Pencil Copy Payment Applications – Review and Processing

DGS utilizes the Payment Application form in ProjectTeam to initiate, record, and track the Pencil Copy Payment Application Process and capture the associated records.

This process is critical for tracking project progress, identifying work completed, and ensuring that proper payments are made. The resulting documents from the approved Pencil Copy are then utilized to generate the invoice packet for submission through the DIFS Portal.

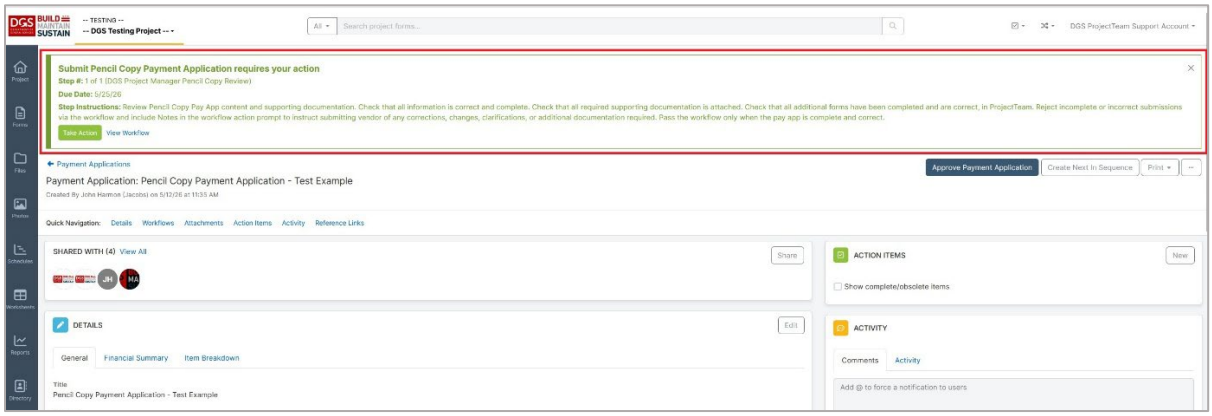
The Pencil Copy is not an invoice submission to DGS. All vendors are required to submit a Pencil Copy for review and receive approval prior to submitting their invoice to DGS.

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Pencil Copy Payment Applications

Vendors submit their Pencil Copy Payment Application (Payment Application) in ProjectTeam to the DGS Project Manager via workflow. The assigned DGS Project Manager for the project will receive an email notification when the workflow has been started by the vendor and can use the link in the email to go directly to the record in ProjectTeam or access the submission through the Payment Applications log from within the project in ProjectTeam. Workflowed Payment Application records will show a green banner at the top titled '*Submit Pencil Copy Payment Application requires your action'* for the DGS Project Manager.

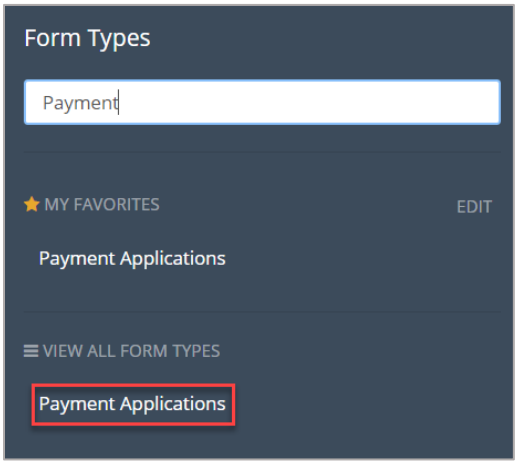


Vendors MUST use the workflow to submit their Payment Application, and the workflow is the official submission record. Submissions from vendors via email, phone, or Action Items are not valid and the Pencil Copy Payment Application process must be completed prior to invoicing in the DIFS Portal**.**

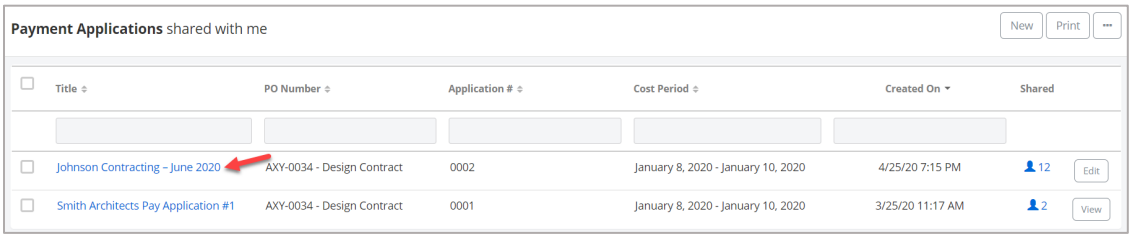
1. Click the link in the workflow notification email to go directly to the record in ProjectTeam or open the project and click the **Forms** icon on the left navigation pane.



