

Attachment 2

	NUMBER C- 671	DEPARTMENT Public Works	EFFECTIVE DATE 01-27-12
STANDARD OPERATING PROCEDURE PROJECT CLOSE-OUT FOR CIP CONTRACTS Project Construction	PAGE 1 OF 5	AUTHOR Zina Rummani	REVISED DATE XX-XX-XX

1.0 PURPOSE:

The purpose of this Standard Operating Procedure (SOP) is to provide a list of the steps and actions necessary for the complete close-out of Capital Improvement Program (CIP) projects.

2.0 BACKGROUND:

When the Work has been completed, a series of activities occurs to formally establish completion in accordance with the Contract Documents.

- 2.1 The Project Closeout is the completion of the construction contract, related inspection, any corrections, and the acceptance of the work. The CIP project construction is managed and inspected by the Field Engineering Division Construction Management staff. This includes Construction Engineers, Supervising Engineers, Resident Engineers (REs), Survey Section support, Materials Testing Lab support, with the coordination and cooperation with the Project Management and Administration Support Divisions of ECP as well as support from the asset owners.
- 2.2 Throughout the construction of the project the RE shall maintain an ongoing list of items that are required to be repaired, corrected, or modified prior to releasing the Contractor from the construction contract. The Contractor shall be directed to perform these items during the project progression. The goal is when the project nears substantial completion there are a minimum number of items that are required to be resolved prior to the Contractor's release from the project.

3.0 SCOPE:

This SOP includes close-out procedures for all asset types of CIP projects within the Field Engineering Division. There is a separate SOP for projects that have been constructed with Engineering Permits or Subdivision Improvement Agreements (to be covered in the pending SOP No. 7.7.5, Project Closeout for Engineering Permits & Subdivisions SOP) and a separate SOP (pending) for the General Requirement Contracts (GRC), titled Project Closeout for GRC, No. 7.7.6). If Project is managed by a Project Manager (PM) during construction, a separate or modified version of this SOP may be followed.

4.0 DEFINITIONS:

Construction Engineer - The Construction Engineer (CE) is the Section Head for Construction Management of the CIP's. The Construction Engineer has a supervisory role and is responsible for overseeing the section and the responsibilities of the section.

Contractor - The individual, partnership, corporation, joint venture, or other legal entity having a Contract with the City to perform the Work. The term "prime contractor" shall mean the Contractor.

Engineer of Work (EOW) - Engineer in responsible charge of design.

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Plans - The drawings, profiles, cross sections, Standard Plans, working drawings, and shop drawings, or reproductions thereof, approved by the Engineer, which show the location, character, dimensions, or details of the Work.

Project Manager (PM) - Individual responsible for the successful completion of a Project primarily through design phase. The PM may delegate or assign Project responsibilities to the PM staff as is reasonable and appropriate.

Retention Billing - The retention billing is the last invoice the contractor submits to the RE. It is the invoice required to authorize payment of the retention to the contractor.

Retention - The amount withheld by the City from the money due to the contractor in accordance with 9-3.2, "Partial and Final Payment".

Resident Engineer (RE) - The RE is responsible for the construction management and inspection of the public improvements and grading that is shown on the Engineering Drawings. The Resident Engineer is also known as the Inspector (RE). The RE is the single point of contact once the Project is in the contraction phase.

5.0 RESPONSIBILITY:

- 5.1 The CIP project construction is managed and inspected by the Field Engineering Division, Construction Management staff. The Construction Management staff includes Construction Engineers, Supervising Engineers, Resident Engineers, Survey Section support, Materials Testing Lab support, with the coordination and cooperation with the Project Management and Administration Support Divisions of ECP as well as support from the client departments.
- 5.2 It is the responsibility of the Construction Engineer (Section Head) to ensure this SOP is followed when the activity is performed. It is the responsibility of the Resident Engineer to initiate this process and inform the supervisor of the status of the project on a regular basis.
- 5.3 Throughout the construction of the project the RE shall maintain an ongoing list of items that are required to be repaired, corrected, or modified prior to releasing the Contractor from the construction contract. The Contractor shall be directed to perform these items during the project progression. The goal is when the project nears substantial completion there are a minimum number of items that are required to be resolved prior to the Contractor's release from the project.
- 5.4 Once all of the items in the close-out requirements have been satisfied, the Notice of Completion (NOC) is filed, the Contractor can be released from the project responsibilities, the retention can be released to the Contractor, and the Purchase Order will be closed.
- 5.5 The Contractor warranty responsibility will remain as specified in the Contract.

