

16. Project Closeout

- 16.1. Project Closeout Overview
- 16.2. Contractor's Administrative Requirements
- 16.3. Final Estimate Assembly/Final Payment
- 16.4. Final Acceptance
- 16.5. Engineer's Administrative Responsibilities
- 16.6. Final Construction Report
- 16.7. Reserved
- 16.8. Report on Design Recommendations
- 16.9. Report on Claims
- 16.10. As-Built Drawings
- 16.11. Other Elements of the Final Construction Report
- 16.12. Project Materials Certification for Project Closeouts
- 16.13. Project Financial Closure
- 16.14. Final Federal Reimbursement
- 16.15. Record Retention & Disposal

16.1. Project Closeout Overview

This section covers all of the administrative requirements that both the contractor and the Project Engineer must comply with before the construction contract can be closed out, the project's records can be properly disposed of, and the final billing sent to the federal funding agency.

With a few exceptions, most of the records needed to accomplish all of this have already been prepared during the course of the contract. The most important things that remain for the Project Engineer to do are secure additional certifications and documents from the contractor, prepare the final estimate, complete the project history (for FAA projects only) and assemble the final construction report.

The Exhibits include a Project Closeout Checklist that outlines all the significant closeout steps leading to the Final Completion Report. The Final Construction Report summarizes the project through the following:

- materials testing summary;
- project materials certification;
- memorandum of exceptions to the project materials certification;
- explanation of overruns, underruns, and change documents;
- final estimate;
- report on any design recommendations;
- report on any claims; and
- as-built drawings.

The Department retains the report indefinitely.

Following acceptance and distribution of the Final Construction Report, the remaining project field records are combined with the regional office records and they are either micro-filmed and the originals destroyed, scanned and uploaded for electronic document storage and the originals destroyed, or they are placed in storage for the required period of time. Then the project's construction phase financial account is closed out and preparations are made to final bill the federal funding agency. All of these steps are explained in more detail in the following sections.

16.2. Contractor's Administrative Requirements

Before processing the contractor's final payment, the Project Engineer must insure that the contractor has complied with all of the administrative requirements of the contract.

Additional administrative requirements the contractor must meet vary from contract to contract. The contractor's failure to comply with these requirements may result in the deduction of monetary damages from the contractor's final payment. Most of the following examples of requirements have limited applicability, but give a general idea of what the Project Engineer should expect from the contractor:

- Maintenance and operating manuals and warranties for equipment purchased under the contract;
- As-built drawings for specialty items such as electrical work or structures;
- Records to document the use of Alaskan Products on state-funded projects containing Alaska Product Preference requirements (AS 36.30.322-4 and 3 AAC 92.050);
- An Electrical Administrator's Certificate of Personal Supervision for all electrical installations (AS 08.40.195 and 12 AAC 32.900);
- Copy of Notice of Completion approved by DOLWD Wage and Hour Division (may be submitted with Final Estimate)
- Copy of contractor's Notice of Termination from DEC

- Unbonded contractors must provide written certification that all persons supplying materials or labor have been paid (AS 36.25.010 and 3 AAC 92.050).

When the following is applicable to the project, the contractor must submit the required information to the DOT&PF Civil Rights Office (CRO):

- Evidence to verify payments to DBE subcontractors, manufacturers, brokers and regular dealers on the DBE Monthly Summary (Form 25A-336) ;
- Federal Aid Highway Construction Contractor's Annual EEO Report (Form PR-1391) required from all contractors and subcontractors on FHWA funded projects.

The Department must request clearance for the contractor's DBE and OJT (if applicable) from the CRO. The CRO may request additional submittals from the Department, such as final DBE quantities. Clearance can be given by email.

The Department must verify, in written form, that the contractor has tax clearance from the Department of Labor and Workforce Development (DOLWD) Employment Security Division. The Department must receive written tax clearance from the Alaska Department of Revenue that confirms the contractor is current on their tax payments to the state. Tax payments to the state must be current through the end of the last calendar quarter that the contractor had employees working on the project. Confirmation is usually sought from the tax offices closest to the contractor's home area.

