

Guidance on Preparation of Materials on Hand Payments

This attachment provides guidance to Structure Construction (SC) staff on how to prepare materials on hand payments.

In addition to payment for work done, the [Contract Specifications](#), Section 9-1.16C, *Payment – Progress Payments – Materials On Hand*, provides guidance for payment of materials furnished by the Contractor but not yet incorporated into the work. Payment for materials on hand is an advance payment which may be anticipated for high-dollar materials, but can also be requested for other materials that meet the conditions outlined below. A material on hand payment is temporary and will be deducted by the Department when the material is incorporated into the work and paid for at contract bid item prices.

The material must be delivered to the job site or stored subject to, or under State control. Only materials meeting the criteria outlined in the *Contract Specifications* are eligible for payment as materials on hand.

Since many bid items include both furnishing and placing of material (e.g., bar reinforcing steel, rubber waterstop, etc.) the maximum payment for materials on hand must not exceed the contract price less the estimated cost of handling (e.g., trucking), installation or other work necessary, to complete the bid item.

Materials on hand payments are considered only when requested by the Contractor on [Form CEM-5101](#), *Request for Payment for Materials on Hand*, prior to the monthly progress payment.

1 – Steps for the Materials on Hand Paperwork

Before a given material can be paid as materials on hand, the following steps must be performed:

1. Verify Form CEM-5101, *Request for Payment for Materials on Hand*, is filled out properly for each bid item and for each month in which the payment is requested. Note that a new request must be submitted each month, even though the quantity of materials on hand has not changed since the previous month's estimate. If the request is not submitted by the Contractor and approved by the Resident Engineer, the payment will be deducted from the estimate.
2. Materials on hand payments are processed by the same deadlines as progress pay estimates. Verify the material meets the eligibility requirements for payment

as materials on hand as described in the aforementioned *Contract Specifications*, Section 9-1.16C, *Materials on Hand*.

3. Verify the material meets contract requirements and is released by the method as outlined in the *Contract Specifications* including:
 - a. Certificate of Compliance, or
 - b. Form TL-0029, *Report of Inspection of Material*.
4. The material must be stored within the State of California, and subject to or under State control as follows:
 - a. For material at or near the project, comply with the requirements of *Construction Manual*, Chapter 3, *General Provisions*, [Section 3-906E\(1\)](#), *Payment – Progress Payments – Materials on Hand – Materials at the Project*.
 - b. For material stored away from the jobsite but within California, comply with the requirements of the *Construction Manual*, Chapter 3, *General Provisions*, [Section 3-906E\(2\)](#), *Payment – Progress Payments – Materials on Hand – Materials Not at the Project*. The Materials Engineering and Testing Services (METS) Representative ([METS Rep](#)) can assist with verifying the storage and acceptability of the material. Forms submitted by the METS Rep to the RE for verification include:
 - i. Form TL-0649, *Report of Material on Hand*
 - ii. Form TL-6037, *Fabrication Progress Report*
5. Verify the material is unused. Once material has been paid for as materials on hand, it cannot be used by the Contractor except in the manner contemplated by the contract. For example, steel H-piles paid for as materials on hand for a piling bid item may not be used as falsework beams.
6. Verify the payment amount for materials on hand does not exceed the total of the bid item payment less the estimated cost to complete the bid item. The purpose of this is to leave sufficient funds in the bid item to complete the work.
7. Once the material is incorporated into the work, the materials on hand payment will not be renewed. The material can then be paid as bid item work and the amount previously paid as material on hand will be deducted from the estimate. Verify that the bid item is not requested for payment as materials on hand in addition to bid item payment.
8. Prepare a quantity sheet for payments of materials on hand and include the invoices from the Contractor. Identify the corresponding bid item number on the quantity sheet.

9. As with any other progress payment, obtain an independent check of the prepared payment documentation.
10. Submit the quantity sheet and invoice paperwork to the Structure Representative.

Records of materials on hand payments are kept in File Category 51, *Materials on Hand*. For additional guidance on this topic, refer to the *Construction Manual*, Chapter 3, *General Provisions*, [Section 3-906E](#), *Payment – Progress Payments – Materials on Hand*.