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6.0 PROCEDURE:

- 6.1 When a project approaches the substantial completion phase (i.e., project is ready for its intended use) the RE shall begin the close-out process. A walkthrough is scheduled and a punchlist is generated after the Redlines are submitted. The punchlist items must be completed by the Contractor prior to beginning the close-out process (coming soon: Punchlist SOP (SOP No. 7.7.3).
- 6.2 The Contractor shall provide the following items which may not be all inclusive as part of the close-out process:
 - 6.2.1 Completion of the punch list items
 - 6.2.2 Affidavit of Legal Disposal
 - 6.2.3 Final Summary Report (RE to receive approval from EOC staff on final summary report prior to processing final billing)
 - 6.2.4 Final billing and retention billing
 - 6.2.5 Red-lines and As-Builts when applicable
 - 6.2.6 Operation and Maintenance Manuals when applicable
 - 6.2.7 Irrigation schematic when applicable
 - 6.2.8 Warranty letters
 - 6.2.9 Special inspection documentation
 - 6.2.10 City building permit fully signed and approved when applicable
 - 6.2.11 Extra stock and spare parts submittals when applicable
- 6.3 The RE shall, as part of the close-out process:
 - 6.3.1 Create the punch list
 - 6.3.2 Prepare and process the Final Contract Change Order
 - 6.3.3 Review and approve red-lines and forward to PM to be incorporated into As-builts when applicable
 - 6.3.4 Obtain the letter of acceptance by the asset owner
 - 6.3.5 Prepare the Contractor Evaluation
 - 6.3.6 Request the final billing including the work force report and final summary report

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6.3.7 Request the Retention Billing

6.3.8 File Facility Record with the Real Estate Assets Department when applicable

6.3.9 Prepare the Notice of Completion with vicinity map

6.3.10 Check on the Retention release

6.3.11 Prepare and complete the project documents for record retention

6.4 The PM shall process the following:

6.4.1 Notice of Termination (NOT) to the State Water Resource Control Board

6.4.2 Environmental permit finalizing

6.4.3 Other required permits

6.4.4 As-built plans

6.4.5 Review and approve the final Construction Change Order

6.4.6 Review the overall budget and finalize

6.4.7 Prepare the Capitalization the of Asset

6.4.8 Prepare and complete the project documents for record retention

6.5 The RE shall prepare the Project construction documents for record filing. The PM shall prepare the Project management and design documents for record filing. The Project files shall be “cleaned-up” and neatly organized for archiving in accordance with the City’s records retention policy.

7.0 REFERENCES AND/OR RELATED DOCUMENTS:

[GREENBOOK: Standard Specification for Public Works Construction](#)

[City Supplement to the GREENBOOK \(See The WHITEBOOK\)](#)

[City Standard Drawings](#)

[Caltrans Standard Specifications and Plans](#)

[California Manual on Uniform Traffic Control Devices \(MUTCD\)](#)

Resident Engineer Manual, Field Engineering Division, Engineering & Capital Projects (E&CP)

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[SOP No. 2.1 Project Management](#)

SOPs for Punchlist (pending SOP No. 7.7.3) and [As-Built CIP Projects \(SOP No. 6.23\)](#)

8.0 PRIMAVERA ACTIVITIES:

Field Construction

9.0 ATTACHMENTS:

Technical Completion and Closing of a Capital Improvement Project (narrative).

Technical Completion and Closing of a Capital Improvement Project (workflow chart)

THE CITY OF SAN DIEGO		<i>Status</i>	<i>Doc #</i>	<i>Rev Date</i>
Process Narrative		Approved	PN-0217	04/30/2010
<i>Document Name:</i>	Technical Completion and Closing of a Capital Improvement Project			<i>Page:</i> 1 of 10
<i>Owner Name:</i>	Caryn McGriff	<i>Internal Controls</i>	Gerard Lonergan	

PURPOSE:

How to update a capital improvement project status within SAP to indicate it has reached the point of substantial completion, or beneficial occupancy/beneficial use, and final status setting to fully close the capital project once it has been fully completed.

SCOPE:

This process is applicable to all departments which manage capital improvement projects including Financial Management, and the Office of the City Comptroller.

DEFINITION(S):

CIP: Capital Improvement Program

Comptroller Certificates: A legal document issued by the Office of the City Comptroller certifying funds are or will be on deposit with the City Treasurer for a specified purpose.

NCHG Status: A status indicating the project is not able to accept expense activity. The Project Manager can set No Charge in order to block a project from receiving any labor expense activity.

