

Construction Law 62 Quiz (part 1) and Risk Management 62 Quiz (part 2)

Instructions:

Fees: \$40

1. Print these pages.
2. Answer the simple question that follow the easy to follow mini-sections.
3. Circle the correct answers and transfer to the answer sheets on last pages.
4. Page down to the last page for the verification forms, answer sheets and mailing instructions.

This 4-hour course is approved for:

1. Dwelling Contractor Qualifier Certification (satisfies the State's new 4-hour requirement)

Construction Law 62 Quiz (part 1)

(Based on the state statutes)

101.654 Contractor certification; education.

(1)

(a) Subject to par. (b), no person may obtain a building permit unless the person annually obtains from the department a certificate of financial responsibility showing that the person is in compliance with sub. (2), completes the continuing education requirements described under sub. (1m), and furnishes to the issuer of the permit proof of completion of those continuing education requirements.

(b) Paragraph (a) does not apply to an owner of a dwelling who resides or will reside in the dwelling and who applies for a building permit to perform work on that dwelling.

(c)

1. In this paragraph, "license" means an occupational license, as defined in s. 101.02 (1) (a) 2.

2. The continuing education requirements under par. (a) and the rules promulgated by the department under sub. (1m) do not apply to any person who holds a current license issued by the department at the time that the person obtains a building permit if the work the person does under the permit is work for which the person is licensed.

(1m)

(a) The department shall promulgate rules establishing continuing education requirements for persons seeking to obtain a building permit under sub. (1) (a).

(b) The rules promulgated under this subsection shall require all of the following:

1. Completion every 2 years of at least 12 hours of continuing education relevant to the professional area of expertise of the person seeking to obtain a building permit, approved by the department. The hours of continuing education required under this subdivision shall include a total of at least 4 hours of continuing education on construction laws and codes and contracts, liability, and risk management every 2 years.

Note: Subd. 1. is shown as amended eff. 11-1-22 by 2021 Wis. Act 237. Prior to 11-1-22 it reads:

1. Completion every 2 years of at least 12 hours of continuing education relevant to the professional area of expertise of the person seeking to obtain a building permit, approved by the department.

2. Attendance at one or more professional meetings or educational seminars designed for both building contractors and building inspectors.

3. For a person who does not hold a certificate of financial responsibility on April 11, 2006, successful completion of an examination developed by the department on the continuing education courses required under this subsection.

(c) The rules promulgated under this subsection may not require a person who holds a certificate of financial responsibility on April 11, 2006, to take an examination on the continuing education courses required under this subsection.

(cm) The rules promulgated under this subsection may not require a person to take continuing education courses, or to take an examination on continuing education courses, that are not relevant to that person's professional area of expertise.

(d) Subject to the continuing education requirements under pars. (b) and (c), the rules promulgated under par. (a) may specify different continuing education course requirements for persons who hold a certificate of financial responsibility on April 11, 2006, and for persons who do not hold a certificate of financial responsibility on April 11, 2006.

(e) The department may approve continuing education courses that are offered by other states.

(f) A provider of a continuing education course approved by the department under this subsection shall do all of the following:

1. Submit to the department test questions related to the course.

2. After each occasion that a person completes the course over the Internet, submit to the department verification that the person completed the course and any test related to the course.

Note: Par. (f) is created eff. 11-1-22 by [2021 Wis. Act 237](#).

1. Paragraph (a) does not apply to an owner of a dwelling who _____ in the dwelling and who applies for a building permit to perform work on that dwelling.

- a. resides
- b. will reside
- c. both a & b
- d. none of the above

2. No person may obtain a building permit unless the person _____ obtains from the department a certificate of financial responsibility.

- a. bi- annually
- b. annually
- c. either a or b
- d. none of the above

3. In this paragraph, "license" means an _____ license, as defined in s. 101.02 (1) (a) 2.

- a. building
- b. contractor
- c. occupational
- d. sub-contractor

4. Completion every _____ of continuing education relevant to the professional area of expertise of the person seeking to obtain a building permit, approved by the department.

- a. 1 years of at least 12 hours
- b. 2 years of at least 12 hours
- c. 3 years of at least 12 hours
- d. 4 years of at least 12 hours

5. The hours of continuing education required under this subdivision shall include a total of at least ____ hours of continuing education on construction laws and codes and contracts, liability, and risk management.

- a. 2
- b. 3
- c. 4
- d. 6

6. The above question 5, continuing education is required every ____ years.

- a. 2
- b. 3
- c. 4
- d. 6

7. For a person who does not hold a certificate of financial responsibility on _____, successful completion of an examination developed by the department on the continuing education courses required under this subsection.

- a. April 11, 2005
- b. April 11, 2006
- c. April 11, 2007

d. April 11, 2008

8. The rules promulgated under this subsection _____ require a person who holds a certificate of financial responsibility on April 11, 2006, to take an examination on the continuing education courses required under this subsection.

- a. shall
- b. should
- c. may not
- d. none of the above

9. A provider of a continuing education course approved by the department under this subsection shall do the following:

- a. Submit to the department test questions related to the course.
- b. After each occasion that a person completes the course over the Internet, submit to the department verification that the person completed the course and any test related to the course.
- c. both a & b
- d. none of the above

(2) An applicant for a certificate of financial responsibility shall provide to the satisfaction of the department proof of all of the following:

(a) That the applicant has in force one of the following:

1. A bond endorsed by a surety company authorized to do business in this state of not less than \$5,000, conditioned upon the applicant complying with all applicable provisions of the one- and 2-family dwelling code and any ordinance enacted under s. 101.65 (1) (a).

2. A policy of general liability insurance insuring the applicant in the amount of at least \$250,000 per occurrence because of bodily injury to or death of others or because of damage to the property of others and issued by one of the following:

a. An insurer authorized to do business in this state.

b. An insurer that is eligible to provide insurance as a surplus lines insurer in one or more states.

(b) If the applicant is required under s. 102.28 (2) (a) to have in force a policy of worker's compensation insurance or if the applicant is self-insured in accordance with s. 102.28 (2) (b) or (bm), that the applicant has in force a policy of worker's compensation insurance issued by an insurer authorized to do business in this state or is self-insured in accordance with s. 102.28 (2) (b) or (bm).

(c) If the applicant is required to make state unemployment insurance contributions under ch. 108 or is required to pay federal unemployment compensation taxes under 26 USC 3301 to 3311, that the applicant is making those contributions or paying those taxes as required.

(2m) If an applicant wishes to use a bond under sub. (2) (a) 1. of less than \$25,000 to comply with sub. (2) (a), the applicant shall agree not to perform any work on a dwelling for which the estimated cost of completion is greater than the amount of the bond. The department shall indicate any restriction under this subsection on the certificate of financial responsibility issued under sub. (3).

10. An applicant for a certificate of financial responsibility shall provide to the satisfaction of the department proof of all of the following:

(a) That the applicant has in force one of the following:

1. A bond endorsed by a surety company authorized to do business in this state of not less than _____, conditioned upon the applicant complying with all applicable provisions of the one- and 2-family dwelling code and any ordinance enacted under s. 101.65 (1) (a).

- a. \$1000
- b. \$5,000
- c. \$10,000
- d. \$50,000

11. An applicant for a certificate of financial responsibility shall provide to the satisfaction of the department proof of all of the following:

(a) That the applicant has in force one of the following:

A policy of general liability insurance insuring the applicant in the amount of at least _____ per occurrence because of bodily injury to or death of others or because of damage to the property of others.

- a. \$50,000
- b. \$5,000
- c. \$250,000
- d. \$25,000

12. And general liability insurance is issued by one of the following:

- a. An insurer authorized to do business in this state.
- b. An insurer that is eligible to provide insurance as a surplus lines insurer in one or more states.
- c. both a & b
- d. none of the above

13. If an applicant wishes to use a bond under sub. (2) (a) 1. of less than _____ to comply with sub. (2) (a), the applicant shall agree not to perform any work on a dwelling for which the estimated cost of completion is greater than the amount of the bond.

- a. \$5,000
- b. \$125,000
- c. \$25,000
- d. \$225,000

(3)

(a) Upon receipt of all of the following, the department shall issue to the applicant a certificate of financial responsibility:

- 1. The proof required under sub. (2).
- 2. The fee required by rules promulgated under s. 101.63 (2m).
- 3. Proof of completing at least 12 hours in an educational course approved by the department that satisfies all of the following:
 - a. The educational course consists of in-person or online instruction.
 - b. The provider of the educational course requires the applicant to show photo identification to register attendance for the course.
 - c. The educational course includes instruction on accounting, lien law, ethics, and best business practices.
- (b) A certificate of financial responsibility issued under this subsection is valid for one year after the date of issuance, unless sooner suspended or revoked.

