



EXPRO National Manual for Projects Management

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Contract Closeout Procedure



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Contract Closeout Procedure

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1.0 PURPOSE

This procedure covers the final inspection and actions required to closeout a contract from a commercial perspective only. Project Construction Completions and Turnover Procedure is prescribed in the Construction Department's Procedures, EPM-KCC-PR-000003 - Project Construction Completions and Turnover Procedure.

2.0 SCOPE

This procedure applies to Contract activities conducted under the administration and management of the Contracts Management Department.

3.0 DEFINITIONS

Term	Definition
2nd Party	Contractor, Consultant, Engineer or Supplier who expresses interest in prequalifying for a specific package of Works or Services and upon Award becomes the entity contracted to perform such Works or Services
Agreement	Contract or Purchase Order (collectively "Agreement") between the Entity and a 2nd Party
Construction Contractor	The Main or Principal Contractor responsible for undertaking the Construction Works on the Project. Individual(s) or firm(s) engaged in the construction of buildings, either residences or commercial structures, as well as construction activities such as paving, highway construction, utility construction and landscape installation.
Contract Closeout Checklist	The internal form used to confirm that all Contract requirements have been satisfied prior to Closeout.
Demobilization Checklist	The internal form used to confirm that all Contract requirements have been satisfied prior to demobilization of the 2nd Party's material, equipment, and facilities from the jobsite.
ECMS	Enterprise Content Management System
Entity	A Saudi Government organization which is responsible for the delivery of government funded infrastructure construction projects.
Laws	Government Tenders and Procurement Law issued pursuant to Royal Decree No. (M/128) dated 13/11/1440 AH and the Implementing Regulations thereof issued pursuant to the Minister of Finance's Resolution No. (1242) dated 21/3/1441 AH and as amended thereafter.
Final Handover	The form or letter used to confirm agreement that the 2nd Party has completed all requirements of the work described.
Jobsite	Place or location where the Works or Services will be performed sometimes referred to as the site or location of Works or Services.
Performance Evaluation	The internal form used to evaluate and record a 2nd Party's performance and suitability for future work for an Entity.
Project	Project to be undertaken by an Entity that consists of single or multiple Agreements with 2nd Parties to perform Works or Services as part of the execution plan to deliver such Project. Scope of Work and/or services identified by Entity that needs to be executed.
Release and Certificate of Final Payment	The form that the 2nd Party must complete and submit with its application for final payment. Except as may be otherwise specified on the form, 2nd Party releases all claims against the Entity
Requisition	Requisition for Tendering



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Services	Provision of technical or consulting services for design, studies, investigations (geotechnical, surveying testing), specialist advice or the like that are not the Works but necessary to support them
Site Construction Department	Department within the Project Management Company that is responsible for Construction activities/operations.
Contracts Management Department	Department within the Entity Project Management Organization (EPMO) or at corporate level authorized to conduct contracts formation and administration activities.
Site Document Control	Department within the Project Management Company that is responsible for the control of all project Documents using ECMS.
Site Engineering Department	Department within the Project Management Company that is responsible for Engineering or design activities/operations.
Works	Construction or supply of goods, facilities or the like of permanent and temporary nature as contracted by the Entity

4.0 REFERENCES

Article One Hundred Eleven (111) of the Implementing Regulation.

5.0 ROLES & RESPONSIBILITIES

The following defines the individual roles and responsibilities associated with the Close-out of a Contract for Works or Services:

Individual	Role
2nd Party's Authorized Representative	The individual from the 2nd Party's organization who is authorized to commit the 2nd Party to closeout actions.
Contracts Administrator	Individual with the primary responsibility to ensure that all commercial, contractual, and technical requirements have been met or reconciled before issuing a final acceptance notice and releasing the 2nd Party
Contracts Management Department Manager	Overall responsibility for the management of contracts closeouts and reconciliation before issuance of final acceptance notice and release of the 2nd Party
Resident Engineer	Responsible for the management of the Work at the Site and validating Technical Requirements have been satisfied in accordance with the Agreement.

6.0 PROCESS

Contract closeout means that both the Entity and the 2nd Party have discharged all contractual obligations. This includes all commercial, technical and administrative obligations contained in the contract and requires formal resolution of all changes, requests for time extension, claims and back charges.

Although the 2nd Party has the primary responsibility for an in-process inspection, the 2nd Party shall be notified of non-complying items identified by the Entity as they are discovered. The final inspection and walk down should simply be a confirmation of the closure of all open non-conformance reports issued during the progress of the work. Final Handover and closeout procedures will have to be modified for those contracts that have turnover, start-up, or performance test requirements.



6.1 Final Inspection

Final inspection and closeout is the work process used to closeout a Contract. Final inspection and close out may occur as a single event or may be done in several steps as partial systems or areas are accepted. The process may involve two or more stages with initial acceptance being issued at completion of the physical work (including relevant quality documentation, operations and maintenance manual issue etc.). This first stage would typically result in a partial release of retention money or performance security. Final acceptance and the release of the balance of the retention money and performance security occurs at the completion of the maintenance period and on the handover of the operational spares, as signified by the issue to the Entity of a maintenance certificate signed by the Resident Engineer within 28 days of the end of the 2nd Party maintenance period.

