

NEGOTIATION HANDBOOK
PROFESSIONAL SERVICES CONTRACTS
FLORIDA DEPARTMENT OF TRANSPORTATION



Updates:

| Date of Update | Section Changed | Page Numbers |
|----------------|--|---|
| 2/14/11 | Updated Identification of the basis for proposed rates on page 4; Updated Direct Expense information, pages 5-6; Updated Sub costs information on page 6; Updated Operating Margin Section, pages 7- 11; Updated Standard Classes in Attachment B; Updated averages for Overhead, Exp, & FCCM in Attachment D; Updated Self-Certification Form in Attachment E; Updated Attachment F; Updated Vehicle Expense Guidelines in Attachment J; Added Certification of Use of Lower Tier Subs in Attachment K. | 1- 14; Attachments B, D, E, F, J, K |
| 6-13-11 | Expanded guidance related to compensation, Section 4a(2). | 5 |

**NEGOTIATION HANDBOOK
PROFESSIONAL SERVICES CONTRACTS
FLORIDA DEPARTMENT OF TRANSPORTATION**

Contents

| | | |
|----|---|----|
| 1. | Fee Proposals | 2 |
| 2. | Negotiation of Scope of Services | 2 |
| 3. | Negotiation of Work Effort | 3 |
| 4. | Negotiation of Cost of Services | 4 |
| | a. Wage or billing rates | 4 |
| | b. Overhead | 5 |
| | c. Direct expenses | 6 |
| | d. Sub-consultant/subcontractor/sub-vendor costs | 6 |
| 5. | Negotiation of Operating Margin | 7 |
| 6. | Negotiation of Method of Compensation | 11 |
| 7. | Documentation of Negotiations | 12 |
| 8. | Termination of Negotiations | 12 |
| 9. | Contract Modifications | 12 |
| | Attachments | 14 |
| | A. Automated Fee Proposal Guidelines | |
| | B. FDOT Standard Work Classes | |
| | C. Average Salary Rates Proposed and Average Negotiated Rates | |
| | D. Current Averages for Audited Overhead, Expense, and FCCM Rates | |
| | E. Self Certification of Accounting System and Reimbursement Rates Instructions | |
| | F. Guidelines for Field Offices | |
| | G. Capital Equipment Acquisition Policy | |
| | H. Policy on Use of Department Space and Equipment by Consultants | |
| | I. Administrative Add Ons for Subconsultant Costs | |
| | J. Vehicle Expense Guidelines | |
| | K. Certification of Use of Lower Tier Subs | |

**NEGOTIATION GUIDELINES
PROFESSIONAL SERVICES CONTRACTS
FLORIDA DEPARTMENT OF TRANSPORTATION**

Introduction

Florida law requires state agencies to acquire Professional Services by competitive negotiation. The process mandated by statute (287.055, 337.107 and 337.1075, Florida Statutes), Administrative Rule (14-75, Florida Administrative Code), and departmental procedures (FDOT 375-030-002) requires a competitive selection of the consultants based on qualifications, followed by a competitive negotiation process to establish a fee for the desired services. The objective of the total consultant acquisition process is the selection of a well-qualified firm at a fee that is fair, competitive and reasonable to both the state agency and the consultant. Negotiations should be conducted in good faith, recognizing that compromise may be required to achieve an equitable contract. The Department's negotiators must recognize the legitimate interest of the consultant industry in recovering their costs and making a reasonable profit when performing work for the Department. Conversely, the consultants must recognize the legitimate interest of the Department in receiving quality work at a fair, competitive and reasonable cost, to accomplish the work program while maximizing the use of taxpayers' dollars. A contract that is beneficial to both parties is the desired outcome of a successful negotiation.

The negotiation portion of the consultant acquisition process consists of establishing agreement between the Department and the Consultant on the following major points:

1. Scope of services to be performed
2. Work effort required (both quantity and level of personnel required)
3. Cost of services
 - a. Wage rates (or billing rates for some services)
 - b. Overhead cost
 - c. Direct expenses and subconsultant costs
 - d. Operating margin
4. Method of compensation

The following information provides general guidelines for the negotiation process. Although the various components are described separately, the negotiation process should be approached from a holistic perspective since scope, work effort and cost are interrelated. The negotiation of one of these variables might have a significant impact on the other two. Both project management personnel and professional services staff should be involved in negotiating the contract terms for the Department. Typically, the project management personnel would assume the lead role in negotiating the scope of services and staff hour requirements, while professional services would assume the lead with costs and method of compensation. However, it is strongly recommended that one person have primary responsibility for the negotiation and participate in all phases of the process.

Negotiation Procedures

1. Fee Proposals

At the completion of final selection, the number one ranked firm should be requested to provide comments on the scope of services, as well as a detailed staff hour estimate where appropriate, a fee proposal in standard format, and support for all costs contained in the fee proposal. Task assignment type projects would not require a staff hour estimate. Attachment A provides the Department's Automated Fee Proposal Guidelines.

Florida Statutes specifically require the Department to conduct a detailed analysis of costs for contracts acquired under the Consultants Competitive Negotiation Act, and the fee proposal must provide sufficient information to allow this. The fee proposal should be reviewed as well as supporting information. Any errors, deficiencies, omissions, etc., noted during the review of the fee proposal should be immediately brought to the attention of the selected Consultant, and corrective data requested.

2. Negotiation of Scope of Services

The final negotiated scope of services should be tailored to ensure a mutual understanding of the project. During this negotiation process each work activity or milestone should be discussed to determine how it is to be accomplished, the nature of the deliverable, and its format. If the consultant's understanding is not in accord with that of the Department, discussions should be conducted to arrive at a mutual understanding of the services to be accomplished, the method by which it will be accomplished, and the nature of the final product. Either party to the negotiations should feel free to request written confirmation in the form of modification of the scope to reflect agreed-to terms.

The scope of services is one of the major factors affecting the fee for consultant services since it defines the nature and volume of work to be performed. A well written scope of services establishes the tasks to be performed, materials to be delivered, meetings to be attended, schedule to be met, equipment that will be used, standards that will be followed, and responsibilities of both the consultant and the Department.

The detail established in the scope of services sets the stage for subsequent negotiations. A detailed and thorough scope of services leads to an understanding of the services needed to complete the assigned project as well as an understanding of the sequence of tasks to be accomplished. This allows for informed development of the staff-hour estimates and project fee.

