**XVII. Applications for Payment** (Swetha 4/14/14)

Application for Payment is a written request from the Contractor for payment for the services/jobs that he has provided/ executed under the Contract agreement. The Application for payment itemizes the cost of the work in permanent place, as approved by the Owner’s representative that has been completed in accordance with the contract documents.

This chapter discusses payments from application by the Contractor to actual payments after consideration of retention, stops notices and liquidated damages.

Within 10 days??? after receipt of the Notice of Selection as the Apparent Lowest Responsible Bidder, the contractor is required to submit to the University a breakdown of all costs that constitute the contract sum. This cost breakdown must itemize as separate line items the cost of each work activity and all associated costs, including but not limited to warranties, as-built documents, overhead expenses, and the total allowance for profit. Insurance and bonds shall each be listed as separate line items. The Cost Breakdown form is Schedule 1 of the contractor's Application for Payment, which is submitted monthly.

The costs listed for each activity on the Cost Breakdown form do not change during the course of construction; they are the basis for determining the amount due the contractor each month. Each work activity is compared to the percentage of completion for that line item. The sum of those amounts, minus the amount previously paid, minus retention and other deductions, equals the amount due.

The contractor starts the monthly payment process by preparing an Application for Payment on the University-approved form. The contractor must itemize the application using the Cost Breakdown submitted with the construction Agreement, as modified by fully executed change orders. The University's Representative participates in the preparation of the application by holding a monthly progress payment meeting where agreement is reached on the percentage of work completed. When the work is found to be complete, the contractor makes a final Application for Payment.

**Progress Payments:**

The University will pay the contractor monthly an amount equal to 95 percent of the cost of the work in place; the remaining 5 percent is held as retention. The determination of the percentage of pay every month will depend on the percentage of work that has been completed by the Contractor.

**Retention:**

Retention a portion of the cost of work in place is held by the University as leverage to assure that the work is completed and also as protection should the contractor fail to pay subcontractors or suppliers. Retention differs from the withholding of funds due to incomplete or defective work or other similar conditions listed in General Conditions. University withholds 5 percent of the monthly progress payment due the contractor and retains those funds in the construction account.

**Liquidated Damages**

If the contractor fails to complete the work within the contract time, the contractor is assessed for "liquidated damages" for a sum specified in the Agreement for each day the work remains incomplete beyond the expiration of the contract time. After Substantial Completion the rate will be reduced to the figure specified in the Agreement. The amount deducted is itemized on the certificate. Liquidated damages must be automatically withheld from the progress payment for each day the project is beyond the contract time.

The following procedures should be used for assessing liquidated damages:

1. Inform the contractor during payment determination that liquidated damages will be assessed.
2. Reduce the amount of payment certified by deducting liquidated damages.
3. Assess the liquidated damages through the D&CS's Business Services office. This office will in turn make the appropriate system entry that determines the amount of pay the Contractor will get against that particular Application for Pay.

A change order is not required to change the contract sum because the mechanics for assessing liquidated damages are already established in the Agreement.

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| Pay Applications Checklist | | | | | | | | |  |
|  |  |  |  |  | **Major Capital Construction** | |  |  |  |
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|  |  |  |  | **ALL Invoices and Pay Apps** | |  |  |  |  |
|  |  |  |  | **Content Review** | |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | AIA G702 & 703 |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | Signed by contractor |  |  |  |  |
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|  |  |  |  |  | Notarized |  |  |  |  |
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|  |  |  |  |  | Confirm Project Name, WSU Project number & PO number |  | |  | | --- | |  | |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | Contract values and status of change orders | |  |  |  |
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|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | **Detailed Review** | |  |  |  |  |
|  |  |  |  | **Pencil Copy** | |  |  |  |  |
|  |  |  |  | Attached | |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | **Pay App - AIA G702 & G703** | |  |  |  |  |
|  |  |  |  | Correct Application Number and dates. | | |  |  |  |
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|  |  |  |  | Correct Period Reporting Dates – Applications support docs must be sequential and within application range. | | |  |  |  |
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|  |  |  |  | Original signature of the contractor, notary and architect. Contractor must obtain Architect's signature before submitting application o WSU. | | |  |
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|  |  |  |  | **Proof of Stored Materials** | |  |  |
|  |  |  |  | Bill of Lading | | |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  | Delivery receipts | | |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | Pictures of materials if not personally visiting site, must be separated and labeled for WSU | | |  |  |  |
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|  |  |  |  | Insurance for stored materials | | |  |  |  |
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|  |  |  |  | **Sworn Statement** | |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | General contractor | |  |  |  |  |
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|  |  |  |  | Sub contractors with suppliers or subs with contract values over $1,000 at every tier. | | | | |  |
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|  |  |  |  | Need original signatures and notarized | |  |  |  |  |
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|  |  |  |  | **Waivers** | |  |  |  |  |
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|  |  |  |  | Partial Conditional Waivers required from the General for the amount of the payment request. | | | | |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | Partial Unconditional Waivers from the General and each sub on the sworn statement for the amount of payment received. | | | | | |
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|  |  |  |  | Full Unconditional Waivers for each sub, supplier when paid in full. Must have from every sub or material supplier who submitted a notice of furnishing or claim on bond. Must have before final release of retention. | | | |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | Must have date, name and address of company | | | | | |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | Original signatures and printed name of authoized employee | | |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | Full Conditional Waivers from General at time of retention release. | | | |  |  |
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|  |  |  |  | **Certified Payroll - Federal WH-347** | |  |  |  |  |
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|  |  |  |  | Needed for each worker on the site. | |  |  |  |  |
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|  |  |  |  | Correct project name and number. | |  |  |  |  |
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|  |  |  |  | Signatures on certification page, filled out completely | | | |  |  |
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|  |  |  |  | Work classifications listed as specified on the prevailing wage schedule published by the state of MI. | | | | | |
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|  |  |  |  | Proof of certified apprenticeship program | |  |  |  |  |
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|  |  |  |  | Labor Breakdown Rate Schedule (see form). | | | |  |  |