Note: Sub. (3) is shown as affected eff. 11-1-22 by 2021 Wis. Act 237. Prior to 11-1-22 it reads:

(3) Upon receipt of the proof required under sub. (2) and the fee required by rules promulgated under s. 101.63 (2m), the department shall issue to the applicant a certificate of financial responsibility. A certificate of financial responsibility issued under this subsection is valid for one year after the date of issuance, unless sooner suspended or revoked.

(4)

- (a) A bond or insurance policy required under sub. (2) may not be canceled by the person insured under the bond or policy or by the surety company or insurer except on 30 days' prior written notice served on the department in person or by 1st class mail or, if the cancellation is for nonpayment of premiums to the insurer, on 10 days' prior written notice served on the department in person or by 1st class mail. The person insured under the bond or policy shall file with the department proof to the satisfaction of the department of a replacement bond or replacement insurance within the 30-day notice period or 10-day notice period, whichever is applicable, and before the expiration of the bond or policy. The department shall suspend without prior notice or hearing the certificate of financial responsibility of a person who does not file satisfactory proof of a replacement bond or replacement insurance as required by this subsection.
- (b) A bond under sub. (2) (a) 1. shall be executed in the name of the state for the benefit of any person who sustains a loss as a result of the person insured under the bond not complying with an applicable provision of the one- and 2-family dwelling code or any ordinance enacted under s. 101.65 (1) (a), except that the aggregate liability of the surety to all persons may not exceed the amount of the bond.
- (5) The department may revoke or suspend a certificate of financial responsibility if any of the following apply:
 - (a) The holder fails to comply with the continuing education requirements specified under subs. (1) and (1m).
 - (b) The holder engages in the construction of a dwelling without a permit required under this chapter.
 - (c) The holder is convicted of a crime related to the construction of a dwelling.
 - (d) The holder has been adjudged bankrupt on 2 or more occasions.

History: 1993 a. 126; 1995 a. 392; 1997 a. 39; 2005 a. 200; 2007 a. 14; 2009 a. 276; 2015 a. 55, 180; 2017 a. 16, 331; 2021 a. 237.

Cross-reference: See also ss. [SPS 305.31](#) and [305.315](#), Wis. adm. code.

A particular municipal licensure requirement may be preempted if that requirement logically conflicts with, defeats the purpose of, or violates the spirit of state contractor financial responsibility and continuing education requirements. Ordinances requiring local licensure are preempted if they impose on persons seeking a building permit for one- or two-family dwellings greater financial responsibility, education, or examination requirements than required by state law. [OAG 6-10](#).

14. Upon receipt of all of the following, the department shall issue to the applicant a certificate of financial responsibility: Proof of completing at least 12 hours in an educational course approved by the department that satisfies all of the following:

- a. The educational course consists of in-person or online instruction.
- b. The provider of the educational course requires the applicant to show photo identification to register attendance for the course.
- c. The educational course includes instruction on accounting, lien law, ethics, and best business practices.
- d. all of the above

15. A certificate of financial responsibility issued under this subsection is valid for one year after the date of issuance, unless sooner _____.

- a. suspended
- b. revoked
- c. expired
- d. both a & b

16. A bond or insurance policy required under sub. (2) may not be canceled by the person insured under the bond or policy or by the surety company or insurer except on ____ days prior written notice served on the department in person or by 1st class mail.

- a. 10
- b. 20
- c. 30
- d. none of the above

17. The person insured under the bond or policy shall file with the department proof to the satisfaction of the department of a replacement bond or replacement insurance within the _____, whichever is applicable, and before the expiration of the bond or policy.

- a. 30-day notice period
- b. 10-day notice period
- c. both a or b
- d. none of the above

18. The department shall suspend without prior notice or hearing the certificate of financial responsibility of a person who does not file satisfactory proof of a _____ as required by this subsection.

- a. replacement bond
- b. replacement insurance
- c. both a or b
- d. none of the above

19. The department may revoke or suspend a certificate of financial responsibility if:

- a. The holder fails to comply with the continuing education requirements specified under subs. (1) and (1m).
- b. The holder engages in the construction of a dwelling without a permit required under this chapter.
- c. both a or b
- d. none of the above

20. The department may revoke or suspend a certificate of financial responsibility if:

- a. The holder is convicted of a crime related to the destruction of a dwelling.
- b. The holder has been adjudged bankrupt on 5 or more occasions.
- c. both a or b

d. none of the above

895.07 Claims against contractors and suppliers.

(1) Definitions. In this section:

(a) "Action" means a civil action or an arbitration under ch. 788.

(b) "Association" means a homeowner's association, condominium association under s. 703.02 (1m), unit owner's association, or a nonprofit corporation created to own and operate portions of a planned community that may assess unit owners for the costs incurred in the performance of the association's obligations.

(c) "Claim" means a request or demand to remedy a construction defect caused by a contractor or supplier related to the construction or remodeling of a dwelling.

(d) "Claimant" means the owner, tenant, or lessee of a dwelling, or an association, who has standing to sue a contractor or supplier regarding a construction defect.

(e) "Construction defect," in those cases when the contractor or supplier has provided a warranty to a consumer, means the definition of "defect" in the warranty. In all other cases, "construction defect" means a deficiency in the construction or remodeling of a dwelling that results from any of the following:

1. Defective material.

2. Violation of applicable codes.

3. Failure to follow accepted trade standards for workmanlike construction.

(f) "Consumer" means a person who enters into a written or oral contract with a contractor to construct or remodel a dwelling.

(g) "Contractor" means a person that enters into a written or oral contract with a consumer to construct or remodel a dwelling.

(h) "Dwelling" means any premises or portion of a premises that is used as a home or a place of residence and that part of the lot or site on which the dwelling is situated that is devoted to residential use. "Dwelling" includes other existing structures on the immediate residential premises such as driveways, sidewalks, swimming pools, terraces, patios, fences, porches, garages, and basements.

(i) "Remodel" means to alter or reconstruct a dwelling. "Remodel" does not include maintenance or repair work.

(j) "Serve" or "service" means personal service or delivery by certified mail, return receipt requested, to the last-known address of the addressee.

(k) "Supplier" means a person that manufactures or provides windows or doors for a dwelling.

(L) "Working day" means any day except Saturday, Sunday, and holidays designated in s. 230.35 (4) (a).

21. _____ means any day except Saturday, Sunday, and holidays designated in s. 230.35 (4) (a).
a. service
b. Serve
c. Supplier
d. Working day

22. _____ means a person that manufactures or provides windows or doors for a dwelling.
a. service
b. Serve
c. Supplier
d. Working day

23. _____ means personal service or delivery by certified mail, return receipt requested, to the last-known address of the addressee.
a. Service
b. Serve
c. Supplier
d. Working day

24. _____ means personal service or delivery by certified mail, return receipt requested, to the last-known address of the addressee.
a. Service
b. Serve
c. Supplier
d. Working day

25. _____ means to alter or reconstruct a dwelling.
- Remodel
 - Dwelling
 - Contractor
 - Consumer
26. _____ means any premises or portion of a premises that is used as a home or a place of residence and that part of the lot or site on which the dwelling is situated that is devoted to residential use. "Dwelling" includes other existing structures on the immediate residential premises such as driveways, sidewalks, swimming pools, terraces, patios, fences, porches, garages, and basements.
- Remodel
 - Dwelling
 - Contractor
 - Consumer
27. _____ means a person that enters into a written or oral contract with a consumer to construct or remodel a dwelling.
- Remodel
 - Dwelling
 - Contractor
 - Consumer
28. _____ means a person who enters into a written or oral contract with a contractor to construct or remodel a dwelling.
- Remodel
 - Dwelling
 - Contractor
 - Consumer.
29. _____ in those cases when the contractor or supplier has provided a warranty to a consumer, means the definition of "defect" in the warranty.
- Association
 - Claim
 - Claimant
 - Construction defect
30. _____ means the owner, tenant, or lessee of a dwelling, or an association, who has standing to sue a contractor or supplier regarding a construction defect.
- Association
 - Claim
 - Claimant
 - Construction defect
31. _____ means a request or demand to remedy a construction defect caused by a contractor or supplier related to the construction or remodeling of a dwelling.
- Association
 - Claim
 - Claimant
 - Construction defect
32. _____ means a homeowner's association, condominium association under s. 703.02 (1m), unit owner's association, or a nonprofit corporation created to own and operate portions of a planned community that may assess unit owners for the costs incurred in the performance of the association's obligations.
- Association
 - Claim
 - Claimant
 - Construction defect
33. In all other cases, "construction defect" means a deficiency in the construction or remodeling of a dwelling that results from which of the following:
- Defective material.
 - Violation of applicable codes

- c. Failure to follow accepted trade standards for workmanlike construction
- d. all of the above

34. _____ means a civil action or an arbitration under ch. 788.
- a. Association
 - b. Action
 - c. Claimant
 - d. Construction defect

101.148 Contractor notices.

(1) Definitions. In this section:

(a) "Consumer" means a person who enters into a written or oral contract with a contractor to construct or remodel a dwelling.

