There are arguably no greater words that a contractor can hear than “you’re done” . . . really done. The job is really finished, the punchlist is really satisfied, and you really have fulfilled your end of the bargain—the one you struck to those many months ago. Unfortunately, in the construction industry, determining when you’re really done can be a frustrating exercise because the definition of “finished” can vary greatly, depending on who’s doing the defining: the owner, architect or contractor.

What do I mean by “frustrating?” Well, see if this sounds familiar.

Take one of your recent jobs, for example. A week after you satisfy the first (and only, you thought) punchlist for the project you recently completed—you mail out your final billing to the owner via the architect. On that very same day, an unannounced (and unanticipated) second punchlist arrives in the mail. In it are new items; items “that must be remedied before final payment will be released.”

The items on the new list describe nicks, scrapes and scratches on walls and doors throughout the project (possibly caused by the tenants who now occupy the building, but how can you prove it?). In addition, there are other larger, more involved items that will clearly require a bit more time, attention . . . and money; money you didn’t have in your bid.

Now, you really do feel that the second punchlist is unfair, but you don’t want to risk alienating the owner—with whom you’d like to conduct more work in the future (or for that matter, the architect). So, you bite your lip, count slowly to 10, accept the injustice and go to the phone to let your job foreman know he isn’t finished. You then call the subcontractors and suppliers who are impacted by the items on the new list.

It takes two more weeks to complete the tasks on the second list. When it’s finished, it just so happens the architect is out of town, so “it’ll be another week before he can get together with the owner to do a walk-through.” The final billing you had mailed old. So are the subcontractor and supplier bills that you received in the final month of the project. Your invoice sits unread on the architect’s desk. The walk-through happens, but it’s two more weeks (he’s a busy man, you know) before the architect musters up the energy to finally—and reluctantly—approve payment (except, of course, for the money he’s withheld for a few “concerns” that he still harbors). Then, he sends it regular mail to the owner for his OK, processing and payment.

But, wouldn’t you know it, the board (that approves the payment for the owner) meets only on the second Monday of every month, and your request just missed getting on this month’s meeting agenda. “So, I guess we’ll have to wait until the next month,” they tell you. At that time—assuming the board approves the payment—it will be a mere matter of the 30 to 60 days (your original agreement said 10, but it that seems to have been forgotten) that it will take for the owner to actually mail the final check.
But at least you can rest easy knowing that those subcontractors and suppliers to whom you owe money are being patient and understanding about having to wait three months for their money. I’m also sure they cheerfully handed over all of their final lien waivers (which the architect required to process the final pay request) . . . in light of the fact that they didn’t know whether they’d be seeing their money before their 60-day window for filing a lien expired. Right?

The Joys of Contracting

That’s what I mean by frustrating. But the truly scary part is that the punchlist is only one way that an otherwise profitable and successful construction job can become derailed in the final (and most critical) stages. There are many other common closeout requirements that, if left unperformed, could jump up to plug the money conduit. Now at a point so late in the job, you likely have a lot invested in the project. You may have even extended your own money to cover interim payments to subs and suppliers. It’s clearly no time to lose control of the revenue flow!

So, to ensure that the payments keep coming (and particularly that crucial last payment), it becomes vital to understand and satisfy your responsibilities for closing out a construction project. You have to know what your responsibilities are, have procedures in place to handle their administration, and be able to anticipate potential roadblocks so as to allow yourself to quickly and efficiently handle any includes your company’s entire profit line-item!

Project Close-out Requirements

And so, with this goal in mind, let’s take a moment to examine some common requirements of the construction close-out process—and try to gain control over those elements that can often spell the difference between receiving your money now or later:

The Punchlist. Already eluded to above, the punchlist is probably the most familiar closeout procedure to most contractors, and maybe the most perplexing. A punchlist is a list—most often created by the owner and architect in tandem—of work items or deficiencies that are required to be completed and/or remedied by the contractor before a final pay-out to that contractor will be released. Obviously, this makes the punchlist a very important document, and one

The reality is that punchlist items can range from justifiable to ludicrous. And at other times, it doesn’t matter,
that can often end up being hotly disputed between the owner-architect team and the contractor.

