



Contract Compliance Guide

A Resource for King County Agencies

Department of Executive Services
Procurement & Payables

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1. PURPOSE AND OVERVIEW

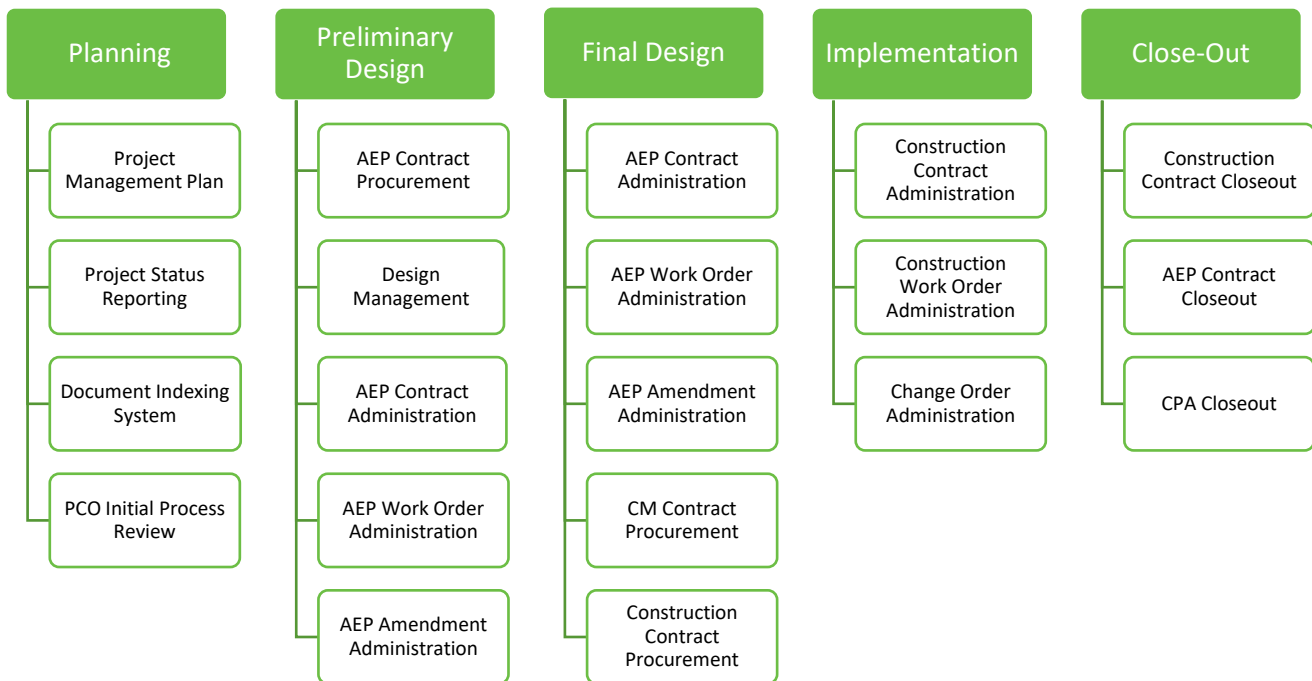
The purpose of this guide is to provide instructions to Implementing Agencies (IA) on project control and contract compliance process for Capital Projects with compliance with Executive Policies and contract terms and conditions. It includes best practices, standard practices, and links to the required resources to administer a capital project. To ensure quality project management and compliance with policies, each IA must maintain a current Project Management Manual (PM Manual). This guide should be used as a compliance guide for developing and maintaining the IA PM Manual.

All agencies with a Capital Improvement Program (CIP) must maintain an IA PCO appointed by the Division Director. For each agency, it is the responsibility of the appointed IA Project Control Officer (PCO) to ensure compliance with the Project Management Manual specific to their agency.

HOW TO USE THIS GUIDE

Within each section of this guide a “Compliance Checklist” is intended to provide PCO topics to consider when reviewing project documentation for compliance with King County Policies and contract terms and conditions.

This guide is organized by the standard capital project phases as defined by the Capital Project Management Work Group ([CPMWG](#)). Tiles beneath each Phase represent associated contracting services or administration which occur in that phase. Click on the below topics to go to the specific section of the guide.



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King County Finance Project Control Officer

[Chapter 4A.100.100 \(Reports\)](#) of the King County Code establishes the Finance and Business Operation Division Project Control Officer (FIN PCO) as the County's Project Control Officer. The FIN PCO is responsible for overseeing and report on Capital Projects in regards to:

- the process used to ensure that IA adhere to King County's construction management policies and procedures (Policies);
- the IA's compliance rate for following the Policies;
- the steps being taken by IAs to increase compliance with Policies; and
- all findings in regards to any changes in a contract's scope, schedule or budget.

