



Payment Reporting and Prompt Pay Construction Contracts

(A result of a PDCA for Process Improvement)

Be Courageous, report and pay on time

Tucson DBE Conference

November 9, 2017

Objectives



1. Background
2. Payment Reporting and Prompt Payment
 - Overview
 - What to Know
 - Tools to Use
3. DBE System Things to Know
4. Current State
5. Future State
6. Q and A

Background

The Need



- Federal audit revealed no prompt payment monitoring process
- Establish a standard for good business practice for contract payments
- ADOT to proactively monitor payment reporting and assist primes to promptly pay subcontractors

Goal is no sanctions, everyone in compliance

Background

Requirements



- Federal Regulations 49 CFR Part 26
- ARS Section 28-6924
- ADOT Specifications 109RET (6/09/2016)

Goal is no sanctions, everyone in compliance

Background

Process Improvement Standard Work



PLAN

- ADOT, Stakeholders, Industry
- Root Cause Analysis
- Develop Standard Work

DO

- Implement

CHECK

- Evaluate Results

ACT

- Standardize and Train

Background

Desired Results



- Standard ADOT process for monitoring payment reporting and prompt payment
- Tools to help contractors and subcontractors to be in compliance
- Implementation plan and training for rolling out the process across the state

Goal is no sanctions, everyone in compliance

Payment Reporting

Overview



Field Office (FO) staff will monitor monthly payment reporting and apply LDs, as needed

SRF approved by ADOT

Before Subs starts work

LDs \$1,000/sub starting before approval

Date Sub performs work

9/19/17

Date Estimate cutoff

10/03/17

Date Prime paid

10/18/17

Date Prime paid Sub

10/25/17 (10/18/17 + 7 days)

Date Prime reports payments in DBE System by

11/15/17 (system time stamps date entered)

Date ADOT will check payment reporting

11/16/17

LDs \$1,000/payment/Sub deducted from estimate 12/06/17

Prompt Payment

Overview



FO staff will monitor monthly prompt payment and will recommend to BECO for investigation, as needed

Not promptly paid

BECO investigates/recommends sanctions to CME

Prime paid Sub under 30 days

**FO deducts 2X the amount provided by CME
FO returns 2X the amount provided by CME**

Prime paid Sub over 30 days

Return 75 percent of money withheld

BECO will monitor repeated prompt payment non-compliance to report to Construction Materials Engineer (CME) for additional remedies