2. In the search area of the **Form Types** start to enter Payment and then select **Payment Application**.



3. Click the **Title** of the Payment Application you wish to review.



Begin reviewing the Payment Application following the instructions in the section below.

Reviewing the Payment Application

Review the information on the submitted Payment Application to ensure the record is complete and correct. Use the workflow to reject the Payment Application to send it back for correction and resubmission or approve the Payment Application if it is complete and correct.

The Payment Application form contains three tabs at the top of the Details Section. Each tab dispalays and/or captures information facilitate the Pencil Copy Payment Application process.



The tabs can be reviewed in any order but the record opens on the General tab, so we will start there.

General Tab

Most of the General tab is completed by the vendor and captures basic data about the contract, specific details about the Payment Application submission, and data necessary to generate the merge document for invoice creation at the end of the process.

There are a few fields that are populated by the DGS Project Manager during the process and additional fields used by the DGS Financial Transactions Group (FTG) to track review and payment of the associated invoice once the process is complete and the invoice has been submitted in the DIFS Portal.

We will discuss each set of fields on the General Tab separately by responsible party.

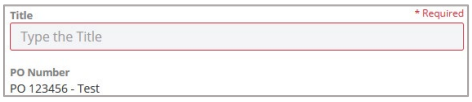
Vendor Fields

The fields below are populated by either the system or the vendor during creation of the Payment Application. Review all these fields to ensure that all information provided is complete and correct.

Reject the Payment Application using the instructions in the Rejecting a Payment Application section below to return it to the vendor for correction and resubmission if any of these fields are incomplete or incorrect.

NOTE: Incorrect Contract information in any system-populated field will require corrections to be made on the applicable system Contract or Change Order record by the DGS Project Manager.

1. **Title -** The title entered by the vendor should include the vendor company name, a unique invoice number, and the total amount due for this payment application separated by hyphens (i.e. **Smith Contracting – INV#09872-1 – $145,987_76)**.



2. **PO Number** – The system-populated field will carry over the PO Number from the selected Contract along with the Title of the Contract from the system record. This is only the base contract or original PO number for the associated Contract.

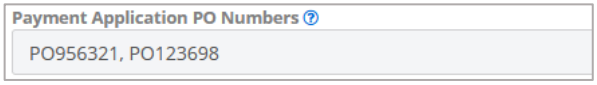


3. **Contract Information** - The vendor selects their Contract from the existing system records using a checkbox and this information is added to the fields from the system record and used to complete the merge document. Make sure this section is populated and the selected Contract is correct or the merge document will be missing data and fields at the top of page 1.



NOTE: There should only be ONE row/contract listed. If the information is incorrect, correct the Contract record and/or Change Orders in the system to revise this data and allow the merge document to be re-run by the vendor.

4. **Payment Application PO Numbers -** The vendor enters all PO Number(s) from approved Contract(s) and Change Order(s) that are being included in the Payment Application. If 5 of 9 POs associated with a contract have billable amounts on the Payment Application, then there would be 5 PO numbers listed in this field.



5. **Application #** - System-populated field auto-numbers based on the number of Payment Applications submitted for that contract. **This is NOT the vendor invoice #**, but can be manually entered by the vendor if the auto-numbering is out of sequence. Ensure that the application number is correct for the Payment Application (i.e. 3rd Pay App for the Contract = 0003)



6. **Application Date** – System-populated date of the Payment Application. **NOT** the vendor's invoice date. The date can be manually changed by the vendor, but it is recommended to the vendor to leave the auto-populated date in the field unless there is a processing issue that necessitates changing it.



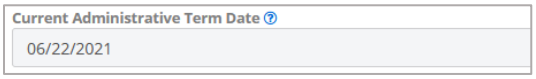
NOTE: This date is the system-linked date for validating Change Order applicability on a Payment Application. If the Approved Date of a Change Order is prior to the Application Date in the Payment Application, the Change Order is valid for that billing period and can be added to the Item Breakdown by the vendor.

7. **Cost Period** - Vendor-selected from a list that is set by the DGS Project Manager in the Cost Periods module under Project Administration on the project.



NOTE: The Billing Period End Date must fall within the cost period selected. If the cost period required is not available for the vendor to select, the DGS Project Manager needs to add it.

8. **Current Administrative Term Date** - The vendor-entered current administrative term date for their contract. This field populates the Administrative Term Date field on the merge document.