The scope of services should be prepared in standard Department format. A standard scope of services is available on the Department's web site for project development & environmental studies (PD&E), highway and bridge/structural design and construction engineering & inspection (CEI) projects. The standard scope of services should be used, where practical, however, modifications should be made to reflect the actual agreed-to terms and requirements for the specific project. This will facilitate preparation and evaluation of staff hour estimates, and any desired modification of the scope during the negotiation process.

Following are typical major items within the scope of services requiring negotiation:

- a. Work activities
- b. Deliverables
- c. Numbers of and types of meetings, presentations, etc. to be attended or provided
- d. Schedule for project services
- e. Division of responsibilities and relationship between Consultant and Department

3. Negotiation of Work Effort

The objective of this process is to ensure that the proposed staff hours are reasonable for the specific project. It is also critical to determine if a reasonable distribution of work among various levels of staff is proposed to ensure the most economical staffing commensurate with the complexity of the project.

Upon receipt by the Department of the Consultant's staff hour estimate, the Department's estimate shall be provided to the consultant. The Consultant's staff hour estimate should be compared with the Department's and the differences evaluated. Discussions will be conducted with the Consultant to resolve differences between the Department and consultant staff hour estimates. As with the entire negotiations process, a record should be kept of the key points discussed and the resulting resolution.

The basis for an accurate staff hour estimate is a well-developed scope of services. With such a basis, a series of work activities may be readily identified as staffing elements. Those elements should be used for both the Department and consultant estimates for ease of reconciliation. The estimates by both parties should be made in the same standard format. Standard Staff Hour Estimation forms are available in Excel format for PD&E, highway and bridge/structural design projects on the Department's Project Management/Production Support Office website. For PD&E, highway and bridge/structural design, the Department's Staff Hour Estimating spreadsheet forms must be used by both the Department's project manager and the selected consultant in preparing the staff hour estimate to facilitate the negotiation process.

The published typical ranges of staff hour effort should be treated as only a beginning point. Each project must be independently evaluated to determine a fair estimate of required staff hours. The basis for the estimate should be the specific requirements for the project under consideration together with a history of actual staff requirements for past projects with similar requirements. Where specific requirements cannot be identified during the negotiation phase, a limiting amount will be made to serve as the basis of the contract.

Following are the major items relating to work effort requiring negotiation:

- a. Staff hours, overtime, survey crew days, etc.
- b. Levels of personnel required
- c. Distribution of work among levels of personnel
- d. Subconsultants (Quantity of work effort, personnel)
- e. Delineation of work to be provided by consultant, the Department, or others

4. Negotiation of Cost of Services

a. Wage or billing rates:

(1) Identification of the basis for proposed rates

- (a) The proposed wage rates must be certified in writing to be current and accurate by a responsible company official. The Department may require a payroll register to confirm the accuracy of the proposed wage rates.
- (b) If averages for select employees are used, payroll information and an explanation of how the average wage rate was computed (i.e., straight average, weighted average, etc.) must be provided. When job class averages are used, care should be taken that only employees actually committed to and needed for the project are used in the average.
- (c) If the Consultant's average rates for specified job classes are used, appropriate company records that identify employees within the classes and their respective wage rates should be submitted.
- (d) If the Consultant is performing a special service, such as surveying, for which standard billing rates are normally charged, the cost basis for these rates must be identified (i.e. certified wage rates, overhead factors, operating margin, etc.)
- (e) Consultants (geotechnical, aerial photography, etc.) that normally work on a unit price basis will be required to provide a copy of their standard fee schedule and attest that the fees contained therein are their normal fees for such services (whether performed for private or governmental clients). In addition, identification of the cost basis for such rates (i.e. labor hours and wage rates, overhead and operating margin, equipment use rates verified by audit, etc.) should be required where practical. Firms who are compensated in whole or in part using fee schedule rates will be required to complete a certification statement during contract negotiations, attesting to full disclosure of intended use of lower tier subconsultants/subcontractors/sub-vendors, including use of drilling subs.

(2) Negotiation of proposed salary or billing rates

A comparison of the proposed salary or billing rates with prevailing rates for the class of personnel should be performed. The on-line Consultant Wage Rate Averages Report provides wage rate statistics for various consultant staff classifications by district. The Consultant Wage Rate Averages Report can be accessed at the following link:

http://www2.dot.state.fl.us/procurement/lppc/afp_jobclass_wage_rate.asp

If personnel with unusually high salaries are proposed, the negotiators must determine whether there is sufficient need for that individual to justify their work on the project at that rate. If there is not a legitimate need for their expertise, they should not be allowed to bill time on the project. The Department may negotiate contract rates as averages for employee classifications.

Arbitrary or across the board limitations on direct salary/wage rates which do not consider the factors prescribed in the Federal Acquisition Regulations (FAR) cost principles are contrary to the requirements of the Brooks Act (40 U.S.C. §1104(a)), which requires fair and reasonable compensation considering the scope, complexity, professional nature, and value of the services to be rendered (as required in 23 U.S.C. §112(b)(2)). Additionally, if limitations or benchmarks on direct salary rates and total compensation are too low, it could limit the number of firms and the qualifications of the firms which submit proposals to perform work on projects. Furthermore, direct labor limitations or benchmarks not supported by the cost principles create associated disallowed indirect costs which effectively limits the calculated indirect cost rate, contrary to 23 U.S.C. §112(b)(2)(D) and 23 CFR §172.7(b).

b. Overhead:

- (1) If the Consultant is prequalified with the Department, a copy of the Procurement Office's letter of approval of the overhead rate should be included in the fee proposal. The Department's policy is that overhead rates are not negotiated. The consultant's actual approved overhead rate as reflected in the letter of approval or in the Professional Services Information System should be used. If the consultant voluntarily proposes to use a lower overhead rate than the current audit in order to keep overall project costs competitive, the Department may accept the lower overhead. The use of a lower overhead rate should not be made a requirement of contracting. For contracts with fees less than \$250,000, the Department is authorized to contract with firms without an audited overhead rate. For such occasions, however, the Consultant should provide a self-certified overhead determination, in the standard format provided in Attachment E. The average overhead rates for both home office and field office overhead are included in Attachment D. These rates are provided for comparison purposes. They are one of the tools the Department's negotiators can use to determine the competitiveness of the overall costs proposed.
- (2) If the proposed project requires the establishment of a field office, a separate overhead rate for the field office must be submitted. If the Consultant does not have an approved field office overhead rate which has been established through the prequalification process, a field office overhead rate should be prepared by the Consultant in accordance with the instructions contained in the Self-Certification of Accounting System and Reimbursement Rates Form, available on the DOT website at the following link: <http://www.dot.state.fl.us/procurement/forms/formmenu.shtm>
- (3) If the proposed project involves the use of DOT office space or equipment by

consultants, The Department's policy on this issue, which is included as Attachment H, should be observed. In general, field office overhead should be applied when consultant staff are assigned full time in Department space.

