

# Cedar Rapids Public Works Department Standard Operating Procedure



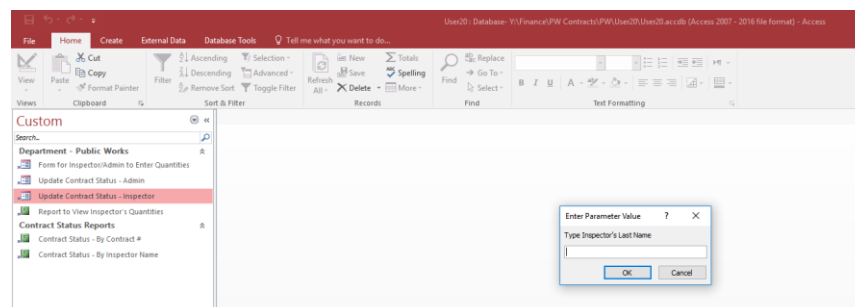
<b>Procedure Name:</b> Pay Applications		<b>Approved By:</b> Taylor Burgin	
<b>Original Author(s):</b> Dillon Feldman/Cindy Potter/ Jennifer Selby		<b>Original Date Issued:</b> 03/10/2021	
<b>Date Revised or Reviewed:</b>	<b>Revised or Reviewed by:</b>	<b>Approved By:</b>	
<b>Published Locations (manuals/websites/etc.):</b> Project Development and Management Manual – After any revisions to this document, replace the obsolete version stored on <a href="#">this webpage</a>			

## Purpose:

To summarize and document the process for creating pay applications to pay the Contractor for work completed on a CIP project.

## Inspector and Construction Project Manager Procedures:

1. Refer to [Contractor Pay Estimate Processing Schedule](#) for due dates for processing pay applications.
2. By the fourth Friday of each month, the Inspector and Contractor shall each agree to all pay item quantities from the previous month. Once quantities have been determined and agreed upon, the Inspector shall enter the quantities in Microsoft Access.
  - a. Click on “Update Contract Status – Inspector” in the left side bar and enter the Inspector’s last name in the pop-up box.



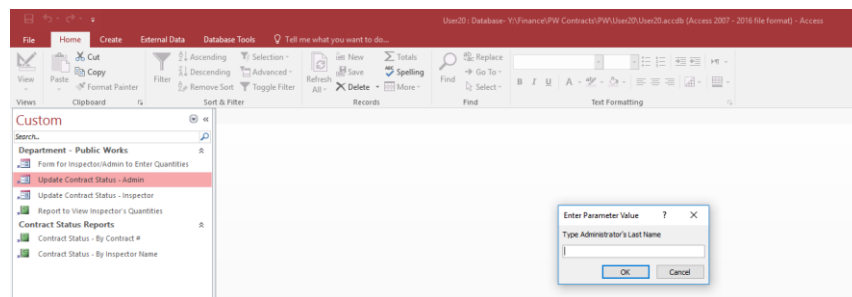
- b. A Contract Status Report comes up which lists the projects that are assigned to the Inspector.

- c. Click on “Form for Inspector/Admin to Enter Quantities” in the left side bar and enter the Contract No. in the pop-up box.

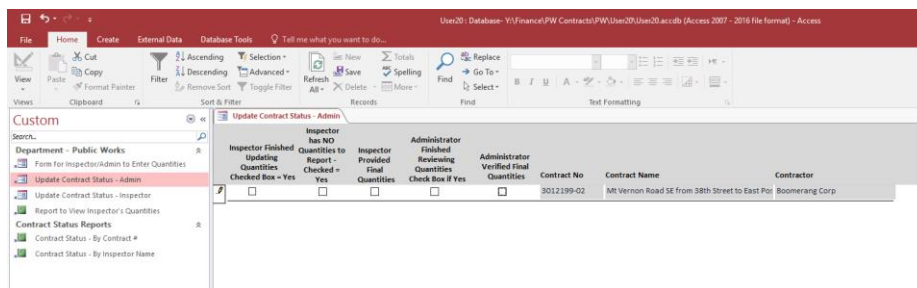
- d. Enter the total quantity completed to date (not just the quantity completed that month) for each pay item.