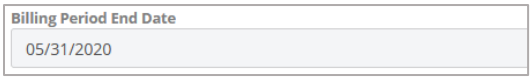


9. **Billing Period Start Date** – Vendor-selected from the system pop-up calendar. This date is the first day of the billing period.



NOTE: The Billing Period Start Date for the first Payment Application on each contract MUST be the date that the contract was awarded (signed by the DGS Contracting Officer) or contractual NTP date if specifically listed in the Contract.

10. **Billing Period End Date** – Vendor-selected from the system pop-up calendar. This date is the last day of the billing period.



11. **Vendor Invoice #** - The vendor-entered internal company invoice number. Must be unique for each Payment Application submitted for each contract/project.



12. Ignore the ***Invoice Submitted Date*** field at this time. The vendor will enter this date later once the Payment Application has been approved and they are ready to generate the Invoice packet and submit it in the DC Vendor Portal.

13. **Signator's Name** - The vendor-entered name of the person that will sign the invoice packet at submission.



14. **Signator's Title** - The vendor-entered position title of the signatory listed above

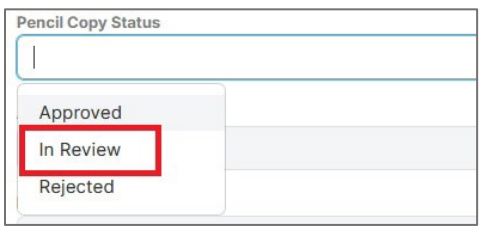


DGS Project Manager Fields

The DGS Project Manager is responsible for populating the following fields as part of the Pencil Copy Payment Application process.

Depending on the specifics of the submitted Payment Application, the DGS Project Manager may need to fill these fields out at different times or even multiple times if the review is prolonged requiring multiple reviewers or the Payment Application is rejected.

1. **Pencil Copy Status** – Open the record in Edit mode, change the status to '**In Review**', and save the record to show the review process has started. You will revise the status to 'Approved' or 'Rejected' as required and detailed in the applicable section for each of those activities.



2. **Approved/Rejected By** – Enter the name of the DGS responsible party when a rejection or approval is issued. This will always be the name of either DGS Project Manager or DGS

Executive Program Manager's name as they are the only DGS ProjectTeam users delegated to act on behalf of DGS.



3. **Review Comments –** Enter comments to support the rejection or approval of the Payment Application when a rejection or approval is issued. Always include a date with each comment.

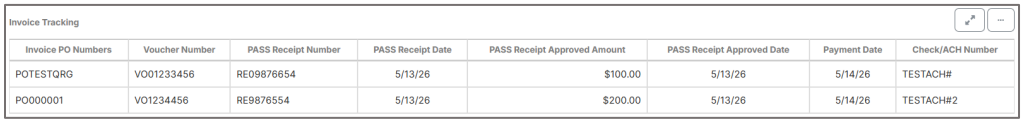


Financial Transactions Group (FTG) Fields

These fields are used to track the processing and payment of the invoice associated with the approved Payment Application. These fields are populated by the FTG team to track the associated invoice as it moves through the approval process in PASS after the Payment Application approval is complete and the associated invoice has been submitted in the DIFS Portal.

NOTE: The fields are used to track the Invoice, not the Payment Application, but the status and comments may reflect errors or issues in the Payment Application or process issues that were missed during review and will require revision and resubmission of the Payment Application by the vendor.

1. **Invoice Tracking –** FTG invoice tracking data from PASS. Updated throughout the process.



Invoice PO Numbers	Voucher Number	PASS Receipt Number	PASS Receipt Date	PASS Receipt Approved Amount	PASS Receipt Approved Date	Payment Date	Check/ACH Number
POTESTQRG	VO01233456	RE09876654	5/13/26	$100.00	5/13/26	5/14/26	TESTACH#
PO000001	VO1234456	RE9876554	5/13/26	$200.00	5/13/26	5/14/26	TESTACH#2

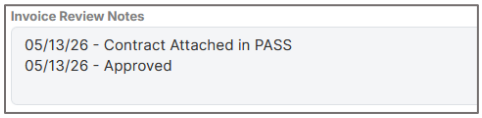
2. **PM Approval Date –** Date the DGS Project Manager for the project approves the invoice in PASS. May be COTR or similar approval date in PASS if DGS PM does not have access to approve in PASS.



3. **Invoice Status –** FTG-supplied status of the invoice approval process.



