

PAYMENT PROVISIONS

CONTRACT ADMINISTRATION MANUAL

5-591.370

Fund Encumbrances

When a Contract has been officially approved, the funds to cover the Contract amount have been encumbered. This encumbrance is a legal process governed by State laws to insure money has been designated or set aside to pay the contractor. The Engineer cannot issue a partial payment until such time the Office of Construction & Innovative Contracting (OCIC) downloads the original encumbrance to the field, and it is entered into the field computer application. This original encumbrance download will be made approximately three working days after **Contract Approval**.

In addition to the original encumbrance, the following conditions may need the encumbrance of additional funds.

1. Supplemental Agreements

Supplemental Agreement funds are encumbered at the time the agreement is approved in the Central Office. Funds are encumbered by group number, thus the Engineer must take care to ensure the proper distribution of funds on the Agreement and in subsequent requests for funds to cover over-runs on the agreement. Any additional encumbrance for overruns, claims, etc. because of work performed under the Agreement is addressed below.

2. Anticipated Overrun in Contract Items

When the certified value of work completed on a partial estimate voucher is equal to 80 percent of the total encumbrance to date, the Engineer should review all pay items in the Contract, Supplemental Agreements and Work Orders for Minor Extra Work for over-runs and under-runs. The Engineer should then estimate the final amount of each pay item. If the estimate indicates that the amount encumbered is inadequate to make final payment to the contractor, the Engineer must submit a letter to the Office of Construction & Innovative Contracting (OCIC) Contract Administration Engineer, or the District State-aid Engineer as appropriate, to request an encumbrance sufficient to meet the estimated value of the final payment for each pay group. The OCIC Contract Administration Engineer or District State-aid Engineer will review and approve prior to submitting it to the Department of Finance for encumbrance of additional funds.

In the request for encumbrance of additional funds, the Engineer must list the amount to be encumbered by group. Pay Items documented by Change Order, Work Order-Minor Extra Work and Back Sheet Item entries are considered overruns and must be included in the request for encumbrance. The Engineer may submit as many requests for encumbrance as are needed.

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Fund De-encumbrances

When the Contract work is completed the Engineer should review the final quantities and determine the amount of excess encumbered funds, if any. When the final voucher is received back from the Contractor, or the 90-day clock has expired, whichever comes first, a de-encumbrance of any excess funds should be made in the same manner as described for encumbering.

PARTIAL PAYMENT PROCESS

In accordance with Specification 1906 "Partial Payments", at least once a month at regular intervals, the Engineer will prepare an estimate of the value of the work completed or substantially completed for each Contract item, less an amount adequate to cover contingencies and costs still to be incurred. Partial payments may be withheld from the Contractor if any required documents in the Contract are delinquent or for other causes discussed in Specification 1906 "Partial Payments".

Item Record Accounts (IRAs)

Partial payments to Contractors are made based on the pay item quantities that the Engineer has entered on to the IRAs contained in the field computer application. The IRA provides the Engineer with the ability to electronically record and track daily pay item quantity entries as they are measured, documented and become eligible for payment. The first partial payment estimate generated by the Engineer using the field computer application will include payment of all IRA pay item quantity entries made to date. Any successive partial payment vouchers will include payment of all IRA entries made to date, minus all previous payments made.

Original Contract Pay Item IRAs

At the time of **Contract Award** a complete set of Item Record Accounts is downloaded to the field computer application for use by the Engineer. This original download includes one IRA for each Original Contract Pay Item for each funding split or Group included in the Contract. The Engineer can immediately make entries and keep track of quantities on these IRAs prior to Contract Approval. However, a valid partial payment voucher cannot be issued until such time OCIC downloads the original encumbrance to the Engineer. This original encumbrance download will be made approximately three working days **after Contract Approval**. (For those quantity entries made on IRAs after Contract Award but prior to Contract Approval see Unauthorized Work Specification 1512 paragraph 4).

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Back Sheet Pay Item IRAs

Back sheet pay items are those contractual payments provided for by the Standard Specifications, Plans or Special Provisions, excluding Contract bid Items and Supplemental Agreement pay items. Back Sheet pay items IRAs are not included in the original Contract pay item download. The Engineer must create the IRAs for Back sheet payments in the field computer application.

The following are examples of Back sheet payments or deductions and authorizations:

- Credit (Deduction) for out of tolerance Curb & Gutter as per Standard Specification 2531K (1).
- Water for Dust Control as per Standard Specification 2130.501.
- Items for additional traffic control that may be required as per Special Provision S-____.
- Deduction taken for failing aggregate as authorized by memo from Mn/DOT Bituminous Specialty Office.