Requesting Cost Center: This is the cost center that will own the asset once the project is completed. This cost center will have the largest operating impact as a result of the capital project.

RTC Status: A status indicating that a project is "Ready to Close". This status can only be set by the Project Manager who has the PS Admin Change Role.

SAP: An Enterprise Resource Planning platform for the City's core Financial, Procurement, Human Resources, and Payroll processes in a single integrated environment.

SAP T-code: A code executed in SAP to perform a desired function.

Settlement: The act of categorizing expenses at month/year end into the appropriate cost category either as a balance sheet activity, or as an income statement activity. Costs are either settled to an Asset under Construction (AuC), a Fixed Asset (FxA), or are expensed against the requesting cost center of the project.

TECO Status: A status indicating Technical Completion that is set on both the System and User Status indicators.

WBS: Work Breakdown Structure – The hierarchical structure for the capital improvement project.

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Caryn McGriff

Internal Controls

Gerard Lonergan

RESOURCE REQUIREMENTS:

PS Admin Change Role – Users mapped (assigned) to this role within a department will be designated with access to change project master data.

PS Controller Role – Users mapped (assigned) to this role within a department will be designated with access to change project settlement rules.

PS Reporting Role – Users mapped (assigned) to this role within a department will be designated with access to view project reports and master data.

FM Budget Administrator Role – Users mapped (assigned) to this role within a department will be designated with access to administer budget functions of project systems.

FM Budget Approval Role – Users mapped (assigned) to this role within a department will be designated with access to approve budget adjustment transactions.

FM Controller Role – Users mapped (assigned) to this role within a department will be designated with access to modify Comptroller Certificates.

FA Admin Role – Users mapped (assigned) to this role within a department will be designated with access to create or change the status of an asset record.

AP Invoice Administrator – Users mapped (assigned) to this role within a department will be designated with access to initiate an invoice payment within SAP.

LO Purchase Requisition Initiator – Users mapped (assigned) to this role within a department will be designated with access to initiate purchase requisitions within SAP.

Beneficial Occupancy/Beneficial Use Memo – Memo which indicates that a project is now providing a benefit to the City.

Notice of Completion (fully accepted) – Legal document filed with City Clerk and County Recorder indicating completion of a project.

Project Budget Modification Form – Form required to accompany all budget modification transactions.


TECO Closeout Form – Form required to be submitted to the Office of the City Comptroller at the point of substantial completion of a project.

RTC Closeout Form – Form required to be submitted to the Office of the City Comptroller at the point of full completion of a project.


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PROCESS:


- When a project is placed into service (either wholly or partially) the Project Manager ensures that all existing pre-encumbrances are closed.
 - Purchase Requisitions are either closed using SAP T-code ME22N or fully processed through Purchase Order creation (See [PN-0113](#), [PN-0114](#)).
 - An email is sent to the CIP Accountant within the Office of the City Comptroller to close any Comptroller's Certificates (CC) that are still active for the project. The Office of the City Comptroller will close the CC using transaction FMX2(See [PN-0006](#)).M1
- Using SAP T-code CJ20N the Project Manager will change the User Status to TECO for all elements excluding the post-construction related elements (.07).
 - Once TECO is set, there can be no new project encumbrances or pre-encumbrances, but payments can still be made against existing encumbrance balances.
 - New labor charges can still apply as long as there is sufficient budget remaining in the project and the appropriate statuses are active.
- Project Manager completes the TECO Closeout Form and submits to Fixed Asset Accountant in the Office of the City Comptroller.
 - Notes can be added by the Project Manager on this form to indicate remaining work needed to be performed prior to the project entering the RTC stage, or if there are special circumstances that Office of the City Comptroller needs to be aware of for proper reporting of the project activity.
- If no fixed asset previously existed, the Fixed Asset Accountant creates the new Fixed Asset Master Record using transaction AS01(See PN-0266).
- If an asset previously existed, the Fixed Asset Accountant will transfer the asset using transaction ABUMN, retire the existing asset using SAP T-code transaction ABAVN, or includes the project work as an improvement to the existing asset (See [PN-0267](#), [PN- 0265](#)).
- Fixed Asset Accountant assigns the appropriate FxA #(s) on the TECO Closeout Form, signs the TECO Closeout Form, and routes the form to the CIP Accountant.