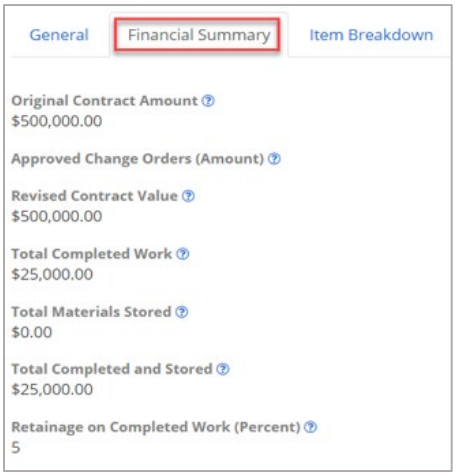
4. **Invoice Review Notes –** FTG invoice review comments. May include Payment Application comments if affecting invoice approval/processing.



Financial Summary Tab

A current summary of the financial information for the contract is displayed in this tab. Review and verify the data.

1. Click on the **Financial Summary tab** to review and validate the financial summary values for the Payment Application.



Click on the "**?**" beside each value for an explanation of the field.

NOTE: Vendors will need to make corrections in the Item Breakdown tab if any billing numbers are incorrect. The DGS Project Manager will need to make changes to the Contract and/or Change Order records in ProjectTeam if any contract or change order values are incorrect.

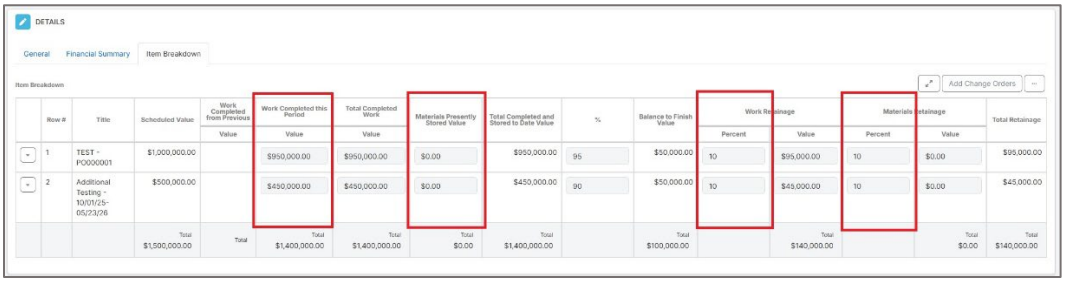
Item Breakdown Tab

The Item Breakdown tab contains the proposed billing amounts corresponding to the completed & stored work for each Cost Line in the Payment Application. The approved Payment Application Item Breakdown amounts at the end of the process will become the billing amounts in the vendor's invoice when submitted.

<u>The Item Breakdown in the Payment Application is not the Schedule of Values (SOV) for the Contract.</u>
When Contract and Change Order records are set up in ProjectTeam correctly as detailed in the QRG, each Cost Line in the Item Breakdown will be associated with a separate purchase order (PO) issued with Row # 1 being the initial Contract value and subsequent Cost Lines for additional split POs when capital and operating POs are issued separately and/or a new Cost Line for each Change Order PO. The complete SOV should be attached by the vendor as supporting documentation in the Attachments section, typically as the AIA G-703 form. Total amounts for each applicable PO should be copied from the vendor SOV to the appropriate PO Cost Line in the Item Breakdown.

Review all fields, Cost Lines, and associated data to ensure the values are correct for each PO. See **Definitions** for more details on each column/field.

Work Completed This Period, **Materials Presently Stored Value**, **Work Retainage Value/Percent**, and **Materials Retainage Amount Value/Percent** are typically the fields that the vendor populates for each record.



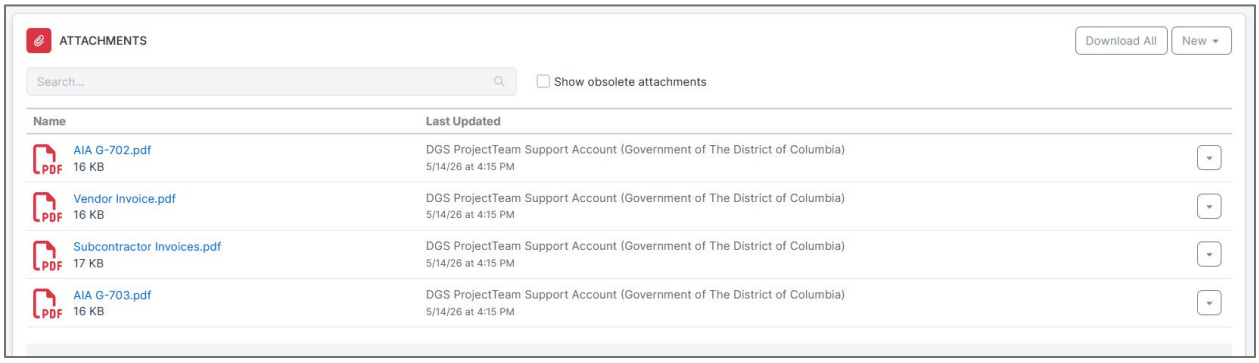
Next, you will review the attached Supporting Documentation for the Payment Application as detailed in the section below.

