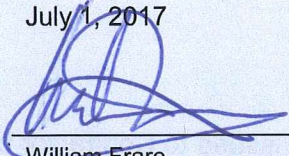


**Administrative Services Policy No. 5.50**

# Construction Contract Closeout

<b>Applies To:</b>	Department of Enterprise Services (DES) employees and Project Managers with delegated signature authority from DES.
<b>Authorizing Sources:</b>	<a href="#">RCW 39.19</a> <a href="#">RCW 39.80.050</a> <a href="#">RCW 43.19.450</a> <a href="#">RCW 60.28</a>
<b>Information Contact:</b>	Engineering & Architectural Services
<b>Effective Date:</b>	March 11, 1997
<b>Last Update:</b>	July 1, 2017
<b>Approved By:</b>	 _____ William Frare Assistant Director, Engineering & Architectural Services

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## Purpose

This policy applies to all public works construction contracts including but not limited to Design-Bid-Build, GCCM, Job Order Contracting (JOC), and Small Works Roster contracting. This policy excludes Design-Build contracts and Energy Savings Performance Contracts (ESPC).

Its purpose is to establish a sequence for timely contract closeout. The overall benefit is to accomplish timely substantial completion, final completion and final acceptance of construction in a predictable time frame. This policy establishes the sequence for construction contract closeout.

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## Definitions

*This policy uses the following abbreviations and definitions:*

**A/E** means Architect/Engineer or related professional design and/or construction services consultant.

**Contract End Date** is the designated term for Final Acceptance as entered in the DES Capital Planning & Project Management (CPPM) software.

**COP** means “Change Order Proposal”.

**E&AS** means Engineering & Architectural Services.

**E&AS PM** means E&AS Project Manager, Dept. of Corrections (DOC) Team Project Manager, and/or Dept. of Social and Health Services (DSHS) Team Project Manager. Project managers report to an Assistant Program Manager (APM).

**ELCCA** means Energy Life Cycle Cost Analysis.

**FA** means Field Authorization.

**Final Acceptance** means the written acceptance issued to Contractor by Owner after Contractor has completed the requirements of the Contract Documents as further defined in the General Conditions for Washington State Facility Construction, Section 6.09.B, and formal action by E&AS initiating the statutory 45-day lien period. The E&AS Assistant Program Manager for the project establishes this date.

**Final Completion** means that the Work is fully and finally complete in accordance with the Contract Documents, as further defined in the General Conditions for Washington State Facility Construction, Section 6.09.A. The Project Manager establishes this date after confirming that the Client Agency and Consultant agree that all the requirements of the construction contract have been fully completed.

**GCCM** means the General Contractor / Construction Manager alternative public works delivery method, or firm providing GCCM services.

**JOC** means Job Order Contract(ing).

**LEED** means Leadership in Energy and Environmental Design, a green building certification program administered by the United States Green Building Council (USGBC).

**Prior Occupancy** means the Owner’s use of all or parts of the Project before Substantial Completion, as further defined in the General Conditions for Washington State Facility Construction, Section 6.08.

**Substantial Completion** means that stage in the progress of the Work (or portion thereof designated and approved by Owner) when the construction is sufficiently complete, in accordance with the Contract Documents, so Owner has full and unrestricted use and benefit of the facilities (or portion thereof designated and approved by Owner) for the use for which it is intended, as further defined in the General Conditions for Washington State Facility Construction, Section 6.07. Incidental corrective or punch list work may still need to be completed.

USGBC means United States Green Building Council.

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## Policy

- A. Construction contract close out shall be discussed as an agenda item at the Pre-Construction Conference and during regularly scheduled Construction Progress Meetings.**
- B. The consultant shall schedule a dedicated close out meeting when construction is approximately 75% complete. The consultant, E&AS PM, client agency, and contractor shall identify close out requirements and develop a timeline to close the construction contract.**
- C. The Substantial Completion checklist shall be used as the procedure to establish Substantial Completion.**

The following are prerequisites to establishing Substantial Completion:

- Acceptable completion and functioning of all contracted work except incidental corrective (punch list) work;
- All systems functioning as designed;
- Certificate of Occupancy and other permits received;
- Notice from the Consultant that the Contractor's work is substantially complete;
- Approved Operation & Maintenance (O&M) manuals turned over to client agency;
- Completion of specified operations and maintenance training of Client Agency facility representatives;
- All specified required test reports submitted by Contractor and approved as complete by A/E;
- Contractor's LEED submittals and reports complete and submitted to USGBC;
- All specified executed certificates of warranty, bonds, extra stock receipts, etc. submitted, approved by A/E and turned over to Owner;
- Draft "as-built" Record Documents submitted, and approved by A/E;