In order to carry out the duties enumerated above and to support IAs' compliance with the Policies, the FIN PCO established standard templates, guidelines, and best practices to efficiently and consistently administers the compliance processes. IAs are required to use the resources provided and adhere to the standard processes when administrating Capital Project contracts.

All Executive Departments, Offices and agencies are required to comply with the requirements of the Policies to ensure that adequate internal controls are in place and being followed for the efficient and effective management of public work and professional services contracts, and to enhance the overall fiscal accountability for the capital program. Accordingly, all capital projects and the construction and design management practices of all Executive Departments, Offices and agencies are subject to review. All capital project contracts are subject to review by FIN PCO and IA PCO review. IAs shall create and maintain a process for documenting IA PCO review. The IA PM Manual shall document this process. The FIN PCO may notify the IA Director (IAD, or designee) if concerns arise. The FIN PCO may recommend corrective action or recommend and conduct additional IA staff training or both.

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2. PROJECT PLANNING PHASE

2.1. PROJECT MANAGEMENT PLAN (PMP)

A PMP shall be developed during the project Planning phase for each Capital Project. The purpose of the PMP is to define the objectives, requirements, risks and constraints of the project, and to think through the plan for the team's proposed approach and the course of action for completing the project. The PMP is developed at the start of the project and should be refined throughout the life of the project.

Minimum Required PMP Elements:	
Elements	Definitions
Project purpose, objectives, and needs	A clear and concise justification statement that states the intended outcomes/objectives of the project and the project requirements.
Primary Users	List of stakeholders.
Project Description	A general description of the project.
Project Scope of Work	Detailed description of services to complete the project, including description of activities to complete the work and the deliverables for each activity.
Project Cost Estimate	The project budget including an estimate of design cost, construction cost, County labor and administration cost, and contingency allowance.
Project Schedule	A detailed project schedule based on design and implementation requirements to complete the Scope of Work (SOW).
Baseline Project	Identify the Baseline Project targets for design scope, schedule, and budget with technical information for performance measurement basis. Baseline Project targets should be established when 30% to 40% of the design is complete, depending of the project (refer to PM Manual for further details).
Cost Control Plan	The Cost Control plan should include a process for: <ol style="list-style-type: none"> 1. Managing design changes during the Final Design phase and maintaining costs within the Baseline construction target; 2. Approval level for design changes that may result in exceeding the Baseline construction target before they can be incorporated into the design; 3. Contingency amount drawdown tracking including risk management costs.
Project Updating Process	A process for updating scope, schedule, cost, and risk at design intervals or milestones.
Cost Estimating Requirements Plan	The Cost Estimating Requirement plan should include: <ol style="list-style-type: none"> 1. A reconciliation process to use when the Baseline construction target is at variance with the design estimates; 2. A plan for value engineering or other processes when considering scope revisions.
Communication Plan	The communication plan should include: <ol style="list-style-type: none"> 1. A process for notifying the IA Department Director (IAD) when the Baseline Project target is at significant risk of being exceeded. 2. A process for notifying the IA Department Director (IAD) for when a project is expected to have an impact on the Public.
Risk Assessment and Management Process	The Risk Assessment process should include: <ol style="list-style-type: none"> 1. Risk Identification: Determine the potential risks for each Project. 2. Risk Qualification: Identify those significant risks that need further quantification and action. 3. Risk Quantification: Analyze and evaluate each risk to assess and quantify the range of potential impacts to the Project. 4. Risk Response: Determine action steps to enhance opportunities and reduce the threat of significant risks to Project objectives.

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2.2. DOCUMENT CONTROL/INDEXING SYSTEM

The IA is responsible for developing and maintaining a document indexing system to manage and maintain the documents and correspondence that are directly related to a project and the various contracts for that project. The purpose of document control and management is to ensure that project information is organized and readily accessible. The document control system should include, at a minimum, the following:

- File Index;
- Project Contact List;
- Budget and Schedule;
- Project Planning Information;
- Internal and External Correspondence;
- Consultant Contract and Amendments;
- Consultant Invoices;
- Contractor Bid Documents;
- All submittals received from consultant or contractor
- All interim and final agreements from negotiations
- Project scope including adjustment or clarifications
- Cost analysis including backup documentation
- Contractor Contract and Change Orders;
- Contractor Application for Payment;
- Meeting Notes/Meeting Minutes;
- Permits;
- Project Closeout.