Bid Item #	Bid Item	Contract Award Quantity	Quantity Completed to Date	Quantity Remaining	UOM	Unit Price	Project	Class	Division	Current Estimated Payment
1	MOBILIZATION	0.2500	0.2500	0.0000	LS	175,000.00	3012199	30186		\$0.00
1	MOBILIZATION	0.4000	0.4000	0.0000	LS	175,000.00	3012199	7970		\$0.00
1	MOBILIZATION	0.3500	0.3500	0.0000	LS	175,000.00	6250051	2017054		\$0.00
2	CONSTRUCTION SURVEYS	0.2500	0.2500	0.0000	LS	7,000.00	3012199	30186		\$0.00
2	CONSTRUCTION SURVEYS	0.4000	0.4000	0.0000	LS	7,000.00	3012199	7970		\$0.00
2	CONSTRUCTION SURVEYS	0.3500	0.3500	0.0000	LS	7,000.00	6250051	2017054		\$0.00
3	UTILITY RELOCATION EFFORT	1.0000	1.0000	0.0000	LS	5,000.00	6250051	2017054		\$0.00
4	TRENCH COMPACTION TESTING	0.5000	0.5000	0.0000	LS	3,000.00	3012199	7970		\$0.00
4	TRENCH COMPACTION TESTING	0.5000	0.5000	0.0000	LS	3,000.00	6250051	2017054		\$0.00
5	SUBGRADE AND SUBBASE COMPACTION TES	0.5000	0.5000	0.0000	LS	3,000.00	3012199	7970		\$0.00
5	SUBGRADE AND SUBBASE COMPACTION TES	0.5000	0.5000	0.0000	LS	3,000.00	6250051	2017054		\$0.00
6	CONCRETE MATURITY TESTING FOR PCC PAV	0.5000	0.5000	0.0000	LS	1,000.00	3012199	7970		\$0.00
6	CONCRETE MATURITY TESTING FOR PCC PAV	0.5000	0.5000	0.0000	LS	1,000.00	6250051	2017054		\$0.00
7	ASPHALT TESTING	1.0000	1.0000	0.0000	LS	2,000.00	3012199	7970		\$0.00
8	TRAFFIC CONTROL	0.2500	0.2500	0.0000	LS	30,000.00	3012199	30186		\$0.00
8	TRAFFIC CONTROL	0.4000	0.4000	0.0000	LS	30,000.00	3012199	7970		\$0.00
8	TRAFFIC CONTROL	0.3500	0.3500	0.0000	LS	30,000.00	6250051	2017054		\$0.00
9	TEMPORARY TRAFFIC SIGNAL SYSTEM E	1.0000	1.0000	0.0000	LS	25,000.00	3012199	7970		\$0.00
10	TEMPORARY TRAFFIC SIGNAL SYSTEM F	1.0000	1.0000	0.0000	LS	10,000.00	3012199	30186		\$0.00
11	TEMPORARY DRIVEWAY SURFACING	40.0000	83.5300	83.5300	DAY	20.00	6250051	2017054		\$0.00
12	FLAGGERS	2.0000	2.0000	0.0000	DAY	400.00	3012199	30186		\$400.00
12	FLAGGERS	6.0000	6.0000	0.0000	DAY	400.00	3012199	7970		\$6,800.00

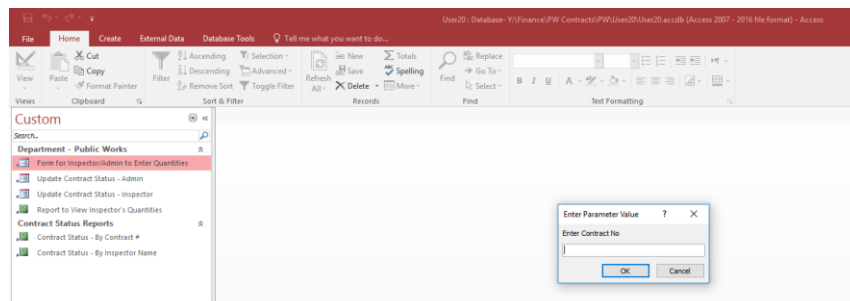
- e. When all quantities have been entered, go back to “Update Contract Status – Inspector” and check the following:
    - i. If a regular, monthly pay application – “Inspector Finished Updating Quantities”
    - ii. If the final pay application – “Inspector Provided Final Quantities”
    - iii. If no work was performed – “No Quantities to Report”
  - f. Enter all quantities by noon on the Tuesday following the fourth Friday of the month, unless otherwise noted in the pay estimate processing schedule.
3. After noon on the Tuesday following the fourth Friday of the month, the Construction Project Manager (CPM) shall review the quantities that the Inspector entered in Microsoft Access.
    - a. Click on “Update Contract Status – Admin” in the left side bar and enter the CPM's last name in the pop-up box.