c. Direct expenses:

Direct project expenses will be compensated using the direct expense rate which is required as a part of annual overhead audits performed for fiscal years ending December 31, 2002 and after. All professional services contracts negotiated since October 1, 2003 have included reimbursement of direct expenses by application of a direct expense rate based on the audit listing of direct costs in relation to the direct labor base. Separate audited rates are required for home office expenses and field office expenses. These rates represent the ratio of direct expenses to actual direct labor excluding premium overtime. There should normally be no other direct expense compensation. The only exceptions to this would be unusual and infrequently occurring items that cost in excess of \$10,000. When such items are compensated separately from the direct expense rate, they must be excluded from the direct expense pool used to calculate the direct expense rate. When consultants propose such items, the negotiator should discuss this with the Central Office Procurement prior to accepting it.

If the consultant does not have a current approved audit that includes a direct expense rate, an expense rate may be negotiated on the basis of the average expense rate data available in the Negotiation Handbook, Attachment D. If this method of determining the compensation for expenses is not used, then sufficient documentation must be provided to support the basis for all expenses contained in the price proposal. Written quotes from vendors, invoices reflecting prices paid on previous purchases, copies of catalog pages, etc., may be used as support for the proposed prices.

As a general rule, the method of acquisition for any capital asset (item costing \$1,000 or more and having a life expectancy of 1 year or more) shall be determined through the use of a lease versus purchase analysis. A copy of the analysis shall be included with the fee proposal. A reasonable allowance for salvage value of the items, based on the term of the project, must be provided for the purchase of such items. Attachment G provides the Department's equipment acquisition policy for capital assets.

Unit rates used to compute travel costs may not exceed those authorized for State employee travel in accordance with Florida Statutes Section 112.061. Airfare must be based on coach rates and costs for rental cars must be based on the use of compact cars, unless otherwise justified and approved by the Department. Mileage for private vehicles must be at the state rate.

d. Subconsultant/subcontractor/sub-vendor costs:

Subconsultant/subcontractor/sub-vendor costs must be specifically identified in the price proposal and supported in a manner that will allow the Contracting Office to make a determination that the proposed costs are fair, reasonable and competitive. Intended use of all lower tier subs, must be disclosed during contract negotiations, regardless of tier level.

Unauthorized subs are not in accordance with the FDOT Standard Professional Services Agreement, Section 7A, which states: “The Consultant...will not sublet, assign, or transfer any work under this Agreement to other than subconsultants specified in the Agreement without the written consent of the Department.” Typically, this will require submission of the same type of data as required for the Prime Consultant. This includes support for wage rates, loaded billing rates, rates per unit of work, direct expense rates and overhead rates. Subconsultants technically qualified with the Department must submit an overhead audit prepared by an independent CPA if the anticipated subconsultant fee is in excess of \$250,000. If the subconsultant fee is \$250,000 or less, an overhead statement certified by a principal of the consultant firm may be accepted. Copies of overhead statements received from non-prequalified subconsultants will be provided to the Procurement Office for maintenance in a central file. The requirement for an overhead statement may be waived at the discretion of the district office for non-prequalified firms performing specialty services who do not have overhead information and who typically charge on a loaded billing rate basis.

The prime consultant should not receive overhead and operating margin for subconsultant/subcontractor/sub-vendor services. Subconsultant/subcontractor/sub-vendor fees are pass-through costs, and should not include administrative mark-up. See Attachment I for guidance on this issue.

5. Negotiation of Operating Margin

The operating margin paid in a Consultant contract does *not* represent net profit to the Consultant. Consultants have normal business expenses that are excluded from allowable overhead by Federal Regulations (e.g., interest, advertising, bad debts, unrecovered direct costs, etc.). These legitimate costs cannot be recovered on FDOT contracts except through operating margin. Operating margin compensates the Consultant with a reasonable fee. Consultant operating margin also absorbs the loss when the reimbursed salary is less than the actual salary for a given project.

Operating margin in FDOT contracts is calculated as a percentage of direct salaries. The percentage is negotiated within a range of 12 to 42 percent. The resulting dollar amount is the “fixed fee” portion of a cost plus fixed fee type contract or becomes part of the total fixed price in a lump sum agreement. The negotiation of operating margin as a fixed fee provides an incentive for the Consultant to efficiently complete the contract requirements. Completing the contract with less than the estimated costs (excluding the fixed fee) benefits both the Department (lower overall contract cost) and the Consultant (higher profit margin). FHWA will not participate in cost plus percentage of fee for operating margin unless the Consultant’s operating margin is established as a fixed fee.

The operating margin is negotiated based on the complexity of the project, the degree of financial risk assumed by the Consultant, the project schedule and Consultant cost controls. The following table provides a guideline on how these factors should be weighted and considered.

The table is only a guide, **NOT A FIXED FORMULA**, for negotiating operating margin. There is a large variation in operating margins within the range to account for the wide spectrum of cost control by various Consultants that conduct business with FDOT. There will be significant variation in

operating margin from contract to contract. Negotiators *SHALL NOT* use a standard operating margin for all contracts.

The table summarizes how these factors should be weighted and considered in developing the cost control portion of the operating margin for each individual contract. For cost control efforts, a formula *SHALL NOT* be used to calculate the percentage to be applied.

The factors to be considered in negotiating the cost control efforts percentage shall include:

- Burdened salary rates by classification, inclusive of overhead, expense percentage and Facilities Capital Cost of Money (FCCM) only;
- Specific services requiring specialized staff, qualifications of proposed team;
- Reasonableness of the proposed distribution of staffing for the project;
- Burdened salaries by geographic region;
- For CEI contracts, if the firm has Overhead or Direct Expense percentages that include Premium Overtime (reimbursed) or firms where the Premium Overtime is reimbursed directly on the contract (excluded);
- Other items specific to the contract being negotiated.

It is possible for negotiators to negotiate operating margins outside of the range for special circumstances on a contract. For example, if overhead rates, direct expense rates or salaries are significantly above (or below) the normal range, operating margins below (or above) the ranges may be negotiated. Other factors that impact the cost/benefit to the Department and/or Consultant may also be considered.