(b) "Contractor" means a person who enters into a written or oral contract with a consumer to construct or remodel a dwelling.

(c) "Deliver" means any of the following:

1. Depositing the document or written notice in the U.S. mail or with a commercial delivery service, addressed to the applicable person.

2. Giving the document or written notice personally to the applicable person.

(d) "Dwelling" means any premises or portion of a premises that is used as a home or a place of residence and that part of the lot or site on which the dwelling is situated that is devoted to residential use. "Dwelling" includes other existing structures on the immediate residential premises such as driveways, sidewalks, swimming pools, terraces, patios, fences, porches, garages, and basements.

(e) "Remodel" means to alter or reconstruct a dwelling. "Remodel" does not include maintenance or repair work.

(2) Notice required at time of contracting.

(a) Before entering into a written contract to construct or remodel a dwelling, or, if the parties enter into an oral contract, as soon as reasonably possible, but before commencing any work to construct or remodel a dwelling, the contractor shall deliver to the consumer a copy of the brochure prepared under s. 895.07 (13) and a notice worded substantially as follows:

NOTICE CONCERNING CONSTRUCTION DEFECTS

Wisconsin law contains important requirements you must follow before you may file a lawsuit for defective construction against the contractor who constructed your dwelling or completed your remodeling project or against a window or door supplier or manufacturer. Section 895.07 (2) and (3) of the Wisconsin statutes requires you to deliver to the contractor a written notice of any construction conditions you allege are defective before you file your lawsuit, and you must provide your contractor or window or door supplier the opportunity to make an offer to repair or remedy the alleged construction defects. You are not obligated to accept any offer made by the contractor or window or door supplier. All parties are bound by applicable warranty provisions.

(b) The notice required under par. (a) shall be conspicuous and in writing and may be included within the contract between the contractor and the consumer.

History: 2005 a. 201.

35. "Deliver" means which of the following:

- a. Depositing the document or written notice in the U.S. mail or with a commercial delivery service, addressed to the applicable person.
- b. Giving the document or written notice personally to the applicable person.
- c. both a & b
- d. none of the above

36. _____ means to alter or reconstruct a dwelling.
- a. Remodel
 - b. Demolition
 - c. Raze
 - d. Addition

37. "Dwelling" includes other existing structures on the immediate residential premises such as:
- a. driveways

- b. sidewalks
 - c. swimming pools
 - d. all of the above
38. "Dwelling" includes other existing structures on the immediate residential premises such as:
- a. terraces
 - b. patios
 - c. fences
 - d. all of the above
39. "Dwelling" includes other existing structures on the immediate residential premises such as:
- a. garages
 - b. porches
 - c. basements
 - d. all of the above
40. "Remodel" does not include:
- a. maintenance
 - b. repair work
 - c. both a & b
 - d. none of the above
41. Wisconsin law contains important requirements you must follow before you may file a lawsuit for defective construction against the contractor who:
- a. constructed your dwelling
 - b. completed your remodeling project
 - c. both a & b
 - d. none of the above
42. Wisconsin law contains important requirements you must follow before you may file a lawsuit for defective construction against the:
- a. window supplier
 - b. door supplier
 - c. both a & b
 - d. none of the above
43. The notice required under par. (a) shall be conspicuous and in writing and may be included within the contract between the:
- a. contractor
 - b. consumer
 - c. supplier
 - d. both a & b
44. Section 895.07 (2) and (3) of the Wisconsin statutes requires you to deliver to the contractor a written notice of any construction conditions you allege are defective _____ you file your lawsuit.
- a. before
 - b. after
 - c. while
 - d. all of the above

100.65 Residential contractors.

- (1) In this section:
- (a) "Consumer" means an owner or possessor of residential real estate.
 - (b) "Dwelling unit" means a structure or that part of a structure that is used or intended to be used for human habitation.
 - (c) "Promise to pay or rebate" includes granting any allowance or offering any discount against fees to be charged or paying a consumer any form of compensation, gift, prize, bonus, coupon, credit, referral fee, or any other item of monetary value.
 - (d) "Residential contractor" means a person who enters into a written or oral contract with a consumer to repair or replace a roof system or to perform any other exterior repair, replacement, construction, or reconstruction of residential real estate.

- (e) "Residential real estate" means residential property containing a one-family or 2-family dwelling.
(f) "Roof system" includes roof coverings, roof sheathing, roof weatherproofing, and insulation.

45. _____ includes roof coverings, roof sheathing, roof weatherproofing, and insulation.

- a. Promise to pay or rebate
- b. Residential contractor
- c. Residential real estate
- d. Roof system

46. _____ means residential property containing a one-family or 2-family dwelling.

- a. Promise to pay or rebate
- b. Residential contractor
- c. Residential real estate
- d. Roof system

47. _____ means a person who enters into a written or oral contract with a consumer to repair or replace a roof system or to perform any other exterior repair, replacement, construction, or reconstruction of residential real estate.

- a. Promise to pay or rebate
- b. Residential contractor
- c. Residential real estate
- d. Roof system

48. _____ includes granting any allowance or offering any discount against fees to be charged or paying a consumer any form of compensation, gift, prize, bonus, coupon, credit, referral fee, or any other item of monetary value.

- a. Promise to pay or rebate
- b. Residential contractor
- c. Residential real estate
- d. Roof system

- (2) No residential contractor may, including in any advertisement, promise to pay or rebate all or any portion of a property insurance deductible as an incentive to a consumer entering into a written or oral contract with the residential contractor to repair or replace a roof system or to perform any other exterior repair, replacement, construction, or reconstruction of residential real estate.
- (3) Before entering into a written contract with a consumer to repair or replace a roof system or to perform any other exterior repair, replacement, construction, or reconstruction of residential real estate, a residential contractor shall do all of the following:
- (a) Furnish the consumer with a statement in boldface type of a minimum size of 10 point in substantially the following form:

Please indicate whether, to the best of your knowledge, the work contemplated by this contract is related to a claim under a property insurance policy:

.... YES, to the best of my knowledge, the work contemplated by this contract is related to a claim under a property insurance policy.

.... NO, to the best of my knowledge, the work contemplated by this contract is not related to a claim under a property insurance policy.

Date

Customer's signature

Residential contractor's signature

You may cancel this contract at any time before midnight on the third business day after you have received written notice from your insurer that the claim has been denied in whole or in part under the property insurance policy. See the attached notice of cancellation form for an explanation of this right.

- (b) Furnish the consumer a completed form in duplicate that is attached to the contract, is easily detachable, and contains, in boldface type of a minimum size of 10 point, the following statement:

NOTICE OF CANCELLATION

If you are notified by your insurer that the claim under the property insurance policy has been denied in whole or in part, you may cancel the contract by personal delivery or by mailing by 1st class mail a signed and dated copy of this cancellation notice or other written notice to (name of contractor) at (contractor's business address) at any time before midnight on the third business day after you have received the notice from your insurer. If you cancel the contract, any payments made by you under the contract, except for certain emergency work already performed by the contractor, will be returned to you within 10 days following receipt by the contractor of your cancellation notice.

I CANCEL THIS CONTRACT

Date

Customer's signature

49. No residential contractor may, including in any advertisement, promise to _____ all or any portion of a property insurance deductible as an incentive to a consumer entering into a written or oral contract with the residential contractor to repair or replace a roof system or to perform any other exterior repair, replacement, construction, or reconstruction of residential real estate.

- a. pay
- b. rebate
- c. barter
- d. both a & b

50. Before entering into a written contract with a consumer to repair or replace a roof system or to perform any other exterior repair, replacement, construction, or reconstruction of residential real estate, a residential contractor shall do all of the following:

(a) Furnish the consumer with a statement in boldface type of a minimum size of 20 point in substantially the following form:

Please indicate whether, to the best of your knowledge, the work contemplated by this contract is related to a claim under a property insurance policy:

.... YES, to the best of my knowledge, the work contemplated by this contract is maybe related to a claim under a property insurance policy.

.... NO, to the best of my knowledge, the work contemplated by this contract is maybe not related to a claim under a property insurance policy.

