

STANDARD OPERATING PROCEDURE FOR PROCESSING CONSTRUCTION PAYMENTS

SECTION 1 OVERVIEW

1.1 PURPOSE OF THIS SOP

This SOP outlines the standardized process for preparing, reviewing, auditing, and approving construction payment requisitions (including Design-Build). It ensures timely and accurate payments, compliance with regulatory and contractual requirements, and transparency throughout the process.

SECTION 2 PROCESSING A PAYMENT

2.1 PAYMENT SUBMISSION TIMELINE

Step	Timeline	Role/Responsibility
<u>Draft Requisition/Daily Dairies (“Pencil Copy”) Submission and Review</u> Starts when the Contractor/CM/REI submits the Draft Requisition to DDC Project Manager (PM), or DDC Engineer-in-Charge (EIC) Ends when all parties discuss and agree on work performed, including any discussions on retainage and other special considerations.	At least one week before the end of the Pay Period	Contractor Construction Manager (CM), if applicable
<u>Complete Payment Package Submission</u> Starts when DDC authorizes the Contractor to submit a Complete Payment Package Ends when the DDC PM/EIC accepts, reviews, and signs the Complete Payment Package 30-day Payment Period begins when DDC approves and signs the Complete Payment Package	Within 1-2 weeks after the end of the Pay Period	Contractor Construction Manager DDC Project Manager (PM) DDC Engineer-in-Charge (EIC)
<u>Payment Review and Audit</u> Starts when the DDC PM/EIC submits the signed Complete Payment Package to the Engineering Audit Office (EAO). The EAO auditor will submit the approved Complete Payment Package to the Chief Financial Officer (CFO), who will then assign an auditor. Ends when both EAO and CFO review and approve the Complete Payment Package	Within 30 days of the Complete Payment Package submission	Engineering Audit Office (EAO), Auditor Chief Financial Officer (CFO), Auditor
<u>Payment Issued</u> Starts when the CFO vouchers in the Financial Management System (FMS) Ends when FISA issues checks to the Contractor	Within 30 days of the Complete Payment Package submission	Chief Financial Officer (CFO) Financial Information Services Agency (FISA)

2.2 DRAFT REQUISITION/DAILY DIARIES SUBMISSION AND REVIEW

The Draft Requisition (“Pencil Copy”) outlines work performed and payments requested, enabling preliminary review and discussion between the Contractor and the Construction Manager (CM)/Resident Engineering Inspector (REI) and the DDC Project Manager (PM)/Engineer-In-Charge (EIC) before a Complete Payment Package is submitted.

For Public Buildings:

1. All parties meet to review, compare, and finalize payment quantities in the “Payment Detail.”
2. Contractor/CM prepare forms for submission, which include all applicable items from the “Document Checklist.”
3. Contractor/CM submits Draft Requisition to the DDC PM. For projects that do not have a CM, the Contractor submits the Draft Requisition to the DDC PM.
4. The Draft Requisition should be submitted at least one week before the end of the Pay Period.

For Infrastructure:

1. Contractor and REI (or PMCM) meet to review, compare, and finalize payment quantities.
2. Contractor prepares forms based on the “Document Checklist” for submission.
3. REI (or PMCM) finalizes entries into the payment system and prepares for submission, including:
 - a. “Items” report, and “Extras and Credits” report (*Generated by DDC Payment System*), and
 - b. “Payment Summary and Certification” form for the Contractor’s signature
4. Contractor signs “Payment Summary and Certification form” to be included in the Complete Payment Package.

DDC PM/EIC Responsibilities:

1. Review documents submitted by Contractor/CM/REI (or PMCM). Check for mathematical accuracy, percentage of work items completed (verify that work listed has been done), dates, and total previously approved.
2. For Time and Material Payments, verify the number and activities of workers and review the site logs. Complete, verify, and sign off on Summary T & M Worksheet(s) and Daily T & M Worksheet(s).
3. For Change Order payments, verify approval and registration.
4. DDC PM/EIC meets Contractor/CM/REI (or PMCM) to discuss special circumstances, including revisions and retainage.