The operating margin, overhead rate and direct expense rate may not be applied to the premium portion of overtime costs.

Operating margin and overhead are not allowed on direct expenses or subconsultant expenses.

The fee proposal must include a justification for the proposed operating margin.

The table below summarizes the ranges that are to be used as a guide in negotiating the operating margin for each contract.

Operating Margin Percentage Calculation for Direct Salaries

| Criteria | Range of Percentage |
|-----------------------------|----------------------------|
| Project Complexity | 5% to 7% |
| Degree of Risk | 3% to 5% |
| Project Schedule | 1% to 3% |
| Cost Control Efforts | 3% to 27% |
| TOTAL | 12% to 42% |

The following table summarizes the definition, suggested standards, and representative project types for each of the criteria in the operating margin.

| Operating Margin Guidelines Table | | | |
|---|----------------|--|--|
| (This table is intended as a guideline, not a fixed formula.) | | | |
| Criteria | % Range | Suggested Standards | Typical Project Type |
| <p>Complexity of Project: The degree of difficulty associated with the project. Are there unique aspects to the project?</p> <p>Degree of coordination with others outside FDOT should be considered. This includes other agencies, municipalities, etc., Multiple Districts, multimodal projects.</p> | <p>5% - 7%</p> | <p>Low - Simple Straight forward projects. Small and specific scope of services, very minor issues/improvements</p> <p>Medium - Projects with some specialized areas requiring some specialized skills. Moderate improvements on a project</p> <p>High - Complex multi-disciplined projects requiring specialized skills with significant management issues. Major improvements on a project</p> | <p>Bridge Inspection: bridge inspection except scour: All; CEI: 3R Rural, Painting, CEI signalization, simple and straight forward projects; Design: Simple 3R-Rural; 3R Urban ride only; Geotechnical: standard; PD&E: Small simple projects with specific scopes; Planning: Data/traffic Counts; Survey: Resurfacing 3R rural/urban; Traffic Operations: turn-lane projects (design)</p> <p>Bridge Inspection: generally not applicable; CEI: CEI resurfacing with some improvements; Design: 3R Urban with some improvements, intersection improvements with safety, Category 1 bridges; PD&E: widening with limited issues and bridge replacement with limited impacts; Railroads: All; Survey: survey in water areas; Traffic Operations: traffic operations studies and signal design projects</p> <p>Bridge Inspection: bridge scour; CEI: CEI for multisections in a corridor, MOT Issues, specialized skills, ITS, construction on new alignments, and signal system timing, development and implementation; Design: new alignments, major widening, major reconstruction; railroad bridge design; Segmental/Class 2 bridges, Movable Bridges, PD&E: PD&E with Feasibility study, multiple disciplines, significant issues; Planning: large planning (multimodal); Survey: pilings and bridges; Traffic Operations: ITS</p> |
| <p>Degree of Risk: The amount of financial risk assumed by the consultant in relation to the project.</p> | <p>3% - 5%</p> | <p>Low - Contracts with well defined and specific scopes, minimal probability of cost overruns and low financial risk exposure. Scope clarification meeting held, if applicable</p> <p>Medium - Projects with potential for additional coordination efforts with outside agencies/parties; coordination with several Districts, multiple municipalities, etc.</p> <p>High - lump sum contracts with possibility of overrunning costs; experimental design; projects involving significant financial risk, hazardous</p> | <p>Bridge Inspection: bridge inspections; CEI: CEI subconsultants providing support personnel, ITS, maximum limiting amount contracts; Design: Simple 3R Rural, 3R urban ride only; Geotechnical: All; PD&E: accurate and specific scope & pre-negotiation meetings; Planning: Most Planning; Survey: all, including SUE; Traffic Operations: traffic operations studies; traffic counts</p> <p>Bridge Inspection: bridge scour; CEI: Standard CEI; Design: design for new alignments, major reconstruction, and widening; PD&E: experimental design and broad scopes; Planning: some planning; Railroads: All; Traffic Operations: traffic signal projects, ITS design</p> <p>CEI: high visibility, lump sum contracts, multiple projects; Design: projects with multiple bridges; PD&E: multiple alternatives, multiple agency approval required; Planning: large multimodal projects (airports, seaports, railroads, transit)</p> |

| | | | |
|---|------------------|--|--|
| | | materials, potential for significant unknown issues. | |
| Project Schedule | 1% - 3% | <p>Low - no critical short term deadlines or requirements for large staffing concentrations, unfunded projects to go on the shelf</p> <p>Medium - Standard schedule</p> <p>High - High visibility projects with short durations and aggressive schedules requiring large commitment of staff. Fast track projects with high profile and quick implementation schedule</p> | <p>Bridge Inspection: Bridge Inspection; Bridge Scour; CEI: ITS; stand alone resurfacing; ride only, support services; Design: all 3R projects, standard schedule; PD&E: no design phase scheduled in Work Program; Planning: All; Railroads: All; Traffic Operations: ITS; Survey: all 3R projects;</p> <p>Bridge Inspection: generally not applicable; CEI: push button construction; Design: standard design; bridges, large corridors; Traffic Operations: traffic counts; Survey: increased number of crews needed</p> <p>Bridge Inspection: generally not applicable; CEI: multiprojects, construction bonus, CEI Urban (day & night), high visibility; short duration, utility reallocation by others; Design: Mobility/ Economic Stimulus; PD&E: design phase funded in the work program, bridge replacements</p> |
| Cost Control Efforts: The degree to which the Consultant controls its costs for wage rates (by region), overhead, expenses and FCCM. | 3% - 27% | <p>Low (3% - 6%) - Lower or minimal cost control efforts</p> <p>Medium (7% to 15%) - Moderate cost control efforts</p> <p>High (16% - 27%) - Substantial cost control efforts</p> | The cost control is not generally dependent upon the type of project. Factors to be considered in negotiating this criteria: burdened salary rates (by region) by classification, specialized services requiring specialized staff, reasonableness of the proposed distribution of staffing for the project, reimbursed or excluded premium overtime, and other project specific items |
| Total | 12% - 42% | | |

Operating Margin Dos and Don'ts

The following additional guidance is provided for negotiation of operating margin:

Dos

- 1) Every consultant firm should be considered separately on a given contract when negotiating operating margin.
- 2) Mitigating circumstances or other factors that affect the project may be considered when awarding operating margin.
- 3) Remember to practice mutual gains and consider value.
- 4) Remember that negotiation is not personal.
- 5) Be flexible and open to considering the other side's point of view.
- 6) If the conditions warrant, the maximum in operating margin can be awarded.
- 7) Look at each element separately.
- 8) Be fair.
- 9) Parties to the negotiation should share their rationale for proposed operating margin with the other party. Listen to counter-points of view.
- 10) Operating margin can be an incentive.

