

**ACEC/IA – DOT – FHWA  
Partnering Team for Fiscal Responsibility  
Final Report**

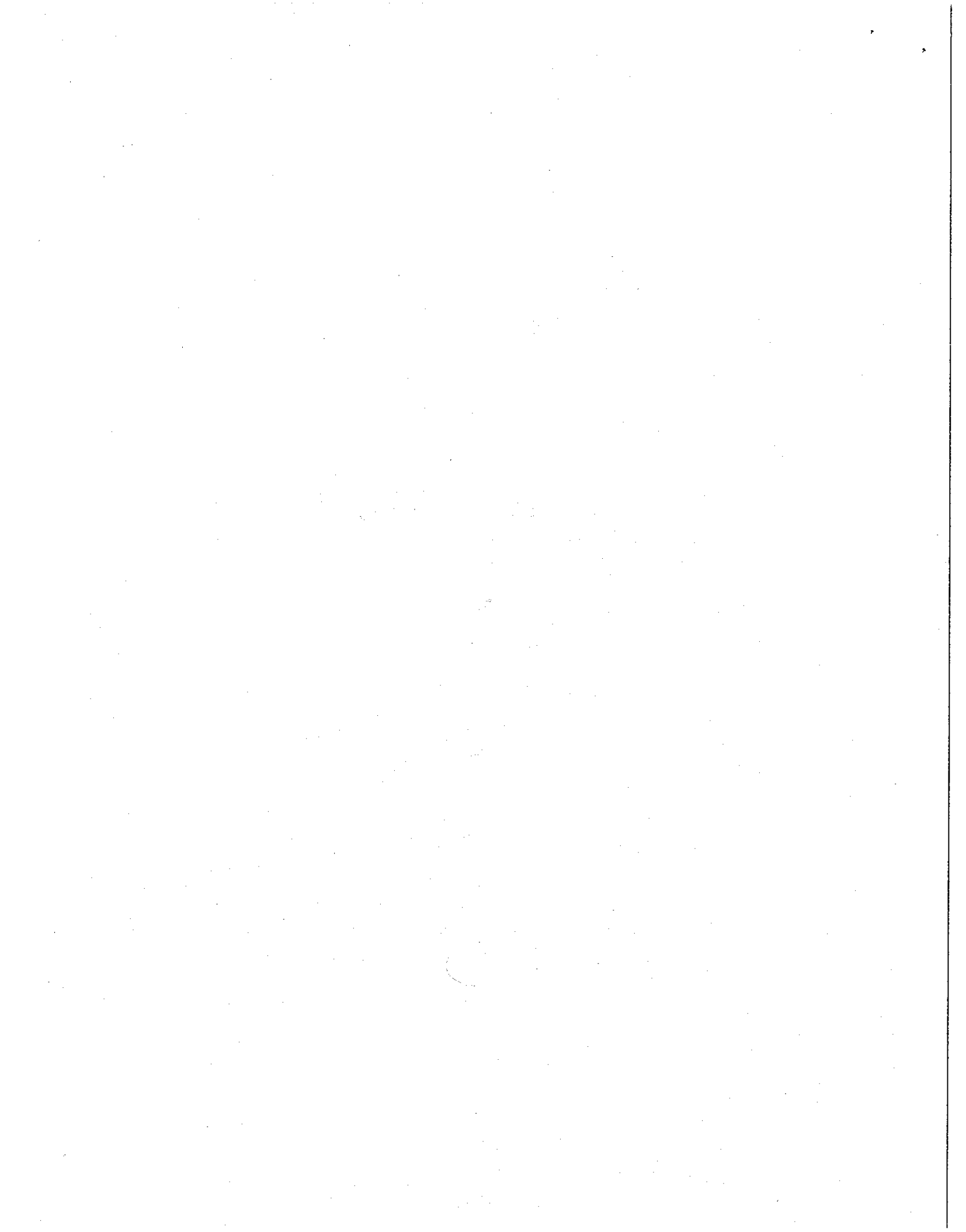
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**May 20, 2003**



### **Team Mission:**

To evaluate cost methods for consultant selection, negotiation and contracting that promote mutually beneficial business relationships while rewarding efficiency without compromising the quality of service and design, and to make recommendations to the Partnering Council.

