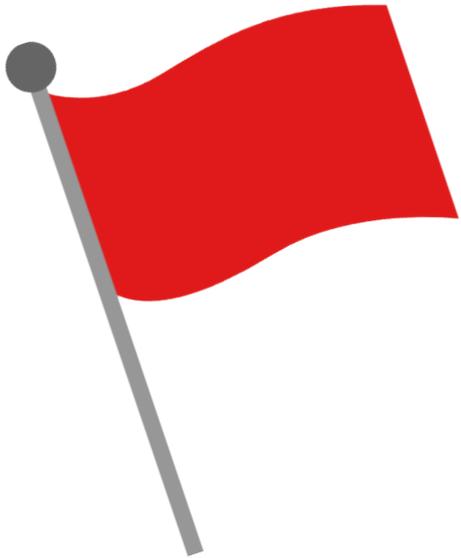
Potential default issues must be addressed, or subcontractor is disqualified from bidding.

- **Failing to Recognize These Errors**
 - Damaged Reputation
 - Less opportunities to secure new contracts
- **Financial instability** could translate into project delays

Subcontractor Prequalification: SCENARIO

LOW ↓
PRICE

- Insulating contractor showed financial weakness during prequalification.
- Subcontractor's labor was brokered instead of internal.
- Sub was 20% lower on their bid.
- **The low bid was enticing, so sub was hired with no risk mitigation plan.**
- **Lack of supervision and changing workforce resulted in poor quality.**
- **Sub could not bear the costs of the required rework and abandon the job.**
- **The final cost to complete = 240% of the original subcontract value.**



WHERE WERE THE RED FLAGS?

- 1. Insufficient financial strength – cash on hand**
- 2. Brokered labor**
- 3. A bid spread in an excess of 10%**

Subcontractor Prequalification: MAIN AREAS TO EXAMINE



- **Financial Stability**
- **Safety and Performance Culture**
- **Capacity**
- **Quality**
- **Reputation and Performance History**

KEY CONSIDERATIONS for Subcontractor Prequalification



- **EXPERIENCE**
 - Company and Management



- **PAST PROJECTS**
 - Size
 - Project owners
 - Completion Dates



- **CURRENT BACKLOG**



- **PROPER LICENSING**



- **STAFFING CAPABILITIES**
 - Turnover
 - Labor broker used
 - Assemble crews for each job



- **CAPACITY**
 - Skills and Experience
 - Workforce
 - Equipment



- **VERIFICATION OF INSURANCE - Vegas**
 - Limits and Exclusions
 - Sample Certificate of Insurance

KEY CONSIDERATIONS for Subcontractor Prequalification



- **ARE THEIR SUBS PREQUALIFYING?**
 - List of subs they will be using



- **SAFETY**
 - OSHA 300 logs
 - Citations issued
 - Experience Modification Rate (3 year)
 - Safety training
 - Avetta, ISNetworld, etc.



- **REFERENCES**
 - **3-4 contracts to verify**
 - Quality, dependability and credit
 - Suppliers they work with



- **FINANCIAL HISTORY**

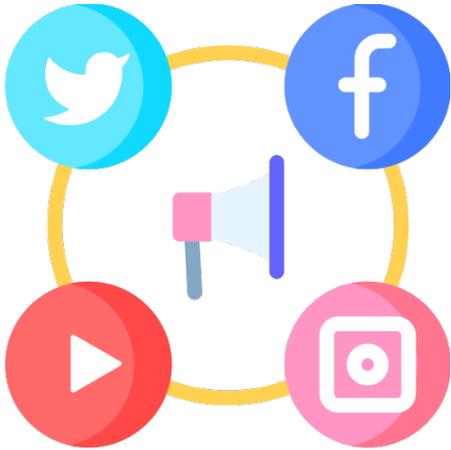
- Dun & Bradstreet
- Revenues
- Working capital
- Total and current assets
- Net equity
- Current liabilities
- Average monthly billing
- History of bankruptcy or project default
- Active and past litigation
- Surety information

Subcontractor Prequalification: **CONTRACTOR'S VIEW**



- **Reputation**
- **Financial Responsibilities**
- **OSHA Responsibilities**
- **Third-Party Qualifiers**
- **In-House Qualifiers**

Subcontractor Prequalification: REPUTATION



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- Subs often linked to your program
- News
- Social Media
- Owners' views
- GC views

Subcontractor Prequalification: FINANCIAL AND OSHA RESPONSIBILITIES



- **FINANCIAL RESPONSIBILITIES**

- Hold Harmless to GC and Owners
 - Exclusive Remedy of Subcontractors
 - General Liability
 - *North Carolina Incident*



- **OSHA RESPONSIBILITIES**

- Multi Employer Worksite
- Cat/Fat Supervising Company

Subcontractor Prequalification: THIRD PARTY AND IN-HOUSE QUALIFIERS

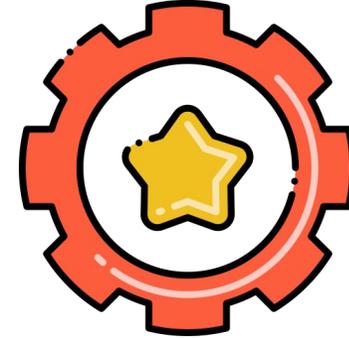


- **THIRD PARTY QUALIFIERS**

ISNet & Avetta

Do they ensure a company's ability to provide a safe workplace?

- *Consultants*



- **IN-HOUSE QUALIFIERS**

- What are we looking for?

- EMR, TRIR, LWD, Training, Safety Manuals and ToolBox Talks
- Do the above ensure a good safety and health program?

Subcontractor Prequalification: DO THESE WORK?



- **EMR – Above 1 – OUT**
 - Guaranteed Cost Program vs Deductible
- **TRIR and LWDR**
 - Who governs what is properly recorded?
- **Safety Manual**
 - Boiler Plate (enter company name here)
- **Training**
 - This one can be confirmed by records

Subcontractor Prequalification: WHAT WORKS FOR YOUR COMPANY?



- **HISTORICAL RELATIONSHIPS**
- **SAFETY PROGRAM REVIEW WITH REPRESENTATIVE**
- **UPDATED TRAINING RECORDS**
- **IN-HOUSE TRAINING**
 - Excavators
- **PRECONSTRUCTION INVOLVEMENT**
- **ONE-ON-ONE CONTACT**

THANK YOU! QUESTIONS?



Don Campbell, CHST Vice President

Please take a moment to complete the session survey provided to you.

2025 SMACNA ANNUAL CONVENTION

A decorative illustration at the bottom of the slide. On the left, there are dark brown mountains with some green foliage. In the center, there are stylized waves in shades of blue and white. On the right, there is a large, vibrant pink and white hibiscus flower. The background of the bottom section is a solid yellowish-gold color.