- 11) All parties to the contract should have a role in establishing operating margin.
- 12) The same cost principles which are used in negotiating the prime consultant's fee should also be applied to the subs.
- 13) Operating Margin can be different for the prime and subs, depending on the degree of risk and complexity of the services performed by the firm.

Don'ts

- 1) Operating margin determination should not be fixed formula.
- 2) Fixed values should not be assigned on the basis of work discipline or project type (i.e., design, CEI, planning, etc.)
- 3) Subconsultants should not be capped at the prime's multiplier (note: multiplier is inclusive of overhead, direct expense, FCCM, and operating margin).
- 4) The operating margin awarded to a consultant firm on a previous contract should not be a factor in the current negotiation effort.
- 5) Operating margin awarded to a given consultant should not be a fixed amount based solely on audited overhead data (i.e., for every contract Consultant Firm XYZ gets this year, they will get X% for cost control or XX% for operating margin)
- 6) Don't let a small variance in operating margin between negotiating parties cause a breakdown in the negotiations process.
- 7) Don't paint yourself into a corner with absolutes. Don't hold positions based on "that's the way it's always been done".
- 8) Don't employ a "Take it or Leave it" strategy. Rigid positions damage relationships.
- 9) Operating margin is negotiated within a range of 12 to 42%, without an arbitrary cap within a district.
- 10) Don't exclude important information. Listen and be willing to consider other opinions.
- 11) Don't negotiate raw labor rates. Consider the fully loaded rates, since this will determine the real cost of services on the project.

6. Negotiation of Method of Compensation

Discussions should be conducted with the selected consultant regarding the Method of Compensation. To some extent, the selection of whether the compensation element is to be lump sum or cost plus is a negotiable item. Under Departmental procedures, lump sum compensation elements may be used where the scope of services is well defined and the level of effort can be reasonably predicted. In addition, consideration must be given to requirements imposed by Federal Highway Administration (FHWA) for federally funded projects. The following standard methods of compensation will be used.

LUMP SUM: A firm fixed price not subject to adjustment due to the actual cost experience of the Consultant in the performance of the contract. This places the maximum risk on the Consultant and provides motivation for efficient cost management to maximize profits. It also minimizes the Department's time in contract administration. It is the recommended method of

compensation when the scope of services is well defined and the level of effort can be reasonably predicted. Federal Aid Policy Guidelines prohibit the use of lump sum contracts for CEI work unless the "extent, scope, complexity, character and duration of the work" have been established.

COST REIMBURSEMENT: The Consultant is reimbursed the actual costs incurred in the performance of the contract. A "maximum limiting amount" is normally established to cap the amount the Department will pay for the services. This method is used when the services are so vague or complex that the level of effort or expenditure cannot be estimated with reasonable accuracy. This provides minimal incentive to the Consultant to control costs and is time consuming to administer. FHWA only participates in cost reimbursement contracts in which the Consultant's operating margin is a lump sum or "fixed fee."

COST PER UNIT OF WORK: A negotiated unit rate for a repetitive task or deliverable product is established and paid for each unit produced. The unit rate is not subject to adjustment. A maximum limiting amount is normally established based on the estimated number of units required. This method is frequently used for geotechnical services, lab tests, soil explorations, traffic counts, bridge inspections, etc.

SPECIFIC RATES OF COMPENSATION: Billing rates are established for units of time, usually per hour. These rates normally include wages, overhead, estimated expenses and operating margin but can also be average hourly raw salary rates established for the contract. A maximum limiting amount is normally established. This method is frequently used for surveying, legal services and expert witness services.

7. Documentation of Negotiations

During the entire negotiation process, a record should be kept of all issues raised and their resolution.

8. Termination of Negotiations

Compensation should be negotiated within prescribed limits and should be fair, competitive, and reasonable considering the scope and complexity of the project. Should a fair and reasonable fee, as determined by the Department, not be obtained by this process, the Department will terminate negotiations with the selected consultant and provide written notice of termination to the selected consultant. The Department will then initiate negotiations with the second ranked consultant. The decision to terminate negotiations is a business decision and should not cause the consultant to be viewed negatively or in any way impact their opportunity for future selections.

9. Contract Modifications

a. Amendments:

Contract Amendments may be used to increase or decrease total contract fees, where warranted by scope changes. When this occurs, a negotiation process very similar to that involved with the original agreement is required. The Department prepares a scope of services and an independent staff hour estimate; a staff hour estimate and fee proposal is

requested from the Consultant; and negotiations are conducted to establish a fair and competitive fee. For most supplemental amendments, the wage rates and multipliers have been established in the original agreement. Therefore, negotiations are usually limited to establishing staff hour quantities and direct expenses. Guidelines for the negotiation of original agreements should be applied to supplemental agreements.

b. Task Work Orders:

For task assignment type contracts, the original agreement typically establishes unit wage rates. As each work assignment is developed, a fee for that assignment is negotiated. Therefore, procedures identical to those for supplemental amendments are followed for task work orders.

c. Work Stoppages:

In the event that a project is stopped or suspended by the Department, a reasonable period should be allowed for the Consultant to close out the project. Costs associated with such a close out should be negotiated with the Consultant when warranted.

Attachments

- A. Automated Fee Proposal Guidelines
- B. FDOT Standard Work Classes
- C. Average Salary Rates Proposed and Average Negotiated Rates
- D. Current Averages for Audited Overhead, Expense, and FCCM Rates
- E. Self Certification of Accounting System and Overhead Rates
- F. Guidelines for Field Offices
- G. Capital Equipment Acquisition Policy
- H. Policy on Use of Department Space and Equipment by Consultants and Other Service Providers
- I. Administrative Add-ons for Subconsultant Costs
- J. Vehicle Expense Guidelines
- K. Certification of Use of Lower Tier Subs

Attachment A
Automated Fee Proposal Guidelines

The most up-to-date Automated Fee Proposal and guidelines for its use can be found at:
<http://www.dot.state.fl.us/procurement/forms/formmenu.shtm>