- a. true
- b. false

51. To cancel-Furnish the consumer a completed form in duplicate that is attached to the contract, is easily detachable, and contains, in boldface type of a minimum size of 10 point, the following statement:

- a. Notice of cancelation
- b. Cancel the job asap
- c. Quit of pay up
- d. none of the above

52. If you are notified by your insurer that the claim under the property insurance policy has been denied in whole or in part, you may cancel the contract by personal delivery or by mailing by 1st class mail a signed and dated copy of this cancellation notice or other written notice to (name of contractor) at (contractor's business address) at any time before midnight on the _____ business day after you have received the notice from your insurer.

- a. third
- b. fourth
- c. fifth
- d. tenth

53. If you cancel the contract, any payments made by you under the contract, except for certain emergency work already performed by the contractor, will be returned to you within ____ days following receipt by the contractor of your cancellation notice.

- a. third
- b. fourth
- c. fifth
- d. tenth

- (4) Before a consumer enters into a written contract with a residential contractor to repair or replace a roof system or to perform any other exterior repair, replacement, construction, or reconstruction of residential real estate, the consumer shall indicate to the residential contractor whether, to the best of the consumer's knowledge, the work contemplated by the contract is related to a claim under a property insurance policy. If the consumer makes the indication on the statement provided by the residential contractor under sub. (3) (a), the residential contractor shall retain the statement and provide the consumer with a copy of the statement.
- (5) A consumer who enters into a written contract with a residential contractor to repair or replace a roof system or to perform any other exterior repair, replacement, construction, or reconstruction of residential real estate all or part of which is to be paid under a property insurance policy may cancel that contract prior to the end of the 3rd business day after the insured receives written notice from the insurer that the claim under the property insurance policy is denied in whole or in part. The consumer shall give the residential contractor written notice of cancellation by personal delivery of the notice or by 1st class mail to the residential contractor's address stated in the contract. If the notice is given by mail, the notice shall be postmarked before midnight of the 3rd business day after the insured receives written notice from the insurer of the denial of the claim. The notice shall be sufficient if the consumer uses the notice of cancellation form in sub. (3) (b) or provides other written notice that indicates the consumer's intent not to be bound by the contract.

54. Before a consumer enters into a written contract with a residential contractor to repair or replace a roof system or to perform any other exterior repair, replacement, construction, or reconstruction of residential real estate, the consumer _____ indicate to the residential contractor whether, to the best of the consumer's knowledge, the work contemplated by the contract is related to a claim under a property insurance policy.

- a. should
- b. may
- c. shall
- d. might

55. If the consumer makes the indication on the statement provided by the residential contractor under sub. (3) (a), the residential contractor _____ retain the statement and provide the consumer with a copy of the statement.

- a. should
- b. may
- c. shall
- d. might

56. A consumer who enters into a verbal or hand shake agreement with a residential contractor to repair or replace a roof system or to perform any other exterior repair, replacement, construction, or reconstruction of residential real estate all or part of which is to be paid under a property insurance policy may cancel that contract prior to the end of the 3rd business day after the insured receives written notice from the insurer that the claim under the property insurance policy is denied in whole or in part.

- a. true
- b. false

57. The consumer shall give the residential contractor written notice of cancellation by personal delivery of the notice or by 1st class mail to the residential contractor's address stated in the contract. If the notice is given by mail, the notice shall be postmarked _____ midnight of the 3rd business day after the insured receives written notice from the insurer of the denial of the claim.

- a. before
- b. after
- c. around
- d. all of the above

58. The notice shall be sufficient if the consumer uses the _____ that indicates the consumer's intent not to be bound by the contract.

- a. notice of cancellation form
- b. provides other written notice
- c. both a & b
- d. a only

(6) Within 10 days after a residential contractor receives a cancellation notice under sub. (5), the residential contractor shall return to the consumer any payments made, any deposits made, and any note or other evidence of indebtedness related to the contract. However, if the residential contractor has performed any emergency services, acknowledged by the consumer in writing to be necessary to prevent damage to the residential real estate, the residential contractor shall be entitled to the reasonable value of those services.

(7) Any provision in a written contract with a residential contractor to repair or replace a roof system or to perform any other exterior repair, replacement, construction, or reconstruction of residential real estate that requires the payment of any fee for anything except emergency services under sub. (6) is not enforceable against the consumer who has cancelled the contract under sub. (5).

59. Within ____ days after a residential contractor receives a cancellation notice under sub. (5), the residential contractor shall return to the consumer any payments made, any deposits made, and any note or other evidence of indebtedness related to the contract.

- a. 3
- b. 5
- c. 7
- d. 10

60. Any provision in a written contract with a residential contractor to repair or replace a roof system or to perform any other exterior repair, replacement, construction, or reconstruction of residential real estate that requires the payment of any fee for anything except _____ under sub. (6) is not enforceable against the consumer who has cancelled the contract under sub. (5).

- a. normal repairs
- b. needed repairs
- c. emergency services
- d. all of the above

(8) No residential contractor may represent or offer or advertise to represent a consumer or negotiate or offer or advertise to negotiate on behalf of a consumer with respect to any insurance claim related to the repair or replacement of a roof system or to the exterior repair, replacement, construction, or reconstruction of residential real estate. This subsection does not prohibit a residential contractor, with the express consent of an insured, from doing any of the following:

- (a) Discussing damage to the insured's property with the insured or an insurance company's representative.
- (b) Providing the insured an estimate for repair, replacement, construction, or reconstruction of the insured's property, submitting the estimate to the insured's insurance company, and discussing options for the repair, replacement, construction, or reconstruction with the insured or an insurance company's representative.
- (9) Any person who violates this section shall forfeit not less than \$500 nor more than \$1,000 for each violation.

61. This subsection does not prohibit a residential contractor, with the express consent of an insured, from doing which of the following:

- a. Discussing damage to the insured's property with the insured or an insurance company's representative.
- b. Providing the insured an estimate for repair, replacement, construction, or reconstruction of the insured's property, submitting the estimate to the insured's insurance company, and discussing options for the repair, replacement, construction, or reconstruction with the insured or an insurance company's representative.
- c. both a & b
- d. none of the above

62. Any person who violates this section shall forfeit not less than _____ for each violation.

- a. \$1500 nor more than \$10,000
- b. \$500 nor more than \$10,000
- c. \$500 nor more than \$1,000
- d. none of the above

Risk Management 62 Quiz (part 2)

Objectives

After completing this module, you will be able to:

- Identify the common risks associated with a small business
- Identify the external and internal factors which affect risk for a small business
- Identify situations that may cause risk for a small business
- Identify the common warning signs of risk for a small business
- Implement, monitor, and evaluate a risk management plan for a small business

Risk management applies to many aspects of a business. Your business is subject to internal risks (weaknesses) and external risks (threats). Generally, you can control internal risks once you identify them. However, external risks may be out of your control.

Not all risks come from negative sources. Risks may come from positive sources, or opportunities. Expansion and growth are opportunities, but they also bring additional risk.

The ultimate goal is to minimize the effects of risks on your business.

1. After completing this module, you will be able to _____ a risk management plan for a small business.
 - a. Implement
 - b. monitor
 - c. evaluate
 - d. all of the above
2. After completing this module, you will be able to:
 - a. Identify the common warning signs of risk for a small business
 - b. Identify situations that with not cause risk for a small business
 - c. both a & b
 - d. none of the above
3. After completing this module, you will be able to:
 - a. Identify the external and internal factors which affect risk for a small business
 - b. Identify the common risks associated with a small business
 - c. both a & b
 - d. none of the above
4. The ultimate goal is to _____ the effects of risks on your business.
 - a. maximize
 - b. minimize
 - c. both a & b
 - d. none of the above
5. Risk management applies to many aspects of a business. Your business is subject to internal risks or (_____).
 - a. weaknesses
 - b. threats
 - c. both a & b
 - d. none of the above
6. Risk management applies to many aspects of a business. our business is subject to external risks or (_____).
 - a. weaknesses
 - b. threats
 - c. both a & b
 - d. none of the above

Internal Risks

Let's begin with some internal risks.

Human Risks

The human component of your business is a source of risk. Think about these possible human risks to your business:

- **Illness and death.** A business owner or employee may be ill for a day or be unable to work for months. The death of a person involved in a business poses a risk to continued operations.
- **Theft and fraud.** Most businesses want to have an honest working environment, yet theft by employees and employee fraud are major risks businesses face. Timecard fraud is a risk. Diverting funds to fictitious accounts are accounting risks.
- **Low employee morale.** Unhappy employees can cost money through negligence or through willful acts. For example, an employee who forgets to reorder inventory is a risk to sales because back orders lead to cancellations.

Equipment and Information Technology Risks

Older equipment may run slower or require more maintenance than new equipment. New equipment may require adjustments to work with older equipment.