Compliance Check:

1. Is there proof of PCO review performed on contracts >500K?
2. Is there proof of Cost Price Analysis completed for cost plus fixed fee contracts?
3. Are the negotiation participants listed in file?
4. Is written summary of negotiation process in file?
5. Are all interim and final agreements during negotiation recorded in RoN?
6. Are all negotiation documents included in the project file?
7. Is the LOE Estimates conducted by County performed and summarized?

At the conclusion of each AEP contracts, amendments and individual work orders negotiation, the contract file should include the following documentation:

- Record of Negotiation that summarizes the negotiation process
- All items received from the consultant and subconsultant
- All interim negotiation and final agreement documentation
- Summary of negotiation process and agreement reached
- Project Scope (including adjustments or clarifications)
- Project Schedule (including adjustments or clarifications)
- Basis of Price Agreements
- Projected Amendments, if any
- Level of Effort (LOE) or construction estimates
- Cost/Price Analysis documentation (except for lump sum contracts)
- LOE estimates conducted by the County
- List of participants in the Negotiations process

2.3. PCO INITIAL PROCESS REVIEW

The IA PCO shall be the designated PCO for all Capital Project to assist the Project Representative (PR). Should an agency have the appropriate resources the appointed IA PCO may assign a designee to these contracts. All Architectural, Engineering and Professional (AEP) services contracts with a total estimated contract value (including anticipated phase work) greater than \$500K and all construction contracts with initial contract value greater than \$1M, the IA PCO will meet with the PR to review the approach and the planned control processes for Policy compliance, including a review of the PMP, document control process, the communication plan, project initiation, procurement documentation, use of cost analysis, amendment process and documentation progress payment processing and documentation, design management, contingency tracking/usage, schedule management, and management reporting.

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2.4. AEP CONTRACT PROCUREMENT PROCESS

P&P is responsible for procurement planning, solicitation development, facilitating proposal evaluations, awarding contracts, conducting cost analysis, and facilitating contract execution. The PR or IA designee may contact the AEP Lead Contract Specialist (CS) to assist with planning and selecting the type of procurement and contract that best meet the project's need. The [AE Procurement Guide](#) provides in-depth information on AEP procurement process and resources available.

2.4.1. AEP PCO Review

PCO Review during Procurement Planning

AEP Contracts with estimated value (including anticipated phase work) at or over \$500K requires a PCO review per [CON 7-25](#). For AEP Contracts with estimated value from \$500K to \$2M, the PR will refer the scope of work and the Independent Cost Estimate (ICE) to the IA PCO for review prior to submitting a solicitation service request to P&P. For AEP contracts over \$2M (over \$4M for WTD/Transit Metro), the P&P Contract Specialist will refer the scope of work to the FIN PCO for review during the procurement planning.

PCO Review during Procurement Negotiation

The PR is responsible for negotiating a fair and reasonable price with the consultant using the ICE as the basis for negotiating the proposed fees, schedule, and scope of work.

For AEP Contract over \$2M (\$4M for WTD/Transit Metro), the P&P Contract Specialist will refer the scope of work, project schedule and level of effort to the FIN PCO for review prior to the final round of negotiation.

3. PRELIMINARY DESIGN PHASE

3.1. DESIGN MANAGEMENT

CPMWG establishes project management tools and standards to provide better overall accountability and transparency on capital projects and to make recommendations for countywide investments in project management training and staff development. The PR shall manage their projects following the guidelines and standards set by the CPMWG. The IA PM Manual should include procedures for the establishment of:

- Design Criteria, which includes input from stakeholders, end users, and regulatory agencies.
- Schedule for the design development and Design Review.
- Baseline ICE for the implementation and completion of the design.
- Design Review Process in accordance with the Design Review schedule.
- A Design Review team, which shall review the design against the established Design Criteria and document the results of the review. The documentation should include comments regarding the compliance with the Design Criteria.
- Requirements for Constructability Reviews prior to completion of construction drawings, including an estimate review and, if required, a reconciliation of the project's scope, schedule, and budget.

Compliance Check:

1. Is there evidence of PCO review performed on contracts >500K?
2. Is there evidence of Cost Analysis completed for cost plus fixed fee contracts?
3. Are the negotiation participants listed in file?
4. Is written summary of negotiation process in file?
5. Are all interim and final agreements during negotiation recorded in RoN?
6. Are all negotiation documents included in the project file?
7. Is the LOE Estimates conducted by County performed and summarized?

