

APPLICATION AND CERTIFICATE FOR PAYMENT

Cover Sheet · Schedule of Values · Continuation Sheet

Project: [Project Name] | Application No.: [#] | Period: [Start Date] through [End Date]

How this document works. Every monthly progress payment from owner to GC on a commercial project follows the same three-document workflow: (1) the *Application for Payment* cover sheet computes the dollar amount due this period from the cumulative work-in-place and stored materials data; (2) the *Schedule of Values* is the line-item breakdown of the original contract sum, agreed at contract execution and rarely revised mid-project except by change order; (3) the *Continuation Sheet* is the per-period progress tracker that reports for each line item how much has been completed (previous + this period), how much material is stored on or off site, what percentage is complete, and what retainage is being held. The Continuation Sheet feeds the totals at the bottom of the cover sheet. Together the three documents are the contractor's monthly invoice and the architect's monthly certification — there is rarely any third document that a commercial GC submits to bill an owner during construction.

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1. THE PAY-APP WORKFLOW — WHO DOES WHAT AND WHEN

Commercial pay-app workflow follows the contract-stipulated cycle, typically monthly with billing cutoff and submission deadlines specified in the General Conditions. The standard cycle:

Step	Who	What	Typical Timing
1. Cutoff	GC project manager + accountant	Calculate cumulative completion percentages by line item against work-in-place + stored materials as of the billing cutoff date	25th–28th of month
2. Sub bill collection	GC accountant	Receive subcontractor pay applications for the same period; reconcile to GC's own progress assessment	1st–3rd of month
3. Pencil draft	GC project manager	Walk the project with the architect/owner's rep; agree on completion percentages line-by-line; pre-empt disputes before the formal application is submitted	3rd–5th of month
4. Formal submission	GC accountant or project manager	Submit Application for Payment cover + Continuation Sheet + required attachments (lien waivers, COI updates, stored-materials documentation, change order log)	5th–10th of month
5. Architect review + certification	Architect (or owner's representative)	Review against project observation; certify the amount earned; may modify amount with notice and basis	10th–15th of month
6. Owner payment	Owner accountant	Pay certified amount within contract-stipulated period (typically Net 30 from architect's certification)	30 days from certification
7. Sub payment	GC accountant	Pay each subcontractor their portion of the certified amount within contract-stipulated period (typically 7–14 days from receipt of owner payment, with conditional waivers exchanged at the same time)	Within 7–14 days of owner payment

The pencil draft is the single most important step.

Many GCs skip step 3 — submit a formal Application for Payment cold, hope the architect agrees with the percentages, then fight when the architect modifies down. The pencil draft is a 30-minute walk with the architect at the project, line-item by line-item, with both parties agreeing on the percent complete BEFORE the formal submission. When the formal application matches the pencil-draft agreement, the architect certification is a rubber stamp and payment hits on time. When the pencil draft is skipped, the average payment delay extends by 2–3 weeks per cycle.