Supporting Documentation (Attachments)

The vendor is required to attach any supporting documentation necessary to facilitate Payment Application review and approval. The DGS Project Manager must provide the vendor with a list of required supporting documentation for their Payment Application submissions.

A list of potential supporting documentation is included for reference at the end of this QRG.

1. Review the supporting documentation provided by the vendor in the **Attachments** section. Open each file by clicking on the title (blue text).



NOTE: The required supporting documentation necessary to support a Payment Application may differ from the supporting documentation required for an invoice packet. Additional documentation required for the invoice can be added by the vendor and/or the DGS Project manager after the Payment Application is approved and the vendor is ready to create their invoice packet using the merge template.

Use the instructions below to add additional reviewers to the review process or skip to the appropriate Approving a Payment Application or Rejecting a Payment Application section for next steps if review by additional parties is not required.

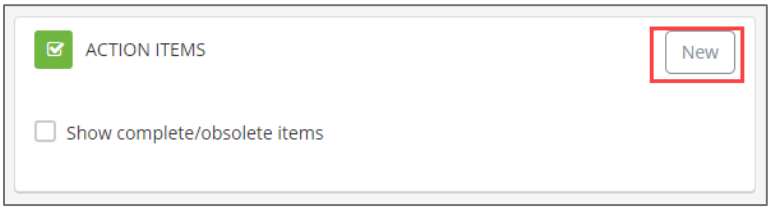
Additional Reviews and Reviewers

The DGS Project Manager is ultimately responsible for review of the Payment Application, and rejection or approval but, additional team members can be added at any time in the process for a coordinated review by creating and assigning an Action Item to them.

Once the additional reviews are complete, incorporate any applicable comments into your response and proceed with taking action.

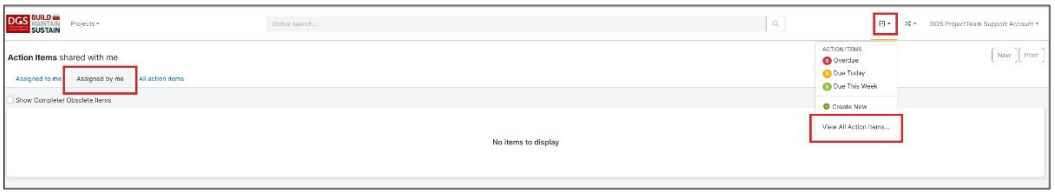
Common additional reviewers for Pencil Copies would include the DGS Asst. Project Managers, 3rd party construction managers, or the project architect/engineer.

1. Use the **Action Items** section on the open Payment Application record to assign Payment Application review tasks to team members.



2. Assigned team members will receive an email notification of the review assignment once the Action Item has been created.

3. Use the "Assigned by Me" section of the Action Items log to keep track the status of the review assignments, if necessary.



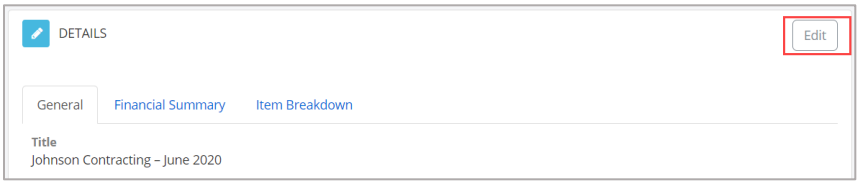
Collect applicable comments from additional reviewers and proceed as appropriate by rejecting or approving the Payment Application as described in the relevant section below.

Rejecting a Payment Application

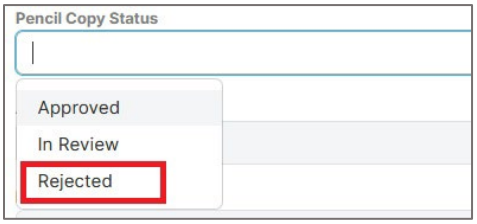
If the Payment Application is incomplete, incorrect, or missing supporting documentation during the review, the DGS Project Manager rejects the submission, requests corrections, additions, and/or changes to the record, and resubmission via restarted workflow.

NOTE: VENDORS DO NOT CREATE A NEW PAYMENT APPLICATION TO CORRECT ERRORS WHEN A PAYMENT APPLICATION IS REJECTED BY DGS. ALL CORRECTIONS ARE MADE TO THE EXISTING REJECTED PAYMENT APPLICATION RECORD AND IT IS RESUBMITED UNTIL IT IS COMPLETE, CORRECT, APPROVED, AND FULLY PROCESSED BY DGS.