16.3. Final Estimate Assembly/Final Payment

The final estimate assembly is essentially the contractor's final pay estimate plus a certificate of release. The Project Engineer should compute the final quantities as soon as possible after issuance of the Letter of Project Completion, preferably within thirty days. The forms used for the final estimate and the format of presentation may differ from the progress pay estimates used throughout the project, depending on regional preferences.

Calculate quantities and show them to the appropriate significant decimal (Section 4.7). Coordinate the calculation of all final costs associated with the

Training Program pay items with the regional contract compliance officer.

The Project Engineer may use the:

- Summary of Quantities form (Form 25D-025) to prepare the final estimate;
- The quality assurance/review unit reviews the final estimate and signs both the Final Estimate Review Report (Form 25D-031) and the Certification of Final Estimate (Form 25D-116);
- Both the Project Engineer and the Contractor, use the certification form (Form 25D-116) to certify the Final Estimate; and
- Obtain the certificate of release from the contractor on the Contractor's Release form (Form 25D-117), or on the Assignee's Release form (Form 25D-118) if the contractor has assigned their payments to a third party.

The final estimate contains several sections. The first is a numerical listing of contract pay items and final quantities, which includes the FA Code for each pay item on FHWA-funded projects (Section 2.3).

List original contract pay items first, followed by a listing of change documents with the pay items that were added listed under each change document (or list change orders in the order of the item numbers added).

If the contract contains both participating and non-participating pay items, divide the list into two sections. If there is more than one source of funds within either of those categories, the list is subdivided further.

On FHWA-funded projects, the second section contains a summary showing the cumulative costs in each of the FA Code categories, including any CE costs paid to the contractor (23 CFR 140.203b).

The final section of the estimate is a summary listing of all contractor payments, including the final, broken out by funding source and eligibility (participating or non-participating).

Once the Department receives clearance from Alaska Department of Revenue and Civil Rights/DBE Office, the Project Engineer should sign the Certification of Final Estimate and send it through the Group Chief/PM to the regional quality assurance/review unit for review and approval.

The regional quality assurance/review unit will review the Final Estimate in accordance with P&P 05.01.050 Concurrent Review of Construction Projects. When they have completed the review, that unit will complete and sign the Final Estimate Review Report, sign the certification, and return the estimate assembly to the Project Engineer.

The Project Engineer or Concurrent Review Section, should send the Final Estimate and Certificate of Release to the contractor. When the contractor returns the forms acceptably completed and has submitted the approved Notice of Completion from DOLWD, send the forms through the Group Chief/PM to the finance unit, for final payment. If the Project Engineer or Concurrent Review Section, is aware of any outstanding claims or unresolved disputes, carefully review the contractor's release or written certification before determining whether to proceed with processing the final payment.

16.4. Final Acceptance

The final acceptance by the Department of all work and obligations under the contract, and the formal closure of the contract, is made through the Letter of Final Acceptance to the contractor.

Final acceptance is made following receipt by the Project Engineer of the signed final estimate and an acceptable certificate of release from the contractor. Since the final estimate is not sent to the contractor until the contractor has satisfied all of the physical and administrative requirements of the contract, the Letter of Final Acceptance constitutes the last contractual act.

The Project Engineer prepares the letter for the Contracting Officer's signature including a statement relieving the contractor of further obligations under the contract, except for those involving warranties or guarantees.

Distribute copies of the letter to other units in the Department, other entities directly involved with the contract, and to the federal agency on all projects involving federal funds.

16.5. Engineer's Administrative Responsibilities

After closing out the contract, completing the Final Construction Report should be the top priority. However, before the Project Engineer can submit the Final Construction Report, they have certain administrative responsibilities they must complete.

These responsibilities vary from project to project but may include any of the following:

- **Airport Layout Plan (ALP):** provide Design with any changes in the ALP for them to complete and submit to FAA.
- **Airport Master Record:** The Project Engineer collaborates with Design and the Airport manager in updating FAA Form 5010. FAA requires Form 5010 and a sketch two months before substantial completion of any airport project regardless of funding source. The form contains each individual airport's operational characteristics.