### **Executive Summary:**

The ACEC/IA – DOT - FHWA Team for Fiscal Responsibility met to discuss mutually beneficial ideas for negotiation, contracting, and selection for consulting services that promote efficiency without compromising quality. A discussion and recommendations for eight general topic areas follows. These areas include: minimizing changes during the design process, contract types, audit requirements, chargeability ratio utilization, company average wage rates, fixed fee, contingency pool, and selection process. Among the most prominent recommendations are the following:

- Future contracts could acknowledge and allow for time due to changes in DOT standards, policy and procedures that occur as the normal course of business. Good scoping by all parties is essential.
- The DOT could pursue lump sum contracts on a pilot basis, locking in overhead rates for the duration of the majority of new and active contracts, and more specific rate contracts.
- External Audits could adjust their internal processes for pre and post audits based on the type of contract negotiated. A standardized billing format could be developed. (Refer to **Appendix A**)
- The DOT could use (as a negotiating tool) the chargeability ratio, which is currently a nationwide average of 62/38 for direct/indirect labor to negotiate costs with consulting firms, subject to annual review. (Refer to **Appendix B**)

and/or

The DOT could develop a process whereby company average wage rates could be compared between the top three selected consultants firms and used as a factor to negotiate fees.

- The DOT could investigate the establishment of an “on call” list of consultants for those offices needing outside services. Guidelines for when selections occur, duration, proximity, opportunities for smaller firms, and fairness of work distribution would need to be formulated. Contracts for on-call services will have staggered terms

## Introduction

The Iowa Department of Transportation (DOT) through a partnering effort with the American Council of Engineering Companies of Iowa (ACEC/IA) and the Federal Highway Administration (FHWA) pursued ideas and recommendations regarding cost containment of outside services for plan development associated with the highway program. This endeavor was taken, not because of dissatisfaction with the current business between consultants and the DOT, but rather to be proactive in dealing with fiscal restraint. The DOT's goal is good work at a fair price. In order to achieve the challenge of the mission statement, the Team for Fiscal Responsibility met four times between April and June 2002. The following sections highlight areas where the Team has made recommendations:

- Minimizing Changes During the Design Process
- Contract Types
- Audit Requirements
- Chargeability Ratio Utilization
- Company Average Wage Rates
- Fixed Fee
- Contingency Pool
- Selection Process

## Minimizing Changes That Occur During the Design Process

During the normal course of plan development, standards, policy and procedures often evolve to clarify and improve the DOT's current processes. These changes affect both consultants' work, as well as that of DOT staff. The mentality of waiting to implement changes until "the next project" results in final plan inconsistencies for construction. While it may be acceptable to delay implementation of certain minor changes, the bookkeeping nightmare of what must change and what doesn't need to, becomes a tedious and costly exercise. Contractors and internal DOT construction staff have stated that consistency in plans is of vital importance and when not present is a major cause in driving up construction costs.

The Office of Bridges & Structures has taken a proactive approach to dealing with plan preparation flaws by creating and maintaining "Plan Review Checklists," which are available to both consultants and internal staff. They have found this tool to be helpful in minimizing re-work, as attested by improved plan quality. The checklists were created from review comments on first submittal final design plans. The DOT could investigate expanding this to other offices.

The ACEC/IA emphasized that on road projects, a review of the concept and planning with District involvement is critical to establishing the proper scope and fees for the subsequent phase of work.

**Recommendation:** Future contracts could include a provision for acknowledgement that some re-work or additional effort may be required during the plan development process.

The effort assumed would be negotiated between the consultant and the contracting officer. The DOT should strive to minimize these types of changes because re-work obviously is inefficient and expensive.

DOT offices could consider proactive approaches to ensuring plan preparation flaws are not repeated. Plan review checklists could be expanded to other offices.

As a part of the process in establishing the scope and fees for a consultant contract, a review of the concept involving the District could be done so that the scope and hours accurately reflect the subsequent work that is to be done.

### **Contract Types**

In order to simplify cost plus fixed fee agreements, the ACEC/IA and DOT have agreed that locking into established overhead rates would be advantageous for all parties, in that billings and final audit process would require less time and therefore save costs. This may or may not be advisable in the case of multiple year contracts, i.e. inspection contracts, subject to the scrutiny of the contracting officer.

“Specific rate” type agreements would be very similar, but perhaps more applicable when contracting with smaller consulting firms.