Compliance Check:

1. Are reviews of overhead rate for all firms performed annually per contract terms?
2. Is contingency amount tracked?
3. If contingency over 75% the contingency amount, was IA PCO notified?
4. Are contracts managed according to the contract terms and County policies?
5. Are amendment and WO executed in accordance with the thresholds for signature authorities per PM Manual?
6. Is NTP issued prior to consultant starting work?

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3.2. AEP CONTRACT ADMINISTRATION

Successful contract management is key to the success of Capital Projects. This section provides guidelines and best practices for the administration and management of AEP Contracts. The PR is responsible for administering the contract to ensure compliance with the Contract's terms and Executive Policies, including:

- 1) Ensuring labor rate for all consultants' staff are approved and incorporated into the Contract in a subsequent Amendment (no later than 3 months from rate approval). See [Post-award Rate Review](#).
 - a) In the event that the consultant requests an exception to the salary/billing cap rate, the IA shall process the request in accordance with the Exception Process Rate Cap.
- 2) Ensuring overhead rate reviews are performed annually for all direct labor rate firms. See [Post-award Rate Review](#).
- 3) Reviewing and monitoring Contract schedules from the contract execution through closeout.
- 4) Monitoring and controlling contract costs to ensure costs do not exceed contract Total Price, are in accordance with applicable Policies, and are properly substantiated by documentation.
- 5) Monitoring and reviewing consultant invoice submittals to ensure accurate and timely invoices are submitted in accordance with contract terms.
- 6) Ensuring a construction management firm is retained for all construction contracts estimated at \$10M or more, unless waived in writing by the Executive Audit Committee (EAC) and the Deputy County Executive.
- 7) Issuing NTP, approving requests for payment, authorizing termination or modification of tasks, and approving changes to task budgets, in accordance with the Contract terms.
- 8) Ensuring the consultant report in the Diversity Compliance Management System (DCMS) on a monthly basis, when applicable.
- 9) Ensuring consultant work complies with all provisions of the Contract.
- 10) Ensuring that consultant work performed is within the contracted SOW.
- 11) Authorizing Amendments and/or individual WOs in accordance with the thresholds for signature authorities outlined in the IA's PM Manual.
- 12) Ensuring all Amendments are recorded in CPA by submitting a request to P&P.
- 13) Managing the Contract to ensure compliance with Contract terms and conditions, receipt of deliverables, and completion of scope within the Contract price and schedule.
- 14) Managing CPA expiration date and submit request to P&P to extend the CPA as needed.

3.2.1. AEP PCO Review

Contracts value at or over \$500,000 requires a PCO review. The contract's total price (including anticipated contract phase work and amendments) dictates which PCO is responsible for the reviews.

All agencies except for Wastewater Treatment Division & Metro:

- <\$500,000 = PCO review is not required;
- \$500,000 – \$2,000,000 = required IA PCO review;
- >\$2,000,000 = required FIN PCO review

Wastewater Treatment & Metro Division only:

- <\$2,000,000 = Wastewater Treatment Division/Metro designated reviewer;
- \$2,000,000 – \$4,000,000 = required IA PCO review;
- >\$4,000,000 = required FIN PCO review

Compliance Check:

1. Are reviews of overhead rate for all firms performed annually per contract terms?
2. Is contingency amount tracked?
3. If contingency over 75% the contingency amount, was IA PCO notified?
4. Are contracts managed according to the contract terms and County policies?
5. Are amendment and WO executed in accordance with the thresholds for signature authorities per PM Manual?
6. Is NTP issued prior to consultant starting work?

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3.2.2. Invoice Process

Throughout the life of the contract, as consultant invoices are submitted, the PR is responsible for tracking consultant expenditures and progress against the contract's scope (including detailed tasks), schedule, and budget. The PR should verify work performed by the consultant and review submitted invoices to ensure the work performed and the invoices are in compliance with contract terms within the timeframe set forth in the Contract. The PR or IA staff should ensure the invoices include:

- 1) For each individual, details of the work by task, hours, and contract rates for labor, overhead, and fee
- 2) Copies of all invoices from authorized subconsultants for which payment is being requested
- 3) Only those individuals who are identified in the Contract or have been approved in writing
- 4) Itemized invoices of Other Direct Costs (ODC) and copies of receipts and invoices for which reimbursement is being requested
- 5) Written representation of the accuracy of the rates billed, tasks completed, allowable rates, and percentage of work completed.
- 6) Invoice or comparable backup documentation for all employees listed in the invoice. This documentation must indicate employee name, task worked on, task description, date worked, hours worked.