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- CIP Accountant verifies that there are no pending pre-encumbrances using SAP T-code ME5J (Purchase Requisitions for Projects) and using SAP T-code Y_DE1_26000001 (Budget to Actual Report).**M2**
- CIP Accountant updates the settlement rule with the new FxA # using SAP T-code CJ20N to direct all settlements to the new FxA.
- CIP Accountant removes the NTCO user status on all WBS elements that have already been set to User Status TECO using SAP T-code CJ20N.
- CIP Accountant updates the System Status to TECO on all WBS elements that have already been set to User Status TECO using SAP T-code CJ20N.**S1**
- Work can continue as usual on the correct WBS elements and any unplanned contractual obligations can be issued from the Post-construction related WBS elements (X- XXXXX.07)
- Upon receipt of acceptance of the Notice of Completion, the remaining Post-construction WBS elements are considered technically complete.
- The Notice of Completion is routed to the Office of the City Comptroller.
- The Project Manager determines if final Contract Change Orders are necessary. If change orders are required, purchase requisitions are created and processed to completed purchase orders to cover all outstanding requirements.**M4**
- Using SAP T-code CJ20N, the Project Manager will change the User Status to TECO for all post-construction related elements (.07) and any other elements that are not yet in User Status TECO.
- CIP Accountant verifies that there are no pending pre-encumbrances against the post-construction WBS elements using SAP T-code ME5J, (Purchase Requisitions for Projects) and using SAP T-code Y_DE1_26000001 (Budget to Actual Report).**M2**
- CIP Accountant updates the settlement rule with the new FxA # using SAP T-code CJ20N to direct all settlements for post-construction activity to the new FxA.

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- CIP Accountant removes the NTCO user status on all post-construction related WBS elements that have now been set to User Status TECO using SAP T-code CJ20N.
- CIP Accountant updates the System Status to TECO on all post-construction WBS elements that have now been set to User Status TECO using SAP T-code CJ20N.
- No new contracts can be initiated for the project. New labor activity and already encumbered contractual payment obligations can still be processed if sufficient budget remains available in the project.
- Upon passage of one calendar year of the Notice of Completion filing date, the project is ready to move into the final completion RTC stage. If RTC stage cannot be met within one year, exceptions may be approved by the Office of the City Comptroller based upon project conditions and requirements.**M5**
- The Project Manager ensures that all goods received have been recorded as goods receipts using SAP T-code MIGO(See PN-0009).**M6**
- The Project Manager ensures that all final payments are made, including retention to the Vendor(s) using SAP T-codes MIR6 and MIR7(See [PN-0018](#), [PN-0026](#)).**M7**
- The Project Manager requests that the CIP Analyst removes all business areas and all elements related to this project from the Labor Authorization table.
- The Project Manager places the project into User Status NCHG to prevent additional labor activity using SAP T-code CJ20N.
- The Project Manager, and/or the appropriate CIP Analyst, completes the Project RTC Closeout Form and forwards the completed form to the responsible Deputy Director for review and approval.
- The Deputy Director reviews the form for accuracy, completeness and appropriateness. Any outstanding issues are returned to the Project Manager for clarification or correction prior to receiving Deputy Director approval.**M8**
- The Project Manager sets User Status to RTC on all elements that were previously TECO. **S1**

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- After all expenses have posted (need to wait two weeks for labor to fully post), the CIP Analyst prepares the Project Budget Modification Form and pre-posts the budget modification request (FMBB) to reallocate budgets between commitment items and then either remove surplus budget, or add budget to clear a current deficit before final project closing.
- The CIP Analyst submits the Project Budget Modification Form and RTC Closeout Form to Financial Management for processing.
- Financial Management posts the pending FMBB and sends the forms to the CIP Accountant in the Office of the City Comptroller.
- Using SAP T-code CJ20N the CIP Accountant verifies that all elements are in User Status RTC/NCHG.
- CIP Accountant verifies that there are no pending Purchase Orders outstanding using SAP T-code ME2J.
- CIP Accountant verifies that there are no pending Invoice payments outstanding using SAP T-code ME2J.
- CIP Accountant verifies that budgets are correct by funding source using SAP T-code Y_DE1_2600001.
- CIP Accountant gives the RTC Closeout Form to the Fixed Asset Accountant to make sure there are no changes or additions to the Fixed Assets that were created on a preliminary basis.**M9**
- Fixed Assets are retired, created, or improved accordingly by the Fixed Asset Accountant using SAP T-codes ABAVN, AS01, and/or, AS11 (See [PN-0265](#), PN-0266, [PN-0267](#)).
- Fixed Asset Accountant returns form to CIP Accountant with notification of all changes.
- CIP Accountant updates any settlement rules as needed based upon adjustments to fixed assets made in step above using SAP T-code CJ20N.
- CIP Accountant runs the preliminary settlement in the current period and notifies Supervising Accountant of results.**S2**

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- Supervising Accountant reviews preliminary settlement for accuracy and validity and makes any changes necessary to the settlement rules.**M10**
- The CIP Accountant runs final project settlement using SAP T-code CJ88.
- The CIP Accountant sets User and System status CLSD throughout the project structure.
S1
- The CIP Accountant sends email notification to FM, CIP Analyst, Fixed Asset Accountant and Project Manager of complete project closeout.