Other prerequisites may include the following, as applicable:

- Building Commissioning substantially complete;
- All specified Maintenance Materials (tools, spare parts, extra stock, etc.) submitted, approved as complete by A/E and turned over to Owner;
- Final approved Key Schedule and all building keys turned over to Owner;
- ELCCA verification checklist completed;

- D. The consultant shall verify that all applicable checklist items are complete and notify the E&AS PM. For projects without a consultant, the E&AS PM shall verify all applicable checklist items are complete.**
- E. The E&AS PM, with the concurrence of the client agency, shall issue a Certificate of Substantial Completion which establishes the date of Substantial Completion.**

**F. The basic warranty period of a project runs for one year, starting on the Substantial Completion date, unless activated earlier on the date of Prior Occupancy (see step H).**

**G. The Substantial Completion date also establishes the completion of contract date for purposes of liquidated damages.**

Achievement of Substantial Completion relieves the contractor from further obligation for payment of liquidated damages to the Owner under the terms of the construction contract.

**H. The client agency may request Prior Occupancy of the facility before Substantial Completion is achieved.**

When appropriate, the E&AS PM shall prepare and execute a Prior Occupancy Agreement with the Contractor in accordance with the General Conditions.

Prior occupancy may be appropriate for projects involving multiple facilities and/or phased work in facilities when the owner requires use of an area that is complete or partially completed.

**I. Interim milestone dates may be used for completion of specific portions of a contract. The portion of the contract work requiring an interim milestone date may also include a prescribed start date.**

When appropriate, identify in the contract documents the portions of work that is required to be completed as an interim milestone and the corresponding completion date. The PM shall use the liquidated damages checklist to calculate the liquidated damages for the interim milestone date(s).

**J. The recommended time allowed between Substantial Completion and Final Completion should be established by the project manager in the bid documents.**

**K. The E&AS PM, client agency, and consultant shall use the Final Acceptance Checklist as the procedure to establish the Final Completion date.**

The following are prerequisites to establishing Final Completion:

- All contractual obligations have been met, including as applicable:
- Final on-site of inspection to ensure satisfactory completion of all incidental corrective (punch list) work;
- Receipt of approved “as-built” record documents from contractor
- All remaining commissioning activities complete and commissioning issues resolved
- All Affidavits of Wages Paid complete and submitted to Washington State Department of Labor and Industries;
- All FA and COP items completed and Change Orders processed;



**L. The consultant and E&AS PM shall verify that their respective checklist items are complete. For projects without a consultant, the E&AS PM shall verify all applicable checklist items are complete.**

- The contractor will submit a final list of all-tier subcontractors that worked on the project and the PM verifies that all affidavits were submitted to L&I.
- Any and all claims and/or disputes resolved;
- Final Contractor invoicing 100% and retainage (as applicable), received and approved for payment by A/E and Project Manager.
- Verify that final audit is complete and notify the Contracts Specialist to close the project in the DES Diversity Compliance program (B2Gnow)

