

## Key Factors in Developing an Internal Risk Management Process

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From choosing your client to closing a project, your firm can take measured steps towards managing its risk. While unpleasant, the terms “insurance” and “litigation”, they have taught us how to better protect design firms by minimizing claim potential, or at least develop stronger defenses if claims cannot be avoided.

Internal risk management is key to a successful practice. Consistency in processes and standards builds stronger a team and increases efficiency. Consider the following in managing risks:

- Client Selection: Can your client see the project through completion, handle unexpected changes in scope, make reasonable budgetary decisions? Is the client receptive to negotiating the contract? How reasonable are your client’s expectations?
- Clearly-Written Proposals: Proposals should include a clearly-defined scope, including exclusions and assumptions. Consider fees, budgets, and timing of services and construction. Proposals should be reviewed by qualified personnel for consistency and accuracy. If standard terms and conditions are used, those should be tailored as necessary depending on the job and the client. Should the proposal ultimately become incorporated into a contract, the controlling terms should be clearly identified.
- Favorable Contracts: Having consistency in your contract terms resonates well in the event of a claim, and creates efficiency in the contracting phase. Sign the contract, preferably before you commence services. Educate members of your team as to the terms and standards established by your firm’s contracts both for professional development as well as to strengthen your firm’s leverage.
- Project Start-Up: A strong firm administrator serves to maintain a project file that is complete and consistent. Setting up a new project, effectively storing data, controlling accounts receivable, and staying apprised of budgets and staffing are all essential tasks for an administrator that serve to create leverage and strengthen defenses for a claim down the road.
- QA/QC: A Quality Assurance/Quality Control manual serves a design firm well. A well-considered QA/QC program fosters consistency with firm standards, and if followed, can be a helpful tool in defending a claim. The project manager or designated QC Coordinator must perform the checks and balances as to responsibilities of the project team, pursuant to the firm’s contract and industry standards. Hand in hand with this effort is education and training of team members to be sensitive to project risks in order to reinforce the firm’s quality program.

- Closeout: At close-out, the designated team members should review project performance and budgets and consider updating procedures and protocols as necessary for the next project. Documents and data should be collected, culled and stored pursuant to an established document retention program.

No one can promise your firm will not be sued. Consider the foregoing as a wish list from your insurer and counsel with experience in defending claims on behalf of design professionals. Establishing sound internal risk management will assist your firm in maintaining a high quality of performance and serve as a shield to attacks of negligence. This investment may, in fact, save you time, money, and heartache for years to come.