POST PROCESS REVIEW:

Upon completion and closing of a Capital Improvement Project, the CIP Accountant will execute the following transaction within SAP:

- CJ13 report - Project Actual Costs run after final settlement to ensure that all costs were settled from the WBS elements. This report should indicate a zero balance.
- AS03 - To display asset and values to ensure full settlement to the appropriate fixed asset. This transaction displays the asset and all its transaction balances and should reconcile to the Project RTC Closeout Form.
- Y_DE1_2600001 - Budget to Actual Report to ensure project was fully expended and all budget was removed to the correct sources. This report should indicate a remaining budget balance of zero.
- CN41 - - Structure Overview to ensure that all statuses were set correctly throughout the project structure. This report should indicate System and User status CLSD.

ATTACHMENTS:

Sample standard project structure can be retrieved at
<http://citynet.sannet.gov/documents/forms/pdf/supt217.pdf>

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Process Narratives referenced in this document can be accessed by clicking on the following link:
<http://citynet/documentsforms/pnp.shtml>

Project Routing Forms referenced in this document can be retrieved from
<http://citynet/fm/cip/cipsupport.shtml>

The Process Workflow Diagram (PF-0217) can be retrieved from
<http://citynet.sannet.gov/documentsforms/pdf/pf0217.pdf>

Work Instructions for the T-codes listed throughout this process can be accessed by clicking on the T-code links below:

Change Purchase Order ([ME22N](#)) Change

Purchase Requisition ([ME52N](#))

Change System Status on WBS element ([CJ20N](#))

Change User Status on WBS element ([CJ20N](#)) Create

Asset Master ([AS01](#))

Create Asset Sub-number Master Record ([AS11](#))

Create Settlement Rules ([CJ20N](#))

Display Actual Cost Items for Project ([CJ13](#)) Display

Asset ([AS03](#))

Park Invoice (PO-related) ([MIR7](#)) Post

Invoice (PO-related) ([MIR6](#))


Posting Goods Receipt Referencing Purchase Order ([MIGO](#)) Retire

Asset Scrapping without revenue ([ABAVN](#))

Run Project Settlement ([CJ88](#))

Run Project Structure Report ([CN41](#))

Transfer Asset ([ABUMN](#))

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FOR INTERNAL CONTROLS USE ONLY

RISKS ASSOCIATED WITH THIS PROCESS:

Fixed Asset valuation may be understated due to delays in applying the correct status to the project which could result in misstatements in the annual financial statements.

Depreciation expenses are understated resulting in misstatements in the annual financial statements.

Failure to comply with this process could result in inaccurate information being supplied to management who then rely upon this information for decision making purposes.

INTERNAL CONTROL POINTS:

Control Legend:


Control Category	P	Preventive
	D	Detective
Control Method	M	Manual
	A	Automated
Control Type	C	Completeness
	A	Accuracy
	V	Validity
	R	Restricted Access

Manual Key Controls:

M1 Project Manager verifies that project is correctly placed into service.(P,M,V)

M2 CIP Accountant verifies that no pending pre-encumbrances exist.(P,M,A)

M3 Notice of Completion is a formal legal document filed with the County which signifies that the project has been accepted as complete.(P,M,C,V)

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M4 Project Manager verifies if any additional contract modifications are required.(P,M,C)

M5 Projects are reviewed on a monthly basis to ensure all projects one year past Notice of Completion move to the next stage of the process or have documented exceptions.(P,M,V)

M6 Project Manager verifies that all goods received are recorded appropriately.(P,M,A,V)

M7 Project Manager verifies that all final payments have been made.(P,M,C)

M8 Deputy Director reviews project closure documentation to ensure all aspects of the projects have been addressed correctly.(P,M,A,V)

M9 Review is performed to ensure that the listing of assets is complete and that no changes have taken place.(P,M,C)