Payments

Disputes and Appeal

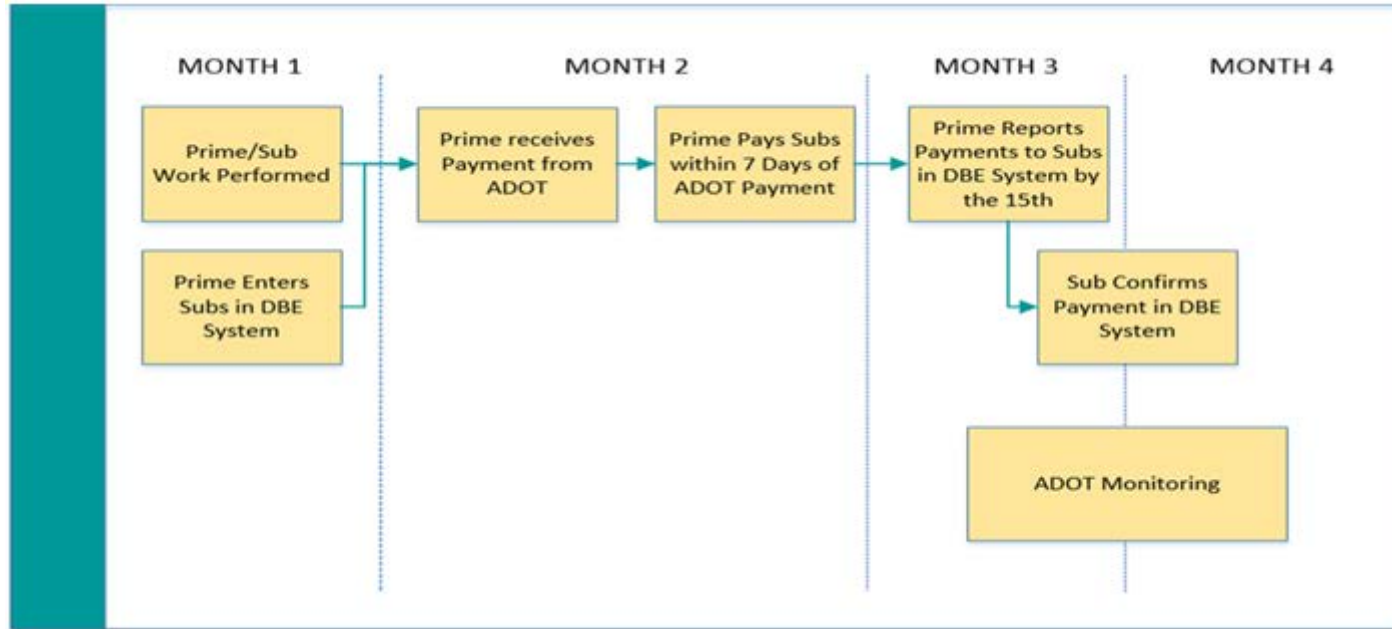


- Contractors to use dispute resolution process as outlined in subcontract
- Appeal to be made to the State Engineer within 15 calendar days of receipt of LD notice

Goal is no sanctions, everyone in compliance

DBE System Cycle

Overview



Payment Reporting

What To Know



- Prime reports all payments by the 15th of the month including \$0
- Sub confirms payments within 45 days



Goal is no sanctions, everyone in compliance

Prompt Payment

What To Know



Contractors/Subcontractors include payment detail information in DBE System:

- ✓ Pay within 7 calendar days of receipt of payment
- ✓ Check amount and number
- ✓ Reasons/explanation for late or non-payment
 - Lien waivers (*payment to be made on the date lien waiver signed*)
 - Certified payroll (*prime can only retain up to what ADOT retains*)
 - Non-performance issues
 - Other
- ✓ Use the public/private comments or message tab instead of calling (for written documentation)

Prompt Payment

What To Know



- Sub not confirming payment after 45 days will be considered confirmed and paid on time
- Unconfirmed date 1/01/2000 for Subs

A screenshot of a payment confirmation form. It shows a section titled "Amount?" with a radio button selected next to the text "Correct - the amount reported by the prime contractor". Below this, there is a field labeled "1. Payment Date:" with the date "01/01/2000" entered. A red note at the bottom says "» If multiple payments were received, enter the".

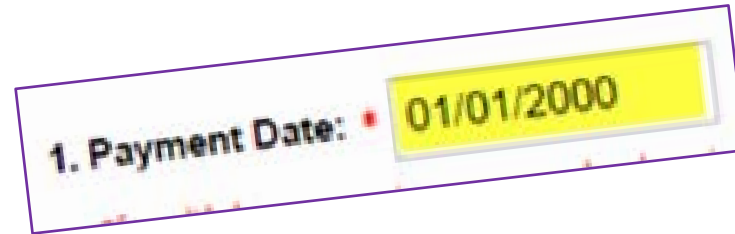
Goal is no sanctions, everyone in compliance

Prompt Payment

What To Know



- Payments confirmed by ADOT will be investigated if Subcontractors disagree and notify ADOT
- BECO will investigate



Goal is no sanctions, everyone in compliance

Tools To Use




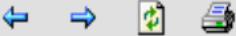
- Audit Detail Report
- Subcontractors Rapid Reporting
- Project Estimate Report
- Authorized Subcontract Report – under development



Goal is no sanctions, everyone in compliance

Audit Detail Report





[Home](#)
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Contract Management: Report List

[Contract Main](#) [View Contract](#) [Subcontractors](#) [Compliance Audit List](#) [Messages](#) [Comments](#) [Reports](#)