The Project Engineer estimates the date of substantial completion and reviews the form with the Airport Manager for changes in any of the data elements. Advise Design of each change. The Project Engineer shall review data elements in Form 5010 in the field for Design such as:

- Airport Manager information
- As constructed information
- Condition of the surface evaluation
- Inventory of current users of the airport
- Services available to the airport
- Non-commercial landing fee verification

Design receives the data changes and updates the form and sketch to reflect the changes (runway dimensions, surfacing, lighting changes, or navaid installation). They forward the updated information on Form 5010 to the maintenance and operations unit and the Airport Manager. The section (Design, Construction, or Airport Manager) responsible for submitting FAA Form 5010 to the FAA varies by region. See FAA Order 5010.4 Airport Safety Data Program for additional information.

- **Airport Sign Plan:** provide design with any changes to the airport sign plan for them to complete and submit to FAA. (49 CFR Part 139 airports only).
- **Alaska Railroad Release:** requires a release from the railroad on all projects interfacing with the railroad.
- **Exhibit A, Airport Property Map:** on projects that have acquisition of land, provide design with any changes to Exhibit A, Airport Property Map, for them to complete and submit to FAA.

- **FAA Sponsor Certification Construction Project Final Acceptance:** a certification signed by the Group Chief/PM on all FAA-funded projects that certifies that the Department has complied with the twelve requirements of the federal aid airport grant program (49 CFR 18.50).
- **Proof of Construction for Right of Way:** a Department form (Form 25D-173) required on projects involving the acquisition of public land or rights-of-way across public lands. The form certifies that the project conformed to the right-of-way limits. If the form does not apply to a project, it is not required.
- **Proof of Use for Materials Sources:** Form 25D-174 to be submitted on projects involving Department-furnished materials sources, whether the sources were used or not. Complete a form for each source and include a plan view of the source showing the condition of the source at the end of the project along with a tabulation of quantities of materials removed. If there were no Department-furnished sources in the contract, the form is not required.
- **Transmittal Letters and Memoranda:** written records required to document: that as-builts, and pile and boring logs have been transmitted to the bridge design unit; that as-builts have been transmitted to maintenance and operations/international airport management, and the FAA; and that a complete set of materials, maintenance, and operating manuals and warranties have been sent to maintenance and operations or to the owner agency.

16.6. Final Construction Report

The key to contract closeout is the Final Construction Report. It is primarily a compilation of the most important documents generated during the project (or a listing of those documents). There are a number of elements that are required in each final report, and several more that are necessary only if applicable to the particular project:

Required

- Final Construction report summary sheet (Section 16.11);
- Final Estimate Assembly (Section 16.3);
- Materials Summary and Materials Certification (Section 16.11);
- As-built drawings (Section 16.10);

As-Applicable

- Explanation of Overruns, Underruns, and Change Documents (Section 16.11);
- Report on Design Recommendations, if any (Section 16.8);
- Report on Claims, if any (Section 16.9)
- Memorandum of Exceptions (Section 16.12)
- Final Federal Billing verification (Section 16.14).

The noted sections of the manual contain detailed descriptions of each of these elements.

When you have assembled the Final Construction Report and completed all of the administrative requirements outlined in section 16.5, submit the report to the regional quality assurance/review unit for their final review, through the Group Chief/PM. When the review has been acceptably completed, copies of the report are distributed based on regional distribution procedures. The report is then placed in the permanent construction file.

Send one copy of the entire Final Construction Report, except for As-built drawings, to Statewide D&ES, D&CS Administrative Assistant.

On federally-funded projects, the last document is added to this permanent project record at a later date: on FAA funded projects, this is the FAA's grant closure letter, and on FHWA-funded projects, it is the Final Voucher submittal letter.

16.7. Reserved

16.8. Report on Design Recommendations

The Project Engineer should report on any Design recommendations that have been encountered during the construction of the project.

16.9. Report on Claims

A report should include information on all claims and their resolution; if any claims remain unresolved at the time the Final Construction Report is prepared, their status should be reported in detail.

16.10. As-Built Drawings

The Project Engineer and project staff must carefully and accurately prepare the final set of marked-up as-built drawings. If, during the course of construction, you recorded all field changes on the marked-up drawings in a timely fashion, there should be very little additional information that needs to be added to them in the contract closeout phase. Once the final pay item quantities have been calculated, reviewed, and approved for payment, they should replace the estimated quantities on the marked-up drawings.