Attachment B
FDOT Standard Work Classes

The following Job Classes are to be used for CATEGORIZING personnel on FDOT professional services consultant proposals. With the exception of where unusual project requirements exist, every effort should be made to list all personnel using these classes. These general classes are not intended to be interpreted as Position Descriptions, but as a means of classifying personnel for proposals. **Personnel should be classified based on their FUNCTION on the project, not based on the position title they hold within their firm.** The qualifications are not intended as minimum requirements, but rather general guidelines defining the personnel to whom the classes should apply. It is recognized that exceptions will need to be made in consideration of commensurate experience and education.

| Class | Typical Qualifications |
|--|--|
| Acquisition Agent | real estate sales license & 3+ years experience in Acquisition |
| Appraisal Research Assistant | |
| Appraiser | registered and licensed appraiser |
| Archaeologist | |
| Architect | registered w/ 1+ years post registration experience |
| Architect Intern | entry level w/ degree and intern registration or equivalent |
| Associate Appraiser | registered or licensed appraiser |
| CADD/Computer Technician | |
| CEI Architect | Registered Architect, with 4 yrs as registered architect. Please refer to CEI Scope of Services for additional information |
| CEI Assist Project Administrator/Project Engineer | A C.E. degree plus 1 yr of engring exp. in constr. of major road or bridge; or for non-degreed personnel 6 years of engr exp. Please refer to CEI Scope of Services for additional details. |
| CEI Assoc Contract Support Spec | HS grad plus 3 years of clerical exp. including 2 years exp. in constr. office mgmnt. Please refer to CEI Scope of Services for additional details. |
| CEI Asphalt Plant Inspector | HS grad or equiv, plus 1 yr of experience in surveillance & insp. of hot mix asphalt plant operations. Please refer to CEI Scope of Services for additional details. |
| CEI Bridge Inspector | NACE Level I or BCI Level I; SSPC C-3 Lead Paint Removal; AWS Certified Welding Inspector. Please refer to CEI Scope of Services for additional details. |
| CEI Bridge Project Administrator | NACE Level III Certified or BCI Level II Certified; SSPC C-3 Lead Paint Removal; AWS Certified Welding Inspector. Please refer to CEI Scope of Services for additional details. |
| CEI Bridge Senior Inspector | NACE Level III Certified or BCI Level II Certified; SSPC C-3 Lead Paint Removal; AWS Certified Welding Inspector. Please refer to CEI Scope of Services for additional details. |
| CEI Building Inspector/Electrical | HS grad + 5 years exp. as building inspector or general contractor. Please refer to CEI Scope of Services for additional details. |
| CEI Casting Yard Engineer/Manager | P.E. in Fla.w/ 1 yr. of exp.; or non-registered with min. 3 years exp. Please refer to CEI Scope of Services for additional information. |
| CEI Communications Engineer | Elect. Engr. degree plus registr. as P.E. & 10 yrs exp. involving computer controlled systems for computerized traffic signal systems. Please refer to CEI Scope of Services for additional details. |
| CEI Contract Support Specialist | HS diploma plus 4 years of road and bridge CEI exp. or a C.E, degree, Please refer to CEI Scope of Services for additional details. |
| CEI Environmental Specialist | B.S. degree in Environmental Science w/ 3 year's exp. Please refer to CEI Scope of Services for additional details. |
| CEI Geotech Engr- Cat I Bridge Pile | P.E. + 4 yrs exp. as Geotechnical Engineer including at least two Cat I bridges w/ pile foundations. Please refer to CEI Scope of Services for additional details. |
| CEI Geotech Engr- Cat I Bridge DSF (Drilled Shaft Foundations) | P.E. + 4 yrs exp as Geotechnical Engineer, including at least two Cat I bridges w/ drilled shaft foundations. Please refer to CEI Scope of Services for additional details. |
| CEI Geotech Engr- Cat II Bridge Pile | P.E. + 5 yrs exp as Geotechnical Engineer, including at least one Cat II |

| Class | Typical Qualifications |
|---|--|
| | bridge w/ pile foundations. Please refer to CEI Scope of Services for additional details. |
| CEI Geotech Engr- Cat II Bridge DSF (Drilled Shaft Foundations) | P.E. + 5 yrs exp as Geotechnical Engineer including at least one Cat II bridge w/ drilled shaft foundations. Please refer to CEI Scope of Services for additional details. |
| CEI Geotechnical Technician- DSF (Drilled Shaft Foundation) | CTQP Drilled Shaft Inspector w/ 3+ years exp. Please refer to CEI Scope of Services for additional details. |
| CEI Geotechnical Technician- Pile Foundation | CTQP Pile Driving Inspector w/ 3+ years exp. Please refer to CEI Scope of Services for additional details. |
| CEI Inspector/Engineer Intern | HS degree plus 2 yrs exp. in constr. inspection, or C.E. degree. Please refer to CEI Scope of Services for additional information. |
| CEI Inspector's Aide | HS degree or equivalent. Please refer to CEI Scope of Services for additional details. |
| CEI Instrument-Person | HS grad plus 3 yrs experience in construction surveying. Please refer to CEI Scope of Services for additional details. |
| CEI ITS Inspector | H.S. graduate or equiv. +2 years exp. in constr. inspection, one year of which was ITS const. inspection. Please refer to CEI Scope of Services for additional details. |
| CEI Landscape Inspector | H.S. graduate + 5 yrs commercial or roadway landscape construction exp. Please refer to CEI Scope of Services for additional details. |
| CEI Project Administrator/CEI Project Engineer | C.E. degree plus 2 years of engring experience in constr. of major road & bridge, or for non-degreed personnel 8 yrs of engring exp. If registered P.E., uses Project Engineer title. If non-registered, uses Project Administrator title. Please refer to CEI Scope of Services for additional details. |
| CEI Public Information Officer | H.S. graduate or equiv., and 3+ yrs of public information experience. Please refer to CEI Scope of Services for additional details. |
| CEI Res Compliance Specialist | HS grad with 1yr. experience. Please refer to CEI Scope of Services for additional details. |
| CEI Rod-Person/Chain-Person | HS grad with some survey exp. preferred. Please refer to CEI Scope of Services for additional details. |
| CEI Secretary/Clerk Typist | HS grad or equivalent plus 2 yrs clerical exp. Please refer to CEI Scope of Services for additional details. |
| CEI Senior Environmental Specialist | M.S. Degree in Physical or Natural Science & 7 yrs exp. Please refer to CEI Scope of Services for additional details. |
| CEI Senior Inspector/Senior Engineer Intern | HS grad plus 4 years exp. in constr. inspection, or C.E. degree & 1 year of road & bridge CEI experience. Please refer to CEI Scope of Services for additional details. |
| CEI Senior Inspector- Bldg Struct. | HS grad plus 8 yrs exp. in construction inspection. Please refer to CEI Scope of Services for additional details. |
| CEI Senior ITS Inspector | H.S. graduate or equiv. +4 years exp. in constr. inspection, two years of which were ITS construction inspection. Please refer to CEI Scope of Services for additional details. |
| CEI Senior Project Engineer | C.E. degree, & registered in the State of Florida as a P.E. (or if registered in another state, the ability to obtain registration in the State of Florida within six months) and 6 years of engineering experience. Please refer to CEI Scope of Services for additional details. |
| CEI Software Engineer | Elect. Engr. degree & 5 yrs exp. in traffic signal design, analysis, and implementation. Please refer to CEI Scope of Services for additional details. |
| CEI Survey Party Chief | High School graduate +4 years of experience in construction surveying. Please refer to the CEI Scope of Services for additional details. |
| CEI Systems Technician | H.S. graduate + 5 yrs exp. in electronic systems and/or traffic engineering technician level work. Please refer to CEI Scope of Services for additional details. |
| CEI Utility Coordinator | H.S. graduate or equivalent with 4+ years exp. in utility coordination. Please refer to CEI Scope of Services for additional details. |

