

# Guidelines for Determining if .....DOT'S Consultant Agreement Costs are Reasonable and Supported

## FHWA STA Division Office 1994 PR/PE Review

- I. Basic understanding of .....DOT's organizational arrangement of contractual services office (called professional services in districts) and project management office:
  1. Central Office organizational structure.
    - Contractual services
    - Project management
  2. Overview of Central Office's role in the process.
    - Contractual services
    - Project management
  3. District Office organizational structure.
    - Professional services
    - Project management
  4. Overview of District Office's role in the process.
    - Professional services
    - Project management
- II. Overview of consultant usage and major steps in the process:
  1. Types, \$ amount, and % of work done by consultant?
    - PD&E
    - Design
    - Construction engr. & inspection (cei)
    - General consultant used?
    - Management consultant used?
  2. Who are the responsible persons to administer consultant agreements. How many projects (type, \$ size) assigned per staff member for managing.
    - Professional services
    - Project management
  3. Steps in process
    - Develop scope
    - Prepare staff-hour and cost estimate
    - Advertise
    - Long list/ short list of firms and technical committee makeup.

- RFP's sent to short list firms.
- Scope of services meeting.
- Oral technical proposals by short list firms.
- Rating/ranking process by technical review committee.
- Firm selected.
- Negotiation of scope, staff-hour and price
- Execute agreement

### III. Negotiation Process

#### 1. Staff-hour negotiation process

Who Conducts and How:

State's Estimate:

- Process to develop .....DOT's estimate
- Based on what factors
- Any historical data on level of effort needed for work types
- Any comparison to similar projects done in-house
- Any comparison to other districts

Consultant's Estimate:

- What does STA provide to firm, when?
- When is firm's estimate received

Process to Reach Agreement:

- What resources are used to conduct effective negotiation session(s). Does it include refined scope of work, evaluation factors - relative importance, audit opinion, etc.

Documentation:

- What's in files to support hours agreed to

Other Factors Affecting Process:

- Training
- Problems with firms using different position titles

#### 2. Salary Rate Negotiation

Who Conducts And How:

State's Estimate:

- Process to develop .....DOT's estimate
- Based on what factors
- Historical data on salary for position type
- Any comparison to state salary for same position type
- Any comparison to other districts

Consultant's Estimate:

- What does STA provide to firm
- When submitted

Process To Reach Agreement:

- What resources are used to conduct effective negotiation session(s)

Documentation:

- What's in files to support salary rate agreed to

Other Factors Affecting Process:

- Training
- Problems with firms using different position titles

#### IV. Compensation

1. Priced proposal from consultant:

- Any cost comparison data (\$/mile, %construction cost, or other units)
- When use lump sum (well defined) vs cost + fixed fee (variable effort needed). Why; advantages, disadvantages?
- Use of cost per unit work or billing rate (specific rate of compensation)

2. Changes in scope of services during negotiation process.

- How does project funding shortfall affect negotiation.

3. Fixed fee:

- Range of % allowed

4. Direct expense costs:

Process to determine reasonable expenses:

- How negotiated with firm
- Any comparison to state dot costs
- State district comparisons
- Historical firm data; based on what

Paid as lump sum or actual invoices:

- Best method; advantages or disadvantages

5. Overhead Rates

- Applied To salary only?

#### V. Contract Modifications

1. Supplements And Amendments (S/A's)

- Are there more S/A's on lump sum or cost+ agreements, why?
- Are S/A's on lump sum agreements treated differently than on cost+ agreements.
- Is additional operating margin (fee) paid for S/A's on lump sum contracts
- Const. Change orders - any efforts to classify cause of; is it due to error or omission of firm, thus collect damages