3.2.3. Amendment Administration

AEP amendments value at or over \$150,000 requires a PCO review. The contract's total price (including anticipated contract phase work and amendments) dictates which PCO is responsible for the reviews. See threshold in section 3.2.1.

The PR is responsible for managing changes to contracts through an amendment in accordance to the Contract terms and Policies, including:

- 1) Ensuring the Amendment Justification Form is completed as the Amendment is developed, approved (if required), and negotiated, but prior to submitting the Amendment to the Consultant for signature and the County's execution of the Amendment. The Amendment Justification Form should include a description of the change, the reason for the change, the contractual entitlement for the change, and the effect of the change on the cost, schedule and SCS/SBE/WBE/MBE/UDBE certified firm(s) participation of the project.
- 2) Ensuring Record of Negotiation (RoN) is completed at the conclusion of all Amendment negotiations. The RoN should include, at a minimum:
 - The date ICE was performed
 - ICE value
 - Consultant proposed price
 - Summaries of each negotiation including agreements reached
 - Final agreed price and reasoning on agreement reached
 - SCS/SBE/MBE/WBE/UDBE utilization

Other IA generated forms can be used in lieu of a RoN if the form includes a record of negotiation section with the above minimumly required information.

- 3) Informing the IA PCO if total executed and anticipated amendments exceed 75% of the planned Contract contingency amount. IA PCO should perform a review of the processes and documentation to ensure compliance.

Compliance Check:

1. Are amendments organized per PM Manual documentation standards?
2. Does each amendment have its own file and are related to the contract located in the same place?
3. Are all contract changes documented in an amendment?
4. Does work added via amendment conform to advertise SOW?
5. Do amendments conform to processes and authority limits?
6. When contingency is met, was pre-approval received prior to consultant signing amendment?
7. Are independent cost estimates or critical estimate reviews performed for each amendment changing contract value?
8. Is there individual cost negotiation activity prior to final agreement and was it referenced/documentated?
9. Does each amendment address schedule impacts?
10. Are amendment SOWs clear, specific, and include deliverables?
11. Are all documents dated, inclusive of contract numbers and amendment numbers?
12. Does evidence support the amendment work began after an amendment was issued?

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- 4) Ensuring Amendments valued over \$150K on contracts over \$2M are referred to FIN PCO for review prior to final negotiation. See [FIN-PCO-AM-review](#) for further details.
- 5) Ensuring no work begins prior to the execution of the Amendments.
- 6) Ensuring a cost analysis is performed to add new subconsultant to the contract.
- 7) Ensuring all amendments indicate the impact to the schedule or state no impact.
- 8) Ensuring all amendments to contract are submitted to P&P.
- 9) Contract contingency shall be assumed at 10% of total contract value unless otherwise documented. For contracts over \$500,000, the PR shall notify the IAD and IA PCO if amendments cause the total contract price to reach or exceed 75% of the contingency.
- 10) Ensuring draft scope of work and LOE of phase amendments is provided to BDCC for review and adjustment of the certified firm participation requirement before the final round of negotiation.

3.2.4. AEP Work Order Administration

- 1) Ensuring ICE is performed prior to issuing the WO request or critical estimate review is in place prior to execution of the WO. A critical estimate review is allowed only if clear evidence of a detailed review is properly documented and placed in the Amendment file. Critical estimate review may be completed within 7 days of executing the work order in case of urgent or unplanned events required immediate action and with IAD approval. Review documentation includes:
 - a) Dated copies of the consultant estimate *and* accompanying scope. Files contain a minimum of the initial and final scope/cost submissions.
 - b) Clear, legible and intelligible notes and calculations directly upon the scope and cost estimate documentation that demonstrates to an independent reviewer that costs were tested. Or, a clear negotiations summary noting the basis for cost changes in each negotiation round.
 - c) Dated copies of either the electronic or handwritten edits to scope documents should be present and in sequential order in the Amendment file.
- 2) Issuing WO request to consultant to initiate work. The WO request should include the following elements:
 - a) Scope of Work;
 - b) Preliminary schedule, including milestones;
 - c) Potential deliverables; and
 - d) Compensation type (Cost plus Fixed Fee or Lump Sum).
- 3) Considering use of alternative procurement such as King County Consultant Roster for WO over \$125K.
- 4) Notifying IAD and obtaining written approval when a WO, including Amendment(s), is at \$100K.
- 5) Ensuring RoN is completed at the conclusion of all negotiations. The RoN should include, at a minimum:
 - The date ICE or critical review was performed
 - ICE value
 - Consultant proposed price
 - Summaries of each negotiation including agreements reached
 - Final agreed price and reasoning on agreement reached
 - SCS/SBE/MBE/WBE/UDBE utilization
- 6) Ensuring WO >\$150K, including amendments, is referred to the FIN PCO for review prior to issuance. The FIN PCO will review the WO within 5 business days upon receipt of the documents listed in the [fin-pco-WO-review](#).
- 7) Ensuring WO <\$150K, including amendments, is referred to the IA PCO for review prior to issuance. The