Arizona Department of Transportation
1970.01: BECO Test
Prime: ADOT Contractor Compliance

Contracts

[Audit Detail Report](#)

[Customer Support](#)
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Audit Detail Report



| Contract: | | | | | | | | | |
|--------------------|-------------------------------|--------------------------|------------------------|-------------|-----------------|---------------------------|-------------------------|--|---------------------------|
| Prime: | | | | | | | | | |
| Report Run: | 11/2/2017 11:01:50 AM | | | | | | | | |
| Audit Month(s): | January 2017 | | | | | | | | |
| January 2017 | | | | | | | | | |
| Subcontractor Name | Prime Reported Payment Amount | Prime Reported Paid Date | Sub Reported Paid Date | Discrepancy | Partial Payment | Prompt Pay Prime Response | Prompt Pay Sub Response | Prime Audit Public Comments | Sub Audit Public Comments |
| | \$450.00 | 01/20/2017 | 01/20/2017 | No | No | Yes | Yes | Check #079205 | |
| | \$5,726.01 | 01/20/2017 | 01/20/2017 | No | No | Yes | Yes | Check #079207, dated 1/20/17, \$4635.55 Check #079232, dated 1/25/17, \$1089.46 | |
| | \$9,622.07 | 01/20/2017 | 1/23/2017 | No | No | Yes | Yes | Check #079209 | |
| | \$16,782.23 | 01/26/2017 | 01/30/2017 | No | No | Yes | Yes | Check #079241, Total Check Amount \$16831.61, Partial applied to other job | |

Subcontractors Rapid Reporting



1.

Option 1 - Rapid Reporting

Use Audit Code and PIN from notification to enter payment information.

- Best for reporting one contract at a time
- Does not require login
- Cannot edit previously reported information

[Use this method »](#)

Option 2 - Login and Report

Login using your username and password to report requested information.

- Best for reporting information for multiple contracts at the same time
- Allows editing of reported information

[Use this method »](#)

2.

- Cannot edit previously reported information

[Use this method »](#)

Access Verification

Enter the Audit Code and Audit PIN from the notification in the field below and click **Submit**. The Code and PIN are **not** case sensitive.

Audit Code:

Audit PIN:

Option 2 - Login and Report

3.



Arizona Department of Transportation
ADOT DBE System

[Back](#)

You are reporting information on behalf of Test Test of ADOT Beco Test 1234. If you are not Test Test please [log into your own account](#) or [request a new user account](#)

Audit Information

| | |
|--------------------|---------------|
| Contract Number | 1970 |
| Contract Title | BECO Test |
| Prime Contractor | PHX Test Firm |
| Audit Time Period | February 2017 |
| Date & Time Posted | 3/1/2017 |

Submit a response for each item listed below by clicking each link. It is possible that some actions are not available at a specific time. As a subcontractor your responsibility is to confirm payments made to you by the prime or higher level subcontractors.

Compliance Audit Actions

| Category | | Action Required & Response Due Date | |
|---------------------------------------|---|-------------------------------------|-------------------------|
| Tier 1 Subcontractor to PHX Test Firm | Sub: Confirm payment received | due by 4/15/2017 | audit lock on 4/18/2017 |
| | | | |

[Customer Support](#)

Project Estimate Report



Partnering Evaluation Program (PEP) hosted tool for subcontractors to view work items on a given estimate, to determine when the prime was paid for the item

<https://apps.azdot.gov/WebSignOn/login.asp>

Please log in (ADOT use @AzDot.Gov)

Userid:
Password:

Login

- E2C2 System - No account yet? Please join - here
- PEP System - No account yet? Please join - here
- PTS System - No account yet? Please join - here
- SURF System - No account yet? Please join - here
- Prequalification System - No account yet? Please join - here
- DBE Goal Setting - No account yet? Please join - here
- Forgot your password? Click here
- Change your password? Click here
- Report System Problems

Authorized Subcontract Report

- Under Development



PEP hosted report that will give the primes the ability to view authorized subcontractors as they are approved without the need to contact the field office staff