2. PRE-SUBMISSION CHECKLIST (24 ITEMS)

1. **Pencil draft signed.** Architect or owner's rep has agreed in writing (email or initialed pencil-draft sheet) on the line-item percentages for this period.
2. **Application number is sequential.** No skipped or duplicated numbers from prior periods. Owner accounting flags non-sequential apps.
3. **Period dates match billing cycle.** Period start = day after prior period end; period end = contract-stipulated cutoff.
4. **Original contract sum matches the executed contract.** Verify against the signed Owner-Contractor Agreement.
5. **All approved change orders are listed in the change order log.** Each with CO number, date, dollar amount, and net cumulative effect.
6. **Pending change orders excluded from contract sum.** Pending change orders may be listed for owner awareness but are NOT in the revised contract sum until executed.
7. **Schedule of Values totals to the original contract sum.** Reconcile line-item sum to contract amount.
8. **Continuation Sheet line items match Schedule of Values.** Same line numbers, same descriptions, same scheduled values. Any line item changes required a contract amendment.
9. **Work-completed-this-period is supportable.** Each percentage is backed by photos, daily reports, and architect observation. Material that has been ordered but not delivered is NOT work in place.
10. **Stored materials are documented.** Bills of sale, paid invoices, photos of stored materials with project signage, and (for off-site storage) signed warehouse receipts and insurance riders covering the stored value.
11. **Retainage withheld at contract-stipulated rate.** Typical: 10% on completed work and stored materials. Some contracts step down retainage at 50% completion.
12. **Less previous certificates is correct.** Sum of all prior certified amounts. Reconcile to the prior month's Application for Payment cover sheet.
13. **Current payment due is positive.** If negative (overbilled prior period), reconcile and discuss with owner before submission.
14. **Lien waivers attached for prior period payment.** Conditional partial waiver from GC; conditional partial waivers from each sub for the prior period's billed amount.
15. **Lien waivers attached for current period (conditional on payment).** Conditional waiver from GC; conditional waivers from each sub for the current period billed amount.
16. **Certificate of Insurance current.** If COI expires before contract-stipulated period (typically 30 days into the future), provide updated COI with the application.
17. **Performance + payment bond status current.** If bonded, no notice of bond claims or surety actions.
18. **Schedule of Values + Continuation Sheet subtotals match.** Subtotals by CSI Division (Division 02 site work, Division 03 concrete, etc.) reconcile across both documents.
19. **Sales tax line item present (if applicable).** States that require sales tax on construction materials must show it as a separate line item or rolled into material cost per state rule.
20. **Bond premium recovery line item billed correctly.** If the contract reimburses bond premium as a pass-through, billed in proportion to revenue earned that period.

21. **Prevailing wage / Davis-Bacon certifications attached.** For federal-funded or Davis-Bacon projects, certified payrolls for the period attached.
22. **Schedule update attached.** If contract requires monthly schedule update, attach current schedule reflecting actual progress.
23. **Two original signatures + notary on cover sheet.** Contractor's certification signed and notarized; architect's certificate completed by architect at next step.
24. **Distribution list complete.** Original to architect, copies to owner, lender (if applicable), surety (if bonded), GC project file.

3. APPLICATION FOR PAYMENT — COVER SHEET

The cover sheet is the summary document. The numerical heart is the Calculation block (lines 1–9 below) which derives the current payment due from the cumulative completion data on the Continuation Sheet. The certification blocks (contractor's certification + architect's certificate) make the document an enforceable invoice and an enforceable certification.

APPLICATION AND CERTIFICATE FOR PAYMENT

Industry-standard equivalent of AIA G702 — verify contract permits this format

Project Identification

Project Name:	[Full project name as on contract]
Project Address:	[Street, City, State, ZIP]
Owner:	[Owner legal name] [Owner address]
Contractor (GC):	[GC legal name] [GC address] License No.: [State contractor license]
Architect / Engineer:	[Architect firm name] [Architect address] License No.: [State architect license]
Owner-Contractor Contract:	Dated [Contract date] · Contract No. [Contract reference]
Application Number:	[Sequential #]
Application Date:	[Date submitted]
Period From:	[Period start]
Period To:	[Period end]
Project No. (Owner):	[Owner internal project #]
Project No. (Architect):	[Architect project #]
Project No. (Contractor):	[GC internal job #]

Calculation — Current Payment Due

LINE	ITEM	AMOUNT
1	ORIGINAL CONTRACT SUM (per executed Owner-Contractor Agreement)	\$ [Original sum]
2	NET CHANGE BY CHANGE ORDERS (sum of all approved change orders to date — see attached change order log)	\$ [Net change]
	CONTRACT SUM TO DATE (Line 1 + Line 2)	\$ [Sum]

