Project Management – Part 2

This month’s tip is the second part of a two-part discussion on project management. Last month we covered Scope of Work Development, Contractor Selection, the Bidding Process and lastly, the Contract Award Process.

This month we will finish up with:

- Pre-construction Meetings
- Project Management Fundamentals
- Contract and Invoice Payments
- Contract Closing and Documentation

Pre-Construction Meetings

The Pre-Construction or Pre-Work meeting is as important as the Bid Meeting and Scope of Work Development. This meeting is the beginning of the actual work process and is critical to ensure the contractor or vendor totally understands the scope. As well as understands all of the local rules and regulations like; safety, emergency response, security, working hours, environmental rules, parking, debris and trash disposal, etc. Make sure the contractor and all onsite leadership are present. It is also a great idea to document who is present and all of the meeting discussion for the file. You never know when, down the road, you will need this information when things are not going too well.

Day-to-Day Management

This may be the easiest and most fun of all the project management components. It simply involves visiting the site of the project on a regular basis which could be weekly, daily, or even multiple times in one day for complex and large projects. Make sure you monitor the project progress for safety, quality, and schedule compliance. I would also highly recommend you document regular progress with pictures, even a journal as appropriate. Remember when things begin to go poorly you never have enough documentation to tell the story.
**Contract Payments**

Contract payments can be handled in many ways:

- One payment can be made at the end of a project,
- Progress payments can be made monthly or when significant percentages of work has been complete, or
- Payments can be made when capital equipment or significant supplies are delivered to the site or facility.

It really doesn’t matter how you want to set this up as long as it is documented clearly in the scope of work or in the addendum meeting. Often the vendor or contractor will require certain payments for equipment and/or supplies for the simple reason they may not have the cash flow reserves to pay for significant supplies until the end of the project. Remember when dealing with contracts and contractor payments, the contractor must be allowed to make a profit and pay his expenses. Don’t mess with other company’s money, be fair and honest.

Another critical component of contractor payments is something called “retainage.” On significant projects a retainage process retains a percentage of each invoice. The total retainage should always be at least 2X's the amount it would cost to complete a project or contract if the contractor decides to default. The purpose for this is to ensure the contractor or vendor is motivated enough to finish his commitment. If you pay out more than the contractor has completed, and you have not kept any retainage, there is no incentive for the vendor or contractor to complete the work they started. Just like above on the different type of payment terms, make sure the vendor or contractor understands the retainage rules during the scope and bidding process.

**Contract Closing and Documentation**

On the surface this looks like a pretty easy component of the project management process and I guess it really should be, but it rarely is completed properly and can cause some long-term problems for the organization. The process of closing and documentation should be spelled out in the scope of work and again highlighted in the actual contract. The closing process involves having all parties inspect the completed project or construction. This would include the project management team, maintenance team, safety team (if appropriate), environmental team (if appropriate), and the operational team or the users of the space and equipment. Every person of authority in those groups should physically sign the document stating they are satisfied and the project is complete. And discrepancies found during
the final inspections should be resolved prior to any final payments being made. Remember; retain enough funds from the payments to ensure the contractor finishes the work.

The last piece is to ensure all of the proper documentation is onsite and accurate before final payments are made. These documents should include, but are not limited to:

- as built drawings
- owner’s manuals,
- parts lists,
- operating instructions,
- start-up specs (i.e. voltage, amperage, pressures, etc.)

Almost 100% of the companies I visit and work with have items that a contractor or vendor never finished and never properly documented. Remember take time to do it right.

I’m sure you have realized that the two articles on project management are mostly designed for large equipment and construction projects. It’s obvious the bigger the project, a more detailed and formalized process is required. If you deal with mostly small and low dollar amount projects then pick out the components which will assist you in ensuring you projects will be the best they can be.

A little project management humor for the end of the year –

"Expect the best, plan for the worst, and prepare to be surprised."