Goal is no sanctions, everyone in compliance

DBE System

Things To Know



- All Subcontractors approved by Field Reports must be entered
- Payments to Subcontractors missed on previous month audits are subject to sanctions
- Payment to subcontractor is related to receipt of payment by the Prime
- Prime contractors can add Subcontractors to audits
- Both Prime and Subcontractors can mark FINAL in audits
- Verify 'user' contact information is correct on all contracts

Current State

Payment Reporting



| Payment Reporting Scorecard | | | |
|-----------------------------|---|---------------------------------|------------------|
| Audit Month | Number of Projects with Payments Not Reported | Number of Payments Not Reported | Number of Primes |
| February-2017 | 4 | 32 | 2 |
| March-2017 | 1 | 11 | 1 |
| April-2017 | 5 | 73 | 3 |
| May-2017 | 1 | 10 | 1 |
| June-2017 | 5 | 74 | 5 |
| July-2017 | 1 | 5 | 1 |
| August-2017 | 4 | 41 | 4 |
| Total | 21 | 246 | 17 |
| Total potential LDs | | \$246,000 | |

Current State

Payment Reporting



Dear (Prime),

This is a notification that some payments to subcontractors on the above mentioned project are not entered in the DBE System in accordance with Specification Section 109.06(B)(5) Payment Reporting and Sanctions.

The contractor shall provide information for payments made on all Reportable Contracts during the previous month by the 15th day of the current month. In the event that no payments were made during a given month, the contractor shall identify that by entering a dollar value of zero. If the contractor does not pay the full amount of any invoice from a subcontractor, the contractor shall note that and provide the reasons in the comment section of the Monthly Payment Audit of the ADOT DBE System.

DBE System records indicate that for the (Month Year) audit period, payments to # subcontractors were not reported by the 15th of the month.

Specification Section 109.06(B)(5) Payment Reporting and Sanctions reads:

For each Reportable Contract on which the contractor fails to submit timely and complete payment information the Department will retain \$1,000.00 as liquidated damages, from the monies due to the contractor. Liquidated damages will be deducted each month for each Reportable Contract on which the contractor fails to submit payment information until the contractor provides the required information as described herein.

After 90 consecutive days of non-reporting, the liquidated damages will increase to \$2,000.00 for each subsequent month, for each Reportable Contract on which the contractor fails to report until the information is provided. These liquidated damages shall be in addition to all other retention or liquidated damages provided for elsewhere in the contract.

Please ensure to report all payments to subcontractors in the DBE System.

If you have questions or need additional information, please contact contractorcompliance@azdot.gov

Current State

Prompt Payment



| Prompt Payment Scorecard | | | | |
|--------------------------|--------------------|----------------|--------------------|----------------|
| Audit Month | Paid Within 7 Days | Paid 8-30 Days | Paid After 30 Days | Total Payments |
| February-2017 | 140 (42.30%) | 190 (57.40%) | 1 (0.30%) | 331 |
| March-2017 | 194 (51.87%) | 171 (45.72%) | 9 (2.41%) | 374 |
| April-2017 | 223 (57.92%) | 162 (42.08%) | 0 | 385 |
| May-2017 | 330 (66.94%) | 157 (31.85%) | 6 (1.22%) | 493 |
| June-2017 | 308 (67.25%) | 149 (32.53%) | 1 (0.22%) | 458 |
| July-2017 | 267 (58.30%) | 191 (41.70%) | 0 | 458 |
| August-2017 | 294 (60.37%) | 190 (39.01%) | 3 (0.62%) | 487 |

Future State

Goal



everyone in compliance

Future State



- Training ADOT staff (FO, Field Reports, BECO) and Contractors/Subcontractors
- FO monitor monthly payment reporting (sanctions) and prompt payment
- BECO investigate prompt pay non-compliance, recommends sanctions to CME, as needed

Goal is no sanctions, everyone in compliance



Other Resources

BECO



Website

<https://azdot.gov/business/business-engagement-and-compliance>

Resource Center

602-712-7761

Questions