Cost-plus fixed fee contracts are set up to facilitate changes of a minor nature and where the scope cannot be clearly defined. Lump sum contracts on the other hand, require a more refined scope by nature, as changes in scope and schedule would be grounds for claims for extra work. The Team views lump sum agreements as a potential opportunity to promote efficiency, creativeness and innovation under the proper circumstances.

**Recommendation:** The boilerplate for the cost plus fixed fee type agreement could be modified to allow “locking in” previously established overhead rates. Amendments could be considered for active contracts to do the same. Opportunities to utilize “specific rate” contracts should not be overlooked.

Not every design contract lends itself to fit the lump sum model, but DOT contracting officers should try to utilize one or more of this agreement type in the next year. The goal is not to implement on a wholesale level, but rather as a pilot test. The DOT wants to monitor lump sum agreements to know the outcome regarding cost incurred versus that negotiated. Payments would not be affected by the outcome.

### **Audit Requirements**

Anything that could be done to simplify the current billing and auditing requirement would serve to save costs for both consultants and the DOT. Pre and post audit procedures vary based on the type of contract negotiated. Lump sum, specific rate and locked in overhead rate type contracts place more emphasis on the preaudit since either the lump sum amount or labor and overhead rates are fixed for the duration of the

contract. Final audit could be used to measure actual cost incurred compared to the amount estimated. The DOT could standardize a billing format, perhaps minimizing the requirements to a single page. External Audits could avoid spending time to track individual invoices and instead, request only the final billing, along with supplementary information, in order to prepare their final audit. The DOT could also establish a financial report packet that the consultant could fill out after the close of the fiscal year that could include overhead and labor rate information as well as some other pertinent information that is needed to complete the overhead audit.

As mentioned previously, locking in overhead rates could be implemented to greatly simplify the tedious task of adjusting for overhead rates, not only on new contracts, but on active contracts as well.

**Recommendation:** External Audits could adjust internal processes based on the type of contract negotiated. They could also work with DOT contract officers to establish a standardized billing format for the multiple-contract types and provide as a part of Policy 300.12 (see **Appendix A**). A consultant financial packet could be developed so pertinent financial information is submitted on a consistent basis as well as in a timely manner, three to six months after the fiscal year end.

Future cost plus fixed fee contracts could utilize set overhead rates, based on current data.

#### **Chargeability Ratio Utilization As a Negotiation Tool**

The DOT has seen a disparity among consultants' overhead rates due in part to the difference in direct and indirect labor percentages. In an attempt to resolve this difference, the DOT could look at utilizing a chargeability ratio. This chargeability ratio could be taken from nationwide data collected from a number of consulting firms. The current ratio was found to be an average of 62% for direct labor and 38% for indirect labor, according to the professional publication, PSMJ Resources, Inc. The 62-38 ratio, annually updated, is thought to be formulated from the largest database of this type of information available.

**Recommendation:** External Audits could provide to DOT contracting officers the overhead rate based on actual recorded data and a rate adjusted to reflect the PSMJ Resources direct to indirect labor dollar ratio. This adjusted rate could be inserted into the estimate as a negotiating tool with the top firm to determine fees (see **Appendix B**). As a specific estimated item, the overhead rate on federal aid projects may not be negotiated per federal regulations.

#### **Company Average Direct Wage Rates As a Negotiation Tool**

The DOT could use company average wage rates from consulting firms selected in the top three to negotiate a total dollar amount for the agreement. The company average wage rate could be computed by dividing the company's total direct labor dollars by total direct labor hours.

**Recommendation:** External Audits could provide to DOT contracting officers the average direct labor rate for the top firm and this value could then be compared between the top three selected consulting firms. This rate could be inserted into the estimate and used as a negotiating tool with the top firm to determine fees.

#### **Fixed Fee**

Fixed fee is a negotiated amount over and above the direct and indirect costs to complete a project. As a guide, fixed fee is a negotiated rate, ranging from six to fifteen percent, of direct labor and overhead combined.

**Recommendation:** The Team recommends when computing the fixed fee amount (not the percentage of fixed fee), that the DOT utilize the overhead costs adjusted to reflect the overhead rate developed from the PSMJ Resources chargeability ratio (indirect labor/direct labor).

#### **Contingency Pool**

The management of contingency funds was discussed. In the past, the DOT held 10% contingency in reserve for each outside services contract, however, only some contracts needed to tap into the contingency. The case was made that these funds could be better utilized for additional outside services or other needs. Contract Officers are currently tracking anticipated outside service costs per fiscal year, but are not including any contingency unless documentation exists to justify the need for a portion or all on a given contract. This practice serves to make the reserved dollars available for other needs. The Team recommends no action be taken.