Worn parts may cause damage or cause company vehicles to break down. What would a non-working delivery van cost a business for one day?

Downtime from physical damage or outdated systems may slow business profits. Most businesses rely on a computer system to process credit cards. These systems are risks to continued business when they are not working, especially if no backup plan exists. Lack of administrative controls may lead to downtime, in addition to fraud and theft.

Other Internal Risks

Another source of risk might be the physical plant of your business. Phone lines and other utilities are risks to a business. The appearance of a building such as its walls, windows, and doors may require maintenance to continue drawing customers.

Injuries and damages may be *caused* by your business or your business may *receive* damage. For example, a storm may cause damage to a business or a business may cause damage by selling a faulty product. Either way, injuries and damages come with a cost.

Cash flow is the lifeline of a business. When unexpected costs affect the ability of a business to meet monthly expenses or when credit lines are lost, a business may fail. A plan to maintain cash flow is crucial.

Even new financing has its own cost-associated risks. The risks can include the following:

- Appraisal costs
- Closing costs
- Costs for points to buy down rates
- Deposits placed on hold as collateral

7. Unhappy employees can cost money through negligence or through willful acts. For example, an employee who forgets to reorder inventory is a risk to sales because back orders lead to _____.
a. dissolutions
b. cancellations
c. invalidations
d. none of the above

8. Most businesses want to have an honest working environment, yet theft by employees and employee fraud are major risks businesses face. Timecard fraud is a risk. Diverting funds to fictitious accounts are _____.
a. Theft

- b. Fraud
 - c. accounting risks
 - d. none of the above
9. Unhappy employees can cost money through negligence or through willful acts. For example, an employee who forgets to reorder inventory is a risk to sales because back orders lead to cancellations. This would be an example of:
- a. Low employee morale
 - b. Theft
 - c. Fraud
 - d. Illness
10. Older equipment may _____ than new equipment.
- a. run slower
 - b. require more maintenance
 - c. both a & b
 - d. none of the above
11. Downtime from _____ may slow business profits.
- a. physical damage
 - b. outdated systems
 - c. both a & b
 - d. none of the above
12. Most businesses rely on a computer system to process credit cards. These systems are risks to continued business when they are not working, especially if no _____ plan exists.
- a. holdup
 - b. gridlock
 - c. stoppage
 - d. backup
13. Lack of administrative controls may lead to downtime, in addition to_____.
- a. fraud
 - b. theft
 - c. both a & b
 - d. none of the above
14. Another source of risk might be the physical plant of your business. _____are risks to a business.
- a. Phone lines
 - b. Utilities
 - c. both a & b
 - d. none of the above
15. New financing has its own cost-associated risks. The risks can include the following:
- a. Appraisal costs
 - b. Closing costs
 - c. both a & b
 - d. none of the above
16. New financing has its own cost-associated risks. The risks can include the following:
- a. Costs for points to buy increase rates
 - b. Credits placed on hold as collateral
 - c. both a & b
 - d. none of the above

External Risks

Now let's look at some external risks.

Competition and Market Risks

Competition can be tough and market changes can make life for your business tougher if you are not prepared. Consider these risks:

- **Market changes** will cause businesses to change. Competitors advertise sales, wholesale costs go up and down, and oil and gasoline prices affect your costs and those of your vendor.
- **Employees may leave** to go to a competitor's shop, taking loyal customers with them.
- **Rent increases** may be caused by increased demand for space. For example, you may be able to lease space more cheaply in a building/area under construction, but when the lease is up for renewal, an increased demand for space in the vicinity may result in your rent increasing.

Business Environment Risks

Your environment is more than the space you rent or buy. What happens around your business affects it. Here are some examples of environmental changes:

- **Federal, state, county, and city laws and ordinances** can and will change.
- **Weather and natural disasters** can shut down a business for a short period or close it.
- **Structural changes in the community** may be the result of progress or may be due to empty stores and offices in a declining market.
- **Your community may change** as the needs, age groups, spending habits, and incomes of the population change.

Personal Conflict Risks

Personal conflicts are external risks for both business owners and employees. Families and homes do not cease to exist at the start of a work day. Children become ill. Medical emergencies, or worse, may happen. Repairs and maintenance will be required at home.

For a small business owner, involvement in the community creates visibility. However, the visibility comes with a cost, mainly time. Employees and their children are involved in outside activities as well. We don't usually think of outside activities as a risk, but consider how you would handle this situation: your most reliable manager wants to attend an out-of-town playoff game with her child on the busiest day of the month.

Even complacency is a risk. Complacency comes from being comfortable. Your business may be successful and has been for a while. You may be comfortable with the hours you are working, but you may miss opportunities for growth because you do not want to expend the extra effort. Now, multiply the effect of complacency because complacency also happens to employees.

17. Competitors advertise sales, wholesale costs go up and down, and oil and gasoline prices affect your costs and those of your vendor defines:

- a. Market changes
- b. Employees may leave
- c. Rent increases
- d. none of the above

18. For example, you may be able to lease space more cheaply in a building/area under construction, but when the lease is up for renewal, an increased demand for space in the vicinity may result in your rent increasing defines:

- a. Market changes will cause businesses to change.
- b. Employees may leave
- c. Rent increases
- d. none of the above

19. Examples of environmental changes:

- a. Federal, state, county, and city laws and ordinances can and will change.

- b. Weather and natural disasters can shut down a business for a short period or close it.
 - c. both a & b
 - d. none of the above
20. Examples of environmental changes:
- a. Structural changes in the community may be the result of progress or may be due to empty stores and offices in a declining market.
 - b. Your community may change as the needs, age groups, spending habits, and incomes of the population change.
 - c. both a & b
 - d. none of the above
21. Personal conflicts are _____ risks for both business owners and employees
- a. internal
 - b. external
 - c. both a & b
 - d. none of the above

Risk Identification

One of the most important investments you can make in your business is creating a business plan, especially when identifying risks. Creating a business plan will help you assess risk areas, those areas impacting your ability to continue business and to grow.

The continuation of your business, in the event of any risk, should be addressed in your plan. Look at anything that could halt, slow, or affect the profit of your business. List these risks, rank them in importance, and look at potential costs. Identifying and assessing risks is something that will require time and should be revisited periodically. Be sure to schedule time in your calendar to identify areas of business risk.

Get help from outside sources in identifying areas of risk. Many of these sources are business specific. Some sources for help are listed later in this training.

A business plan isn't something to create and set aside, simply to be used later to obtain financing. Once completed, the business plan will become your guide, just like a map.

22. The continuation of your business, in the event of any risk, should be addressed in your plan. Look at anything that could _____ the profit of your business.
- a. halt
 - b. slow
 - c. affect
 - d. all of the above
23. A business plan isn't something to create and set aside, simply to be used later to obtain financing. Once completed, the business plan will become your _____, just like a map.
- a. leader
 - b. attendant
 - c. guide
 - d. director

Warning Signs

Owning a business means keeping alert to potential risks. Pay attention to risk warning signs.

Excessive Debt in Relation to Owner's Equity

Use the following formula to calculate a company's debt-to-equity ratio. First, determine total liabilities by adding your short-term and long-term obligations. Then, divide total liabilities by the owner's equity (found on the company's balance sheet). Generally, the debt-to-equity ratio for a business should not be above 40 percent or 50 percent. However, you can check similar types of businesses through a business reporting service or consult an accountant to obtain the normal range for your industry.

Reliance on Small Numbers of Customers, Products and Vendors

Relying on a small number of customers will cause a business to fail quickly if those customers are lost. Your business will need to always reach out to new types of customers with new products. Reliance on one product will limit your business when that reliance fails to allow for changes in customer needs, as well as changes in the market. Similarly, when your business relies on one or a small number of vendors, your business continuity plan is only as solid as your vendor's business. You are not in control.

Cash Flow Problems

A very basic calculation of your cash flow starts with your business's cash balance at the beginning of the month. Cash receipts from all sources are added to this beginning balance and then all cash payments are subtracted from this total. The result is your ending cash balance. If your expenses are greater than your income, adjustments should be made. In general, you want your business to have a positive cash flow. Is your business able to pay monthly payments with no overdrafts? If you are having a hard time covering checks, your business has a cash flow problem.

