Pre-qualifying Your Contractor: Why, When, & How To Consider This Solution

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Pre-qualification is the process of evaluating and determining the competency of companies to perform construction services that meet the owner’s or the general contractor’s expectations for such services. A well-designed pre-qualification process contains fair, objective evaluation criteria that will result in a list of qualified, well-informed service providers. Here are some basic concepts that should be taken into consideration in the design of all pre-qualification systems.

♦ Pre-qualification does not include final contractor selection. The contractor selection process is completed in two steps: pre-qualification and selection (or award) of the contract. Pre-qualifying contractors result in a “short list” of firms to be allowed to bid on a project. The selection of the contractor on a traditional design-bid-build project should be based on the competitive bid process where the lowest qualified and responsible bidder is selected.

Benefits of Pre-qualification (Why do it?)

Risk is an inherent element of all construction projects. The objective of pre-qualification is to mitigate, as much as possible, risks such as contractor insolvency, poor quality, and litigation.
TIMING of Pre-qualification
(When to do it?)

State and local governmental bodies, general contractors, and subcontractors may use pre-qualification systems to qualify general contractors, subcontractors, and suppliers. With the economic downturn and the reduction of construction work, there has been an infusion of contractors to the marketplace. Pre-qualification reduces the possibility of having an unqualified contractor perform work on your project.

Pre-qualification should take place before the Request for Proposals is issued. Once a contractor, subcontractor, or supplier is pre-qualified, each should be re-qualified annually. Even with pre-qualification, defaults can happen, so the owner, general contractor and subcontractors should be aware of signs of default and have a plan.

ELEMENTS of Pre-qualification
(How to do it?)

Pre-qualification may be referred to by different names, depending on the project delivery method to be used. These include a pre-qualification questionnaire, a request for qualifications (RFQ), and a qualifications statement.

All pre-qualification systems should be designed to be objective in their evaluation process. Many pre-qualification statements use a point system to rate the qualifications of each applicant for each element being considered. The method of evaluating the qualifications of a firm should be documented clearly in the general information or instructions to the applicant.

In the design of a pre-qualification system for publicly bid construction services, the following elements should be included and are considered to be fair and objective measures of the applicant’s qualifications:

- **Similar Experience**—The contractor’s direct or relevant previous experience in completing similar work should be considered.
- **Audited Financial Statement**—Such financial information should not be considered public record.
- **Resources**—The total resources the project will require, compared to the resources the contractor has available, should be considered. Resources include manpower, key personnel lists/resumes, equipment, insurance capacity, and information/communication systems used.
- **Bonding Capacity & Rating of Bonding Company**—Surety must be treasury listed and have a minimum A-VII Rating listed in A. M. Best’s Key Rating Guide. Request a letter of good standing from the surety that shows the history of the relationship, the largest bond, and the total bonding capacity.
- **Prior Litigation**—The past and current company record of litigation, claims, and conflict resolution should be considered.
- **Safety Qualifications**—The company safety record, safety training programs, safety awards earned, and EMR (Experience Modification Rating Factor) should be considered.
- **References**—Checking references offers a reliable means of validating the contractor qualifications.
- **Communication/Feedback**—Pre-qualification processes should be based on qualitative/quantitative criteria. Owners and contractors should communicate why a contractor was or was not pre-qualified. ▲