4. Open the record and click **Edit**.



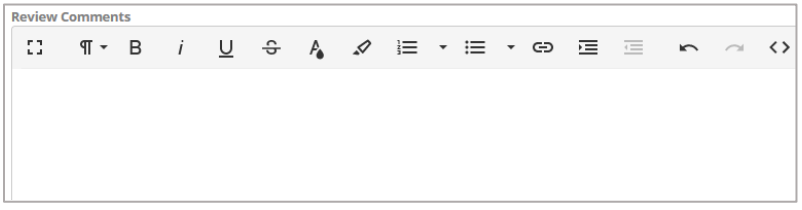
5. Select “Rejected” from the **Pencil Copy Status** drop-down list.



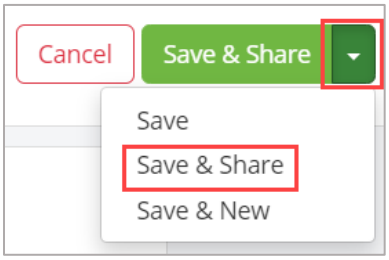
6. Enter an **Approved/Rejected By** name or select the name of the rejecting party from the picklist. This will be either the DGS Project Manager or Executive Program Manager’s name as they are the only DGS Team members delegated authority to act by DGS.



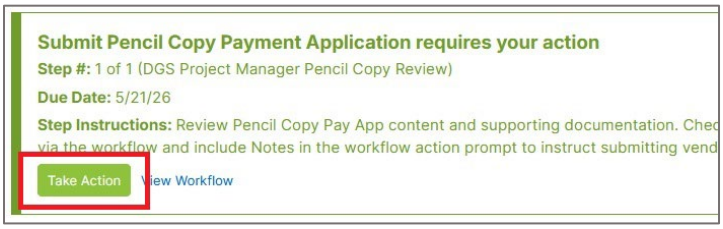
7. **Review Comments** - Enter notes detailing the issue(s) that caused the rejection and the correction(s) required. Include the date of the review comment entry.



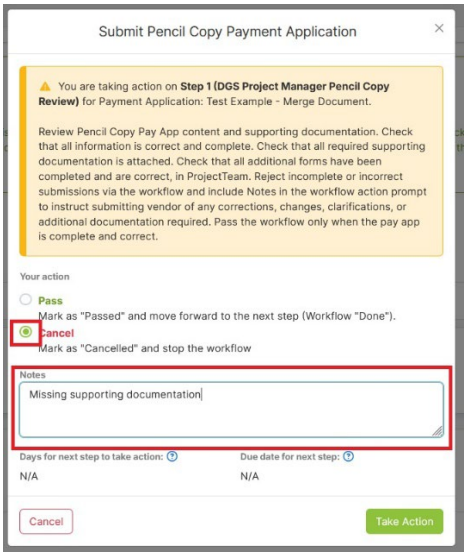
8. Click the dropdown arrow beside **Save & Share,** share with any applicable parties not already included, and save any changes to the record.



9. Click on the **Take Action** button on the workflow banner at the top of the saved record.



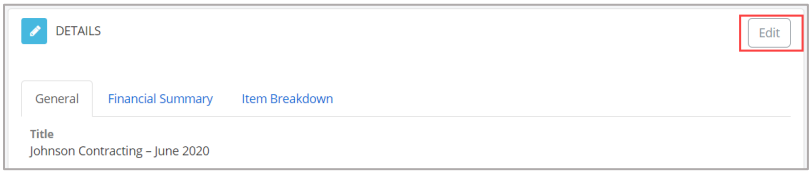
10. In the window that pops up, select '**Cancel**' using the radio button to the left and enter the reasons for rejection and any appropriate instructions for revision and resubmission. Click 'Take Action' button at the bottom right when complete. This will stop the Pencil Copy Payment Application process and send an email notification to the vendor.



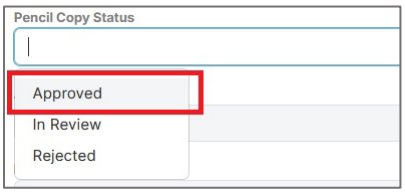
Review the resubmitted Payment Application according to previous instructions and repeat the rejection until the Payment Application is complete, correct, and an approval can be made. Use the Approving a Payment Application section instructions below when the Payment Application is ready to be approved.