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- 8) Ensuring no WO is issued after the contract period of performance or the total contract price is reached.
- 9) Ensuring that the consultant's proposal: (1) conforms to the requirements of the Contract, and (2) contains sufficient detail for the basis of the proposal to be evaluated and understood. Before a WO is approved, a RoN that fully reconciles the negotiated price with King County's estimate must be prepared.
- 10) Ensuring each individual WO (including all WO changes) is documented and executed in accordance to the IA established guidelines and comply with contract terms. The documentation should also include:
 - a) Contract Title and Number
 - b) Name of the consultant
 - c) Name of the County employee administering the Contract for the IA
 - d) Description of the WO Scope under the Contract
 - e) Statement as to why the work is necessary
 - f) Statement of Contract amounts authorized by all WOs against the Contract
 - g) An independent price analysis for the work
 - h) Statement of the reconciliation between the County's estimate and the consultant's estimate as the basis for agreeing to the price
 - i) Approval signatures
- 11) Ensuring at the time of annual salary review the proposed salary rate are in compliance with the latest escalation percentage at the time of rev
- 12) Issuing WO NTP after the execution of the WO. No work can begin prior to the issuance of the WO NTP. The NTP should include WO PM's name; WO schedule with established milestones, task completion dates, and deliverables; and consultant's personnel performing work on the WO.
- 13) Ensuring all work for an issued WO begins prior to the contract expiration date.
- 14) Ensuring each individual WO is entered into the DCMS when applicable.
- 15) Ensuring a quarterly report that lists each of its WO contracts is uploaded to the [PCO Collaboration](#) site. The report should include:
 - A. For the WO contract:
 - a) Date the WO contract was executed;
 - b) Duration of the contract;
 - c) Not to exceed contract price for the contract; and
 - d) Payments to date against the contract.
 - B. For each individual WO:
 - a) Date the individual work order(s) was/were executed;
 - b) NTP date(s);
 - c) A brief description of work;
 - d) Original WO price;
 - e) Total number and amount of amendments;
 - f) Revised WO price (including all amendments);
 - g) Date closed/accepted; and
 - h) Consultant's committed SCS/SBE/MBE/WBE/UDBE percentage.
 - i) Total amount paid to date against the WO.

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4. FINAL DESIGN PHASE

4.1. CONSTRUCTION MANAGEMENT CONTRACT PROCUREMENT

On all construction services contracts estimated at \$10 million or more, a construction management firm shall be retained, unless, at the written request of the IAD, the EAC and Deputy County Executive waive this requirement in writing. The IAD's request to waive this requirement must be based on the IA's demonstration that County staff can effectively manage the construction, consistent with best industry practices. The construction management firm shall be distinct from the architectural/engineering firm performing engineering services during construction.

4.2. CONSTRUCTION CONTRACT PROCUREMENT

P&P is responsible for procurement planning, solicitation development, facilitating evaluations, awarding contracts, and facilitating contract execution. The PR may contact the [Construction Lead Contract Specialist \(CS\)](#) to assist with planning and selecting procurement and contract type that best meet the project's need. The [Construction Procurement Guide](#) provides in-depth details on construction procurement and resources available.

Compliance Check:

1. Was a CM consultant retained for construction contracts >\$10M?
2. If CM consultant was not retained for construction contract >\$10M was a waiver approved?

5. IMPLEMENTATION PHASE

5.1. CONSTRUCTION CONTRACTS ADMINISTRATION

The PR is responsible for assuring the construction contract is adhered to and the project is delivered on time, within budget and meets the specified quality standards. This includes:

- a) Reviewing all monthly costs for the project.
- b) Reviewing and updating construction schedule as needed.
- c) Estimating costs to complete project.
- d) Ensuring the contractor report in the DCMS on a monthly basis, when applicable.
- e) Ensuring the contractor and subcontractors file L&I Statement of Intent.
- f) Reviewing contractor's performance.
- g) Reviewing and processing change requests.
- h) Reviewing and responding to Request for Information (RFI)
- i) Reviewing and responding to Record of Submission (ROS)
- j) Reviewing payment requests.
- k) Managing CPA expiration date and submit request to P&P to extend the CPA as needed.

