

Synopsis: The Collections–Claim Connection: Getting Paid Without Getting Sued

Design firms depend on payment for services. Importantly, payment issues are also often the single greatest warning sign of a project in trouble. This report discusses steps the architect can take to help ensure payment for a successful project.

The best collection strategies begin pre-project and involve three components:

- **Client Selection.** Crucial in ensuring payment and in the architect’s risk management plan.
- **Client Expectations.** This report includes a sample “Client Profile” and “Client Information Checklist.”
- **Client Track Record.** Several tactics are advised.

Many AIA agreements now call for funding information. Knowing how the project will be financed and ensuring that the architect has access to project funds is essential. If funds are held by third parties the firm should have access to those funds – and the Agreement should reflect them as an obligated party. Securing a title report for private projects is another option.

A project must be clearly defined for the firm to prove its completion and receive payment. Project milestones should be identified with related fees sufficient to enforce incremental payments. Avoid open-ended contract obligations. Informed clients tend to be happy and satisfied and therefore most likely to pay fully and on time.

Important aspects of client education include:

- **Process and Schedule** – Review the expected project schedule and process with client. Document these conversations and make them part of the contract where possible.
- **Mid-project changes** – The client must be advised that delayed decisions or changes by the client (or by others, such as building officials) during the project can impact the project schedule and cost.
- **Standard of Care** – The client must respect architect’s standard of care and know that there is never a perfect set of plans, nor can any design fully anticipate every contingency.
- **A Strategic No-Go Decision** – This paper provides a sample “Go/No-go Checklist”

The Service Agreement or contract is the starting point to secure future payment of fees and it should reflect the pre-contract exchanges. Key contract provisions include:

1. Specific Project Procedures defining who receives invoices where, and any required content and backup to avoid excuses.
2. A defined short period after invoice receipt for payment, to identify any disputed portion and preempt future issues, as well as a short payment duration before next scheduled invoice to avoid progressive unpaid invoices.
3. Stipulate that the client may not back-charge or reduce payments to off-set any perceived damages but only for services improperly performed.
4. Include a provision that services may be suspended until an overdue payment is received and expenses caused by the disruption shall be paid.
5. The Agreement should make the client's right to use the design professional's work product contingent upon timely and full payment of all fees and costs payable under the Agreement.
6. Agreement should state that it cannot be reassigned to a third party without the design professional's written consent.

In the event of a collections problem, the paper offers useful tactics to resolve it.

The end of a project is a critical opportunity to review and evaluate the overall project experience, including financial performance – in preparation for the next project. The paper includes a sample "Post-Project Evaluation Form" for this purpose.

For more detailed definitions and explanations, please refer to the entire white paper: [The Collections-Claim Connection: Getting Paid Without Getting Sued](#)