A partial payment cannot be made if the amount of the voucher exceeds the amount encumbered to date. When needed, the Engineer must encumber additional funds following the procedures outlined previously in this section.

Note: A Partial Payment Voucher that shows a minus dollar figure (Credit owed the State) will require the approval of the Contract Administration Supervisor in the Office of Construction & Innovative Contracting before it can be processed. Such approval will be granted only under extreme circumstances.

When sufficient encumbrance and Contract Approval are in place, a partial payment estimate can be generated by the computer field application at any time during the life of the Contract.

Material on Hand (MOH) Payments

In accordance with Specification 1906 "Partial Payments", a payment will be made for acceptable material produced or furnished for incorporation as a permanent part of the work to be completed, provided acceptable provisions have been made for storage.

Materials that have not been delivered to or adjacent to the Project site will be eligible for partial payment only if they were specifically manufactured or produced for the specific Project, and then only after being irrevocably assigned to the Contract.

In case any Vendor claims against the Contractor (for materials so paid for) remain unsatisfied for more than 30 days following issuance of the partial payment voucher to the Contractor, the applicable payment may be canceled on the next partial estimate.

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The required invoice, billing, title or assignment documents furnished by the Contractor shall contain complete material description and identification data.

Raw materials stockpiled at production plants or fabrication sites must be stored separately to qualify for partial payment and shall be used only for the assigned Contract.

No MOH payment will be made for living plant materials until planted. [However, note that payment of certain percentages of the bid amount for plants can be made under the provisions of Standard Specification 2571.5 Basis of Payment. (i.e. up to 10% payment can be made upon satisfactory completion of Preparatory Work etc.)]

Contractor produced MOH payments

For those materials produced by the Contractor, the Engineer determines the amount of payment. The Engineer may request the Contractor to submit an itemized list showing the cost of producing the material, or use the following table as a guide, but in no case will the partial payment exceed the value of work it will be used in:

ITEM NO.	ITEM	PERCENT OF ITEM UNIT BID PRICE
2118	Aggregate Surfacing	40% in stockpile in pit
2211	Aggregate Base	OR
2221	Aggregate Shouldering	65% in stockpile on project
2461	Concrete Sand	\$3.75 Ton at batch plant \$5.25 C.Y. at batch plant \$2.00 Ton at producing plant \$2.80 C. Y. at producing plant
2461	Concrete Coarse Aggregate	\$6.25 Ton at batch plant \$8.75 C.Y. at batch plant \$4.25 Ton at producing plant \$5.95 C. Y. at producing plant
2331, 2341	Bituminous Aggregate	12% in stockpile in pit 20% in stockpile on project

MOH will be paid for as a Back Sheet Item. MOH payments will not be combined or "lumped together" as one MOH payment covering several pay items. (Example: Stockpile for Aggregate Shoulder Class 3, Structural Steel Beams and 12 inch Reinforced Concrete Culvert would require three separate MOH payments.)

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The Engineer is responsible for monitoring all MOH payments to assure that payment for such materials is appropriately reduced from the pay voucher as the actual pay items represented by the MOH are being placed and paid for under the Contract items.

Partial Estimate Voucher

After quantities have been entered, the Engineer may print a voucher. It is wise to create a Draft Partial Estimate for review by the Engineer and the Contractor prior to creating the "hard copy" partial estimate. This will allow the Engineer to make any desired adjustments in quantities before submitting to Central Office Construction for payment.

After printing the voucher, the Front Face of Partial Estimate Voucher along with the signature sheet is submitted by to:

MN/DOT OCIC
Attention: Estimate Section MS 650
395 John Ireland Blvd
St Paul MN 55155

OR

The Front Face of the Partial Estimate and the signature sheet may be scanned and sent to **CPG** via GroupWise (for agencies not using GroupWise, send to CPG@dot.state.mn.us) Include the S.P. number, Contract number, and voucher number in the subject line.

The Estimate Section then checks the Voucher for accuracy prior to submitting it to the Mn/DOT Office of Finance for payment. If the Voucher is not payable as submitted, the Engineer is notified immediately of any corrective action necessary. It is no longer necessary for the Contractor to sign Partial Estimate Vouchers.

PAYMENT FOR SURPLUS MATERIAL

Pay for surplus materials made in accordance with Specification 1907 "Payment for Surplus Materials". Mark payments as nonparticipating for all Federal-aid projects.

See Section 5-591.500 for FINAL ESTIMATE AND PAYMENT PROCESS