5.1.1. Construction PCO Review

Contracts value at or over \$1,000,000 requires a PCO review. The contract's total price (including anticipated contract phase work and change orders) dictates which PCO is responsible for the reviews.

All agencies:

1. <\$1,000,000 = PCO review is not required;
2. \$1,000,000 – \$10,000,000 = required IA PCO review;
3. >\$10,000,000 = required FIN PCO review

Following any FIN PCO review and recommendation, the IA shall either comply with those recommendations or provide justification in writing to the FIN PCO for not complying with those recommendation prior to executing the change order or work order.

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5.1.2. Construction Change Order Compliance

Contract contingency shall be assumed as 10% of total original contract value unless otherwise documented in the contract file. Work increasing the contract cost must follow the contract's requirement of responsibility (e.g., work that is the onus of the contractor shall not be billed to the County).

- a) For contracts over \$1,000,000, the PR shall notify the IAD and IA PCO if Change Order cause the total contract price to reach or exceed 75% of the contingency.
- b) The IA PCO shall conduct a follow-up review to ensure compliance following the notification.
- c) If the change increases the Total Price by the Contract contingency, the IAD (or their designee) must approve the Justification Form prior to the contractor signing the Change Order.
- d) The IA must file the Justification Form with the contract files.

5.1.3. Progress Payment

Throughout the life of the contract, as contractor submits their payment request, the PR is responsible for reviewing and approving the payment request. Before approving any payment, the PR should:

- e) Complete an onsite observation to confirm that all work in the payment request has been completed.
- f) Confirm work is in conformance with contract documents and has been accepted by the A&E consultant.
- g) Confirm that the contractor's as-builts have been updated to reflect work completed.
- h) Review the invoice in relation to the amount of work to be completed.
- i) Send the payment application to the consulting consultant for review, if appropriate.
- j) Review the LCPTracker System to ensure that the reporting of certified payrolls to date are current/accurate.
- k) Review the Diversity Compliance Management System to ensure that the reporting of payments to date are current, if applicable.

5.1.4. Change Order Administration

The PR is responsible for managing changes to contracts through Change Orders (CO) in accordance with the Contract terms and conditions and Executive Policies, including:

- 1) Ensuring the CO Justification Form is complete, approved (if required), and negotiated prior to submitting the CO to the contractor for signature. The CO Justification Form should include a description of the change, the reason for the change, the contractual entitlement for the change, and the effect of the change on the cost, schedule and SCS/SBE/MBE/WBE/UDBE certified firm participation of the project.
- 2) Informing the IA PCO if total executed and anticipated CO exceed 75% of the planned contract contingency amount. IA PCO should perform a review of the processes and documentation to ensure compliance.
- 3) Ensuring all changes to contract associated with COs are submitted to P&P. Contract changes shall be documented by Change Orders and initiated by the IA Director (or designee). Changes requiring Change Orders include but are not limited to the following:
 - a) Contract Time. Contract time may be extended in Project Specific, Roster and Limited Public Works contracts by a Change Order. A Change Order shall be used to extend time in an individual Work Order, but not the Work Order contract.

Compliance Check:

1. Are COs organized by PM Manual Document Index System?
2. Does each CO have its own file and is related to the contract located in the same place?
3. Are Work Directives related to the CO attached?
4. Does Work Directive (Change Proposal) conform to authority limits set by policy?
5. Are cost review documented?
6. Does COs address schedule impacts?

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- b) Contract Modification. Work Order Contracts require a Contract Modification to exercise the option to extend for the time specified, per the contract documents. No time extensions are allowed beyond what is in the contract documents.
- c) Changing Scope and Price. All additions and/or reductions to the scope of work, including changes to contract time and contract price, shall be documented in a Change Order. Work added via a Change Order shall be necessary to complete the scope of work in the contract documents.