24. Determine total liabilities by adding your _____ obligations.
 - a. short-term
 - b. long-term
 - c. both a & b
 - d. none of the above
25. Generally, the debt-to-equity ratio for a business should not be above _____.
 - a. 40 percent
 - b. 50 percent
 - c. both a or b
 - d. none of the above
26. Reliance on one product will limit your business when that reliance fails to allow for changes in _____.
 - a. customer needs
 - b. the market
 - c. both a & b
 - d. none of the above
27. When your business relies on _____, your business continuity plan is only as solid as your vendor's business.
 - a. one vendor
 - b. a small number of vendors
 - c. both a or b
 - d. none of the above
28. Cash receipts from all sources are added to this beginning balance and then all cash payments are subtracted from this total. The result is your _____.
 - a. beginning cash balance
 - b. medium cash balance
 - c. ending cash balance
 - d. all of the above

Irregularities in Accounting, Bank or Timecard Records

Audits or spot checks of your accounting system may uncover errors or fraud. Some questions to answer as you move through audits:

- Do project or job sheets match what has been submitted for payroll?
- Do time sheets match what has been submitted for payroll?
- Does the payroll ledger reconcile with bank account statements?
- Are there outstanding checks to former employees?
- Are former employees still in the accounting system?

Irregularities in Computer System Administrative Reports

When reports from your computer system are generated, verify user access and system changes by considering these questions:

- Has any user access been changed since the last review?
- Is access for all users ordinary for their job functions?
- Do users who are no longer employed still have access to the system?
- Have changes been documented and approved?
- Are any transactions or changes out of the ordinary?

Employee Turnover Rate

Consider these questions when thinking about employee turnover:

- Does your business have a high rate of employee turnover?
- Is this a result of poor hiring decisions, lack of training, or the work environment?

29. Audits or spot checks of your accounting system may uncover _____.

- a. errors
- b. fraud
- c. both a or b
- d. none of the above

30. When reports from your computer system are generated, verify user access and system changes by considering these questions:

- a. Has any user access been changed since the last review?
- b. Is access for all users ordinary for their job functions?
- c. Do users who are no longer employed still have access to the system?
- d. all of the above

31. Consider these questions when thinking about employee turnover:

- a. Does your business have a high rate of employee turnover?
- b. Is this a result of poor hiring decisions, lack of training, or the work environment?
- c. both a or b
- d. none of the above

Risk Evaluation

Once risks have been identified, consider next the impact each risk has on business operations and continuity. Also evaluate risks with regard to potential expansion or future growth. On a day-to-day basis, consult with your operations managers, as they may be more alert to possible risks. In fact, consult with all your key people to enlist their input and communicate to them the risks that you see.

Strengths, Weaknesses, Opportunities, Threats (SWOT)

Analysis

Performing an analysis of your business's internal strengths and weaknesses and your business's external opportunities and threats may uncover overlooked risks. To be effective, a strengths, weaknesses, opportunities, threats (SWOT) analysis should be a very candid and honest assessment of the business. Remember, some risks can also be opportunities.

Other Resources

Seek outside help when assessing your business risks. The Small Business Administration (SBA) can provide many helpful resources. If funds permit, consider an auditing firm or certified public accountant (CPA). Talk with your bank or commercial lender about risks for your type of business. You may also want to consult a risk insurance provider. You can check the internet to find similar businesses or professional organizations which may share information on risks specific to your business.

32. Strengths, Weaknesses, Opportunities, Threats abbreviation _____.

- a. WSOT
- b. WOST
- c. SWOT
- d. DWOT

33. To be effective, a strengths, weaknesses, opportunities, threats analysis should be a very _____ assessment of the business.
- a. candid
 - b. honest
 - c. both a & b
 - d. none of the above

Risk Measurement

Once risks are identified and evaluated for their potential consequences, they should be measured by how they affect earnings, cash flow, and business operations.

A good example is water damage. A business that flooded may be cleaned up, reopened, and continue operations. But, the expenses for cleanup put a strain on the budget for months to come. Lost income is not the only thing to consider. For example, customers may move to businesses that did not flood and not return to your business. This customer migration may require new advertising or new products to renew interest. Loss of future profits (due to customer migration, for example) may be more costly than the direct loss of income. Scrutiny of all the costs associated with a risk is important for measuring risk.

34. Once risks are identified and evaluated for their potential consequences, they should be measured by how they affect _____.
- a. earnings
 - b. cash flow
 - c. business operations
 - d. all of the above

Importance of Risk Management

Minimizing and controlling the effects of risks can improve and maintain business cash flow. The continuation of cash flow creates stability for your organization and helps sustain credit relationships, while helping to build additional credit.

Why is risk management important? Good risk management will help your business continue in operation. Mitigated risk leads to better cash flow and greater stability. Creditors will see this stability and good cash flow reflected in your company's financial reports. Greater stability will mean your company will last into the future. The rewards of risk management are all linked together: good cash flow leads to stability, which leads to good credit, which leads to longevity.

35. The rewards of risk management are all linked together and include:
- a. good cash flow leads to stability
 - b. good credit
 - c. longevity
 - d. all of the above

Risk Control Management and Implementation

A written business plan should not only include a list of possible risks, but also include controls and plans to manage risks. Remember—keep your business plan current by readdressing changes in costs and by assessing new risks.

Equipment

Equipment that needs to be repaired may interrupt your business, but insurance or service plans may minimize your costs. For example, if your business is dependent on a high-speed printer or copier, a service plan may be a good way to control the risk of the copier breaking down. Parts for a copier can be expensive and take time to replace. To be prepared, copier vendors will plan for parts and service based on the copiers they have sold to you, and the number of copies you make (service plans for copiers usually require an annual count of copies made). Higher usage may mean more maintenance.

Vendors

Your vendors have risks, too—some of the same risks you face. Relying on only one vendor may be risky for your business. You may be able to avoid problems with your vendors by following these suggestions:

- Have more than one supplier for products.
- Shop for vendors with the best price and service.
- Maintain relationships with multiple vendors by buying from each of them.

A multiple-vendor strategy may make vendors push for more of your business, resulting in lower prices. In any event, if one vendor is unable to deliver, you will have backup.

Do not be afraid to investigate the risks your vendor may face. Some of this risk information is provided by business credit reporting agencies or by insurance companies.

36. A written business plan should include a _____.
a. list of possible risks
b. controls
c. plans to manage risks
d. all of the above
37. Relying on only one vendor may be risky for your business and you may be able to avoid problems with your vendors by:
a. Have more than one supplier for products.
b. Shop for vendors with the best price and service.
c. Maintain relationships with multiple vendors by buying from each of them.
d. all of the above
38. Do not be afraid to investigate the risks your vendor may face. Some of this risk information is provided by _____.
a. business credit reporting agencies
b. by insurance companies
c. both a or b
d. none of the above

Business Continuity

Your operations manuals should include a business continuity plan. The plan should provide steps to take for short- and long-term situations. For example, if your business is unable to operate in its present location, is it possible to use another? If so, your plan should list the steps to take, by job position, for re-establishing operations at the backup site.

Create a set of standard operating procedures for completing tasks. Many businesses were started before extensive computer-based technology. Back then, these businesses operated by following manual steps. Describe the responsibilities for inputting manually-captured information into your computer system for when the system is running again. Train staff on your continuity plans and alternative strategies. Have trial runs or periodic testing of your manual systems.

Backup your computer systems and keep copies in a secured offsite location. Keeping additional computer capability at another location can mean being down for a few hours, instead of days. Software or operating systems providers may be able to assist in disaster recovery plans. Review or discuss these plans with your vendors.

In your continuity plan, include the following:

- Staff members' duties
- Staff members' work locations
- Contact names, such as email addresses and phone numbers
- Vendor, utility, and emergency phone numbers
- Employee notification "phone tree" (for example, an owner calls managers and managers call their departments)

Just as you plan for these risks and the possible consequences, your vendors should as well. Ask your vendors about their business continuity plans. If they provide this information, add it to their file and include information that is pertinent to your own plan.

Keep a copy of your continuity plan in a place where your managers and staff can access it easily.

39. In your continuity plan, include the following:

- a. Staff members' duties
- b. Staff members' work locations
- c. Contact names, such as email addresses and phone numbers
- d. all of the above

40. In your continuity plan, include the following:

- a. Vendor, utility, and emergency phone numbers
- b. Employee notification "phone tree" (for example, an owner calls managers and managers call their departments)
- c. both a & b
- d. none of the above

Information Technology Systems

Special risks are connected to information technology (IT) systems. Review the following risk prevention tips for IT systems:

- **Safeguard login information** such as personal user names and passwords. Personal login information should not be shared with anyone outside the business, or any other employee. Most businesses require employees to sign an IT statement that outlines the repercussions for sharing passwords.
- **Protect systems with firewalls** to stop intrusions. Use software to scan for viruses or other irregularities. These protections may require additional setup time and annual renewal fees. However, consider the cost a hacker or virus could cause by shutting down your system. In most cases, the benefit of protection will probably outweigh the cost.
- **Institute levels of access** within your organization by job duty. Someone who ships out inventory or accepts returns, for example, should have different access than those in accounting where credit is issued. Manager override authority should be reviewed periodically by using system-generated reports. Monitoring reports for out-of-the-ordinary transactions gives an added layer of security.
- **Generate system reports**, which might include reports on system access, attempted security breaches, and patterns of usage. Audits of these reports, as well as reviews of changes made by system administrators should be conducted regularly.
- **Sample transactions or use trial transactions** to uncover changes in processing or fraudulent transactions.
- **Conduct scheduled and surprise audits** of IT systems.