4	TOTAL COMPLETED & STORED TO DATE (Column G total from Continuation Sheet)	\$ [Total earned]
5	RETAINAGE 5a. [%] % of Completed Work: \$ [Amount] 5b. [%] % of Stored Material: \$ [Amount] Total Retainage (5a + 5b)	\$ [Total retainage]
	TOTAL EARNED LESS RETAINAGE (Line 4 - Line 5 Total)	\$ [Earned net retainage]
7	LESS PREVIOUS CERTIFICATES FOR PAYMENT (Line 6 from prior Certificate)	\$ [Prior payments]
8	CURRENT PAYMENT DUE	\$ [Current payment]
9	BALANCE TO FINISH, PLUS RETAINAGE (Line 3 - Line 6)	\$ [Balance + retainage]

Reconciliation check: Line 6 + Line 9 = Line 3 (must hold every period). Line 8 = Line 6 - Line 7 (current period payment). Line 4 = Continuation Sheet Column G total (the cumulative work-in-place + stored materials drives the cover sheet, not the other way around).

Change Order Summary

Period	Additions (\$)	Deductions (\$)
Total approved through previous month	\$ [Prior +]	\$ [Prior -]
Approved this month (numbers [CO #s])	\$ [This +]	\$ [This -]
Totals	\$ [Total +]	\$ [Total -]
NET CHANGE BY CHANGE ORDERS (carry to Line 2)		\$ [Net]

Contractor's Certification

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information, and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR: [Contractor legal name]

By: [Authorized signature]

Printed Name: [Name]

Title: [Title]

Date: [Date]

NOTARY ACKNOWLEDGMENT

State of [State] · County of [County]

On [Date], before me, [Notary Name], a Notary Public in and for said State, personally appeared [Signer Name], who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument, and acknowledged that he/she/they executed the same in his/her/their authorized capacity, and that by his/her/their signature on the instrument the entity upon behalf of which the person acted executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of [State] that the foregoing paragraph is true and correct.

Notary Signature: [Signature]

Commission Expires: [Date]

(Affix seal)

Architect's Certificate for Payment

In accordance with the Contract Documents, based on on-site observations and the data comprising this Application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information, and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED:

\$ [Certified amount]

(Attach explanation if amount certified differs from amount applied. Initial all changes on this Application and on the Continuation Sheet that are consistent with the modified amount.)

ARCHITECT: [Architect firm name]

By: [Architect signature]

Printed Name: [Name]

Title: [Title]

Date: [Date]

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment, and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

4. SCHEDULE OF VALUES — LINE-ITEM BREAKDOWN OF CONTRACT SUM

The Schedule of Values (SOV) is the contractor's allocation of the original contract sum across line items, organized by CSI MasterFormat division and section. The SOV is agreed at contract execution (or shortly after, on contracts where it's developed during the first 30 days), reviewed by the architect, and rarely revised mid-project except via change order. The Continuation Sheet (next section) tracks completion percentages against this baseline every period.

SOV is where contractors win or lose retainage.

Front-loading the SOV (assigning higher values to early-period activities like site mobilization, foundation, framing) lets the GC bill higher percentages early and effectively float less working capital. Back-loading is the opposite — pushes the contractor's exposure into the back of the project. Sophisticated owners and architects scrutinize the SOV at submittal and reject obvious front-loading. The recommended approach: cost-allocate honestly to the actual labor + material + sub cost of each line, plus a defensible markup. A SOV that survives architect scrutiny on day one earns trust that compounds through every monthly application thereafter.