Contract closeout encompasses the completion of a number of activities or actions, which include the following steps:

- The Contracts Administrator shall initiate a Contract Closeout Checklist (**Attachment (1)**) in preparation for the anticipated request from the 2nd Party for Final Inspection.
- The 2nd Party shall notify the Entity of Work that is complete and ready for Final Acceptance.
- The Entity, and the 2nd Party shall then perform a joint inspection of the Work and verify that no Defects exist and any notified Defects have been satisfactorily resolved.
- Any identified Deficiencies shall be recorded on the revised issuance of the Defect List and the Closeout of the Contract shall be deferred until such time as the notified outstanding Defects are resolved.

6.2 Closing out Contract

When all outstanding Defects are resolved, and the Defect Liability Period has concluded, the Contracts Administrator shall initiate the Closeout of the Contract generally following the process herein:

- When all check items on the Contract Closeout Checklist are complete, a Certificate of the Final Handover should be completed and provided to the 2nd Party with a Release and Certificate of the Final Payment. In certain instances.
- Prior to demobilization, the Contracts Administrator shall prepare the 2nd Party Demobilization Checklist (**Attachment (2)**) and, with the concurrence of the Resident Engineer, route the checklist for review and approval.
- If all contractual requirements have not been met or supplied by the 2nd Party, the 2nd Party shall be notified of the deficiencies in writing.
- After the items on the Contract Closeout Checklist are accepted, the Entity will issue a Certificate of the Final Handover to the 2nd Party.

6.3 Distribution of Closeout Documentation

The Contracts Management Department shall obtain the approval of the Administering Department, Originating Department and the Director of the Contracts Management Department for the issuance of the Final Acceptance Certificate to the 2nd Party to record formally that the 2nd Party's obligations under the Agreement have been fulfilled.

A copy of the Letter and Final Acceptance Certificate shall be provided to the originating Department and Administration Department for their records.

6.4 Final Payment

The Government Entity shall pay the final invoice to the 2nd Party which may not be less than [10%] after the preliminary handover of the services and the provision of the following certificates:

- Certificate of completion of services from the Government Entity owning the project.
- Certificate from General Authority of Zakat and Tax confirming the payment of zakat or tax due.
- Certificate from the General Organization for Social Insurance confirming the establishment's registration and payment of insurance contributions.



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- Any other Certificates that must be presented stipulated/in accordance to the approved contract forms.

After receiving a signed Release and Certificate of Final Payment from the 2nd Party, the 2nd Party's final invoice may be processed, including release of retention in accordance with the provisions of the contract. A reasonable retention may continue to be withheld if necessary to ensure timely resolution of claims against a 2nd Party; but retention should not be withheld simply to induce a 2nd Party to settle on a claim against the Entity. In some instances, if both parties agree, an irrevocable Letter of Credit or Bank Guarantee can be provided by the 2nd Party in lieu of continuing to withhold retention.

Upon receipt of an executed Release and Certificate of Final Payment and a copy of the Contract Closeout Checklist, the Entity's Accounting department will process payment of the final amount due.

6.5 Historical Fact Sheet

After the final payment has been made, the 2nd Party Fact Sheet and Historical Record (**Attachment (3)**) and 2nd Party Performance Evaluation shall be completed.

6.6 Disposition of Records

Originals or copies of all closeout documents shall be filed in the Contract closeout file. Record retention shall conform to the project document control requirements.

7.0 ATTACHMENTS

1. EPM-KD0-TP-000044 - Contract Closeout Checklist
2. EPM-KD0-TP-000045 - Contract Demobilization Checklist Template.
3. EPM-KD0-TP-000023 - Contract Fact Sheet & Historical Record Template



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Attachment 1 - EPM-KD0-TP-000044 - Contract Closeout Checklist