M10 Supervising Accountant reviews preliminary settlement to verify that all preceding requisites have been performed correctly.(P,M,A)

System Key Controls:

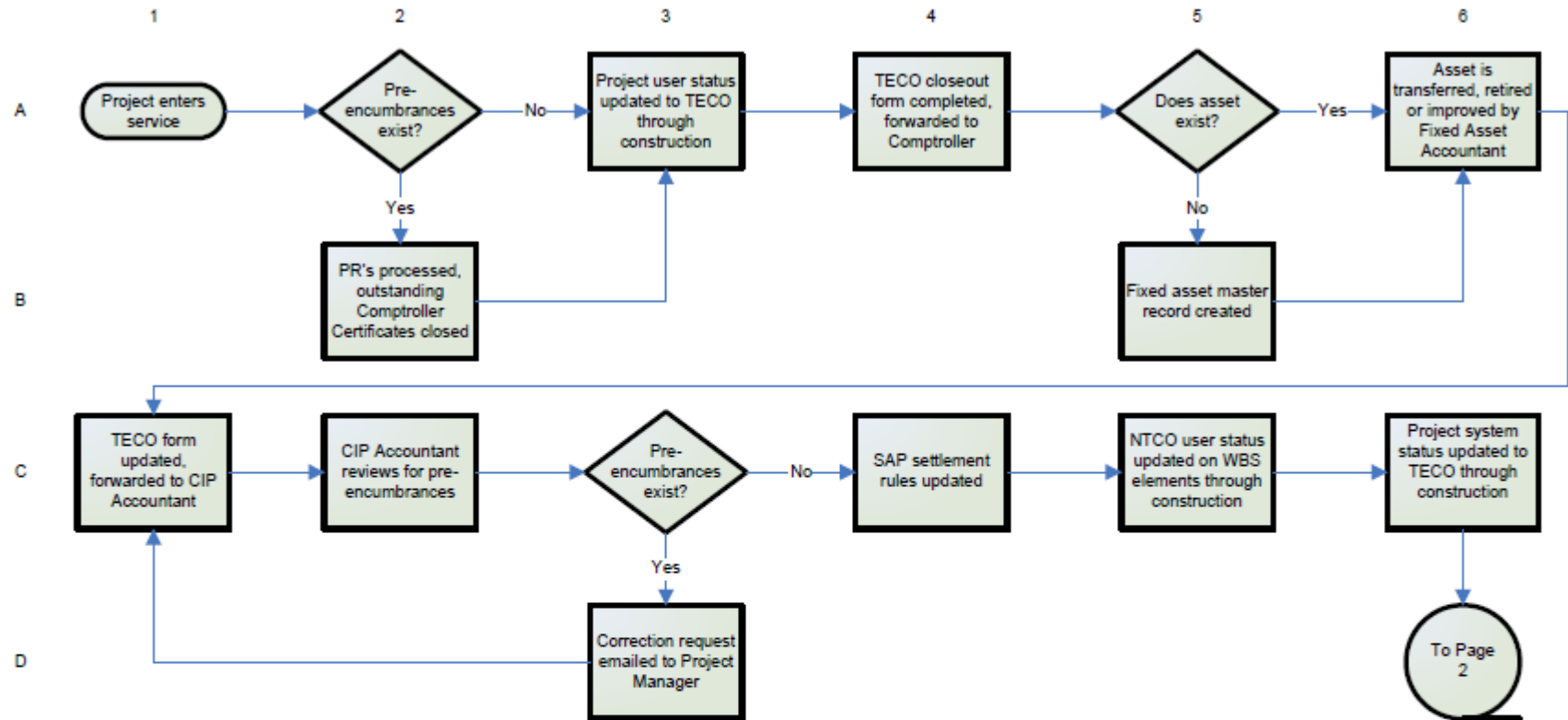
S1 SAP is configured to prevent a change in status until all prerequisites have been satisfied.(P,A,V)

S2 Preliminary settlement will only execute in accordance with preconfigured rules established within SAP. (P,A,V)

FINANCIAL STATEMENT ASSERTIONS:

1. Existence or Occurrence: Assets completed actually exist and are included in the asset inventory of the City.
2. Completeness: All transactions relating to the construction of the asset have been identified and recorded.
3. Valuation and Allocation: All assets are valued based on actual costs incurred.
4. Rights and Obligations: City holds rights to the asset and is responsible for all liabilities associated with the asset.
5. Presentation and Disclosure: Assets are appropriately recorded and reported in the financial statements.

