

Oklahoma Department of Transportation

Payments for Material-On-Hand
Construction Control Directive No. **19930730**

February 15, 2002

Scope: To establish the procedures for reviewing a contractor's request for payment of material-on-hand and to identify the documents required to support payment by the Department.

This document establishes the procedures required to review and process a request for payment of material-on-hand submitted by a contractor. Material-on-hand, stockpiled materials, and material allowances are all terms synonymous with Section 109.07 of the Standard Specifications-Payment for Material-on-Hand.

This document contains two distinct sections. Section I addresses the procedures to be followed for any material-on-hand payment request. Section II specifically addresses requests for payment of material-on-hand which involve raw structural steel. The requirements of Section II include the requirements of Section I.

It is essential that the guide be closely followed to ensure that the Department has clear title to the materials at each stage of the construction. The reviewer of the material-on-hand request should always consider that the material, once paid on an estimate, belongs to the Department. If our contract with the contractor should be cancelled for whatever reason prior to the installation of the material, the Department will know how much of the material is ours and where it is located.

Important points to remember when reviewing a request for payment of material-on-hand(refer to Section 109.07 of the Standard Specifications):

- Payment for raw steel is limited to 90% of the invoice price.
- Payment for material-on-hand is limited to 90% of the unit price bid.
- Payment for material-on-hand is limited to those materials which are durable in nature. Materials which have the potential to decay prior to installation, such as paints and asphalt cement, will not be considered.
- The quantity requested in a material-on-hand payment shall not exceed the pro-rated part of the quantity associated with the

contract pay item unless an overrun of the contract pay item quantity is anticipated and properly documented.

SECTION I. Procedure for payment of materials-on-hand.

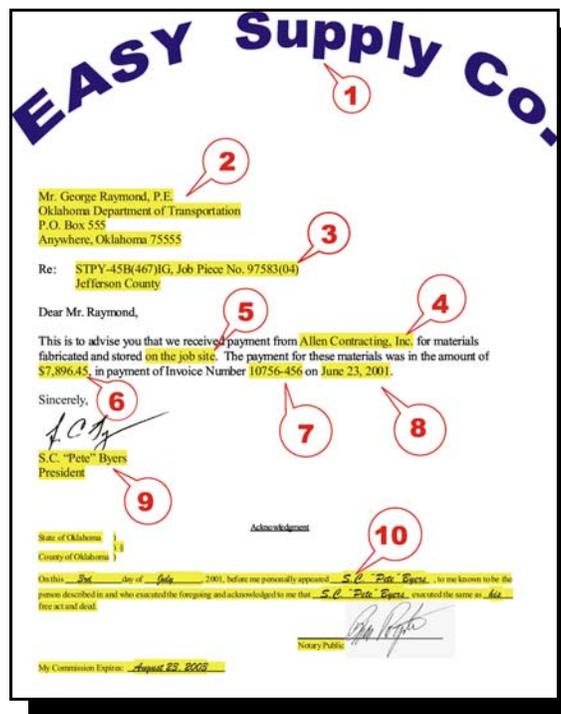
1. The invoice(may be a copy) submitted by the contractor from his supplier for payment shall contain the following:
 - a. The invoice shall bear the name, address, and phone number of the supplier. This information shall be printed on the invoice. Handwritten titled invoices are not acceptable¹.
 - b. Project Number, date of invoice, date of sale, name of contractor and other pertinent information relating to the sale and the identification of the materials.
 - c. The amount of materials and the unit cost to the contractor extended to a total cost per item. Sales tax may be included. Freight to an approved storage site may be included when applicable. (An approved storage site is usually the fabricator's fabrication yard or the project job site. Do not claim freight for delivery to the job site when the material is in the supplier's yard.)
2. The materials claimed for payment shall be in conformance with the applicable specifications for quality as evidenced by test reports or acceptance by the Materials Engineer.
3. The materials shall be fabricated ready for use on the project before payment may be claimed. Materials stored off the construction site shall be marked with the project number and other identification marks required by the plans and specifications. Payment for unfabricated raw materials will not be permitted except for raw structural steel delivered to the fabricator's yard as hereinafter specified in Section II.
4. Only specific materials unique to the project are eligible for payment in the fabricator's storage area. Materials normally inventoried by suppliers for delivery to any project shall be store at the project site before inclusion on any progressive estimate for payment as materials on hand

¹Any evidence of alteration(erasures, mark-outs, etc.) found on the invoice copy shall be grounds for rejecting the invoice.

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and not installed.

