

SUBJECT: Method of Payment for Stored Materials

**GENERAL:**

Payment for stored materials and subsequent pro-rata payment for stored materials have not always been incorporated acceptably into contracts to satisfy current audit requirements.

**PURPOSE:**

To establish uniform procedures for the payment of stored materials incorporated in construction projects.

**PROCEDURE:**

When a Contractor requests payment for stored materials, it is necessary that required documentation and procedures conform to TC-7.02 of the Specifications. No payment shall be made until written authorization from the District Engineer, along with copies of all pertinent documentation has been received on the project.

When payment for stored materials has been made, as the material is incorporated into the project, the method of payment of the remaining monies in the item after payment for stored materials will be as described below.

When the specification for payment of stored materials has been met, the District Engineer will initiate a Memo to File.

The Memo to File will contain the data necessary to create a "dummy" item for each contract item for which payment is requested. For example, Item 4014 is a proposal item for 9250 LF of steel HP 10x42 bearing piles @ \$14.50/LF = \$134,125. The Contractor has submitted documentation, approved by the District Engineer for stored piles in the amount of \$71,317.50 which works out to \$7.71/LF for 9250 LF.

To create a mechanism in the estimate system to allow this payment, new items will be established as follows:

A "dummy" item will be created with a number, using a unit price of \$7.71/LF for 9250 LF of piles for an authorized amount of \$71,317.50. Another "dummy" item, 4094B, will be created with a unit price of \$7.71/LF for minus (-)9250 LF for an authorized amount of minus (-)\$71,317.50 (Note: The dummy items created must have the same section and code breakdown as the original contract item. See the attached sample sheet showing sections 6 and 7 under the original and newly created items.)

Stored piles are paid for under a Item 4094A. By establishing Items to create a positive "Authorized Quantity" and a negative "Authorized Quantity" of the same value (e.g. 4094A 9250 LF @

CONSTRUCTION DIRECTIVES 07220.100.27

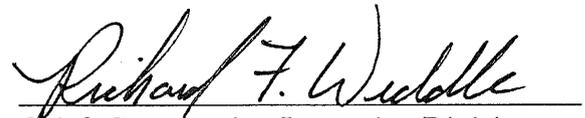
**PROCEDURE** : (continued)

\$7.71/LF=\$71,317.50) and 4094B minus (-)9250 LF @ \$7.71/LF = minus (-) \$71,317.50), the authorized amount of the contract is not modified; however, it does create a mechanism whereby a temporary payment can be recorded during progress payments.

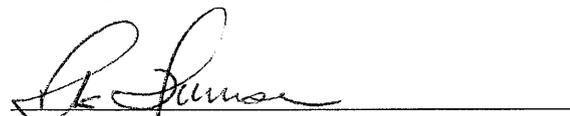
As the piles are incorporated into the project they are paid under Item 4014, and a like quantity is deducted under dummy Item 4094A. When the pile Item 4014 is completed, Item 4094A will have a payment to date of ZERO.

If a lump sum method for payment of stored materials is elected, the authorized amount under Item 4094A would be 100% = \$71,317.50 Therefore, the quantity under Item 4094B would be minus (-)100% = minus (-)\$71,317.50 As in the first example, as payment is made under Item 4014, a like percent is deducted under Item 4094A. When Item 4094A reaches zero, no more deductions are made under that item. As in the first example, the authorized contract total would not be affected.

This method of compensation for stored materials will provide an audit trail and will reflect the actual measured quantity in place and the remaining stored material. When the original item is completed, the "dummy" item, in this case Item 4094A, will be reduced to zero.

  
Chief, Construction Inspection Division

**APPROVED:**

  
Director, Office of Construction