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CONSTRUCTION ADMINISTRATION

Measurement and Payment

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Outline

- Construction progress payments
- Approval of payment request
- Evaluation of contractor's payment request
- Retainage
- Measurement for payment
- Final payment to the contractor

Construction progress payments

- Among the most important items to the contractor are those provisions of the contract governing the making of monthly progress payments to the contractor throughout the job. The contractor will be expected to submit a request for payment stating amounts of work completed and the estimated value of such work to the Resident Project Representative approximately 10 days before the payment due date.

Construction progress payments

- The Resident Project Representative is responsible of verifying the actual quantities of the various items of work completed and determine the probable value of such work.
- Although a unit-price contract requires extreme care in the verification of the contractor's payment claim, a lump-sum job can usually be handled more informally as the overage claims will be compensated for ultimately by the fixed-price nature of the contract.

Approval of payment request

The following is a list of possible tasks that might be delegated to the Resident Project Representative during the validation phase of the contractor's payment request:

1. Quantity takeoff of work actually completed as of date of request,
2. Inventory of equipment and materials delivered but not yet used in the work,
3. Field measurements of quantities of work completed or claimed,

Approval of payment request

4. Construction cost estimate of all completed work, using unit prices in bid or in cost breakdown submitted at the beginning of of job,
5. Audit of invoices and costs (cost-plus jobs only),
6. Review of claims for extra work and completed change orders,
7. Check of retention amount,
8. Recommendation to the project manager, submitted together with the contractor's payment request.

Evaluation of payment request

- At a prearranged date each month, the contractor is expected to submit a request for payment for all of the work performed during the preceding month. Prior to forwarding these payment requests to the owner through the design firm or construction management firm for payment, the Resident Project Representative must check to assure that all items for which the contractor claimed payment have actually been completed.

Evaluation of payment request

- Often, certain fabricated items of equipment or certain products are delivered to the site a considerable amount of time before they are actually needed or installed in the work. In some contracts no payment will be made for any such material (material delivered but not used yet) until it is actually used in the work. A second approach to this problem is to allow a partial payment for materials or equipment as soon as they have been delivered to the site.

Retainage

- The majority of construction projects, particularly public works, involve some retention of a portion of earned funds of the contractor. Typically, this has been 10 percent, although 5 percent is not uncommon. In some cases, the retained funds are held throughout the life of the job; in other cases, the amount may be reduced or actually eliminated at some point after the midpoint of the project.

Retainage

- The purpose of the retention of funds is to provide an amount of money that can be available to the owner for the satisfaction of lien claims because of the failure of the prime contractor to pay its subcontractors or suppliers, and as a means of holding the profit that contractor makes on a given project. In case of default by the contractor, these funds may be utilized by the surety to complete the work.

Measurement for payment

- Often, the contract documents may specify that payment will be made based on the quantities indicated on the drawings. Technical specifications indicate which unit i.e., mt, m², m³, ton, etc. will be used in measuring the production items and how each production item must be measured, e.g., the surface area of a roof tiling production item can be measured by considering the slope of the roof (actual measure) or the surface can be measured from the dimensions on roof plan, etc.

Final payment to the contractor

- After the **Certificate of Completion** or **Substantial Completion** has been filed the contractor will apply for final payment. Final payment as referred to in many **General Conditions of the Contract** is the last progress payment made to the contractor, less retainage, and should not be made until after execution of the **Notice of Completion** (Substantial Completion). This notice constitutes formal "acceptance" of the Work by the owner.

Expense/income curves and last payment