Verify all applicable contractual required documents that are not submitted in the Complete Payment Package. See below for a non-exhaustive list.

- Insurance
- Employee Daily-Sign Log
- Local Law 77 Monthly Reporting Form
- Material Test Certification
- Progress Photos
- Waste Manifest Dump Ticket
- Change Orders: Daily T&M

2.3 INVOICE SUBMISSION – INITIAL AND PARTIAL PAYMENTS*

1. Contractor submits the Complete Payment Package, which includes items in the “Contractor Documents” section of the “Partial Payment Document Checklist” to the CM/REI (or PMCM) or DDC PM for projects that do not have a CM.
2. CM/REI reviews the Complete Payment Package submitted by the Contractor:
 - i. If incomplete, return the Complete Payment Package to the Contractor with the completed “Return of Contractor’s Requisition for Payment” form attached. Restart Section 2.3.

- ii. CM prepares, reviews, and compares inputs in the “Payment Detail” form to inputs in the “Payment Summary and Certification” form. Once finalized, the CM signs the “Payment Summary and Certification” form and submits it to the DDC PM for review and signature.
 - iii. REI runs “Totals” report and compares it to the “Payment Summary and Certification” form, checking for mathematical accuracy, correct dates, and all other inputs. If forms do not match, notify EIC, revise the “Payment Summary and Certification” form, obtain the Contractor’s signature, attach the corrected form in the DDC Payment System, and notify EIC. REI finalizes payment in the DDC Payment System, uploads the Complete Payment Package, and submits to EIC to sign.
 - iv. CM/REI should make sure all Construction Management Software (CMS) is updated and accurate, if applicable
3. The DDC PM/EIC:
- i. For First Payments: Include the Notice to Proceed (NTP) and the executed Contract in the Complete Payment Package in the DDC Payment System.
 - ii. Review the Complete Payment Package for completeness and accuracy using the “Partial Payment Document Checklist”.
 - iii. Verify “Payment Summary and Certification” form matches the “Payment Detail” for Public Buildings projects or the “Totals” report for Infrastructure projects.
 - iv. Verify stored materials, if applicable, via site visit. *See Section 2.6 PAYMENTS WITH STORED MATERIALS.*
 - v. Spot check payrolls, prevailing wage rates, and out-of-pocket expenses.
 - vi. If rejecting a Complete Payment Package, use the “Return of Contractor’s Requisition for Payment” form, indicating the reasons for rejection, and return to the Contractor/CM/REI to resolve outstanding items. Note that contractors should not contact EAO directly.
 - vii. Submit the Complete Payment Package with all applicable, signed forms to EAO.

2.4 INVOICE SUBMISSION – SUBSTANTIAL PAYMENTS*

1. Contractor/CM/REI submits the Complete Payment Package, which includes items in the “Contractor Documents” and “Additional Items for Substantial Payments” sections of the “Substantial and Final Payment Document Checklist”. The submitted Complete Payment Package should also include resolved items discussed during the Draft Requisition phase.
 - i. Contractor/CM prepares, reviews, and compares inputs in the “Payment Detail” form to inputs in the “Payment Summary and Certification” form.
 - ii. Contractor/CM finalizes and signs the “Payment Summary and Certification” form and submits it to the DDC PM for review and signature.
 - iii. REI runs “Totals” report and compares to the “Payment Summary and Certification” form, checking for mathematical accuracy, correct dates, and all other inputs. If forms do not match, notify EIC, revise the “Payment Summary and Certification” form, obtain the Contractor’s signature, attach the corrected form in the DDC Payment System, and notify EIC.
 - iv. REI finalizes payment in DDC Payment System, uploads Complete Payment Package, and submits to EIC to sign.
2. CM/REI should make sure all CMS is updated and accurate, if applicable.
3. The DDC PM/EIC:
 - i. Review the Complete Payment Package for completeness and accuracy using the “Substantial and Final Payment Document Checklist.”