SCHEDULE OF VALUES

Project: [Project name] · Contract Sum: \$ [Original contract sum]

ITEM NO.	CSI SECTION	DESCRIPTION OF WORK	SCHEDULED VALUE	% OF TOTAL
DIVISION 01 — GENERAL REQUIREMENTS				
01-01	01 31 19	Project Management & Coordination	\$ [Amt.]	[%]
01-02	01 32 16	Construction Progress Schedule	\$ [Amt.]	[%]
01-03	01 50 00	Temporary Facilities & Controls (site fence, trailer, utilities, dumpsters)	\$ [Amt.]	[%]
01-04	01 71 23	Field Engineering & Layout	\$ [Amt.]	[%]
01-05	01 77 00	Closeout Procedures	\$ [Amt.]	[%]
DIVISION 01 SUBTOTAL			\$ [Subtotal]	[%]
DIVISION 02 — EXISTING CONDITIONS				
02-01	02 41 00	Demolition (interior + exterior selective demo)	\$ [Amt.]	[%]
02-02	02 82 00	Asbestos Abatement (if applicable)	\$ [Amt.]	[%]
DIVISION 02 SUBTOTAL			\$ [Subtotal]	[%]
DIVISION 03 — CONCRETE				
03-01	03 30 00	Cast-in-Place Concrete (foundations, walls, slabs)	\$ [Amt.]	[%]
03-02	03 35 00	Concrete Finishing	\$ [Amt.]	[%]
DIVISION 03 SUBTOTAL			\$ [Subtotal]	[%]
DIVISION 04 — MASONRY (if applicable)				
04-01	04 22 00	Concrete Unit Masonry / 04 21 13 Brick Veneer	\$ [Amt.]	[%]
DIVISION 04 SUBTOTAL			\$ [Subtotal]	[%]
DIVISION 05 — METALS				
05-01	05 12 00	Structural Steel Framing	\$ [Amt.]	[%]
05-02	05 31 00	Steel Decking	\$ [Amt.]	[%]
DIVISION 05 SUBTOTAL			\$ [Subtotal]	[%]
DIVISION 06 — WOOD, PLASTICS, COMPOSITES				
06-01	06 10 00	Rough Carpentry (framing, sheathing)	\$ [Amt.]	[%]
06-02	06 40 00	Architectural Woodwork (millwork, casework)	\$ [Amt.]	[%]
DIVISION 06 SUBTOTAL			\$ [Subtotal]	[%]
DIVISION 07 — THERMAL & MOISTURE PROTECTION				

07-01	07 21 00	Thermal Insulation	\$ [Amt]	[%]
07-02	07 50 00	Membrane Roofing / Single-Ply / Built-Up	\$ [Amt]	[%]
07-03	07 92 00	Joint Sealants / Caulking	\$ [Amt]	[%]
DIVISION 07 SUBTOTAL			\$ [Subtotal]	[%]
DIVISION 08 — OPENINGS				
08-01	08 11 00	Metal Doors & Frames	\$ [Amt]	[%]
08-02	08 14 00	Wood Doors	\$ [Amt]	[%]
08-03	08 41 00	Entrances & Storefronts (commercial glazing)	\$ [Amt]	[%]
DIVISION 08 SUBTOTAL			\$ [Subtotal]	[%]
DIVISION 09 — FINISHES				
09-01	09 21 16	Gypsum Board Assemblies (drywall + framing)	\$ [Amt]	[%]
09-02	09 30 00	Tiling	\$ [Amt]	[%]
09-03	09 65 00	Resilient Flooring (LVT, vinyl)	\$ [Amt]	[%]
09-04	09 91 00	Painting & Coating	\$ [Amt]	[%]
DIVISION 09 SUBTOTAL			\$ [Subtotal]	[%]
DIVISION 10 — SPECIALTIES				
10-01	10 14 00	Signage	\$ [Amt]	[%]
10-02	10 28 00	Toilet, Bath & Laundry Accessories	\$ [Amt]	[%]
DIVISION 10 SUBTOTAL			\$ [Subtotal]	[%]
DIVISION 21 — FIRE SUPPRESSION				
21-01	21 13 00	Fire-Suppression Sprinkler Systems	\$ [Amt]	[%]
DIVISION 21 SUBTOTAL			\$ [Subtotal]	[%]
DIVISION 22 — PLUMBING				
22-01	22 00 00	Plumbing (rough-in, fixtures, trim)	\$ [Amt]	[%]
DIVISION 22 SUBTOTAL			\$ [Subtotal]	[%]
DIVISION 23 — HEATING, VENTILATING & AIR CONDITIONING (HVAC)				
23-01	23 00 00	HVAC (equipment, ductwork, controls)	\$ [Amt]	[%]
23-02	23 09 00	Building Automation System (BAS) & Controls	\$ [Amt]	[%]
23-03	23 05 93	Testing, Adjusting, Balancing (TAB)	\$ [Amt]	[%]
DIVISION 23 SUBTOTAL			\$ [Subtotal]	[%]
DIVISION 26 — ELECTRICAL				
26-01	26 00 00	Electrical (rough-in, gear, fixtures, devices)	\$ [Amt]	[%]

