

STATE OF NORTH CAROLINA CONSTRUCTION PROJECTS (Modify as appropriate for projects <\$2M)

CLOSE-OUT CHECK LIST

7-06

**Contractual
Provision**

Form to be Used

I. FINAL INSPECTION PROCESS

A. Preliminary Inspection

- | | | |
|---|-----------|---|
| 1 Contractor/CM notifies designer – work complete. | Art.25(a) | See Project Approval Authorization-
Final Inspection for Owner Occupancy
to ensure all items are addressed. |
| 2 Designer conducts preliminary inspection of work. | Art.25(a) | |
| a. Designer lists incomplete or faulty work. | | |
| b. Contractor/CM completes or corrects all such work listed before final inspection. | | |
| c. Contractor/CM notifies designer - work completed ready for final inspection (See C) | | |
| Note: Owner/designer/contractor must communicate and work closely together in this process. | | |

B. Partial Utilization/Beneficial Occupancy

- | | | |
|--|----------------|--|
| 1 Owner wants to utilize a portion of the project prior to full completion: | Art.24(b) | Project Approval Authorization-
Partial Utilization: (Beneficial Occupancy) |
| a. Owner must get State Construction Office approval, and ; | | |
| b. Owner must get contractor/CM and surety consent. | | |
| 2 Designer schedules inspection of portion of project, (see A above and C below for inspection process). | Art.24(b) | |
| 3 Designer certifies that portion of project passes issuing a Certificate of Substantial Completion showing : | Art.24(b) | |
| a. date of substantial completion, | | |
| b. list of items to be completed or corrected before final payment, | | |
| c. responsibility for maintenance, utilities, insurance for occupied section of project, | | |
| d. date of warranties, | | |
| e. consent of surety, | | |
| f. endorsement from insurance co. permitting occupancy. | | |
| 4 If only portion of project inspected and determined substantially complete, then | Art.24 C & (d) | |
| a. Contractor not necessarily relieved of liquidated damages for project, | | |
| b. Designer can prorate liquidated damages due to beneficial occupancy, | | |
| c. Contractor allowed to have access to occupied portion of project to correct work or bring work into compliance. | | |
| d. Contractor not assessed liquidated damages if whole project is substantially complete. | | |

C. Final Inspection

- | | | |
|---|-------------------------------|--|
| 1 Contractor/CM notifies designer that work is complete/corrected. | Art.25(a) | |
| 2 Designer conducts final inspection of work with appropriate parties present; certifies the following: | Art 25 C | Project Approval Authorization -
Final Inspection for Owner Occupancy |
| a. Project is completed and accepted, (if so, move to final payment application in II); | | |
| b. Project is accepted subject to list of discrepancies, (see project accepted subject to "Punch List") | | |
| c. Project is not complete and final inspection rescheduled for later date (repeat process C). | | |
| 3 Project is accepted subject to "Punch List" | Art.25 C(2) | |
| a. Contractor/CM complete/correct items in punch list within 30 days of issuance or owner can take over work
Contractor/CM, owner, designer meet weekly for punch list tracking and completion. Contractor/CM
reviews punchlist and assigns to responsible party. | Art. 28 of General Conditions | |

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- b. Move to final payment process, Section II.
- 4 Significance of date designer accepts work:
 - a. Warranties and guarantee begin to run;
 - b. Contractor's insurance coverage terminates;
 - c. Owner takes over utilities;
 - d. No liquidated damages may be assessed beyond the date of acceptance.

Art25(f)

II. FINAL PAYMENT PROCESS

A. Confirm Readiness for Final Payment

- 1 Contractor/CM submits application for final payment to Designer.
- 2 Designer rejects application if:
 - a. Work not complete; including punch list and all change orders
 - b. Faulty work not corrected;
 - c. Close out documents not provided with application.
- 3
 - a. Contractor/CM submits appropriate affidavits
 - b. Contractor/CM submits appropriate completion certificate
 - c. Contractor/CM submits appropriate surety approval of final payment

Art.32

Art.26
Art.26; Art. 33(a)
Art. 32(f)

Art. 32 (e) (2) and (3)
Contractor's Affidavit of Payment of Debts and Claims, Contractor's Affidavits of Release of Liens
Certificate of Compliance
Art 32 (e) (4) Consent of Surety to Final Payment

B. Review Close Out Documents for Completion

- 1 As-built drawings;
 - 2 Any required certificate of inspection required by law;
State Construction Manual, January 2006 Edition, sections 202.4 & following
Lists all state agencies having inspections jurisdiction over construction projects.
Example: Division of Facility Services has inspections jurisdiction over all health care delivery facilities.
The State Construction Manual may be found at: www.nc-sco.com/manual
 - 3 Warranty/Guarantee documentation;
 - 4 Operating and Maintenance manuals;
 - 5 Maintenance Agreements;
 - 6 Keys, codes, stock material, etc.;
 - 7 Record of Owner's equip. training;
 - 8 Record of inspections discrepancies if any;
 - 9 Minority contractor reporting info. and breakdown by contract amounts.
- Notes: Contractor/CM to make sure his insurance company(ies) is(are) notified
Owner to make sure State is notified regarding insurance