- ii. Verify “Payment Summary and Certification” form matches the “Payment Detail” for Public Buildings projects and the “Totals” report for Infrastructure projects.
- iii. Spot check payrolls, prevailing wage rates, and out-of-pocket expenses.
- iv. Complete and attach “Substantial Completion Acceptance Letter” with approved Final Punch List by the Contractor/CM/REI.
- v. If rejecting a Complete Payment Package, use the “Return of Contractor’s Requisition for Payment” form, indicating the reasons for rejection, and return to the Contractor/CM/REI.
- vi. The Complete Payment Package is sent to the approver in the DDC Payment System prior to being sent to EAO.
- vii. For Infrastructure: The Complete Payment Package is sent to the Deputy Director in the DDC Payment System prior to being sent to EAO.

2.5 INVOICE SUBMISSION – FINAL PAYMENTS

1. The Contractor/CM/REI submits the Complete Payment Package, which includes items in the “Contractor Documents” section of the “Substantial and Final Payment Document Checklist”. The submitted Complete Payment Package should also include resolved items discussed during the Draft Requisition phase.
2. CM/REI should make sure all CMS is updated and accurate, if applicable
3. The DDC PM/EIC:
 - i. Review Complete Payment Package for completeness using the “Substantial and Final Payment Document Checklist.”
 - ii. Review and prepare forms from the “Additional Final Payments” section of “DDC PM/EIC Documents”.
 - iii. Verify “Payment Summary and Certification” form matches the “Payment Detail” for Public Buildings projects and the “Totals” report for Infrastructure projects.
 - iv. Spot check payrolls, prevailing wage rates, and out-of-pocket expenses.
 - v. If rejecting a Complete Payment Package, use the “Return of Contractor’s Requisition for Payment” form, indicating the reasons for rejection, and return to the Contractor/CM/REI.
 - vi. For Infrastructure: The Complete Payment Package is sent to the Deputy Director in the DDC Payment System prior to being sent to EAO.
 - vii. Send to EAO.

2.6 PAYMENTS WITH STORED MATERIALS

1. Contractor prepares, completes, and signs the “Request for Permission to Store Materials” form.
2. Once the “Request for Permission to Store Materials” form is approved and signed by the CM/REI, if applicable, and DDC PM/EIC, the Contractor/CM/REI submits and signs the completed “Stored Materials Summary” form as part of the Partial Payment, Complete Payment Package.
3. An updated “Stored Materials Summary” form must be submitted with each subsequent Complete Payment Package until all the materials are installed.
4. For Public Buildings: DDC PM to check and verify that the Contractor has included the full value (100%) of the **currently** stored materials in the “Payment Detail” on column H.
5. For Infrastructure: The value of stored materials is generated in the “Totals” report.
6. The DDC PM/EIC checks for mathematical accuracy, values of stored materials (verify that stored materials have been stored and completed), dates, and total previously stored.

2.7 CHANGE ORDER PAYMENTS

1. The DDC PM/EIC verifies that the Change Order is registered and that work is completed. Only registered Change Orders may be paid for completed work.
2. Reject payment if the Change Order is unregistered using the “Return of Contractor Requisition for Payment” form.

SECTION 3 PAYMENT REVIEW AND AUDIT

3.1 EAO REVIEW

1. Once the DDC PM/EIC signs the Complete Payment Package, it is then submitted to the EAO for review.
2. The EAO auditor will visit the site, review the work, and review the Complete Payment Package for compliance with the Contract. They will then submit comments to the DDC PM/EIC through the DDC Payment System, following the standard auditing criteria.
3. The EAO auditor works with the DDC PM/EIC to resolve outstanding comments and close any revision loops.
4. A Complete Payment Package may be rejected, restarting the revision loop at Step 2.3
5. Once the EAO auditor finishes their review and approves the Complete Payment Package, it is then sent to the Chief Financial Officer (CFO), and an auditor is assigned.

3.2 CFO REVIEW

1. The CFO auditor audits the Complete Payment Package and may start a revision loop. The Complete Payment Package may be required to be resubmitted or rejected.
2. Once the Complete Payment Package is approved, the CFO creates a voucher for the payment and submits it to the Financial Information Services Agency (FISA).
3. A copy of the voucher is then sent to all parties associated with the project.

SECTION 4 PAYMENT ISSUED

FISA issues checks to the Contractor.