The Project Engineer should initial and date each sheet and sign and date the cover of the marked-up set to indicate that each sheet was completed and checked. Either the marked-up set (copied to mylar) or redrafted original drawings (updated to reflect as-built status) may be used as final as-built plans, depending on regional policy. Additional sheets and copies of approved shop drawings, schematics, or other working drawings should be added to the original plan sheets as needed to accurately portray the completed project.

If the Final Construction Report is completed prior to completion of as-built plans, it should include a record of the as-built's status (e.g. transmittal memorandum). Final as-built plan sets are distributed as follows: to the FAA on FAA-funded projects (14CFR 152.213c); to the regional maintenance and operations head, the international airport manager, or the owner agency on projects built by the Department for others; to the Highway Data Group on highway projects; and to the Final Construction Report (to replace the transmittal memorandum, if applicable).

16.11. Other Elements of the Final Construction Report

The principal elements of the Final Construction Report are described in other sections; the remaining elements of the report are covered briefly here.

Final Construction Report Summary Sheet

This is the final description similar to that contained in the Invitation for Bids. The summary sheet also gives very basic information about the project including identifying the Project Engineer and the contractor, significant contract dates, and significant contract financial information.

MCL, Final Materials Testing Summary and Project Materials Certification

This is the quantity of all materials tests taken during the project and whether they passed or failed are shown in the Materials Testing Summary (Section 5.4).

The MCL and Material Testing Summary are submitted to the regional quality assurance/materials unit, along with the Project Materials Certification and an attached Memorandum of Exceptions (if necessary).

The regional quality assurance/materials unit reviews the MCL, Materials Testing Summary, signs the Project Materials Certification, and forwards it with the Memorandum of Exceptions (if necessary), to the Project Manager.

Explanation of Overruns, Underruns and Change Documents

A listing of only those original major pay items whose final quantity varied more than 25 percent from the estimated quantity and a brief explanation for each quantity change.

List and briefly explain each change document. On multiple project contracts, separate comparison listings for each project are not necessary.

If there are no overruns, underruns, or change documents on the project, this item is not required.

16.12. Project Materials Certification for Project Closeouts

All federal and state funded airport and highway projects require a Project Materials Certification, which is prepared by the Project Engineer for review and signature by the Regional Quality Assurance Engineer. Use the Project Materials Certification to indicate whether there are:

- no exceptions to the material requirements,
- minor exceptions to the material requirements, or
- exceptions to the material requirements as listed in an attached Memorandum of Exceptions.

The Project Materials Certification is provided to FHWA on all NHS projects. Non-NHS projects shall have a Project Materials Certification, but it is not included in the project closeout package to FHWA.

All FAA projects require a Project Materials Certification to be included in each closeout report to FAA.

All State funded airport and highway projects require a Project Materials Certification to be included in each closeout report.

See Section 17 for a Project Materials Certification Letter example that is signed by the Project Engineer and the Quality Assurance Engineer.

16.12.1 Memorandum of Exceptions

When a Memorandum of Exceptions is required, it is prepared by the Project Engineer from the Project Exception List, and submitted for concurrence to the Regional Quality Assurance Engineer. The Memorandum of Exception is required in the following cases:

- More than 10 percent of the required acceptance tests for any construction product fail to meet contract requirements or are missing from project records.
- Any required acceptance test that has structural implications, fails to meet contract requirements or is missing from project records.

The above guidelines are not intended to reduce testing requirements as set forth in the project Materials Testing Summary.

The Memorandum of Exceptions provides a basis for acceptance of the nonconforming material. An engineering analysis of the nonconforming material's test values should be made to determine the magnitude and extent of the material; and to determine acceptability based on performance and the anticipated service life. If the engineering analysis indicates the construction project can be expected to provide a reasonable but reduced service life, limited Federal participation may be allowed.

16.12.2 Minor Exceptions, Price Adjustment, and Change Orders

If there are exceptions to the material requirements, but those exceptions do not warrant a Memorandum of Exceptions, then those exceptions are considered minor and are listed on the Materials Testing Summary.

Asphalt (or other material) that is subject to price adjustment through the contract language (e.g. Highways QLA or Airports PWL process) is not considered a materials exception.