#### **Selection Process**

The Team discussed that from an efficiency and cost savings basis, the DOT could explore forming a pool of consultants to be used in an on-call basis for each of the various offices contracting outside services. The desired benefit is that fewer requests for proposals would be necessary. The Team felt that a staggered selection with a multiple year term of three years was acceptable. The pool may consider the geographical location of consultant as a basis, depending upon the nature of the services. The ACEC/IA would like to see the DOT include opportunities for smaller firms to be included in the pools. The ACEC/IA also thought consideration should be given to work levels as a part of the selection so that consultants are better able to plan their workload. The DOT acknowledged that some selections need to be done in compliance with the Brook's Bill (23 CFR 172), so that federal money can be utilized for design, when deemed necessary.

Selections for "significant" projects would continue to be done on an individual basis. Various criteria would weigh into the decision of when a project should have its own

selection, not just expected dollar value of work. The DOT will decide on a case-by-case basis at the time a need was identified.

The ACEC/IA asked if the information that consultants provide for prequalifications concerning previous work could be utilized for RFP responses, rather than continue the current process of repeating the information. The DOT will evaluate the merit of this request.

**Appendix C** provides a one page overview of the current 300.12 selection process and describes the selection process in a one page flow chart format. The ACEC/IA had requested this be included as a part of this report.

**Recommendation:** The DOT could formulate how such a pooled list concept would be implemented. Guidelines on when selections occur, duration, proximity, opportunities for smaller firms, and fairness of dividing workload should be established.

The information concerning previous work experience and whether or not this information needs to be repeated on RFP responses could be addressed.

DOT staff has observed a great deal of time is presently being utilized to do a post-mortem with non-selected consulting firms for the selection process scores. The amount of time and effort expended to communicate reasoning for scores needs to be addressed.

## Other Topics

1. Multiplier on direct labor cost - - - As there were other options alluded to in the Contracts section of this report, the Team for Fiscal Responsibility felt that they would work to implement those options for now and see how things progress. The ACEC/IA advised that they could not participate in assisting the DOT with setting a multiplier, as it would be related to price setting.
2. Two-envelope system (includes cost consideration in selection) - - - The Team reviewed this concept, including negative experiences in other states and agencies using this system and concluded that our other recommendations are more viable and should be tried initially
3. Any firm may make a written confidential request to obtain their standing with respect to average overhead and/or average direct wage rates.

### Ideas Dismissed After Review and Discussion:

4. Labor rate caps on principals, owners or labor classification
5. Discontinuing pre-contract costs relating to fee proposal and scope development
6. Adjusting fixed fee when final costs show less than 80% of that estimated was used
7. Incentive fee to reward consultant for keeping costs below estimate on contracts with well-defined costs and scope
8. Use of fewer subconsultants to eliminate additional levels of administration, production review and communication
9. Modification of selection process to consider price and/or actual cost
10. Considering facilities cost of capital as part of fixed fee
11. Incentive based pay
12. Consider automating design and /or starting with CADD plans from similar project

## Conclusion

The Partnering Council's concurrence is desired regarding pursuit of the ideas presented in this document. Upon final decision and implementation, a training session would be needed to inform all involved concerning the new procedures.

Consultant Name  
Consultant Address  
Consultant Address

Cost Plus Fixed Fee Final Invoice

Date

Invoice No.  
Invoice Period Covered  
Consultant Job No.

Client Project No.  
County  
Client Project Description  
Client Contract No.

	Contract Estimate	Cumulative To Date	Current Period
--	----------------------	-----------------------	-------------------

Labor Dollars (2002)  
Labor Dollars (2001)  
Labor Dollars (2000)  
Labor Dollars (1999)  
Overhead (2002)  
Overhead (2001)  
Overhead (2000)  
Overhead (1999)  
Direct Expenses  
    Mileage  
    Per Diem  
    CADD  
Fixed Fee  
Subconsultants  
    Name  
    Name  
    Name  
Total

Labor Hours (2002)  
Labor Hours (2001)  
Labor Hours (2000)  
Labor Hours (1999)

Estimated Actual Cost  
Fixed Fee  
Subconsultant  
Contingency  
    Total  
Total Billed To Date  
Remaining Balance