ATTACHMENT 8.2



Process Notes:

This workflow diagram should be read in conjunction with Process Narrative PN-0217.

LEGEND:



Start/
End



Process
Driver



Process
Step



Decision
Point

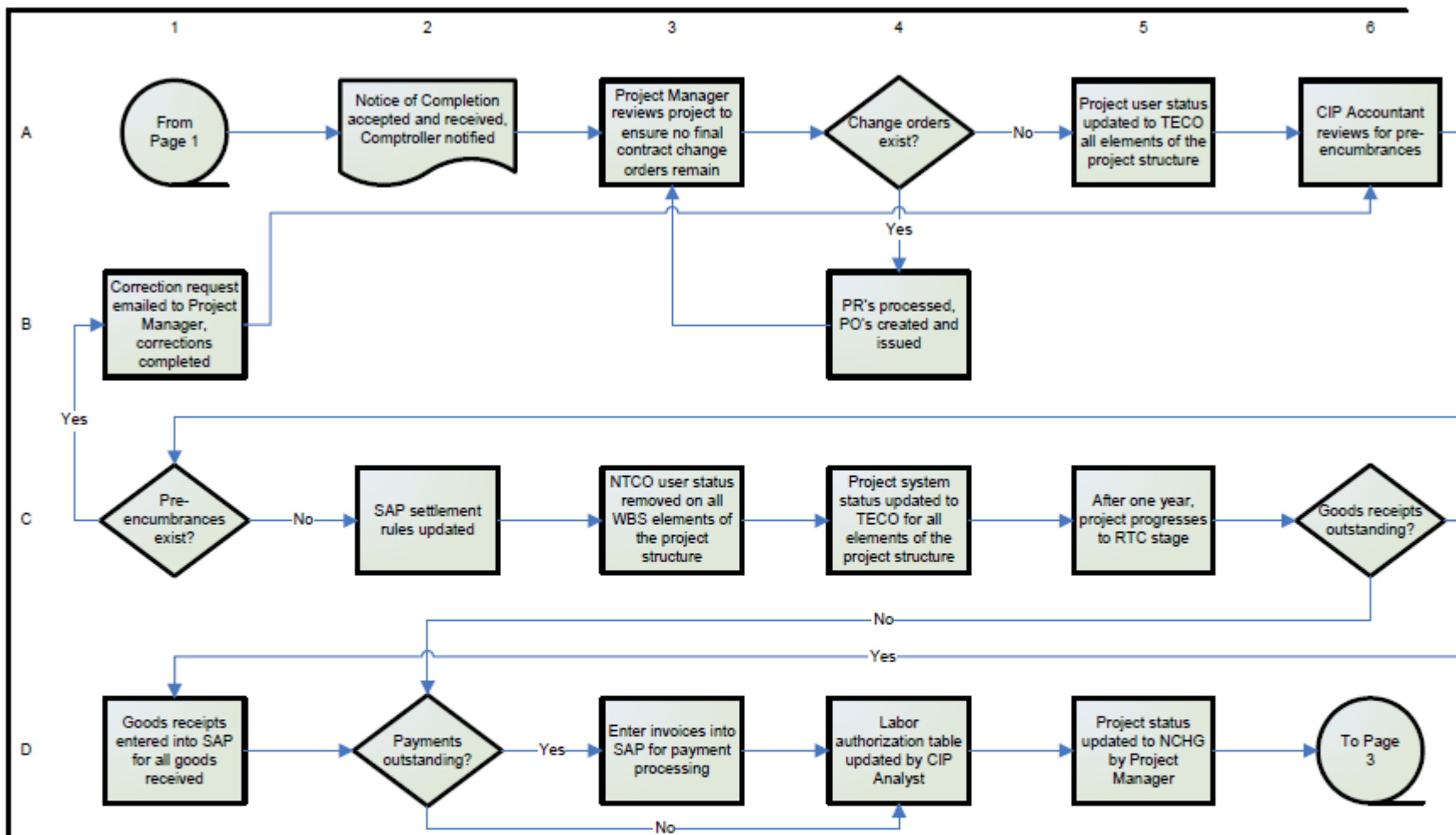


Document

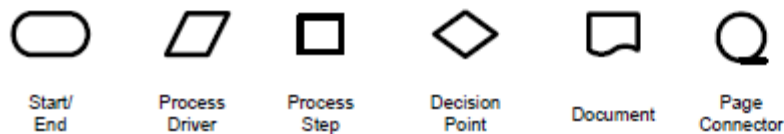


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Connector

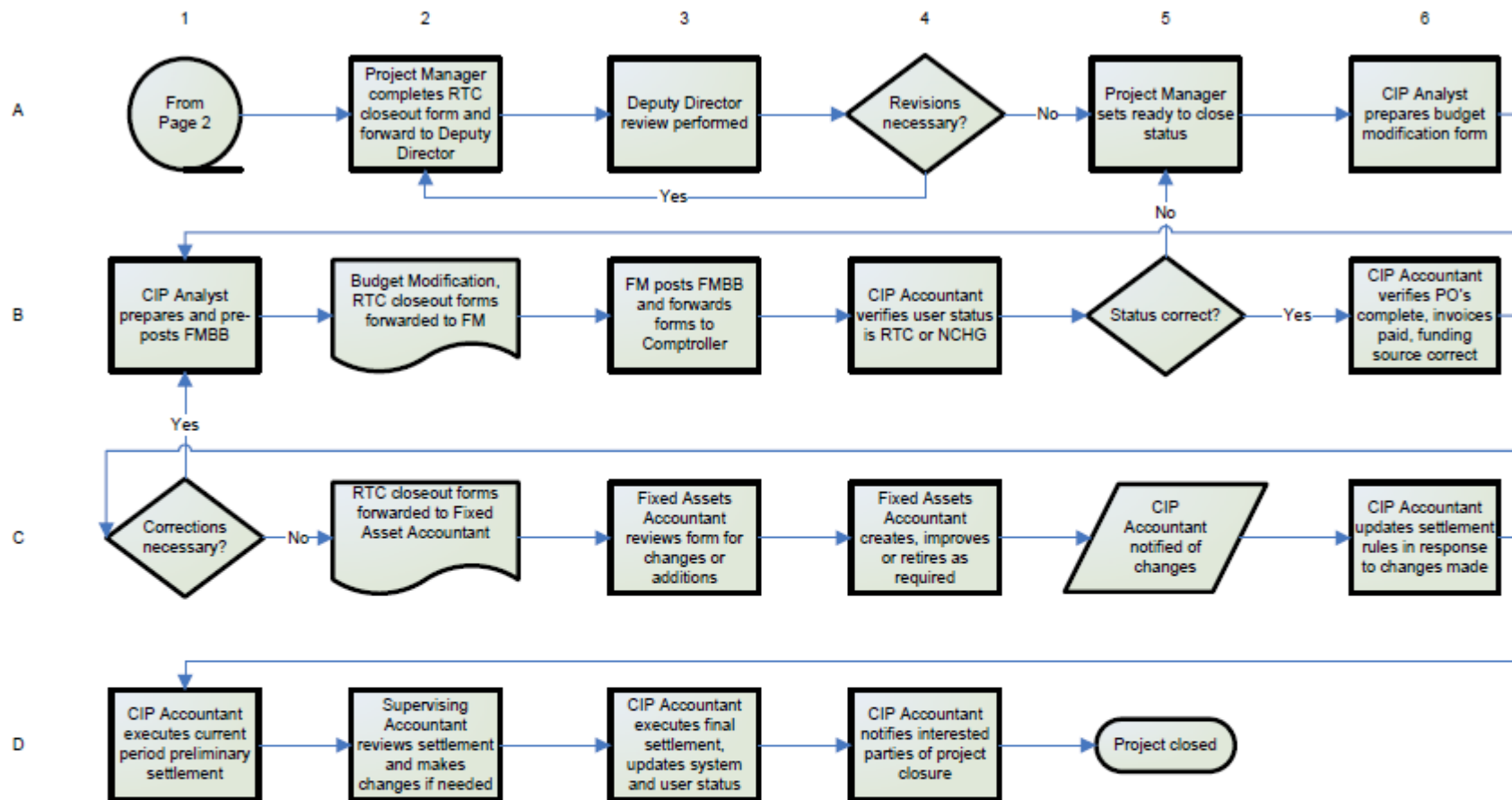
CITY OF SAN DIEGO PROCESS WORKFLOW
 Title: Technical Completion and Closing of a Capital
 Improvement Project
 Doc #: PF-0217
 Process Narrative Ref #: PN-0217
 Owner: Caryn McGriff
 Status: Approved
 Rev Date: 4/30/2010

**Process Notes:**

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LEGEND:

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LEGEND:

Start/
End



Process
Driver



Process
Step



Decision
Point



Document



Page
Connector

CITY OF SAN DIEGO PROCESS WORKFLOW

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