26-02	26 09 23	Lighting Control Devices	\$ [Amt]	[%]
DIVISION 26 SUBTOTAL			\$ [Subtotal]	[%]
DIVISION 27 — COMMUNICATIONS				
27-01	27 10 00	Structured Cabling (Cat6/6A, fiber backbone)	\$ [Amt]	[%]
DIVISION 27 SUBTOTAL			\$ [Subtotal]	[%]
DIVISION 28 — ELECTRONIC SAFETY & SECURITY				
28-01	28 31 00	Fire Detection & Alarm	\$ [Amt]	[%]
28-02	28 13 00	Access Control & Intrusion Detection	\$ [Amt]	[%]
DIVISION 28 SUBTOTAL			\$ [Subtotal]	[%]
DIVISION 31 — EARTHWORK				
31-01	31 23 00	Excavation, Backfill, Compaction	\$ [Amt]	[%]
DIVISION 31 SUBTOTAL			\$ [Subtotal]	[%]
DIVISION 32 — EXTERIOR IMPROVEMENTS				
32-01	32 12 16	Asphalt Paving	\$ [Amt]	[%]
32-02	32 17 23	Pavement Markings	\$ [Amt]	[%]
32-03	32 90 00	Planting / Landscaping	\$ [Amt]	[%]
DIVISION 32 SUBTOTAL			\$ [Subtotal]	[%]
PROJECT OVERHEAD & PROFIT				
99-01	—	General Conditions (project staff, supervision, equipment)	\$ [Amt]	[%]
99-02	—	Insurance / Bond Premiums (pass-through if contract permits)	\$ [Amt]	[%]
99-03	—	Contractor's Fee / Profit	\$ [Amt]	[%]
TOTAL — ORIGINAL CONTRACT SUM			\$ [Total]	100.00%

Add or remove divisions as the project scope dictates — a tenant fit-out may have no Division 03 concrete, a site work package may consist almost entirely of Divisions 31 and 32. The CSI MasterFormat 2020 codes shown are conventional choices; verify against the specifications for your project.

Subdividing line items.

On large or complex projects, divisions are subdivided further so progress can be tracked at finer granularity. For example, Division 03 on a multi-story building might break into 03-01 Foundations, 03-02 Slab on Grade, 03-03 Elevated Slabs Level 1, 03-04 Elevated Slabs Level 2, etc. The general rule: a SOV line item should be small enough to track meaningfully and large enough to be worth tracking separately. Industry rule of thumb: for a \$1M

project, 30–50 line items; for \$5M, 60–100; for \$20M+, 120–200+. Too few line items obscures progress; too many becomes unmanageable.

5. CONTINUATION SHEET — PER-PERIOD PROGRESS DETAIL

The Continuation Sheet is the workhorse document — submitted with every monthly Application for Payment, reporting line-item progress against the Schedule of Values. The Total Completed and Stored to Date column (Column G) feeds Line 4 of the cover sheet. Format below mirrors the AIA G703 industry standard.