Approving a Payment Application

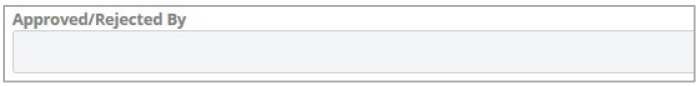
1. Once the review is complete, and the Payment Application is found to be complete and correct, return to the record and click **Edit**.



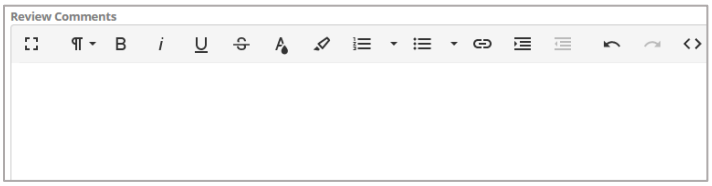
2. Select **Approved** from the **Pencil Copy Status** drop-down list.



3. Enter an **Approved/Rejected By** name or select the name of the approving party from the picklist.

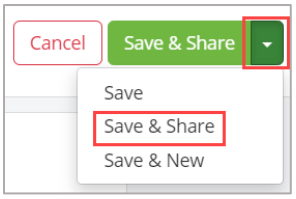


4. Enter any **Review Comments**. Use 'Approved' with the date at minimum.



NOTE: Previous review comments from earlier reviews can be left in the field with the 'Approved' and date note added below the previous comments if desired.

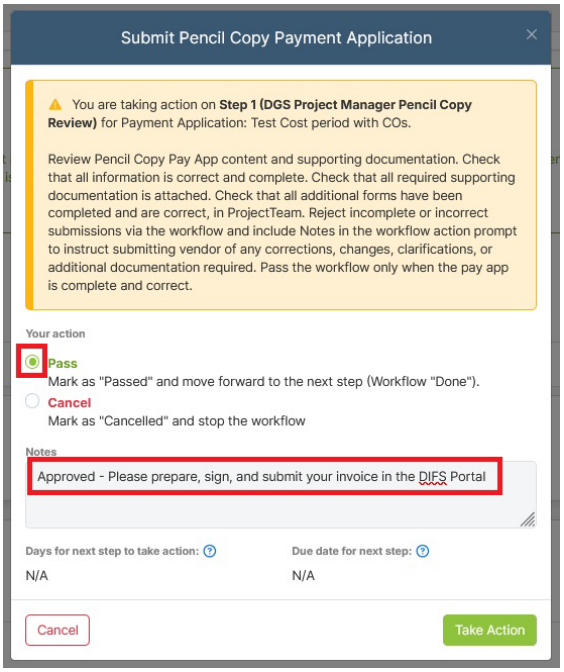
5. Click the dropdown arrow beside **Save & Share,** share with any applicable parties not already included, and save the record.



6. Click on the **Take Action** button on the workflow banner at the top of the saved record.



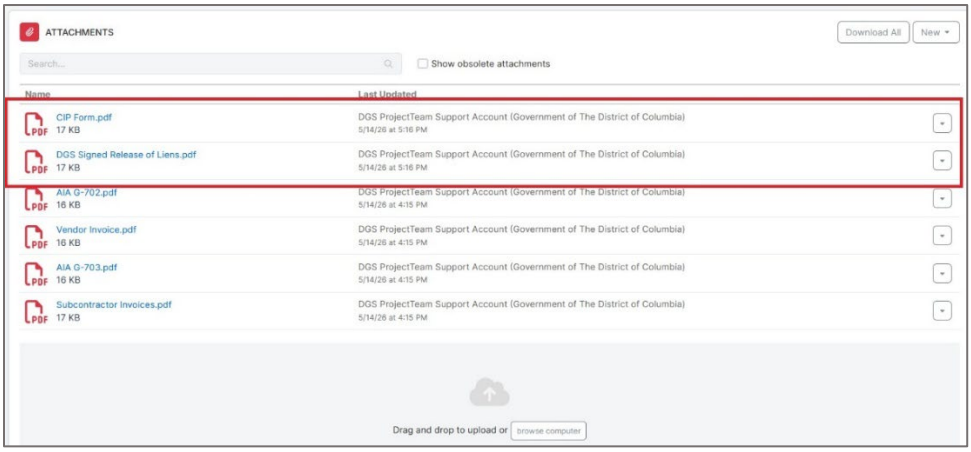
7. In the window that pops up, select '**Pass**' using the radio button to the left and enter the following text in the 'Notes' 'Approved - Please prepare, sign, and submit your invoice in the DIFS Portal'. Click 'Take Action' button at the bottom right when complete. This will complete the Pencil Copy Payment Application process and send an email notification to the vendor.