Attachment

- Employee Labor Hours and Dollars: A final cumulative job cost report that shows a breakdown of labor by fiscal year, employee name, employee labor hours and employee labor rate. In lieu of a final job cost report, a summary of the aforementioned information is needed. Summary should be supported by monthly job cost detail.
- Overhead Rates: Overhead rates and labor dollars the overhead rates are applied to should match the fiscal year the costs are incurred in. Overhead rates applied to labor should be audit verified when available. When not available, proposed FAR adjusted rates for the fiscal year the labor is incurred in should be used.
- Direct Expenses: A final cumulative job cost report that shows a breakdown of direct expenses by specific item (Mileage, CADD, Per Diem, etc.....) by fiscal year. Direct expense items charged should identify number of units (miles, hours, prints, copies, feet, etc. ...) and rate applied by fiscal year. In lieu of a final job cost report, a summary of the aforementioned information is needed. Summary should be supported by monthly job cost detail.
- Subconsultant: Final invoice requirements for subconsultants with cost plus fixed fee contracts are the same as the requirements for the prime consultant. It is the prime consultant's responsibility to assure such an invoice is acquired and attached to the prime's final invoice.

Consultant Name  
Consultant Address  
Consultant Address

Specific Rate Final Invoice

Date

Invoice No.  
Invoice Period Covered  
Consultant Job No.

Client Project No.  
County  
Client Project Description  
Client Contract No.

	Contract Estimate	Cumulative To Date	Current Period
Labor Dollars (2002)			
Labor Dollars (2001)			
Labor Dollars (2000)			
Labor Dollars (1999)			
Direct Expenses			
Mileage			
Per Diem			
CADD			
Subconsultants			
Name			
Name			
Name			
Total			
Labor Hours (2002)			
Labor Hours (2001)			
Labor Hours (2000)			
Labor Hours (1999)			
Prime's Cost			
Subconsultant			
Contingency			
Total			
Total Billed To Date			
Remaining Balance			

Attachment

- Employee Labor Hours and Dollars: A final cumulative job cost report that shows a breakdown of labor by fiscal year, employee name, employee labor hours and employee labor rate. In lieu of a final job cost report, a summary of the aforementioned information is needed. Summary should be supported by monthly job cost detail.
- Direct Expenses: A final cumulative job cost report that shows a breakdown of direct expenses by specific item (Mileage, CADD, Per Diem, etc....) by fiscal year. Direct expense items charged should identify number of units (miles, hours, prints, copies, feet, etc....) and rate applied by fiscal year. In lieu of a final job cost report, a summary of the aforementioned information is needed. Summary should be supported by monthly job cost detail.
- Subconsultant: Final invoice requirements for subconsultants with cost plus fixed fee contracts are the same as the requirements for the prime consultant. It is the prime consultant's responsibility to assure such an invoice is acquired and attached to the prime's final invoice.

Consultant Name  
Consultant Address  
Consultant Address

### Cost Plus Fixed Fee Progressive Invoice

Date

Invoice No.  
Invoice Period Covered  
Consultant Job No.

Client Project No.  
County  
Client Project Description  
Client Contract No.

	Contract Estimate	Cumulative To Date	Current Period
--	----------------------	-----------------------	-------------------

Labor Dollars  
Overhead  
Direct Expenses  
    Mileage  
    Per Diem  
    CADD  
Fixed Fee  
Subconsultants  
    Name  
    Name  
    Name  
Total

#### Labor Hours

Estimated Actual Cost  
Fixed Fee  
Subconsultant  
Contingency  
    Total  
Total Billed To Date  
Remaining Balance

Consultant Name  
Consultant Address  
Consultant Address

### Lump Sum Invoice

Date

Invoice No.  
Invoice Period Covered  
Consultant Job No.

Client Project No.  
County  
Client Project Description  
Client Contract No.

Total Lump Sum Amount  
Percentage Completed  
    Total  
Less Amount Previously Billed  
    Total Current Bill  
Subconsultants  
    Name  
    Name  
    Name  
Total

Current Labor Hours  
Total Labor Hours Incurred To Date  
Total Estimated Labor Hours

Note: When submitting a final invoice on a lump sum project, the final cumulative job cost report should be submitted with the final invoice.

Consultant Name  
Consultant Address  
Consultant Address

### Specific Rate Progressive Invoice

Date

Invoice No.  
Invoice Period Covered  
Consultant Job No.

Client Project No.  
County  
Client Project Description  
Client Contract No.