CONTINUATION SHEET									
Project: [Project name] · Application No. [#] · Period Ending [Date]									
A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED — FROM PREVIOUS APPLICATION	E WORK COMPLETED — THIS PERIOD	F MATERIALS PRESENTLY STORED (NOT IN D OR E)	G TOTAL COMPLETED & STORED TO DATE (D+E+F)	% (G/C)	H BALANCE TO FINISH (C - G)	RETAINAGE (IF VARIABLE RATE)
Example — first three line items shown; full Continuation Sheet replicates every SOV line									
01- 01	Project Mgmt & Coordination	\$ [Amt]	\$ [D]	\$ [E]	\$ [F]	\$ [G]	[%]	\$ [H]	\$ [Ret]
01- 03	Temp Facilities & Controls	\$ [Amt]	\$ [D]	\$ [E]	\$ [F]	\$ [G]	[%]	\$ [H]	\$ [Ret]
03- 01	Cast-in-Place Concrete	\$ [Amt]	\$ [D]	\$ [E]	\$ [F]	\$ [G]	[%]	\$ [H]	\$ [Ret]
...	(Continue for all SOV line items)
GRAND TOTALS		\$ [Total C]	\$ [Total D]	\$ [Total E]	\$ [Total F]	\$ [Total G]	[%]	\$ [Total H]	\$ [Total Ret]
<p>Column definitions. A: SOV Item Number (matches Schedule of Values). B: Description of Work (matches SOV). C: Scheduled Value (from SOV). D: Cumulative work completed through prior period (= Column G of prior period). E: Work completed this period (must be supportable by photos / observation). F: Materials stored on or off site for this project (not yet incorporated in the work). G: D + E + F (cumulative completed + stored). %: G ÷ C (cumulative percent complete by line). H: C - G (balance to finish). Retainage column shows the retainage held against this line if a variable retainage rate is in effect (e.g., 10% on completed work, 5% on stored materials).</p>									

Reconciliation: sum of Column G (all line items) = Line 4 of Application for Payment cover sheet (Total Completed and Stored to Date). If these don't match, fix the Continuation Sheet before submitting.

6. STORED-MATERIALS DOCUMENTATION

Owners pay for materials stored for the project even before they are physically incorporated into the work — but only with proper documentation. The standard owner requirement for any stored-materials billing is:

1. **Bill of sale or paid invoice** — proof that the contractor (or sub) has paid for the materials and holds title.
2. **Photos** — materials stored, with project signage and dated.
3. **For on-site storage:** photos showing materials within the project's site fence or in a secure project-site location.
4. **For off-site storage:**
 - Signed warehouse receipt identifying the materials, the project, and the contractor as owner
 - Insurance rider naming the owner as additional insured for the stored value
 - Bonded warehouse OR contractor-controlled storage facility
 - Owner's right of inspection acknowledged in writing
5. **Lien waiver from the supplier** — for materials over a contract-stipulated threshold (often \$50K), the supplier provides a conditional partial waiver upon owner payment.
6. **Materials NOT yet billed in prior periods.** Once stored materials are incorporated into the work, they move from Column F to Columns D/E on the Continuation Sheet — they are NOT double-billed.

The 30-day storage rule.

Many contracts include an unwritten convention (or written rule) that stored materials may only be billed if the contractor reasonably expects to incorporate them into the work within 30–60 days. Materials sitting in storage for 90+ days raise architect concern that the contractor is using owner financing for inventory unrelated to the project. If you anticipate longer storage, raise it with the architect upfront and document the schedule justification.

7. RETAINAGE MECHANICS + REDUCTION TRIGGERS

Retainage (sometimes "retention" — same thing) is the portion of each progress payment withheld by the owner to incentivize the contractor to complete the project, including punch list, closeout documents, and warranty obligations. Retainage releases at substantial completion (in part) and final completion (in full). Standard structures:

Structure	Description	When You'd See It
Flat retainage	10% withheld from every progress payment, never reduced until substantial completion (then released to 5% pending punch list, 0% at final)	Most common on private commercial work
Step-down retainage	10% withheld until 50% complete, then reduced to 5% on subsequent billings (or no further retainage withheld), pending substantial completion	Common on AIA-form contracts and on contracts where the contractor negotiated retainage relief
Variable rate retainage	10% on completed work, 5% on stored materials (or other split rates by line item)	Common on owner-financed projects where the lender treats stored materials differently from work in place
Statutory retainage caps	Some states cap retainage on public works at a specific percentage (5% in CA public projects per Cal. Pub. Cont. Code § 7201; 5% in NY state public works; 10% in TX public works) and require step-down at specified completion thresholds	Public works in regulated states

Retainage reduction triggers

- **50% completion:** step-down to 5% retainage on subsequent billings (if step-down structure)
- **Substantial completion:** retainage released down to a balance equal to 2x the dollar value of remaining punch list (industry rule of thumb), pending punch list completion
- **Final completion + acceptance:** full retainage released within contract-stipulated period (typically 30–60 days from final acceptance and submission of all closeout documents)
- **Lien-free certification:** final retainage release commonly conditioned on submission of unconditional final waivers from GC and all subs/suppliers, plus consent of surety

Subcontractor flow-down.

The retainage structure between owner and GC must flow down to the subcontract relationships — if the owner withholds 10% from the GC, the GC should withhold 10% from each sub on the corresponding portion of work. Mismatched retainage structures (where the GC withholds more or less than the owner does) create cash-flow risk to whichever party is over-funding. Confirm flow-down is set up in every subcontract before the first sub progress payment.

8. CHANGE ORDERS — HOW THEY ROLL INTO THE PAY-APP

Change orders modify the contract sum, the contract time, or both. Once approved, they:

1. Increase (or decrease) the contract sum on Line 2 of the Application for Payment cover sheet (Net Change by Change Orders)
2. Are reflected in the Change Order Summary table on the cover sheet
3. Add (or modify) a line item to the Schedule of Values — typically appended at the end of the SOV with a Change Order reference number (e.g., "CO-001 Add additional storefront", scheduled value \$X)
4. Appear on the Continuation Sheet as a billable line item once work begins on the change order scope

Pending change orders (proposed but not yet executed) do NOT roll into the pay-app. They are tracked separately and may be referenced in the cover-letter narrative but do not affect the dollar calculation. Some GCs include a "Pending Change Order Log" as an attachment for owner awareness.

Field directives or construction change directives (CCDs — work the architect or owner directs the contractor to perform pending negotiation of price) are a separate animal — work proceeds, time-and-materials cost is tracked, and the dollar amount is incorporated into a subsequent change order. Until the change order is executed, the work performed under a CCD may be billed at cost (with no markup) on a separate Continuation Sheet line, or held off the pay-app pending negotiation, depending on contract terms.

Don't bill against a pending change order as if it were approved.

One of the most common pay-app disputes: contractor includes work performed against a pending change order on the Continuation Sheet, treating the proposed change-order amount as if it's part of the contract sum. Architect rejects, owner gets nervous, payment delays. Discipline: only execute change orders are in the SOV; only executed change orders are billed against. CCD work is tracked separately until executed.

9. REQUIRED ATTACHMENTS BY PERIOD

The standard pay-app submission package includes more than just the cover sheet and Continuation Sheet. Typical required attachments:

Attachment	Required When
Conditional partial lien waiver from GC	Every period — for the current period billed amount
Conditional partial lien waivers from all subs	Every period — for each sub's current period billing
Unconditional lien waivers (GC + subs) for prior period	Every period after the first — for the prior period's actually-paid amount
Updated Certificate of Insurance	When prior COI within 30 days of expiration
Stored-materials documentation	Any period including stored materials (Column F > 0)
Updated change order log	Every period — even if no new COs this period
Schedule update	Per contract — typically monthly with the application
Certified payrolls (Davis-Bacon / prevailing wage projects)	Every period on federal-funded or state prevailing-wage projects
Quality control / non-conformance reports	If contract requires; per project
Safety incident summary	If contract requires; per project
Bond status acknowledgment from surety	On bonded projects — typically every period or per contract
Pencil-draft sign-off	Optional but highly recommended — emailed agreement from architect on percentages before formal submission

10. COMMON DISPUTE TRIGGERS + HOW TO PRE-EMPT

The 10 most common pay-app disputes — and the practice that prevents each.