5.1.5. Construction Work Order Administration

The PR is responsible for ensuring each individual WO is in compliance with the WO Contract terms and conditions and Executive Policies, including:

- 1) Ensuring ICE is performed prior to issuing the WO request or critical estimate review is in place prior to execution of the WO. A critical estimate review is allowed only if clear evidence of a detailed review is properly documented and placed in the Amendment file. Critical estimate review may be completed within 7 days of executing the work order in case of urgent or unplanned events required immediate action and with IAD approval. Review documentation includes:
 - a) Dated copies of the consultant estimate *and* accompanying scope. Files contain a minimum of the initial and final scope/cost submissions.
 - b) Clear, legible and intelligible notes and calculations directly upon the scope and cost estimate documentation that demonstrates to an independent reviewer that costs were tested. Or, a clear negotiations summary noting the basis for cost changes in each negotiation round.
 - c) Dated copies of either the electronic or handwritten edits to scope documents should be present and in sequential order in the Amendment file.
- 2) Issuing WO request to consultant to initiate work. The WO request should include the following elements:
 - a) Scope of Work: WOs shall only include scope items from the executed contract;
 - b) Work Order Period of Performance: WOs shall include a date certain for completion or schedule to complete the work. Level of detail for schedule determined by PR or IAs policies or procedures.;
 - c) Potential deliverables;
 - d) Work Order Price: WOs shall contain a NTE limit. IAs shall obtain complete independent cost estimates to complete the work before entering into negotiations; and
 - e) Compensation type (Cost plus Fixed Fee or Lump Sum).
- 3) Considering use of alternative procurement such as Small Work Roster for WO > \$150K.
- 4) Notifying IAD and obtaining written approval when WO, including change orders, is at \$125K.
- 5) Ensuring WO >\$300K, including change orders, are referred to the FIN PCO for review and recommendation prior to issuance. FIN PCO will review the WO within 5 business days upon receipt of the documents listed in the FIN PCO Review Checklist.
- 6) Ensuring no WO is issued after the contract period of performance has expired or the total contract price is reached.
- 7) Ensuring every WO that uses a time and materials or unit price include a not to exceed price.
- 8) Ensuring each individual WO is entered into the DCMS when applicable.
- 9) Issuing WO NTP after execution of the WO. No work can begin prior to the issuance of the WO NTP.
- 10) Ensuring all work for an issued WO begins prior to the contract expiration date.

Compliance Check:

1. Are WOs being used according to the purposes authorized by Policies?
2. Are WOs within the \$300K limit? If over the limit, was the process to notify the IAD followed and approval obtained?
3. Are WOs, including change orders, over \$300K being reviewed by FIN PCO?
4. Were independent estimate reviews performed prior to execution?

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The IA shall provide the FIN PCO with a quarterly report that lists each of its WO contracts and WO history under each contract. The WO history identified in the report shall include:

- a) For the WO contract:
 1. Date the WO contract was executed
 2. Duration of the agreement
 3. Not-to-exceed contract price for the agreement
 4. Payments to date against the contract
- b) For each identified individual WO:
 1. Date the individual work order was executed
 2. NTP date(s)
 3. A brief description of work
 4. Original work order price
 5. Total number and amount of change orders
 6. Revised work order price (including all change orders)
 7. Date closed/accepted
 8. Total amount paid to date against the WO

6. CLOSEOUT PHASE

6.1.1. Construction Contract Closeout

The PR is responsible for closing out construction contract using the [Construction Contract Close-Out Checklist](#). In addition, the PR shall:

- 1) Develop and maintain a standard retainage release checklist in conjunction with Accounts Payable (AP).
 - a) The checklist will identify all required documents that must be collected and verified by the PR.
- 2) Ensure that all required documents are filed and retained in the contract file until the proper destruction date as designated by RCW.
 - b) AP may randomly review closed Construction Contract files to verify that all checklist documents are being maintained in the Contract files.

IA Section Manager or designee who is at least one level above PR will verify and attest that all documents on the checklist are present in the Contract file by signing the checklist, prior to submitting a request for release of retainage from AP.

The IA's request to AP/Disbursement Officer for retainage release will include only the signed copy of the checklist and any outstanding verified liens.

See [Construction Contract Close-Out Requirements](#) for a more detailed list of required contract closeout activities and requirements.

6.1.2. AEP Contract Closeout

The PR is responsible for closing out construction contract using the [Professional Services Contracts Closeout Checklist](#). See [Consultant Contract Close-Out Requirements](#) for a more detailed list of required contract closeout activities. The closeout documentation for AEP Contracts should include at least the below items and activities.

1. Final Invoice from the Consultant
2. Completion of Contract Deliverables
3. Receipt of Final Affidavits of Amounts Paid from the Consultant
4. 100% Final Payment Request Form (BDCC)

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5. Final Payment (per contract terms and conditions)
6. Close Contract in Accounting System
7. Archive Contract Documents Files

6.1.3. CPA Closeout

Upon closing the AEP and/or Construction contract, the PR is responsible for submitting a request to P&P to close the CPA. The PR shall attached the completed contract closeout checklist to the request.