- b. A Contract Status Report comes up which lists the projects that are ready for review.



- c. Click on “Form for Inspector/Admin to Enter Quantities” in the left side bar and enter the Contract No. in the pop-up box.



- d. Review all quantities for accuracy.
    - i. Check that that quantities entered match the Project Quantity Summary.
    - ii. Check quantities that are highlighted in yellow. These are quantities that are greater than the approved quantity.
    - iii. Note which items require and have submittals approved. Items that have not had approved submittals shall not be paid for until a submittal is obtained from the Contractor.
    - iv. The CPM may contact the Inspector with questions regarding the spreadsheet. The Inspector shall review any comments or questions in a timely manner, and follow up with the CPM prior to the end of business day on the Thursday following the fourth Friday of the month.
  - e. When all quantities have been entered, go back to "Update Contract Status – Admin" and check the following:
    - i. If a regular, monthly pay application – "Administrator Reviewed Quantities"
    - ii. If the final pay application – "Administrator Verified Final Quantities"
  - f. Review all quantities by the end of business day on the Thursday following the fourth Friday of the month, unless otherwise noted in the pay estimate processing schedule.
4. On the Friday following the fourth Friday of the month, Finance will generate the pay application and any Change Order (CO) for the project and will email a draft to the CPM for review.
    - a. The CPM shall review the pay application and CO for accuracy. If everything looks good, the CPM will send their approval back to Finance via email.
    - b. Finance will send the pay application and CO to the Contractor by the end of business on the following Wednesday.

**Construction Contract Coordinator (CCC) Procedures:**

1. Each month, Finance will email the CCC a "Pay Applications and Change Orders" Excel spreadsheet that lists all of the pay applications and change orders that they sent to Contractors that month.
2. The CCC will copy and paste the information into Pay App Doc.xls document for their tracking purposes for the month.
  - a. CCC will track: date each pay app/CO returned from Contractor, date each pay app/CO signed by Construction Manager, date each pay app sent to Finance, date each CO sent to City Engineer
3. Each Contractor will sign their pay application(s) and change order(s) received from Finance and will email the signed documents to the CCC.
4. The CCC will save documents to their desktop as a working file. If the pay application(s) and change order(s) are combined in one document, the CCC will separate them into two, separate documents. Pay applications will be saved as "[Contract No] Pay App [YYMM]". Change orders will be saved as "[Contract No]

Change Order No [x]”. If the pay application or change order is the final one, add “Final” at the end of the file name.

5. The CCC will place the Contractor signed pay application(s) and change order(s) into the respective Construction Project Manager’s signature folder at PWEng > PROJECTS > Electronic Pay Applications & Change Orders and send the CPM an email notifying them that the documents are ready for signature.
6. The CPM will sign the pay application(s) and change order(s), move the documents to the Construction Manager’s signature folder at PWEng > PROJECTS > Electronic Pay Applications & Change Orders, and send the Construction Manager an email notifying them that the documents are ready for signature.
7. The Construction Manager will sign the pay application(s), move them to PWEng > PROJECTS > Electronic Pay Applications & Change Orders > Signed Pay Applications and send the CCC an email notifying them that the documents are fully executed.
8. The CCC will then email all signed pay applications to Finance at [Ownergenerated@cedar-rapids.org](mailto:Ownergenerated@cedar-rapids.org) so that Finance can process and mail checks, per the pay estimate processing schedule.
9. After a pay application is sent to Finance, the CCC will move it into the respective project file at CONTRACT > PAY APPLICATIONS.
10. The Construction Manager will sign the change order(s), move them to the City Engineer’s signature folder at PWEng > PROJECTS > Electronic Pay Applications & Change Orders, and send the City Engineer an email notifying them that the documents are ready for signature.
11. The City Engineer will sign the change order(s) and send the CCC an email notifying them that it is signed.
12. The CCC will move the signed change order(s) to PWEng > PROJECTS > Electronic Pay Applications & Change Orders > Signed Change Orders.
13. The CCC will prepare the signature documents.