	Contract Estimate	Cumulative To Date	Current Period
--	----------------------	-----------------------	-------------------

Labor Dollars  
Direct Expenses  
    Mileage  
    Per Diem  
    CADD  
Subconsultants  
    Name  
    Name  
    Name  
Total

Labor Hours

Prime's Cost  
Subconsultant  
Contingency  
    Total  
Total Billed To Date  
Remaining Balance

**Purpose:** Show cost negotiation information for a sample contract utilizing the 3 selected consultants.

**Discussion:** Information provided below would be supplied to the contract officer negotiating the budget, to evaluate how cost rates compare for selected consultants. Comparisons are made to determine whether rates submitted with initial or subsequent estimates are reasonable or require possible further negotiation.

Hours have been shown as a fixed quantity for evaluation purposes for the number two and three selected consultant. It is acknowledged that hour utilization may vary with levels of experience or expertise proposed/used by the company.

**Definitions:** *Agreement Budget* - Reflects sample costs as may be estimated by the first consultant the Department is to negotiate.

*62% Chargeability Ratio* - This comparison shows what the budget may look like for the first consultant if labor and overhead rates would resemble certain company or industry averages.

Average Direct Labor (Avg. DL) - Reflects company-wide dollar per hour average of labor costed/charged to projects in the most recent fiscal year. Differences from proposed estimate may reflect the level of difficulty or expertise needed on the project.

OH Rate - The 62% chargeability ratio is an industry average of direct labor costs to total labor costs. For the purposes of comparison, the overhead rate is recomputed by changing direct and indirect labor to a 62/38 ratio, if direct labor is less than the 62% standard. All other expenses in the overhead pool remain unchanged in the computation. Examples are attached showing the actual verified overhead rate in comparison to the recomputed overhead rate using the 62% chargeability ratio.

*Others at Actual* - Reflects the remaining consultants selected utilizing the company-wide average direct labor rate and the actual verified overhead rate.

**Purpose:** Show cost negotiation information for a sample contract utilizing top 3 selected consultants.

**Definitions:** Agreement Budget - Reflects costs as estimated.

62% Efficiency Factor - Overhead rate is computed with direct labor equal to 62% of total labor. Average labor rate reflects company wide average rate.

Others at Actual - Reflects other consultants with company wide average rate and actual verified overhead rate.

Example:	Hours	Avg DL	OH Rate	Hrly w/ FF @ 12%	Project Total
Agreement Budget	4280	23.26	141.23%	62.84	268,955.56
62% Eff. Factor	4280	21.28	138.52%	56.85	243,318.00
<b><u>Others at Actual</u></b>					
Consultant D	4280	27.30	132.33%	71.04	304,051.20
Consultant B	4280	22.10	136.89%	58.63	250,936.40

Example:	Hours	Avg DL	OH Rate	Hrly w/ FF @ 12%	Project Total
Agreement Budget	1646	24.76	137.51%	65.86	108,405.56
62% Eff. Factor	1646	26.70	132.24%	69.45	114,314.70
<b><u>Others at Actual</u></b>					
Consultant D	1646	27.30	132.33%	71.04	116,931.84
Consultant C	1646	21.28	162.44%	62.55	102,957.30