1. **Front-loaded SOV.** Contractor assigns disproportionately high values to early activities (mobilization, foundation) to bill more in early months. *Pre-empt:* cost-allocate the SOV honestly at contract execution; expect architect to scrutinize.
2. **Overstated completion percentages.** Contractor's pencil draft claims 80% on a line that's visually 60%. *Pre-empt:* walk the project with the architect before formal submission; only bill what's defensible by photo + observation.
3. **Stored materials with thin documentation.** Contractor bills \$50K of stored materials with only a photo and no bill of sale or warehouse receipt. *Pre-empt:* assemble the full stored-materials package (bill of sale + photos + warehouse receipt + insurance rider for off-site) before billing; if any element is missing, defer to next period.
4. **Pending change orders included in contract sum.** Pre-empt as discussed in Section 8 — only executed COs in the contract sum.
5. **Missing or stale lien waivers.** Architect rejects the application until all waivers are in. *Pre-empt:* collect waivers from every sub during the first week of the month; do not submit incomplete.
6. **COI expired or about to expire.** Architect won't certify until COI is current. *Pre-empt:* calendar COI renewal dates and submit updated COI 60 days ahead of expiration.
7. **Sub progress dispute spilling onto GC's pay-app.** Sub claims more progress than GC's accountant verified; sub then disputes GC's flow-down payment as short. *Pre-empt:* reconcile sub pay-app to GC's progress assessment before incorporating into the GC's Continuation Sheet.
8. **Retainage flow-down mismatch.** GC withholds 10% from subs while owner withholds only 5% from GC, or vice versa, generating cash-flow asymmetry. *Pre-empt:* mirror retainage flow-down in every subcontract to match the prime contract.
9. **Schedule update missing.** Application rejected because the monthly schedule update wasn't attached. *Pre-empt:* include schedule update in the standing pay-app package; deliver every period.
10. **Negative current payment due (overbilled prior period).** Cumulative completion has decreased (e.g., a line item was overcompleted last period and corrected this period). *Pre-empt:* reconcile carefully; discuss with owner before submission so the architect doesn't first see a negative number unexplained.

The pay-app is also a relationship instrument.

A clean, well-documented, on-time pay-app — submitted with all attachments, all percentages defensible, all waivers in order — builds owner and architect trust over the project. A sloppy pay-app (missing attachments, percentages that don't reconcile, late submission) accumulates suspicion. By month 6, the trustworthy contractor is getting paid in 25 days; the suspect contractor is getting paid in 50 days, with every billing scrutinized line-by-line. Over a 12-month project, the difference compounds to weeks of cash-flow and meaningful interest cost. Operate every pay-app like the relationship depends on it — because it does.

Closing reminder. This Application for Payment package is intended for use on private commercial projects where the contract permits "industry-standard" or "equivalent" payment application forms. **Where the underlying contract specifies AIA Document G702/G703 by name (or where the owner's lender or surety requires AIA forms), use the AIA forms.** The numerical logic, retainage math, certification framework, and CSI-coded Schedule of Values structure in this package are industry-standard regardless of which form is used. For public works projects, federal projects (Miller Act), or state projects (Little Miller Act), additional certifications and forms (certified payrolls, MBE/WBE participation reports, EEO compliance) typically apply — verify against the prime contract and applicable state and federal regulations. Have construction counsel review your pay-app workflow on first use of this package and on any material change to your contract structure.

Document version: 2026-05-15 (v1.0). Industry pay-app workflow current as of January 2026 — verify retainage caps, certification requirements, and prevailing-wage thresholds against the contract for every project. Maintained as part of the ContrPro Complete tier — General Contractor suite.