| Class | Typical Qualifications |
|-------------------------------|---|
| Certified Bridge Inspector | FHWA bridge inspection course graduate |
| Chief Archaeologist | |
| Chief Engineer | PE w/ 20+ years of post registration experience |
| Chief Planner | AICP, MS in planning or equivalent, with 20+ years exp. |
| Chief Scientist | |
| Chief Utility Coordinator | |
| Claims Analyst | |
| Computer Programmer | |
| Contract Coordinator | |
| CPA/CFE | Licensed Certified Public Accountant |
| Designer | 5+ years of design experience, non-registered, non-degreed |
| Engineer | entry level PE |
| Engineering Intern | entry level w/ engineering degree; EIT |
| Engineering Technician | A.S. Degree w/ 1+ years of experience |
| Environmental Specialist | B.S. degree in physical or natural sciences or engineering w/ 2+ year's exp. |
| Field Crew Supervisor | PSM (Professional Surveyor & Mapper) w/ 8+ years experience Certification in Work Zone Traffic Control |
| Geotechnical Engineer | P.E. with 5+ yrs exp. in geotechnical foundation construction engineering |
| Geotechnical Technician | 3+ years exp. |
| GIS Specialist | |
| Instrument Person | HS grad plus 3 yrs experience in construction surveying |
| Inspector | H.S. graduate or equivalent +2 years experience in inspection |
| ITS Inspector | H.S. graduate or equivalent +2 years experience in inspection, one year of which is ITS construction inspection |
| Land Planner | |
| Landscape Architect | registered w/ 5+ years of experience |
| Landscape Architect Intern | entry level w/ BS degree or equivalent |
| Landscape Designer | |
| Office Manager/EEO/RCS | 3+ years of clerical experience (for use in CEI contracts only) |
| Party Chief | High School graduate and 4+ years of experience in construction surveying |
| Planner | BS degree in planning or equivalent/ 1+ years of experience |
| Project Architect | registered w/ 5+ years post registration experience |
| Project Engineer | PE w/ 2+ years of post-registration experience |
| Project Manager | PE (where appropriate) w/ 5+ years of post registration experience |
| Project Planner | AICP, BS degree in planning or equivalent/ 5+ years of experience |
| Public Information Officer | H.S. graduate or equivalent, and 3+ years of public information experience |
| Rod Person/Chain Person | HS grad with some survey exp. preferred |
| Scientist | |
| Secretary/Clerical | entry level w/ HS degree or equivalent |
| Senior Accountant | |
| Senior Archaeologist | |
| Senior Architect | registered w/ 10+ years of post-registration experience |
| Senior Designer | 10 + years of design experience, non-registered, non-degreed |
| Senior Engineer | PE w/ 10+ years of post-registration experience |
| Senior Engineering Technician | 8+ years of experience |
| Senior Inspector | HS degree + 4 years of experience |
| Senior ITS Inspector | H.S. graduate or equivalent +4 years experience in inspection, two years of which is ITS construction inspection |
| Senior Landscape Architect | registered w/ 10+ years of post-registration experience |
| Senior Planner | AICP, MS in planning or equivalent w/ 10+ years of experience |
| Senior Project Engineer | C.E. degree, registered in the State of Florida (or if registered in another state, the ability to obtain registration in the State of Florida within six months) and 6 years of engineering experience |

| Class | Typical Qualifications |
|----------------------------|--|
| Senior Scientist | |
| Senior Specialist | |
| Senior Surveyor & Mapper | PSM w/ 10+ years of post-registration experience |
| Senior Utility Coordinator | |
| Specialist | |
| Survey Technician | |
| Surveying Intern | entry level w/ degree and LSIT or equivalent |
| Surveyor & Mapper | entry level PSM |
| Technician Aid | |
| Utility Coordinator | H.S. graduate or equivalent with 4+ years experience in utility coordination |
| Utility Locator | |
| Utility Technician | |

Attachment C

Average Salary Rates Proposed and Average Negotiated Rates

Current Wage Rate Data can be found with the attached link:

http://www2.dot.state.fl.us/procurement/lppc/afp_jobclass_wage_rate.asp

Attachment D

Current Averages for Audited Overhead, Expense and Facilities Capital Cost of Money (FCCM) Rates

Updated: February 14, 2011

| <u>RATE</u> | <u># OBS.</u> | <u>HIGH</u> | <u>LOW</u> | <u>MEAN</u> |
|-----------------------|---------------|-------------|------------|-------------|
| Home Office Overhead | 966 | 257.02% | 112.63% | 172.58% |
| Field Office Overhead | 410 | 189.92% | 83.15% | 125.57% |
| Home Office Expense | 931 | 38.29% | 0.92% | 10.72% |
| Field Office Expense | 384 | 41.65% | 0.67% | 16.11% |
| FCCM | 858 | 4.271% | 0.077% | 1.00% |

The averages were calculated using three years worth of audit data, after eliminating the highest and lowest 5%. Self-certified rates, interim rates, and rates determined from job cost accounting system reviews were also eliminated from the calculations, since they are unaudited rates.

The average overhead, expense, and FCCM rates are to be used for comparatively assessing consultant cost control efforts, in accordance with Section 5.0, Negotiation of Operating Margin.