When a change order alters the terms of a contract so that non-conforming material satisfies the changed contract conditions, that material is not considered a materials exception.

16.13. Project Financial Closure

After the project control unit receives the Letter of Final Acceptance (Section 16.4), they will send a Project Completion Form (PCF) to the Group Chief/PM, the designated construction phase financial manager (Section 2.2).

The construction phase financial account in IRIS cannot be closed to charges until all contracts have been closed, all encumbrances have been liquidated, all final audits of consultant contracts and utility agreements have been completed by Internal Review, and all further charging of expenses to the account have ceased. The PCF form, when signed by the Group Chief/PM, certifies that all construction phase activity is complete, both physically and financially, and allows the construction account to be closed to further charges.

The Group Chief/PM is responsible for contacting all of the support groups that have charged to the construction phase financial account to determine the current status of their involvement with the project and to advise them that the construction account is being closed to further charges. The Group Chief/PM needs to make certain that all consultant/utility contracts, involving payments out of the construction account, have been completed and are financially closed.

The remaining balance in all encumbrances in the construction phase, including the encumbrance to the construction contractor, must be liquidated. If the Internal Review audits have not been completed, the Group Chief/PM should provide the Internal Review unit with a list of all construction phase contracts and with the information they need to audit each one.

If the construction phase is still active when the Group Chief/PM receives the PCF form, they should return the form to the project control unit giving them an estimated closure date. When they reach that date, they repeat the procedure. When all of the construction phase work is ultimately complete, the Group Chief/PM authorizes the financial closure of the construction financial account.

16.14. Final Federal Reimbursement

Statewide Grants & Projects in the Administrative Services Division prepares and processes the billings

for FHWA and FAA final reimbursement (Final Billing) in the same manner as the interim billings. The Project Engineer is not directly involved in the billing process.

Statewide Grants & Projects prepares the Final Billing after reviewing the financial data in IRIS, the final estimate assembly, and the Letter of Final Acceptance, and closing all of the project's financial phase accounts.

After Final Billing is complete, the Final Voucher is compiled. Statewide Planning Division prepares the Final Voucher for submission to the FHWA and closure of the project.

The FHWA will not process the Department's Final Voucher until receipt of:

- A copy of the Final Inspection Form FHWA-1446C-AKDO
- The Final Construction Report, including the:
 - o Final Estimate Assembly
 - o Project Materials Certification (in the format shown in 23 CFR 637.207)
 - o Explanation of change documents and claims

After closing an FAA's project financial phase accounts, the Final Billing (the Final Grant Reimbursement Request) is prepared.

The FAA will process the final payment request after receipt of the closeout report. Project Control prepares the closeout report which includes:

- Final construction Report
- Final Outlay Report and Request for Reimbursement for Construction Projects (Form SF-271)
- Final Federal Financial Report (Form SF-425)
- Sponsor Certification for AIP Grant Close-out
- Final Payment Summary Worksheet
- Inventory of Non-Expendable Personal Property (if an Equipment Acquisition project)

After the FAA's final grant payment, they issue their Grant Closure letter to Statewide Aviation and the regional office.

16.15. Record Retention & Disposal

Place the field records and regional office records on the project in storage. When the Project Engineer completes all work on the project, transmit to the Group Chief/PM for storage:

- All of the field records including files,
- conformed contracts & plans,
- engineer's diary,
- inspector's daily reports,
- survey books,
- materials test results,
- scale tickets,
- photographic records,
- Certified Payrolls,
- SWPPP with amendments, and
- SWPPP inspection reports.

According to regional policy or practices, store or transmit to the owner agency, regional maintenance and operations, or the international airport:

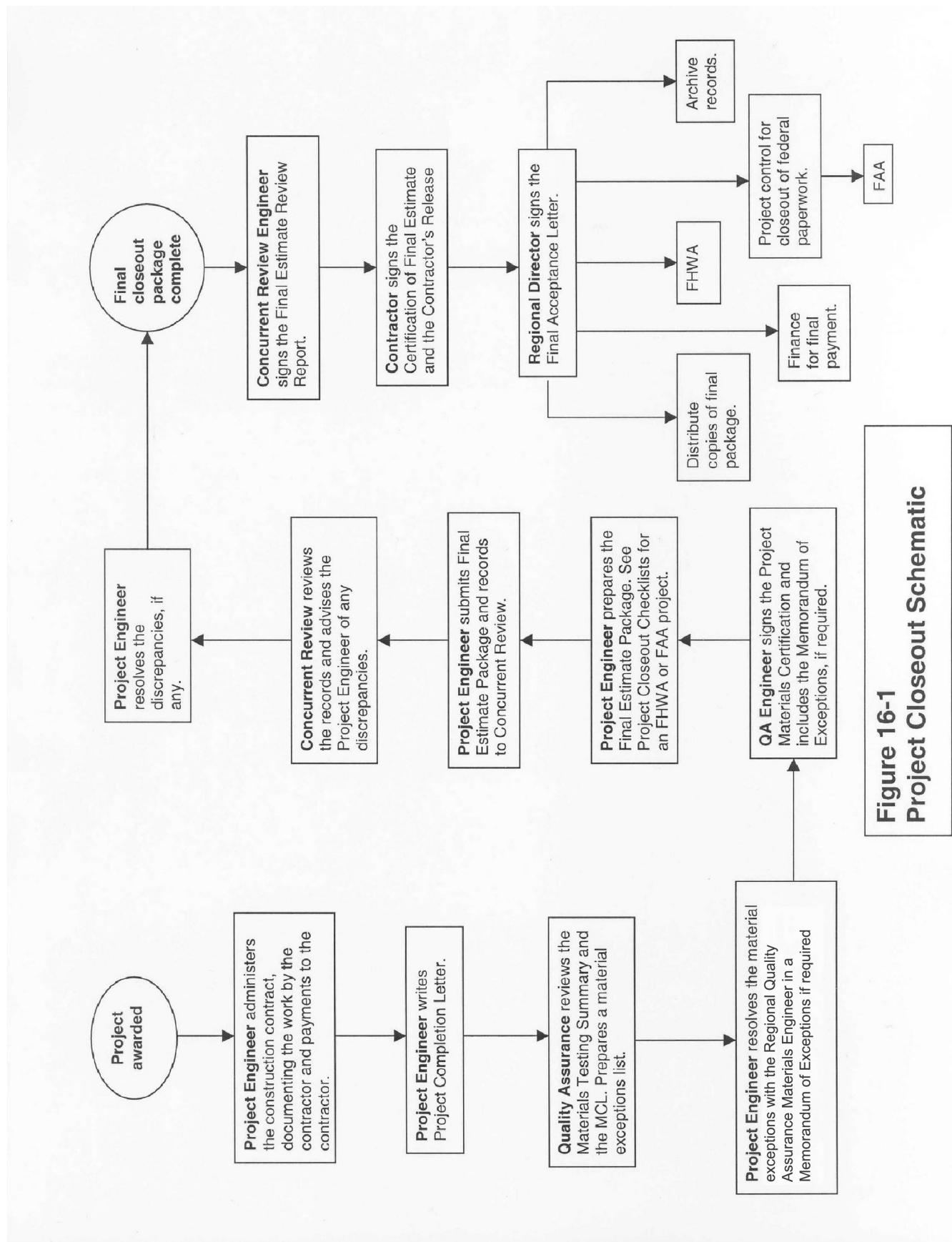
- A complete set of materials submittals,
 - maintenance and operating manuals,
 - warranties,
 - a set of the completed as-built drawings (FAA allows CAD as-built drawings on CD),
 - field survey books on airport projects to the aviation design unit, and
 - field survey books on highway projects, dealing with original survey monuments, to the right-of-way unit.
- Personnel records should be removed and destroyed.

Store and maintain the original records (may also be microfilm or electronic records) for the following minimum periods of time:

- State-funded projects – three years from the date of final acceptance

- State Student Loan Corporation funded projects – three years from the date of final acceptance or until July 1, 2021; whichever is later
- FAA-funded projects – three years from the date of final grant payment (14 CFR 151.55c)
- FHWA-funded projects – three years after submittal of the Final Voucher (49 CFR 18.42b)
- SWPPP records for minimum three years after NOT with DEC

In the event of a lawsuit, the records should be kept three years after all court settlements.



**Figure 16-1
Project Closeout Schematic**

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