

## Reviewing the schedule of values: What architects should look for

By Bill Schmalz, FAIA

For most construction projects, the architect has an essential monthly task: reviewing the contractor's application of payment. But for all but the most simple projects, how is the architect to determine if the work is, say, 45% complete, as the contractor claims, or only 40%? Since overpaying contractors can result in problems at the end of the project (for owners and architects, of course, but also for contractors<sup>1</sup>), this is a serious matter. To make a reasonably accurate estimate of how complete the project is, what the architect needs is a good **schedule of values**.

Section 9.2 of the AIA's A201 "General Conditions of the Contract for Construction" requires the contractor to submit a schedule of values "allocating the entire Contract Sum to the various portions of the Work," sometime "before the first Application for Payment." A201 adds that the architect should have the opportunity to review the schedule of values and, if appropriate, object to it (but not, mind you, *approve* it). How soon before the first application for payment should the schedule of values be submitted, and in what form, and what, exactly, might the architect find objectionable? A201 is silent. That information, and much more, is covered in Division 01 of the project manual.

First, when should the schedule of values be submitted? Section 01 29 00 says, vaguely, "at earliest possible date," but then gives the architect the opportunity to stipulate a number of days before the initial application for payment, and recommends seven days as a default.

Second, what format should the schedule of values follow? Section 01 29 00 gives the architect two options: (1) The contractor can create a custom schedule, in tabular form with a row of each item listed and with columns for applicable specification section, description of the work, name of subcontractor, name of manufacturer or fabricator, name of supplier, dollar values for labor materials, and equipment. Or (2) the contractor can simply use the AIA's document G703 "Continuation Sheet," with a page (or more if needed) for each subcontractor. In almost all cases, architects choose option 2, because its simplicity and familiarity makes their lives easier<sup>2</sup>.

And third, what should architects be looking for when reviewing the schedule of values? Their priority should be to ensure that the schedule provides the information they need to accurately and easily evaluate applications for payment. As an example, let's say you've designed a two-story office building, and specified three types of acoustic panel ceiling systems, with each floor of the building having some amount of each system. In the contractor's application for payment, the G703 page devoted to acoustic panel ceilings contains the following information:

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<sup>1</sup> Why would overpaying a contractor early in a project be bad for the contractor? Late in the project, when the owner is running out of money, the contractor's monthly payments will likely be less—maybe much less—than what is costs to do the work. Unless the contractor has wisely squirreled away those excess payments from early in the project, there may not be enough money to bring the appropriate resources to the project, just at the time when those resources may be needed.

<sup>2</sup> For a sample of the G703, see <http://aiad8.prod.acquia-sites.com/sites/default/files/2016-09/AIA-G703-1992-Free-Sample-Preview.pdf>

Description of Work	Scheduled Value	Work Completed from Previous Applications	Work Completed This Period	%
Acoustic panel ceilings	\$500,000	\$200,000	\$78,000	56

That's it. Just one line covering all the building's acoustic panel ceilings. In this case, you would have to walk the entire building each month to determine how much of each system was complete on each floor, and then calculate the overall percent complete, and still have little chance of making a good estimate. If all the other dozens of specification sections were scheduled the same way, you would spend inordinate (and costly) amounts of time each month doing a bad job of verifying the application for payment.

However, if the schedule of values has separate rows for suspended grids and acoustic panels for each floor, as follows, your work is much simpler:

Description of Work	Scheduled Value	Work Completed from Previous Applications	Work Completed This Period	%
Level 1				
APC System 1-Grid	\$80,000	\$80,000	\$0	100
APC System 1-Panels	\$80,000	\$40,000	\$20,000	75
APC System 2-Grid	\$20,000	\$15,000	\$5,000	100
APC System 2-Panels	\$20,000	\$5,000	\$0	0
APC System 3-Grid	\$30,000	\$10,000	\$20,000	100
APC System 3-Panels	\$30,000	\$0	\$10,000	33
Level 2				
APC System 1-Grid	\$40,000	\$0	\$8,000	20
APC System 1-Panels	\$40,000	\$0	\$0	0
APC System 2-Grid	\$60,000	\$30,000	\$15,000	75
APC System 2-Panels	\$60,000	\$0	\$0	0
APC System 3-Grid	\$20,000	\$20,000	\$0	100
APC System 3-Panels	\$20,000	\$0	\$0	0
Total	\$500,000	\$200,000	\$78,000	56

Now, you can immediately see that you don't need to look for ceiling panels on the second floor, because the contractor has said that none have been installed. On the first floor, you can see that all the grid components have (supposedly) been installed, so checking that is simple (especially since System 1 was complete before this application for payment). As for the rest, all you need to check are quantities of panels on the first floor and of grids on the second, both of which you can visually estimate.

In their initial schedule-of-values review, architects should also look at the contractor's and subcontractors' mobilization and closeout costs. Does the schedule of values include all the specified deliverables, such as

submittal schedule, site fencing, record documents, and O&M manuals? Do the costs for mobilization and closeout activities seem reasonable, or are they higher than they should be?<sup>3</sup>

So to answer the question of what to look for when reviewing the initial schedule of values, the answer is simple: Look for what will allow you to best fulfill your contractual responsibilities for the least cost<sup>4</sup>. And chances are you won't need to fight for this, because what you need is often what the contractor also needs to verify subcontractors' performance.

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<sup>3</sup> Also known as *front-loading* the schedule.

<sup>4</sup> On projects where the contractor is required to submit a cost-loaded construction schedule at the start of the project, the schedule of values becomes less important, since it's the schedule that architects review each month to certify applications for payments.