Consultant A  
Schedule of Indirect Costs  
62% Efficiency Factor

Description	Expense Balances	Consultant Adjustments	I-DOI Adjustment	Total	Direct Labor	Payroll	G & A	Payroll Rates	G & A Rates
Direct Labor	1,321,213.00		29,999.00	1,351,212.00	1,351,212.00				
Indirect Labor	858,162.00	(35,696.00)	(29,999.00)	792,467.00			792,467.00		0.5865
Donations	742,160.00	(448,131.00)		294,029.00			294,029.00		0.2176
Employee Benefits	337,050.00			337,050.00		337,050.00	0.00	0.2494	0.0000
Education & Seminars	27,869.00			27,869.00			27,869.00		0.0206
Professional Registration & Subscription	19,068.00			19,068.00			19,068.00		0.0141
Travel	129,600.00		(25,000.00)	104,600.00			104,600.00		0.0774
Utilities	17,432.00			17,432.00			17,432.00		0.0129
Office Supplies	75,643.00			75,643.00			75,643.00		0.0560
Telephone	13,450.00			13,450.00			13,450.00		0.0100
Postage	6,542.00			6,542.00			6,542.00		0.0048
Equipment Rental	2,850.00			2,850.00			2,850.00		0.0021
Computer Equipment	12,453.00			12,453.00			12,453.00		0.0092
Repairs & Maintenance	28,451.00			28,451.00			28,451.00		0.0211
Printing & Reproductions	6,521.00			6,521.00			6,521.00		0.0048
Legal	9,120.00			9,120.00			9,120.00		0.0067
Accounting and Audit	18,510.00			18,510.00			18,510.00		0.0137
Interest Expense	18,450.00	(18,450.00)		0.00			0.00		0.0000
Professional Liability & Insurance	16,835.00			16,835.00			16,835.00		0.0125
Business/Gen. Liab. Ins.	4,915.00			4,915.00			4,915.00		0.0036
Auto Gas, Oil & Repairs	16,845.00			16,845.00			16,845.00		0.0125
Auto Registration	515.00			515.00			515.00		0.0004
Auto Insurance	4,810.00			4,810.00			4,810.00		0.0036
Travel	3,101.00			3,101.00			3,101.00		0.0023
Printing	7,295.00			7,295.00			7,295.00		0.0054
Travel	9,475.00			9,475.00			9,475.00		0.0070
New Business Development	17,580.00	(17,580.00)		0.00			0.00		0.0000
Depreciation	80,450.00			80,450.00			80,450.00		0.0595
Advertising	10,210.00	10,210.00		20,420.00			20,420.00		0.0151
Contributions	3,645.00	(3,645.00)		0.00			0.00		0.0000
Miscellaneous Expense	7,810.00		(7,810.00)	0.00			0.00		0.0000
Federal Income Tax	18,950.00	(18,950.00)		0.00			0.00		0.0000
State Income Tax	14,520.00		(14,520.00)	0.00			0.00		0.0000
Loss on Sale of Assets	(8,900.00)			(8,900.00)			(8,900.00)		(0.0066)
Direct Expense Recovery	(135,000.00)			(135,000.00)			(135,000.00)		(0.0999)
Bad Debt Expense	12,450.00	(12,450.00)		0.00			0.00		0.0000
<b>Total</b>	<b>3,730,050</b>	<b>(544,692)</b>	<b>(47,330)</b>	<b>3,138,028</b>	<b>1,351,212</b>	<b>337,050</b>	<b>1,449,766</b>	<b>0.2494</b>	<b>1.0730</b>

Facilities Cost of Capital 13,400.00 13,400.00 13,400.00 0.0099

Facilities Cost of Capital 0.99%

Overhead Rate without Facilities Cost of Capital:

Payroll Related Costs	24.94%
General & Administrative	<u>107.30%</u>
<b>Total</b>	<b><u>132.24%</u></b>