CONTRACT CLOSEOUT CHECKLIST

CONTRACT NO.: _____ PROJECT: _____

SECOND PARTY: _____ JOB NO.: _____

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CHECK ITEM		YES	NO	N/A	INITIAL	DATE
1.	Final Inspection Held	☐	☐	☐		
2.	Deficiencies Corrected	☐	☐	☐		
3.	As-Built Drawings Received and Satisfactory	☐	☐	☐		
4.	Operating/Maintenance Manuals Received	☐	☐	☐		
5.	Spares Delivered	☐	☐	☐		
6.	Maintenance/Test Equipment/Tools Delivered	☐	☐	☐		
7.	Final Quantities Agreed Upon	☐	☐	☐		
8.	Warranty Statements Received	☐	☐	☐		
9.	Warranty Procedure Established	☐	☐	☐		
10.	QA/QC Documentation Review Complete	☐	☐	☐		
11.	QA/QC Inspection Complete	☐	☐	☐		
12.	All NCRs Resolved	☐	☐	☐		
13.	All Contract Changes Completed / Closed	☐	☐	☐		
14.	All Claims Resolved	☐	☐	☐		
15.	All Backcharges Satisfied	☐	☐	☐		
16.	Bechtel/Customer-Furnished Equipment & Surplus Materials Returned	☐	☐	☐		
17.	All Safety Incidents Resolved	☐	☐	☐		
18.	Completion Notices Provided	☐	☐	☐		
19.	Release from Contractor Received	☐	☐	☐		
20.	Releases from Subtier Contractors Received	☐	☐	☐		
21.	Financial Audits Completed and Resolved	☐	☐	☐		
22.	Demobilization Checklist Approved	☐	☐	☐		
23.	Fact Sheet and Historical Record/Performance Evaluation Completed	☐	☐	☐		
24.	Final Invoice Approved	☐	☐	☐		
25.	Files Dispositioned	☐	☐	☐		

ROUTE	SIGNATURE	DATE
Contracts Administrator		
Field Engineer		
Quality Manager		
Project Controls Manager		
Finance Manager		
Contract Management Department Manager		
Project Manager / Site Manager		



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Attachment 2 - EPM-KD0-TP-000045 - Contract Demobilization Checklist Template

CONTRACT DEMOBILIZATION CHECKLIST

CONTRACT NO.: _____ ENTITY: _____
SECOND PARTY: _____ JOB NO.: _____ COMPANY

CHECK ITEM		YES	NO	N/A	INITIAL	DATE
1.	Material Surplus Removed and Disposed	☐	☐	☐		
2.	Temporary Facilities Removed	☐	☐	☐		
3.	Utility Connections disconnected and removed	☐	☐	☐		
4.	Tools and Equipment Removed	☐	☐	☐		
5.	Jobsite reinstatement completed	☐	☐	☐		
6.	Other (add as relevant to Scope)	☐	☐	☐		
		☐	☐	☐		
		☐	☐	☐		
		☐	☐	☐		

ROUTE	SIGNATURE	DATE
Field Engineer		
Project Controls Manager		
Contracts Management Department Manager		
Project Manager / Site Manager		



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Attachment 3 - EPM-KD0-TP-000023 - Contract Fact Sheet & Historical Record Template

Contract Fact Sheet and Historical Record

SECOND PARTY		JOB NUMBER
STREET ADDRESS		CONTRACT NUMBER
CITY, COUNTRY		2 ND PARTY REPRESENTATIVE
		[ENTER NAME]
DESCRIPTION OF CONTRACT		
ESTIMATED COST/PRICE	ENTITY'S NAME	APPROVAL DATE
ESTIMATED STARTING DATE OF CONTRACT	ESTIMATED DURATION CONTRACT	
DATE INVITATION TO TENDER ISSUED		
PRE-TENDER VISITS AND MEETINGS (INCLUDE LOCATION)		
TENDERS RECEIVED AND AMOUNTS (ITEMIZE)		
MAIN LOWER TIER SUBCONTRACTORS & SUPPLIERS	TYPE OF WORK	VALUE OF WORK
PRE-AWARD MEETING LOCATION	DATE OF PRE-AWARD MEETING	
EFFECTIVE DATE OF INSURANCE	INSURANCE EXPIRATION DATE	
FIELD CONSTRUCTION MANAGER AND DATE ENTITY LETTER ISSUED		
DATE NOTICE TO PROCEED ISSUED	DATE OF CONTRACT AWARD	

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PROGRESS SCHEDULE SUBMITTAL DATE	APPROVAL DATE	LAST UPDATE
ACTION START DATE	ACTUAL COMPLETION DATE	CONTRACTUAL COMPLETION DATE
WORK ACCEPTED (FINAL INSPECTION DATE)	INSPECTED BY	
DATE ALL AS BUILTS APPROVED	DATE CONTRACT FINAL ACCEPTANCE LETTER ISSUED	
DATE RETENTION RELEASED	AMOUNT	
AWARD AMOUNT		
AMOUNT OF CONTRACT CHANGE ORDERS AND AMENDMENTS	NUMBER OF CONTRACT CHANGE ORDERS AND AMENDMENTS	
AMOUNT OF COMMITMENTS WITHOUT CHANGE ORDERS AND AMENDMENTS	NUMBER OF COMMITMENTS WITHOUT CHANGE ORDERS AND AMENDMENTS	
AMOUNT OF CLAIMS SUBMITTED (NO IN BRACKETS)	FINAL AGREED VALUE OF CLAIMS (NO. IN BRACKETS)	
AMOUNT OF BACKCHARGES	NUMBER OF BACKCHARGES	
FINAL CONTRACT PRICE		
PREPARED BY	DATE CONTRACT HISTORICAL REPORT PREPARED	
INSERT NAME: INSERT ROLE		