Once a Payment Application has been approved, the DGS Project Manager should attach any required DGS-provided documents to the record in ProjectTeam as instructed below.

Attaching DGS-provided Supporting Documentation

Once the payment application is approved, the PM will generate the CIP form, Retainage Reduction Letter (if appliable), and any other DGS-provided supporting documentation required by the vendor and attach it in the Attachments section. This will make those files available to the vendor for inclusion in the merge document and invoice packet at submission.

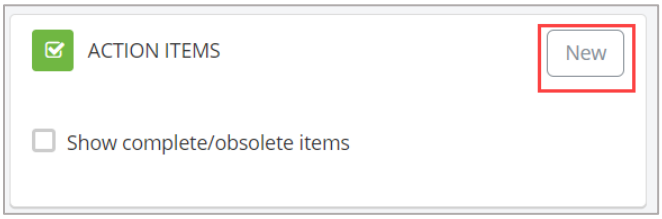


Once all required supporting documentation from the DGS Project Manager is attached, send the vendor an Action Item to notify them that an invoice can be submitted.

Assign an Action Item

1. When the payment application is approved by the PM, the PM will click the **New** button in the **Action Items** panel to notify the Vendor that their invoice packet can be generated and submitted in the DIFS Portal.

   NOTE: The Action Item is the official notification to your vendor that the Payment Application is approved/complete, and they can submit their invoice packet through the DIFS Portal for processing and payment.



This completes the Pencil Copy Payment Application Process (unless FTG identifies errors in the Payment Application that require addressing to correct the associated invoice submission)

Item Breakdown Table Columns and Fields Definitions

ROW #
Field Type: Auto Number – System-generated
Details: System-generated row number

Title
Field Type: Text - System-generated
Details: Row title from associated cost line in applicable system Contract or Change Order record; typically, a single PO

Scheduled Value
Field Type: Currency - System-generated
Details: Total billable value of row; typically, a single PO

Work Completed from Previous
Field Type: Currency - System-generated Calculation
Details: Total value billed for that row from previous payment applications

Work Completed This Period
Field Type: Currency – Manually Entered by Vendor
Details: Value of work completed for that row in that billing period

Total Completed Work
Field Type: Currency – System Generated Calculation or Manually Entered by Vendor
Details: Sum of current and previously completed work for that row.

Materials Presently Stored Value
Field Type: Currency - Manually Entered by Vendor
Details: Value of materials stored for each row and billing period

Total Completed and Stored to Date Value
Field Type: Currency – System-generated Calculation
Details: Total amount of complete and stored materials to date for that row

%
Field Type: Percentage – System-generated Calculation or Manually Entered by Vendor
Details: This field is the % of the completed work and stored materials to date for that row

Balance to Finish Value
Field Type: Currency – System-generated Calculation
Details: The amount remaining based on Scheduled Value and Total Completed Work for that row

Work Retainage Percent
Field Type: Percentage – System-generated Calculation or Manually Entered by Vendor
Details: Work Retainage % per Contract

Work Retainage Amount
Field Type: Currency – System Generated Calculation or Manually Entered by Vendor
Details: Amount reflects Work Retainage percent against the Work Completed this Period

Materials Retainage Percent
Field Type: Percentage – System-generated Calculation or Manually Entered by Vendor
Details: Material Retainage % per Contract

Materials Retainage Amount
Field Type: Currency – System Generated Calculation or Manually Entered by Vendor
Details: Amount reflects Materials Retainage percent against the Materials Presently Stored for that row

Total Retainage
Field Type: Currency – System Generated Calculation
Details: Total retainage amount (Work and Materials) held for that row

List of Potential Supporting Documentation

This list is neither prescriptive nor all-inclusive and contains items that may be required as supporting documentation for either Pencil Copy Payment Applications or vendor invoices. Supporting documentation requirements are project, contract, and record specific. It is the responsibility of the DGS Project Manager to provide the project specific supporting documentation requirements to their vendors.

1. Vendor Invoice
2. AIA G-702 Form
3. AIA G-703 Form
4. Schedule of Values
5. Subcontractor Invoices
6. Delivery Tickets
7. Bills of Lading
8. Packing Lists
9. Warehouse Receipts
10. Inventory Receipts
11. Stored Material Photographs
12. Weekly Reports
13. Monthly Progress Report
14. Release of Liens
15. Certified Payrolls
16. Timesheets
17. Certificate of Substantial Completion
18. Permits
19. Inspections
20. Purchase Receipts
21. Progress Photographs
22. Reports
23. Final Release of Liens
24. Bonds
25. Schedule/Fragnets/Look-ahead
26. Lien Waivers
27. Equipment Rental Agreements
28. Other Documents Listed in Contract