41. Includes reports on system access, attempted security breaches, and patterns of usage. Audits of these reports, as well as reviews of changes made by system administrators should be conducted regularly defines:

- a. Generate system reports
- b. Institute levels of access within your organization by job duty
- c. Protect systems with firewalls to stop intrusions
- d. Safeguard login information such as personal user names and passwords

42. Someone who ships out inventory or accepts returns, for example, should have different access than those in accounting where credit is issued. Manager override authority should be reviewed periodically by using system-generated reports. Monitoring reports for out-of-the-ordinary transactions gives an added layer of security defines:

- a. Generate system reports
- b. Institute levels of access within your organization by job duty
- c. Protect systems with firewalls to stop intrusions
- d. Safeguard login information such as personal user names and passwords

43. Use software to scan for viruses or other irregularities. These protections may require additional setup time and annual renewal fees. However, consider the cost a hacker or virus could cause by shutting down your system. In most cases, the benefit of protection will probably outweigh the cost defines:

- a. Generate system reports
- b. Institute levels of access within your organization by job duty
- c. Protect systems with firewalls to stop intrusions
- d. Safeguard login information such as personal user names and passwords

44. Personal login information should not be shared with anyone outside the business, or any other employee. Most businesses require employees to sign an IT statement that outlines the repercussions for sharing passwords defines:

- a. Generate system reports
- b. Institute levels of access within your organization by job duty
- c. Protect systems with firewalls to stop intrusions
- d. Safeguard login information such as personal user names and passwords

Competition

While the competition cannot be controlled, you can at least know what they are doing.

Investigate what products they are carrying and how they are priced. Consider these questions:

- Are your prices higher or within the market?
- Are you losing sales to them or do you have a competitive edge?
- If you think you have an edge, how can you maintain it?
- If their prices are much lower, is it time to revisit pricing with your vendors or search for new ones?
- Is their quality the same as yours?

Note how your competitor's staff interacts with your competitor's customers. Consider these questions:

- Does your business need training in any area?
- How are your competitor's employees interacting?
- Do your competitor's employees seem happy?
- Do you know what types of benefits your competitor's employees receive?
- Are your insurance and compensation packages competitive for the market?
- Are you attracting and keeping valuable employees?

The cost to retain employees may be less than to train new employees.

Accounting and Cash Control

Potential for fraud or theft can exist without a separation of duties. The employee who accepts cash or payments, processes the work, deposits funds, and reconciles the related account may be tempted to commit theft. Consider setting up an audit trail with one person accepting and processing payments, another preparing the bank deposit, and perhaps another for reconciling statements. For all three steps, amounts should be verifiable.

Cash payments and arriving mail should be logged or verified by two people. Each person should count the cash in the presence of the other. This procedure sets up accountability and provides a record of the activity.

Job duties should have differing levels of authority. Some duties may require recorded supervisor approval. For example, the server at the restaurant may need approval of the shift manager to void the charge for a poorly

served meal. Issuing credit for returned merchandise may require supervisor approval above a certain dollar amount.

Conduct periodic audits of cash to insure that it balances with all income records and bank statements. Surprise audits should be done at least quarterly and at different dates in the month. An established pattern may give an employee who has taken money the time to return it. If the surprise audit has not been conducted before the last week of the quarter, the audit will be predictable and a theft may go unnoticed before the stolen funds can be put back in the drawer. Consider that most employees expect to pay back stolen funds before the theft is detected. No one can afford to lose cash if a bank fails. Confirm that your financial institution is FDIC-insured. If you have more than \$250,000 on deposit in the bank, you may have more--or less--deposit insurance coverage than you think: use the FDIC's online Electronic Deposit Insurance Estimator (EDIE) to calculate your FDIC insurance coverage.

The FDIC insures deposits up to the maximum amount allowed by law. The standard deposit insurance amount is \$250,000 per depositor, per insured bank, for each ownership category. The National Credit Union Administration (NCUA) provides similar insurance coverage for deposits in insured credit unions.

Monthly budget projections should include a reserve amount for each month. This should provide a cushion to cover the bills when you earn less money during the month than you had forecast or you have higher expenses than expected. An accountant may assist you in determining the amount to hold for additional cash flow, based on your financial statements.

Employee Management

Your employees are important to the success of your business. Review these tips for managing your employees:

- **Use pre-employment screening.** Many business credit reporting agencies and human resource service providers will help you with pre-employment screening and background checks. Pre-employment screening is important for legal and insurance purposes. For example, you need to know if an employee is driving your car but their license is revoked or they are required to have a device to check for blood alcohol level.
- **Provide job descriptions and lists of duties.** Communicate job expectations and any job expectation changes to your employees. While it is important to separate duties, cross training your staff helps to ease costs in the event someone leaves or the business is short staffed.
- **Provide performance evaluations.** Employees should expect evaluations to enhance their performance. Provide feedback and allow them to comment about their jobs.
- **Be involved.** A business cannot run on its own. Owners who are not present often find their business runs into problems. Let people know you are present. Get to know everyone by walking around your business. Talk with customers.
- **Audit payroll.** Audits should be conducted on payroll systems. Check project timecards against job sheets for appropriate time submission. Compare timecards to payroll ledgers and payroll ledgers to the payroll account.
- **Reward safe performance.** Injuries and damages can happen. Monthly departmental rewards for avoiding accidents may be less costly than premiums and damages resulting from carelessness. Safety procedure incentives may raise employee involvement in the process.

45. Injuries and damages can happen. Monthly departmental rewards for avoiding accidents may be less costly than premiums and damages resulting from carelessness. Safety procedure incentives may raise employee involvement in the process defines:

- a. Reward safe performance
- b. Audit payroll
- c. Be involved

46. Audits should be conducted on payroll systems. Check project timecards against job sheets for appropriate time submission. Compare timecards to payroll ledgers and payroll ledgers to the payroll account defines:
- Reward safe performance
 - Audit payroll
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47. A business cannot run on its own. Owners who are not present often find their business runs into problems. Let people know you are present. Get to know everyone by walking around your business. Talk with customers defines:
- Reward safe performance
 - Audit payroll
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48. Employees should expect evaluations to enhance their performance. Provide feedback and allow them to comment about their jobs defines:
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 - Provide job descriptions and lists of duties
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- Provide performance evaluations
 - Provide job descriptions and lists of duties
 - Use pre-employment screening

Business Work Strategy

How and when you and your employees work, impacts your business. Review these work strategy tips:

- **Set work hours.** Provide your employees with a tentative work schedule and keep them updated in advance of changes. Use a planner to map out your anticipated monthly, weekly, and daily work.
- **Plan work with a balance.** Avoid filling every minute. Allow extra time for unexpected events. Make sure you balance work with time off.
- **Set realistic goals.** Setting goals requires time to meet them. Make goals realistic for your business to avoid overextending yourself, burning out, and putting added stress on employees and your family.
- **Train support staff or an assistant.** A written business plan should include how to deal with the possibility of your disability or death. Train your support staff or assistant to handle short-term needs. Can a family member or someone else run the business in your place? Have you named someone to liquidate the business? Disability insurance may provide for your care and that of the business. Life insurance can also be purchased in amounts large enough to cover the liabilities of the business.
- **Develop a support system.** Support systems are vital to businesses and families. Do you have friends or services that can help your family when you can't be available due to work? Think about activities your family does on a weekly basis. You may need someone to help with these activities, as well with those that are unexpected. For example, waiting for a plumber or heating repair technician can take an entire day. Plan your support systems.

