

PROJECT CLOSEOUT PROCEDURE

The project closeout procedures are designed to enable the Contractor to receive any retention funds, withheld during the construction of the project, within 60 days of Final Field Acceptance (FA) of the project. This is mandated by the Board of Public Works and the California Public Contracting Code Section 7107.

On January 19, 2001, the Board of Public Works adopted A Joint Board Report from the Bureaus of Engineering and Contract Administration. The Board Report directed the two bureaus to;

1. Establish the date of completion of a project to be the date of Final Field Acceptance (FA) of the project when all physical corrections have been completed.
2. Establish a policy for closing projects without disputes within 3 months of Final Field Acceptance and within 6 months of Final Field Acceptance when there are disputes.

Acceptance of the Contract by the Board of Public Works may or may not occur at the same time as release of retention funds, but will occur as soon as possible following Final Field Acceptance.

The following is a chronology of events as they occur in the close-out process of the project:

1. Upon acceptable completion of all work, the District Principal Inspector will request a Final Inspection.
2. The Final Inspection will be conducted by the Bureau of Contract Administration Final Inspector, and a Final Inspection Correction List will be issued to the Contractor.
3. The Contractor is to forward the Final Subcontracting Report and all outstanding Certified Payrolls to the Office of Contract Compliance (O.C.C.) within fifteen (15) days following the Final Inspection.
4. At the time of Final Inspection, the Project Administration Section of the Bureau of Contract Administration will generate a draft copy of the Final Acceptance Board Report.
5. Upon completion of all physical corrections required by the Final Inspection Correction List, the Final Inspector will issue a Statement of Completion for the project.
 - A. The issuance of the Statement of Completion shall signify the Final Field Acceptance (FA) date of the project.
6. It is the goal of Con-Ad and a requirement of the Public Contracting Code to have the contractor receive withheld retention within sixty (60) days of Final Field Acceptance date.

- A. Retention will be released less any disputed monies (potential penalties or withholdings requested by the Project Engineer or O. C. C.).**
 - B. Failure of the Contractor to forward the Final Subcontracting Reports, Certified Payrolls to O.C.C., or to sign final Change Orders will result in funds being held in retention until such time as all administrative processes have been completed**
- 7. Acceptance of the Contract by the Board of Public Works shall take place upon completion of any investigations(s) by OCC and/or negotiations of final Change Orders(s) by the Bureau of Engineering, and the placing on file with BCA, Contractor Performance Evaluations from both BCA and BOE participants.**
- 8. In the event a claim is filed against the City, and a final Inspection has been performed, the City Attorney will issue a written notice to the Inspector of Public Works to estimate any outstanding monies to be withheld and proceed with the closeout of the project.**

The Contractor has a direct influence on the Final Acceptance of the project. The following are some of the items for which project acceptance and/or full release of retention may be delayed.

- 1. Failure of the Contractor to complete items of work listed on the Final Inspection Correction List.**
- 2. Penalty investigation(s) by OCC into potential illegal substitution of subcontractors.**
- 3. Investigation(s), by OCC Labor Compliance, of potential violation(s) of labor laws.**
- 4. Failure of the Contractor to submit Final Subcontracting Reports and all Certified Payrolls within fifteen (15) days following the Final Inspection.**
- 5. Failure of the Contractor to complete negotiations and sign all Change Orders.**

The Project Engineer also has a direct influence on the Final Acceptance of the project. If the negotiations of Change Orders or disputes are not successful within thirty (30) days following the Final Field Acceptance date, a Unilateral Change Order shall be written to expedite the closeout of the project.

DEPARTMENT OF PUBLIC WORKS

AS AMENDED *

ADOPTED BY THE BOARD OF
PUBLIC WORKS OF THE CITY
of Los Angeles, California

BUREAU OF CONTRACT ADMINISTRATION

BUREAU OF ENGINEERING

JOINT REPORT NO. 1

JAN 19 2001

January 17, 2001

C. D. No.: All

James J. H.
Secretary

Honorable Board of Public Works

EXPEDITING CONTRACT CLOSEOUT

RECOMMENDATIONS:

Adopt this report and direct the Bureaus of Contract Administration and Engineering, respectively, to implement the following actions:

A. POLICY CHANGES/CLARIFICATIONS

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1. Establish the date of ^{completion} ~~beneficial use~~ of a project to be the date of Final Field Acceptance of the project when all physical corrections have been completed.
2. Establish a policy of closing projects without disputes within 3 months of final acceptance, and within 6 months of final acceptance when there are disputes.

B. ACTION STEPS FOR IMPLEMENTATION

1. The Bureau of Contract Administration shall:

- Notify the Office of Contract Compliance (OCC) when each subcontractor's project work is complete.
- Include the following two items on the Final Inspection Correction List in order to expedite receipt of information from the Contractor:
 - a. Forward Final Subcontracting Report to OCC.
 - b. Forward Certified Payrolls to OCC.
- Initiate preparation of the Final Acceptance Board Report at the time the Final Inspection is conducted.
- Request release of retention within sixty (60) days of Final Field Acceptance of the project, in compliance with California Public Contracting Code, Section 7107, after subtracting any disputed monies (outstanding

administrative corrections, such as wage violations, illegal substitutions, or liquidated damages).

- In the event a claim is filed against the City, and the project has had Final Inspection, the City Attorney will issue written notice to the Inspector of Public Works, recommending that the Bureau of Contract Administration initiate the project closeout. Dollar values will be estimated and withheld for all outstanding corrections and/or potential penalties, and the Final Acceptance Report will proceed to the Board of Public Works for acceptance and the release of retention (minus the monies held).

2. The Bureau of Engineering shall:

- Adopt a policy to issue a unilateral Final Change Order upon determination that all reasonable efforts to negotiate any remaining disputed items with the contractor have been exhausted.
- Adopt a policy of having an internal Advisory Board to assess the items under contention for any construction project that has not been closed within 6 months of the end of construction activities.

DISCUSSION:

On October 6, 2000, the Board of Public Works directed the Bureaus of Contract Administration and Engineering, with assistance from the City Attorney, to expedite contract closeout in order to fully comply with the provisions of Public Contract Code Section 7107. The period to be addressed is from Final Acceptance of the project by the final inspector through Board of Public Works acceptance.

Final Acceptance is determined to be when all physical corrections requiring the contractor's presence at the job site have been completed.

Project closeout most often falls into either a "routine" category or a "delayed" category. A project can be closed as "routine" (minimum delay) when there are no penalty recommendations, no claims from the contractor, no delay in negotiation and issuance of the Final Change Order, and when all required reports have been provided by the Contractor. The average closeout time for projects of this nature has been 45 days.

~~Project closeout may be delayed as a result of penalty investigations, delays in obtaining certified payroll, final subcontracting reports, and/or final change order negotiations. Projects which experience such obstacles are closed out in the range of 7 to 20 months after final inspection.~~