**M. The E&AS Assistant Program Manager approves closing the construction contract.**

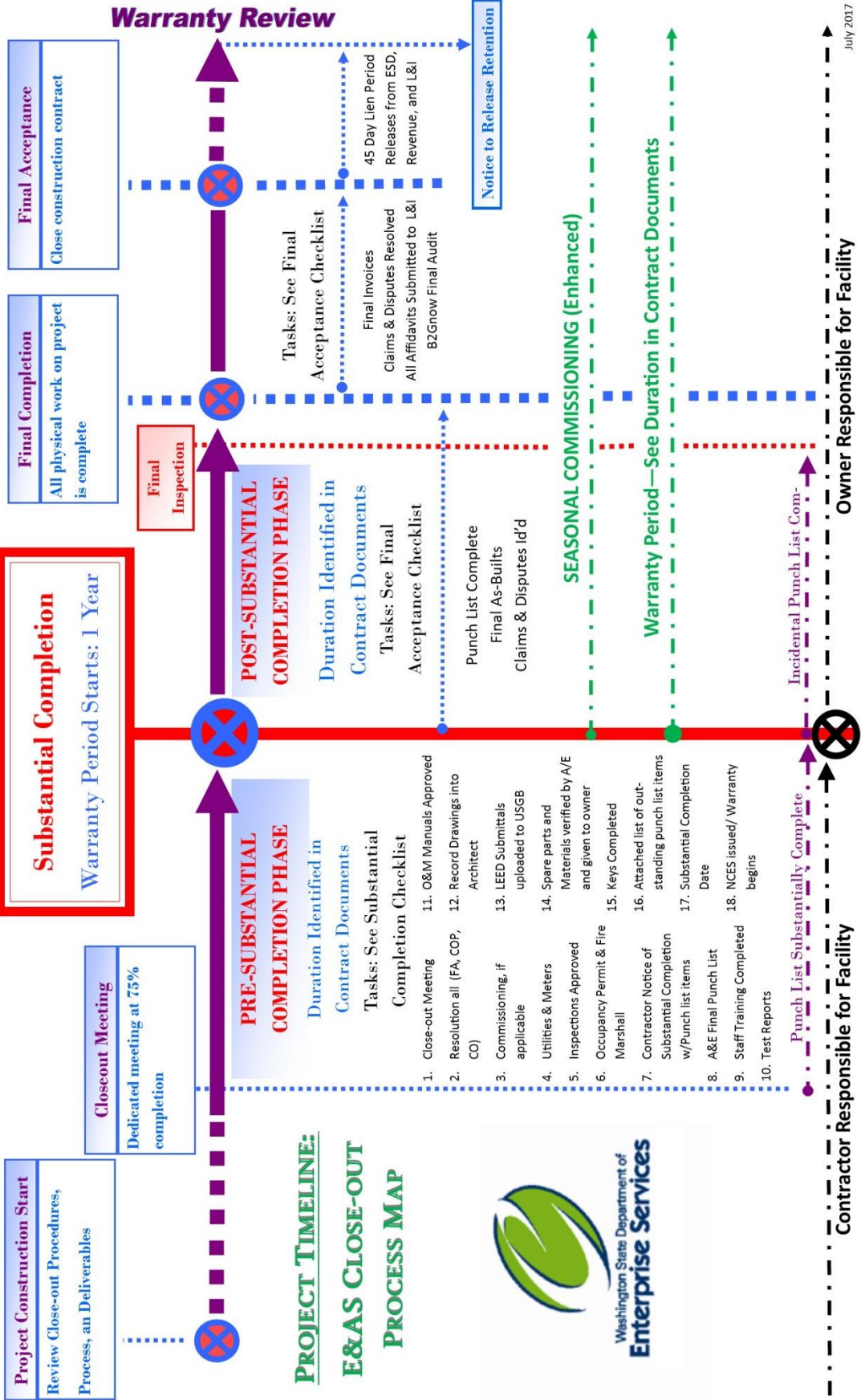
- The E&AS Contracts Specialist will close the construction contract and publish an advertisement announcing Final Acceptance date of the construction contract.
- The advertisement initiates the statutory 45-day lien period.
- The client agency files the Notice of Completion of Public Works Contract with Washington State Departments of Revenue, Labor & Industries, and Employment Security.

**N. No contract transaction or re-opening of same shall occur after the date of Final Acceptance unless approved by the E&AS Assistant Program Manager.**

**O. The recommended time duration between Substantial Completion and Final Acceptance should not exceed 120 calendar days.**

**P. The client agency will pay retainage upon completion of the lien period and after receiving releases from Employment Security Department, the Department of Revenue and the Department of Labor & Industries.**

**Q. The recommended time duration between Final Acceptance and Project Closeout should not exceed 60 calendar days.**



## Required forms

### *Forms:*

- Substantial Completion Checklist
  - Certificate of Substantial Completion
  - Notice of Completion of Public Works Contract
  - Final Acceptance Checklist
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## History

### **Amended:**

- February 2016 - Updated to specifically address contract closeout for Design-Bid-Build, GCCM, Job Order Contracting, and Small Works Roster contracts.
  - June 2017 - Updated terminology definitions to be consistent with software programs, updated flowchart.
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*Need a copy of a prior version of this policy? E-mail [jack.zeigler@des.wa.gov](mailto:jack.zeigler@des.wa.gov)*