51. A written business plan should include how to deal with the possibility of your disability or death defines:

- a. Train support staff or an assistant
- b. Set realistic goals
- c. Plan work with a balance
- d. Set work hours

52. Setting goals requires time to meet them. Make goals realistic for your business to avoid overextending yourself, burning out, and putting added stress on employees and your family defines:

- a. Train support staff or an assistant
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54. Provide your employees with a tentative work schedule and keep them updated in advance of changes. Use a planner to map out your anticipated monthly, weekly, and daily work defines:

- a. Train support staff or an assistant
- b. Set realistic goals
- c. Plan work with a balance
- d. Set work hours

More on Risk Control Management and Implementation

Here are additional ways to manage risk:

- **Discuss risks.** Schedule regular meetings with managers to discuss risks. For example, add discussions of risk to sales meetings agendas.
- **Provide a safe workplace.** Employers have the responsibility to provide a safe workplace. Employers MUST provide their employees with a workplace that does not have serious hazards and follow all relevant federal, state, and local safety and health standards. See <http://www.osha.gov/workers.html#6>. You must post OSHA citations, injury and illness data, and the OSHA poster in your workplace where workers will see them.
- **Monitor the premises.** Also, create a checklist of the physical building that includes areas of upkeep, needs, and repairs. Complete a monthly walk-around to note areas that require attention. Have managers complete a weekly review of the facility for less significant items.
- **Be alert to community changes.** Be involved in the community or have someone who can update you on changes in the community that affect your business. Stay informed of federal, state, county, and local laws that could impact your business.
- **Use lines of credit wisely.** Lines of credit are important. Refrain from using the entire line to give yourself a margin of safety to deal with an emergency.
- **Speak with an insurance agent.** Speak with an insurance agent about business risks. Check to see if your business is in a flood zone requiring flood insurance. Whether you own or rent it is important to protect your business from fire, water, and other damage risks.

- **Consider a generator and secondary phone.** Consider the feasibility cost of a generator, what size generator would be needed, and how to implement the use of a generator safely. A backup phone may be as simple as listing a cell phone as a secondary business number and keeping the phone in your business location.

55. Be involved in the community or have someone who can update you on changes in the community that affect your business. Stay informed of federal, state, county, and local laws that could impact your business defines:
- a. Be alert to community changes
 - b. Monitor the premises
 - c. Provide a safe workplace
 - d. Discuss risks
56. Create a checklist of the physical building that includes areas of upkeep, needs, and repairs. Complete a monthly walk-around to note areas that require attention. Have managers complete a weekly review of the facility for less significant items defines:
- a. Be alert to community changes
 - b. Monitor the premises
 - c. Provide a safe workplace
 - d. Discuss risks
57. Employers have the responsibility to provide a safe workplace. Employers **MUST** provide their employees with a workplace that does not have serious hazards and follow all relevant federal, state, and local safety and health standards. See <http://www.osha.gov/workers.html#6>. You must post OSHA citations, injury and illness data, and the OSHA poster in your workplace where workers will see them defines:
- a. Be alert to community changes
 - b. Monitor the premises
 - c. Provide a safe workplace
 - d. Discuss risks
58. Schedule regular meetings with managers to discuss risks. For example, add discussions of risk to sales meetings agendas defines:
- a. Be alert to community changes
 - b. Monitor the premises
 - c. Provide a safe workplace
 - d. Discuss risks
59. Lines of credit are important. Refrain from using the entire line to give yourself a margin of safety to deal with an emergency defines:
- a. Use lines of credit wisely
 - b. Speak with an insurance agent
 - c. Consider a generator and secondary phone
60. Check to see if your business is in a flood zone requiring flood insurance. Whether you own or rent it is important to protect your business from fire, water, and other damage risks defines:
- a. Use lines of credit wisely
 - b. Speak with an insurance agent
 - c. Consider a generator and secondary phone
61. Consider the feasibility cost of a generator, what size generator would be needed, and how to implement the use of a generator safely. A backup phone may be as simple as listing a cell phone as a secondary business number and keeping the phone in your business location defines:
- a. Use lines of credit wisely
 - b. Speak with an insurance agent
 - c. Consider a generator and secondary phone

Lead by Example

Be honest and ethical in all business dealings. Make your expectations clear and consistent to those you do business with. Convey to your employees your expectation that they be honest and ethical.

Exit Strategy

No one starting a business expects to fail, but planning for the worst is part of managing the risks involved with any business. Sometimes it becomes necessary to implement a business exit strategy. Under the worst of circumstances having an exit strategy will be important for your future and that of your family.

Include an exit strategy in your initial business plan and revisit it from time to time. Question you may want to consider:

- Have you provided for insurance in the event of your death?
- In the event of death, have you provided for the liquidation of assets?
- Are there sufficient funds to allow the liquidation of assets without additional insurance?
- What about disability benefits?

While some business owners name a trustee to handle the closing of a business, others may have active family members to assume business ownership or perform the closing. Consider allowing employees to purchase the business instead of closing it.

Eight Key Points to Remember

Much more could be said or learned about risk management. If you are interested in additional information, consider enrolling in a college course on accounting information systems, risk management, or business management.

Remember these key points:

1. Risks associated with a small business can be characterized as internal and external.
 2. Begin assessing risks by listing events or resources that could impact continued operations and cash flow.
 3. The costs to insure or minimize risks should be weighed against the potential impact of the risk.
 4. A business continuity plan should be part of your overall business plan.
 5. Strategies to avoid risks can include: communication, setting expectations, support systems, staff training, insurance, risk assessment, and contingency planning.
 6. Be honest in reviewing your business for risk and know the warning signs.
 7. Seek assistance from others.
 8. Include an exit strategy in your initial business plan and revisit that strategy from time to time.
62. While some business owners name a trustee to handle the closing of a business, others may _____ instead of closing it.
- a. have active family members to assume business ownership
 - b. have active family members to perform the closing
 - c. consider allowing employees to purchase the business
 - d. all of the above

Construction Law 62 Quiz Answer Sheet (part 1)

1	a	b	c	d	16	a	b	c	d	31	a	b	c	d	46	a	b	c	d
2	a	b	c	d	17	a	b	c	d	32	a	b	c	d	47	a	b	c	d
3	a	b	c	d	18	a	b	c	d	33	a	b	c	d	48	a	b	c	d
4	a	b	c	d	19	a	b	c	d	34	a	b	c	d	49	a	b	c	d
5	a	b	c	d	20	a	b	c	d	35	a	b	c	d	50	a	b	c	d
6	a	b	c	d	21	a	b	c	d	36	a	b	c	d	51	a	b	c	d
7	a	b	c	d	22	a	b	c	d	37	a	b	c	d	52	a	b	c	d
8	a	b	c	d	23	a	b	c	d	38	a	b	c	d	53	a	b	c	d
9	a	b	c	d	24	a	b	c	d	39	a	b	c	d	54	a	b	c	d
10	a	b	c	d	25	a	b	c	d	40	a	b	c	d	55	a	b	c	d
11	a	b	c	d	26	a	b	c	d	41	a	b	c	d	56	a	b	c	d
12	a	b	c	d	27	a	b	c	d	42	a	b	c	d	57	a	b	c	d
13	a	b	c	d	28	a	b	c	d	43	a	b	c	d	58	a	b	c	d
14	a	b	c	d	29	a	b	c	d	44	a	b	c	d	59	a	b	c	d
15	a	b	c	d	30	a	b	c	d	45	a	b	c	d	60	a	b	c	d
															61	a	b	c	d
															62	a	b	c	d

Risk Management 62 Quiz Answer Sheet (part 2)

1	a	b	c	d	16	a	b	c	d	31	a	b	c	d	46	a	b	c	d
2	a	b	c	d	17	a	b	c	d	32	a	b	c	d	47	a	b	c	d
3	a	b	c	d	18	a	b	c	d	33	a	b	c	d	48	a	b	c	d
4	a	b	c	d	19	a	b	c	d	34	a	b	c	d	49	a	b	c	d
5	a	b	c	d	20	a	b	c	d	35	a	b	c	d	50	a	b	c	d
6	a	b	c	d	21	a	b	c	d	36	a	b	c	d	51	a	b	c	d
7	a	b	c	d	22	a	b	c	d	37	a	b	c	d	52	a	b	c	d
8	a	b	c	d	23	a	b	c	d	38	a	b	c	d	53	a	b	c	d
9	a	b	c	d	24	a	b	c	d	39	a	b	c	d	54	a	b	c	d
10	a	b	c	d	25	a	b	c	d	40	a	b	c	d	55	a	b	c	d
11	a	b	c	d	26	a	b	c	d	41	a	b	c	d	56	a	b	c	d
12	a	b	c	d	27	a	b	c	d	42	a	b	c	d	57	a	b	c	d
13	a	b	c	d	28	a	b	c	d	43	a	b	c	d	58	a	b	c	d
14	a	b	c	d	29	a	b	c	d	44	a	b	c	d	59	a	b	c	d
15	a	b	c	d	30	a	b	c	d	45	a	b	c	d	60	a	b	c	d
															61	a	b	c	d
															62	a	b	c	d

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2. Fill out this form below completely.
3. Applicable fees by check payable to our business name: **GaryKlinka.com**
4. Mail to: **GaryKlinka.com** at 1316 Cardinal Circle, Neenah, WI 54956.

Live Support at (920)381-6714 or tmklinka@hotmail.com

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