

## Construction

# 10 Tips for Confirming that Your Contractors Are Paid

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A canceled check is the classic way to ensure that the payment you made to a subcontractor or supplier landed safely, fulfilling your obligation. Here are additional ways to confirm payment so you can be confident that you won't be affected in the future by a lien or ding to your firm or personal credit report.

- Always issue receipts so you have a paper trail for every transaction. Keep an old-fashioned paper and carbon receipt book with your tools

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- Snap a photo of a handwritten receipt so you can instantly file it with your accounting records, providing a backup to your paper records.
- Think twice before hiring sub contractors who have a history of disputing payments.
- Mason DeJarnett, a real estate investor and house flipper based in Paducah, Kentucky, researches potential subcontractors before he hires them. If the sub has history of filing liens, he won't hire them.
- Require subcontractors to invoice you promptly so they don't forget what they're owed. Don't let subs and suppliers "drag out invoices," says DeJarnett. Require that they invoice you promptly so you can pay promptly.
- Put a lien waiver in the contract so that your legal obligation is fulfilled when payment is documented.
- Consider using an accounting service or program that lets you sort outstanding invoices by category and by entity so you can see who hasn't invoiced you or what payments have not cleared.
- If you use an electronic payment system, such as Paypal or Square, capture the emailed receipt of payment as a .pdf and file it electronically so you can easily find it and reconcile receipts with the monthly statement from the service.
- Make sure you use the correct name for a supplier or subcontractor. If you refer to "Joe's Roofing" sometimes as "Joe" and sometimes as "Joe's Roofing," you won't be able to easily track payments in your own accounting system.
- Likewise, be sure that payments are issued to the exact person or corporation named in the contract. If

you use a nickname or abbreviation, the payment may be delayed, causing confusion.

As a small business owner, you don't want to be burdened by an unexpected charge or damage to your credit. With these ten tips, you can ensure payment you've made to subcontractors or suppliers successfully and safely follow through.



*Joanne Cleaver is a widely published freelance business author, writer and former deputy business/real estate editor of the Milwaukee Journal Sentinel. She and her husband have renovated three historic homes.*

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