5. Upon receipt of the properly prepared invoice from the contractor (refer to No. 1 above), receipt of a test report which indicates that the material meets specification requirements (refer to No. 2 above), and verification of the quantities claimed, the Residency shall place this material on the next progressive estimate for payment. The amount claimed on the invoice shall not exceed 90% of the price bid.
6. The amount on the estimate for material-on-hand shall be considered as work toward mobilization and earning an estimate.
7. Within 30 days of the date of the estimate containing the payment, the contractor shall insure that the Residency receives an original notarized confirmation from the supplier that the contractor has paid the supplier. This original notarized confirmation shall be in the form of the example shown below:



The letter from the supplier should include the following key elements:

- 1 Supplier's letterhead stationary
- 2 Address to ODOT Construction Residency
- 3 Project number
- 4 Name of General Contractor paying the claim
- 5 Location of storage (supplier's yard, job site, other)

⁶Amount received from contractor

⁷Supplier's invoice number submitted by contractor for payment

⁸Date of submittal

⁹Signed by official of the supplier who know the information to be true

¹⁰Original notary statement

Failure to receive the original notarized confirmation letter from the supplier within the prescribed 30 days after the date of the estimate containing payment shall result in the amount of the payment, or portion of the payment not confirmed, being deducted from the current estimate.

8. Section 109.07(b) of the Standard Specifications addresses contractor produced material. For this material, the contractor shall submit a cost breakdown as he would for a Supplemental Agreement. This cost shall not exceed 90% of the unit price bid for the contract pay item. For materials to be blended, the cost shall not exceed its proportionate share of the unit price bid of the finished product. The quantities shall be checked by the Residency personnel to verify the amounts claimed.
9. When the material has been installed or blended, it shall be removed from the pay estimate as material-on-hand and paid for as installed work, provided this work is acceptable.
10. Section 106 of the Standard Specifications also will apply as appropriate. Inspection Costs, as stated in the Standard Specifications, will be borne by the contractor.

SECTION II. Payment for Raw Structural Steel Delivered to Fabricators

To obtain payment for raw structural steel delivered to the fabricators, the contractor must submit to the Resident Engineer supervising the contract, his request for progress payment together with:

- 1) an itemized receipt for the structural steel which has been signed by the fabricator to acknowledge delivery of the steel at his fabricating yard; and,
- 2) a duly executed Financing Statement, UCC-1, prepared in accordance with Title 12A Oklahoma Statutes Section 9-301 et seq. and the terms of this memorandum; and,

- 3) an itemized invoice prepared by the steel mill listing all structural steel items for which payment is sought which indicates price for each item and a total invoice price and which has been paid by the contractor and acknowledged as paid by the steel mill. Acknowledgment by the steel mill shall be substantially in the form of the example endorsement(refer to Section I, No. 7), signed by a steel mill official and properly notarized; and,
- 4) a notarized materials certificate prepared by the steel mill which attests to the quality of the structural steel and that the steel conforms to the quality standards of the Standard Specifications of 1999 and the plans and specifications of the job on which the materials will be used.
- 5) ODOT Sections 106.05, 106.06, and 106.07 of the 1999 Standard Specifications also will apply as appropriate and ODOT reserves the right to do inspections for material inventory, and will deduct those costs from the estimate paid to the contractor as stated in the Standard Specification.

The Financing Statement, UCC-1, must show the fabricator as the debtor and the contractor as the secured party for an amount equal to the full value of the steel delivered for fabrication. The Financing Statement must be executed by both the contractor and the fabricator and submitted in three original copies. The Financing Statement must show as collateral and itemized listing of all structural steel for which payment is sought. The Financing Statement must further show the contract number for which the steel will be used and the name and address of the fabricator to whom the steel was delivered. Each delivery statement must have a proper stamped marking indicating that the forms have been placed in the county records of the county in which the fabricator's yard is located.

All structural steel materials delivered to the fabricator's yard shall:

- 1) be segregated from other materials and inventory held in the fabricator's yard; and,
- 2) be marked by means of paint or other indelible marking with a distinctive lot number and with the ODOT project number; and,
- 3) be fully accounted for throughout the fabrication process to preclude intermixing with general fabricator inventory and possible

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diversion to non-ODOT project uses.

Upon presentation to ODOT of a properly prepared progressive estimate which includes all supporting documents indicated above, procedures will be initiated to effect payment to the contractor as a progressive payment for the unfabricated structural steel. Requests for progressive payment must be submitted complete with supporting documents within seven (7) days of delivery of the steel to the fabricator's yard. Payment will be limited to ninety percent (90%) of the invoice amount of the structural steel.



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