Consultant A  
Schedule of Indirect Costs

Description	Expense Balances	Consultant Adjustments	I-DOY Adjustment	Total	Direct Labor	Payroll	G & A	Payroll Rates	G & A Rates
Direct Labor	1,321,213.00			1,321,213.00	1,321,213.00				
Indirect Labor	858,162.00	(35,696.00)		822,466.00			822,466.00		0.6225
Bonus	742,160.00	(448,131.00)		294,029.00			294,029.00		0.2225
Employee Benefits	337,050.00			337,050.00		337,050.00	0.00	0.2551	0.0000
Education & Seminars	27,869.00			27,869.00			27,869.00		0.0211
Prof Registration & Subscript	19,068.00			19,068.00			19,068.00		0.0144
Rent	129,600.00		(25,000.00)	104,600.00			104,600.00		0.0792
Utilities	17,432.00			17,432.00			17,432.00		0.0132
Office Supplies	75,643.00			75,643.00			75,643.00		0.0573
Telephone	13,450.00			13,450.00			13,450.00		0.0102
Postage	6,542.00			6,542.00			6,542.00		0.0050
Equipment Rental	2,850.00			2,850.00			2,850.00		0.0022
Computer Equipment	12,453.00			12,453.00			12,453.00		0.0094
Repairs & Maintenance	28,451.00			28,451.00			28,451.00		0.0215
Printing & Reproductions	6,521.00			6,521.00			6,521.00		0.0049
Legal	9,120.00			9,120.00			9,120.00		0.0069
Accounting and Audit	18,510.00			18,510.00			18,510.00		0.0140
Interest Expense	18,450.00	(18,450.00)		0.00			0.00		0.0000
Prof Liability & Insurance	16,835.00			16,835.00			16,835.00		0.0127
Business/Gen. Liab. Ins	4,915.00			4,915.00			4,915.00		0.0037
Auto Gas, Oil & Repairs	16,845.00			16,845.00			16,845.00		0.0127
Auto Registration	515.00			515.00			515.00		0.0004
Auto Insurance	4,810.00			4,810.00			4,810.00		0.0036
Travel	3,101.00			3,101.00			3,101.00		0.0023
Lodging	7,295.00			7,295.00			7,295.00		0.0055
Business Development	9,475.00			9,475.00			9,475.00		0.0072
Depreciation	17,580.00	(17,580.00)		0.00			0.00		0.0000
Advertising	80,450.00			80,450.00			80,450.00		0.0609
Contributions	10,210.00	10,210.00		20,420.00			20,420.00		0.0155
Miscellaneous Expense	3,645.00	(3,645.00)		0.00			0.00		0.0000
Federal Income Tax	7,810.00		(7,810.00)	0.00			0.00		0.0000
State Income Tax	18,950.00	(18,950.00)		0.00			0.00		0.0000
Loss on Sale of Assets	14,520.00		(14,520.00)	0.00			0.00		0.0000
Direct Expense Recovery	(8,900.00)			(8,900.00)			(8,900.00)		(0.0067)
Bad Debt Expense	(135,000.00)			(135,000.00)			(135,000.00)		(0.1022)
	12,450.00	(12,450.00)		0.00			0.00		0.0000
<b>Total</b>	<b>3,730,050</b>	<b>(544,692)</b>	<b>(47,330)</b>	<b>3,138,028</b>	<b>1,321,213</b>	<b>337,050</b>	<b>1,479,765</b>	<b>0.2551</b>	<b>1.1201</b>

Facilities Cost of Capital 13,400.00 13,400.00 13,400.00 0.0101

Facilities Cost of Capital 1.01%

Overhead Rate without Facilities Cost of Capital:

Payroll Related Costs	25.51%
General & Administrative	112.01%
<b>Total</b>	<u>137.52%</u>

The accompanying notes are an integral part of this schedule

### Selection and Negotiation Model

- Request for Proposal – Administering office shall prepare request to its division director.
- Approval of Request – Division director shall review and approve or disapprove the request for outside services. Division director shall appoint selection committee, if selection committee is necessary.
- Appointment of Selection Committee – Division director of administering office shall appoint a selection committee of three to five members. Members consist of 1) individual from administering office, 2) individual from district office staff or another division other than the division requesting the selection, 3) one or more individuals from other offices within the division. Individual from the administering office should have technical expertise in the work to be contracted and the other individuals are to familiar with the scope of work and procedures used for selecting consultants.
- Selection Committee – Responsible for preparing RFP and sending it to the identified firms. Responsible to select firms with which to initiate negotiations. Select the top three firms and provide their names to the consultant contract coordinator.
- Consultant Steering Committee – Responsible for reviewing the top firms selected by the selection committee and rank the firms in order of preference. The team leader for this committee shall be designated by the division director for the administering office. For the Highway Division, the team leader shall be the Director of the Engineering Bureau. Other members of this committee include the office director from the administering office and, for a specific project within a district, the district engineer. Additional members may be designated by the team leader if deemed appropriate.
- Approval to Initiate Negotiations – The division director shall determine whether negotiations may begin and obtain the Director of Transportation's concurrence to initiate negotiations.
- Initiate Negotiations – Administering office shall initiate negotiations with the firm ranked first. Administering office shall use the services of technical, legal, auditing, and other specialists in the Department to the extent deemed appropriate. The administering office shall negotiate a fair and reasonable fee and method of payment under the contract based on a comparative study of an independent estimate prepared by the administering office and the cost proposal of the firm.
- Preaudit – Administering office shall submit to External Audits, on contracts that will exceed \$50,000, a written request for preaudit along with copy of the proposed contract and consultant's cost proposal.
- Legal Review – Administering office shall submit the proposed contract to the General Counsel for approval of form and legality of content.
- Staff Action and Other Approvals – Administering office shall prepare a Staff Action, if required, requesting approval to enter into the contract and submit for approval. After completion of negotiation, preaudit, legal review, final review of contract language, the administering office shall secure the Department and consultant approvals and signatures necessary to place the contract into effect.

# Consultant Contract Selection Process