And yet, I’ve noticed that these disputes generally don’t center around the fact that the punchlist itself exists—most reputable contractors understand the importance of fulfilling final details and obligations—but rather the focus is on the fact that the overall punchlist procedure itself is so undefined, inconsistent and so easily bastardized by an occasional inflamed ego or just plain animosity on the part of the architect and owner.

I’ve had jobs where I’ve received just one punchlist that included perhaps a dozen or so items, while at the same time, I’ve had other jobs (of similar scope, size and complexity) that generated three, four or five and more punchlists, each containing scores of previously unknown (and growingly ambiguous) “deficiencies.” In fact, punchlist directives can oft-times be so vague that it’s difficult to discern the problem, let alone provide a remedy.

I recently finished a city hall project where the architect included in his punchlist phrases like “doesn’t appear” and “doesn’t seem [to be what the plans and specs had intended].” No further explanation or detail was offered. Appear? Seem? Apparently, somewhere along the line, mind-reading became a pre-requisite for becoming a construction contractor.

The reality is that punchlist items can range from justifiable to ludicrous. And at other times, it simply doesn’t matter. You see, even if you can prove that a particular item is absurd, you’re still not out of the woods. Many an architect—not willing to admit that they’re in (catastrophically embarrassing) error or wanting to show professional weakness in front of the owner—will simply fall back on the classic (say it with me . . .) “yes-I-know-it-doesnt-make-sense-but-I’m-the-architect-and-besides-I’m-holding-your-money” method of construction project management.

So, to protect yourself and your company, insist on one punchlist—and hold firm. If that means they need more time to work up the (one and only) list, fine. The point is, the punchlist process should (and needs to) have a conclusion that really is a conclusion. Let the owner know that you will be satisfying only one punchlist. Then, once that list is satisfied, have the architect or owner (or both) sign off on the work: this eliminates them coming back later for questionable scratches and dings. Now yes, they may protest—but hold your ground! You do have rights.

**Project Record Drawings and Documents (As-Builts).** At the end of most commercial building projects, you (the contractor) are required to submit to the owner a set(s) of record drawings that illustrate any deviations and differences to the plans and specs that occurred during the course of construction. These are referred to as as-built drawings and become important reference material for those future inhabitants of the building or project that you’re creating. Most projects do encounter a number of changes along the line, and it’s crucial for the future inhabitants to be sure, for instance, that a gas line wasn’t re-routed into the wall of which their maintenance people are about to drill.

Normal as-built procedure calls for each trade to take an original set of plans and specs and mark in red (or additional colors if appropriate for clarity) any and all changes that occurred during the course of construction that relate to their own scope of work. The general or prime contractor then gathers the individual trade as-builts, adds in his own set and compiles a master set of record drawings that are turned over to the owner at closeout.

**Operations & Maintenance Manuals.** Often referred to as O&M Manuals, these are most often three-ring bound, subject-segmented collections of information regarding the primary plumbing, mechanical and electrical equipment that was installed on the project. The manuals commonly include emergency instructions and procedures, warranty information, parts lists, wiring diagrams, cycling and inspection schedules, maintenance protocol, general product data, testing and balancing reports, fixture lamping schedules for lighting, and anything else relevant to the operation of a particular piece of equipment. Even shop drawings, generated during the actual construction, are often included as part of the O&M Manual.

**Warranties.** There are basically two types of warranties sub-
mitted at the end of every project: product warranties and labor warranties. Most of the time, warranting labor is simply a matter of creating a letter stating that your company will guarantee your workmanship for a specific period of time. Though one year (after the project is complete) is a common time period, you could be required (by the original project specification) to provide coverage for more or less than the one-year period.

Collecting and assembling product warranties can be a bit more involved but still relatively straight-forward. Most often, product warranty information will be provided with the equipment when it’s delivered, so it becomes more an exercise in gathering up all of the individual pieces and then organizing them in a way—generally according to CSI division—that can be accessed and understood in the future, should the need arise.

**Final Inspections.** Inspections occur throughout the entire construction process, not just at closeout. And at some point, someone will ask for final inspection documentation. So you better be ready. This not only includes general construction inspections but also all the mechanical, plumbing and electrical inspections that are generally required by the governing bodies.