Refer to document: [SOP – Contract Modifications](#)

**Final Pay Application:**

1. The Inspector and Construction Project Manager shall follow the same process as above, noting in the Contract Status that the quantities are final.
2. The CCC shall follow steps 1-12 in the process above and then refer to the [Project Acceptance SOP](#) for further processing.

**Retainage:**

Retainage is a portion of the agreed upon contract price deliberately withheld until the work is substantially complete to assure that contractor or subcontractor will satisfy its obligations and complete a construction project. Retained funds held by the Contracting Authority are for the purpose of satisfying 573 Claims. The term, "573 Claim", originates from Chapter 573 of the Code of Iowa that addresses claims on government contracts. Persons or companies may file a "573 Claim" with the Office of Finance for unpaid labor and/or materials.

Retained funds are not intended to offset credit payments for deficient work, including price adjustments and liquidated damages.

When payment is needed to be withheld for price adjustments for deficiencies, item progress should be withheld on the appropriate contract item(s) for the amount to be withheld. Pay quantities for prime contractor items should be withheld to cover liquidated damages. These items will be increased to the final quantities after a contract modification for price adjustments and/or liquidated damages is processed.

Upon completion and final acceptance by City Council, the retained funds should be released in accordance with SUDAS.

Refer to website: [SUDAS Standard Specifications, Division 1 – General Provisions and Covenants, Section 1090 – Measurement and Payment, 1.06 – Payment of Retainage](#)

**Early Release of Retainage**

Chapter 573 of the Iowa Code was amended, in part, by Chapter 26 during the 2006 legislative session. The changes included new requirements for the release of retained funds. For contracts let after January 1, 2007, Prime Contractors are required to certify that they have given notice to all subcontractors and suppliers of their intent to request early release of retained funds. The notice must be provided 10 calendar days before the release of retainage is requested. Chapter 26 allows the Contractor to request release of retainage when the contract is substantially complete or after the contract is certified complete by the Engineer.

In consideration of these new Contractor responsibilities, the Contractor must initiate any request for release of retainage. The Construction Project Manager should not initiate release of retainage.

1. The Contractor shall provide a statement to every subcontractor and material supplier that the Contractor intends to request release of retainage. In accordance with Section 26.13 the notice shall be similar to the following:

*You are hereby notified that name of contractor will be requesting an early release of funds on a public improvement project or a highway, bridge, or culvert project designated as [name of project] for which you have or may have provided labor or materials. The request will be made pursuant to Iowa Code section 26.13. The request may be filed with the [name of governmental entity or department] after ten calendar days from the date of this notice. The purpose of the request is to have [name of governmental entity or department] release and pay funds for all work that has been performed and charged to [name of governmental entity or department] as of the date of this notice. This notice is provided in accordance with Iowa Code section 26.13.*

2. The Contractor shall complete the top section of the [Request for Early Release of Retained Funds](#) form and submit a signed copy to the Construction Project Manager (CPM).
3. The CPM shall fill out the center section of the form.
  - a. Contact Finance and inquire if any claims are on file.
  - b. If 573 Claims have been filed, retain twice the dollar amount of claims.
  - c. If labor and materials are yet to be provided at the time the request for the release of the retained funds is made, an amount equal to two hundred percent of the value of the labor or materials yet to be provided, as determined by the CPM, may be withheld until such labor or materials are provided.
  - d. If there are no claims, the entire amount of retainage can be released.
4. The CPM shall sign the form and email to the Construction Contract Coordinator (CCC) to route for signatures from the Construction Manager and City Engineer.
5. The fully executed form shall be saved as “[Contract No] REQUEST FOR EARLY RELEASE OF RETAINED FUNDS” in in PROJECT MANAGEMENT > PROJECT CLOSEOUT.
6. The CCC shall prepare documents to issue partial final payment to the Contractor.

The item is placed on the Consent Agenda and must be accompanied by a resolution and council agenda item cover sheet.

Refer to document – [City Council Agenda Process](#)

Refer to template – [Council Agenda Item Cover Sheet](#)

Refer to template – [Resolution](#)

7. The CPM shall provide the Contractor a written explanation, within 30 days of their request, for denying any amounts requested.