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## Project Construction and Contract Administration

### Contract Administration

# Contractor Force Account

[www.fhwa.dot.gov/federal-aidessentials](http://www.fhwa.dot.gov/federal-aidessentials)

*Directing contractor work and tracking labor, material, and equipment expenses*



Most transportation project construction is delivered by contractors. Transportation agencies are responsible for supervising the work and ensuring it is performed as agreed under the contract. But how might your role change if your project unearths contaminated soil that requires specialized disposal? Or what if your project begins to pose a significant environmental risk to a waterway?



In situations like these, where the scope of work changes due to field conditions or to mitigate unforeseen risks, agencies may recognize that the contractor has insufficient information to agree on unit prices and quantities.



They may choose, as a last resort, to get the project completed, to expand their traditional role of oversight to include task management of a contractor's work.

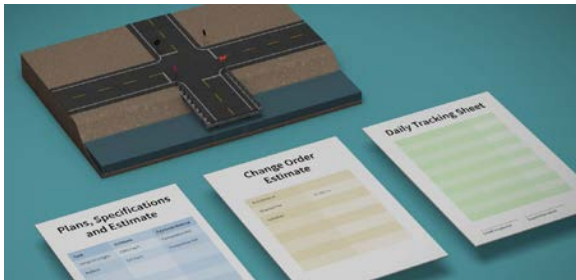


Using this approach to contract management, called contractor force account, agency personnel direct the use of a contractor's resources and pay the contractor for time and material—the actual cost of labor, equipment, and materials furnished.



Contractor force account can provide a practical resolution to problems encountered in the field. However, prior to its use, agencies working on federally funded transportation projects must develop an independent scope, schedule, and estimate of the work and obtain advance approval from the oversight agency.

Furthermore, prior to making progress payments, agencies must also track the project activity and verify that it aligns with the contractor’s accounting record. As we’ll see, tracking does require additional time and effort.



Let’s look at a small project to signalize an intersection. This example will illustrate the appropriate use of the contractor force account when developing the plans, specifications and estimate package, called PS&Es, and when developing change orders, as well as the method of tracking contractor activity.

Task	Estimate	Payment Method
Temporary Signs	\$500 / sq ft	Competitive Bid
Mailbox	\$25 Each	Competitive Bid
Erosion and Sediment Control	\$5,000	Contractor Force Account

First, when developing the PS&E, agency personnel find they could not accurately estimate the project-specific needs for erosion and sediment control because other nearby projects will affect these needs. To account for the likelihood of additional erosion and sediment control costs during construction, the agency personnel develop an independent cost estimate to hold funds outside the contract and create an item of work that will be paid for as “contractor force account.” In this case, the work is not a contract bid item, but payment will be made in accordance with the contract specifications for “Force Account Work.”



Then as excavation progresses, the contractor exposes a leaking underground fuel storage tank and requests a change order to remove it. Because the agency and contractor do not know the extent of contaminated soil, they cannot negotiate the cost of removal. Therefore, as a final option, the agency and the contractor agree to use contractor force account methods for this change order work.



Our project to signalize an intersection now has two incidents of contractor force account, one for erosion and sediment control and the other to remove an underground storage tank.

Contractor force account activity must be tracked in addition to the required quality assurance project inspection activity and material testing.

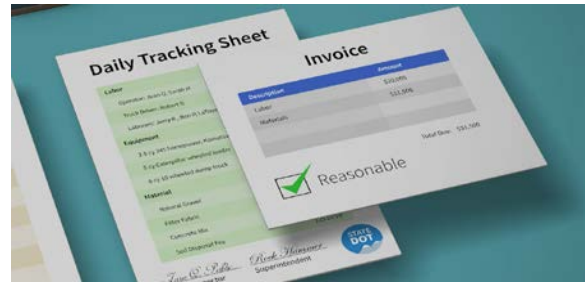


To assist with the tracking, agency personnel use a contractor force account tracking sheet that is developed by their State department of transportation, or State DOT.

The tracking sheet provides space to record

- Labor,
- Equipment
- Material quantities

Using the tracking sheet, agency personnel record the names of workers, the type of work each performed, and actual hours they worked. They also record the make, model, and size of equipment and materials used.



Prior to paying the contractor for the work, agency personnel compare the contractor's invoice with the data on the tracking sheet and verify that the labor and material surcharges are reasonable.

The Federal Highway Administration, the FHWA, requires that Federal-aid project administration include methods to track and verify records for contractor force account activity. As you can see from our example, when using the force account payment method, your agency can expect additional time and effort to fulfill this contract administration responsibility.

Your State DOT's construction manual provides details on the appropriate use of contractor force account, including proper tracking methods. Review the construction manual to ensure you properly account for directed work on Federal-aid projects.

### Additional Resources

- Federal-aid regulation 23CFR635.123 requires documentation of all pay quantities <https://www.law.cornell.edu/cfr/text/23/635.123>
- Example contractor force account procedures in the Washington State DOT Construction Manual; See Chapter 1 pages 136-145. Direct links to the WSDOT standard specifications are included. <http://www.wsdot.wa.gov/publications/manuals/fulltext/M41-01/Construction.pdf>
- Example procedure with links to state specific forms for extra work out of the Oregon DOT construction manual. See chapter 12-G pages 1-19. <http://www.oregon.gov/ODOT/HWY/CONSTRUCTION/pages/cm.aspx>

The content of this document is not a substitute for information obtained from State departments of transportation, appropriate FHWA Division Offices, and applicable laws. Scenarios have been simplified for emphasis and do not necessarily reflect the actual range of requirements applicable to the scenario or this topic. This document was created under contract number DTFH63-11-F-00066 by the Federal Highway Administration, U.S. Department of Transportation, and is offered to the public to heighten and focus awareness of Federal-aid requirements within the local public agencies community and reinforces the importance of these necessary policies, procedures, and practices.

This Companion Resource is the script content for the video production of the same name.