**Final Cleaning.** In most commercial construction specifications, the general contractor is required to include the final cleaning in his scope of work. This includes not only the building(s), but also the associated site and adjacent properties (if your building debris has blown past the lot lines.) Cleanup can be a substantial undertaking and can run into thousands of dollars. Common cleaning responsibilities include building surfaces, glass and glazing (including the often laborious task of scraping the labels off the windows), all floor coverings, and raking and general cleanup of the outside.

**Removal of Temporary Constructions.** This most often includes temporary enclosures for protecting the public or for winter weather constructions designed to retain heat. But it also could involve the removal of a temporary access road, a mock-up created during the submittal process, temporary electric and pole, and any other fabrications that won’t be a part of the final product.

**Coordinating the Closeout Activities of Subs and Suppliers.**
If you’re a general contractor, you have your own set of close-out activities that you must perform, but you also have another responsibility: to ensure that all appropriate subcontractors and suppliers provide the closeout material required of their scope of work. The absence of one of these items may also stop the money flow, and that’s what we’re all trying to avoid. Some notable items in this group include balance reports from the HVAC contractor, tagging of service equipment by the electrical contractor, maintenance manuals for equipment (see the section on O&M manuals mentioned earlier), testing and documentation of new equipment where appropriate and much, much more. These closeout responsibilities are described in the individual (CSI) trade specification sections in the manual that often accompanies the working drawings for the project.

**Training for Customer’s Employees.** This includes providing training for the customer’s employees regarding the startup/shut-down, emergency procedures and operations, how to adjust for excessive noise and vibration, general safety proce-
dures, economy and efficiency strategies, and effective energy utilization of new (and familiar) equipment or systems.

Providing Extra Stock to the Customer for the Future. Particularly in commercial construction, you are often required by the specification to supply the owner with a certain amount of additional stock or product to allow for future maintenance and repair. Common items include providing additional roofing materials (shingles), acoustical ceiling tiles, floor tiles, paint (mixed to the colors used on the project) and other items that could possibly be discontinued or hard to acquire in the future.

Change from Temporary to Permanent Locks. This is normally a relatively simple matter of swapping out the construction cores (the key cylinders used only during the construction process) on the installed locksets. Other times, this switch may involve changing the locks out completely. The keys used by the workers must be accounted for or destroyed, and new keys and keying systems (including master keying, keying common, grand-master and so on) are set up for the owners.

Administrative & Accounting. This is more of the classic “office-work” and includes the preparation and submission of final pay requests (along with the critical supporting documents such as final lien waivers, affidavits and change orders), release of retainages (money commonly withheld as a contingency from the general contractor and subcontractors), liquidated damages settlements (if applicable), change-order reconciliation (which often comes at the very last moment) and any other accounting or payment calculations.

Another responsibility is in the request and administration of architectural protocol items such as the Certification of Substantial Completion, Certificate of Final Acceptance (or similar wording) and all other documents that were required at closeout by the project specification. In addition, you may have to coordinate the closeout with your surety (bonding) company, contact the new owners about the pending insurance switch-over, take final meter readings for all of the utilities that must be transferred over to the owner, and any other “changing of the guard” issues.

Miscellaneous and Sundry Close-out Items. There are scores of other items that could potentially be required at closeout, and the only way you’re ever really going to know what they are is by reading the specification manual. In addition to the things we’ve already discussed, you could also be responsible for turning over project photographs, damage or settlement claims that occurred during construction, property or mortgage surveys, and more.

In the End . . .

One other hint: by keeping detailed and consistent daily and weekly job records and logs, you greatly ease the burden of scrambling around for information at close-out time—particularly when it comes to satisfying arguable punchlist items or sorting out (often disputed) last-minute change-orders. The information in these field records will almost always assist those who are trying to reconcile a situation that may have roots dating back six months ago.

Like most everything else in construction, the most essential part of providing effective and expedient closeout for a project is knowing what your responsibilities are in the first place. The good news is that these responsibilities are normally listed for you in the specification manual that accompanies the plan (if there is one). But, aside from that, I hope this piece may act as a guidepost with which you may begin to structure your own close-out program.

About the Author
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