Art.32(d)(1)
Art.32(d); 33(e)(5)

Art.32(d)(1)
Art.32(d)(1)
Art.32(d)(1)
Art.32(d)(2)
Art.32(d)(3)
Art.32(d)(4)
Art.32(e)(1) App. E, MBE Doc. For Contract Pymt.

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Contractor/CM to coordinate with Facilities for building takeover
Contractor/CM to coordinate with Facilities for training and maintenance information

C. Approval of final payments

- | | | | |
|----|--|-----------|---------------------------------------|
| 1 | Architect approves final payment application and transmits to owner for payment when: | Art.32(f) | Final Report Checklist (for designer) |
| a. | Contractor/CM has successfully completed final inspections process; | | Certificate of Compliance |
| b. | Architect approves certificate of completion and compliance; | | |
| c. | Contractor/CM provides the above applicable close out documents. | | |
| 2 | Owner approves final payment to architect
Architect provides applicable close out documents | | Final Report Checklist |

III. ADDITIONAL REQUIREMENTS/PROCESSES

A. Internal Notifications

Notify institution's Parking, Physical Plant, Insurance/Risk Management, Public Safety, Environmental Health and Safety and other offices as appropriate of building occupancy and expectation for their services to commence

Institution's form letters

B. State Property Notifications

Complete property forms for submission to State Property Office and DOI Risk Management Office

New Building Update Form V1.2

C. Evaluations

Complete and submit designer and contractor evaluation forms

Designer Evaluation Form, Contractor Evaluation Form

D. Space Inventory

Complete space inventory forms for submission to NC Higher Education Facilities Inventory

E. Bond Project Forms

For bond projects, complete the final report form

F. Close Accounts

- | | | |
|----|---|--------------------------------|
| 1 | Close CAPSTAT code/item and archive the account | E-mail jrose@northcarolina.edu |
| 2 | Close related FRS account as appropriate | |
| 3 | Close code/item with Office of State Budget and Management | |
| a. | To close an entire code, review the BD725 to ensure there is no amount in the "Total Unallotted" or "Total Allotment Balance" columns for every project within the code | |
| b. | Resolve discrepancies between CAPSTAT, NC Accounting System (NCAS)/Banner | |
| c. | Request code closing of OSBM via e-mail to the institution's assigned budget analyst | |

IV. CLAIMS PROCESS

A. Money Withheld from CM for Final Payment

- | | | | |
|----|---|-----------|--------------|
| 1 | Architect assesses liquidated damages (Art. 33). | Art.33(a) | See contract |
| a. | formula: no. of days late x rate of LD = owner's delay damages. | | |

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- b. **rate** of LD cannot be a penalty but must fairly compensate owner for delay.
- c. **no. of days late** should be supported by critical path analysis.
- 2 Faulty work and/or punch list work not completed by Contractor/CM.
- 3 Work completed by owner or another contractor and balance due to Contractor/CM upon completion.
- 4 Sec. of Admin. determines that subcontractors have not been paid.
- 5 Sec. of Admin. determines that claim has been or will be filed against the Contractor/CM.

Art.33(a)(1)
Art.33(a)(2); Art.28 & 29
Art.33(b)
Art.33(b)

B. Basis for Claim

- 1 Money is withheld from Contractor/CM during project and not paid as part of final payment
- 2 Extra cost incurred during project which is requested per change order but not paid to Contractor/CM

G.S.143-135.3; Art.20
G.S.143-135.3; Art.21

C. Claims Process

- 1 Contractor/CM submits claims to Designer, and if denied, to the Director, Office of State Construction (projects >\$2M).
 - a. **Deadline:** Sixty (60) days after final payment **or**
 - b. Sixty days after Architect notifies Contractor/CM that final payment is all he gets.
- 2 Notices of claims due to extra costs or time extensions must be preserved through prior notice.
 - a. Time extensions
 - b. Extra costs
- 3 Claim is heard by Director, compromised and settled or decided.
 - a. Director decides, and contractor/CM not happy with decision, **then**
 - b. Contractor/CM files claim *de novo* with Office of Administrative Hearings, **or**
 - c. Contractor/CM file a summons and complaint in Superior Court within deadlines given in G.S. 143-135.3.

Art. 20; G.S. 143-135.3

Art. 23(e).
Art. 19(f), 20(a).
G.S. 143-135.3