The averages will be used as caps on maximum awarded overhead rates for firms who submit unaudited or self-certified rates for use on new professional services contracts. Additionally, the averages will continue to be used for caps for supplemental amendments on professional services contracts selected BEFORE October 2003.

Date: February 14, 2011

Subject: Department Limits on Consultant Overhead, FCCM, and CADD for unaudited or self-certified rates, and also for contracts selected before October 1, 2003)

The Department will cap unaudited or self-certified reimbursement rates submitted by consultant firms for use on new professional services contracts.

Additionally, for contracts selected BEFORE October 1, 2003 (under the old negotiation practices), CAPS on maximum overhead, FCCM, and CADD are still effective.

Based on the latest review of three previous years of overhead audit statements submitted by pre-qualified consultants, the resulting limits are established as follows:

| | |
|-----------------------|---------|
| Home Office Overhead | 172.58% |
| Field Office Overhead | 125.57% |
| FCCM | 1.00% |
| CADD | \$13.37 |

These limits will apply to: annual adjustments to contract overhead rates for contracts selected before October 1, 2003, and supplemental amendments for contracts selected before October 1, 2003. Contracts will not be modified unless contractual language specifically requires such action.

Attachment E

Self Certification of Accounting System and Reimbursement Rates Instructions

STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION
SELF-CERTIFICATION OF ACCOUNTING SYSTEM AND REIMBURSEMENT RATES

375-030-51
 PROCUREMENT
 02/11
 Page 1 of 2

Consultant Name: _____ Federal ID Number: _____
 Contact Person: _____ Phone Number: _____
 E-Mail: _____
 Qualifying For: Minor Projects (Under \$250,000)
 Or: Work Group 20 or 22

Accounting Questionnaire

1. General:

What Fiscal Year is used by your firm? _____
 Statements on cash or accrual basis? _____
 Do you use a Published Fee Schedule for all clients? If so, please provide. _____

Yes or No
Response

2. Labor Costs (Time Sheets)

Do all employees keep time sheets? _____
 Do time sheets indicate project and overhead accounts? _____
 Do employees sign time sheets? _____
 Are time sheets reviewed and signed by supervisors? _____
 Are payroll expenditures distributed to appropriate accounts based on time sheets? _____
 Is a payroll register prepared for every pay period? _____

3. Work Logs (For work billed as cost per unit of work)

Do work logs identify the project? _____
 Are work logs maintained for all projects? _____

4. Expenditures

Are all expenditures identified and recorded in the General Ledger as overhead or direct costs? _____
 Are direct costs identified as direct charges to projects regardless of eligibility for reimbursement? _____
 Are costs associated with the fee schedule excluded from the indirect and the direct cost pools? _____

5. Accounting for Costs and Expenses

Does the General Ledger separate direct cost from indirect (overhead)? _____
 Is a job cost ledger or cost report maintained for every project? _____
 Is the amount of premium overtime included in the direct or indirect expense rates? _____

6. Estimating Costs for Price Proposals

Is the method of estimating costs for pricing purposes consistent with the accumulation and reporting of costs under your job cost system? _____

STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION
**SELF-CERTIFICATION OF ACCOUNTING SYSTEM AND
 REIMBURSEMENT RATES**

375-030-51
 PROCUREMENT
 02/11
 Page 2 of 2

SELF-CERTIFICATION OF ACCOUNTING SYSTEM AND REIMBURSEMENT RATES

RATE SUMMARY FOR YEAR ENDING: _____

Reimbursement rates are calculated by dividing total allowable costs by total direct labor costs. For these calculations, certain direct or indirect expenses, such as travel, mileage, interest, certain advertising costs, etc., must be limited or excluded in accordance with Florida Statute 112.061 or Federal Acquisition Regulations, sub Part 31.2. These regulations may be viewed on the Internet at www.arnet.gov/farf/. If a field office is needed, a separate determination should be performed.

| <u>Description</u> | <u>Home Office</u> | <u>Field Office</u> |
|------------------------|--------------------|---------------------|
| Direct Labor Base | \$ _____ | \$ _____ |
| Fringe Benefit Rate | _____ % | _____ % |
| General Overhead Rate | _____ % | _____ % |
| Combined Overhead Rate | _____ % | _____ % |
| | | |
| Direct Expense Rate | _____ % | _____ % |

A listing of the fringe benefits and general overhead costs utilized in calculating the overhead rates shown above and a listing of the direct expenses utilized in calculating the direct expense rate shown above must be attached to this certification with any excluded items identified.

COMPUTATION OF FACILITIES CAPITAL COST OF MONEY (FCCM)- OPTIONAL

| | <u>Balance Start of FY</u> | <u>Balance End of FY</u> |
|---|----------------------------|--------------------------|
| Net Capital Assets | \$ _____ | \$ _____ |
| Average Net Book Value (required) | \$ _____ | _____ |
| Average US Treasury Rate | _____ % | _____ |
| Facilities capital Cost (Average x Rate) | \$ _____ | _____ |
| Direct Labor Base for Fiscal Year | \$ _____ | _____ |
| FCCM Rate (Cost/Direct Labor) | _____ % | _____ |

CERTIFICATION

It is hereby certified that the accounting system for this firm meets the minimum requirements set forth in Department Guidelines and that all information contained hereon, including attachments, is true and correct.

| | |
|------------------|----------------|
| (Signature) | (Date) |
| (Name and Title) | (Company Name) |

STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION
**SELF-CERTIFICATION OF ACCOUNTING SYSTEM AND
REIMBURSEMENT RATES
INSTRUCTIONS**

375-040-51
PROCUREMENT
02/11

Self-Certifications for Minor Project Work

Consultants requesting qualification for minor projects only, subconsultants with contract fees under \$250,000, or consultants qualifying solely to perform appraisal services or to prepare or review business damage estimates under Work Groups 20 or 22, are not required to submit an audit report or to request an accounting system review. Each District Professional Services Unit (PSU) within the Department may negotiate reimbursement rates appropriate for the specific contract being negotiated in these instances.

Consultants performing work less than \$250,000 who desire to pre-establish reimbursement rates for presentation to the Department during contract negotiations may, as an option, submit a self-certified reimbursement rate request to Central Office Procurement. This request must contain the same cost information presented in a Reimbursement Rate Audit Report, but may be certified by a principal of the firm rather than a certified public accountant. Overhead, FCCM and direct expense rates established following review of a self-certified reimbursement rate request are subject to the currently established maximum caps based on the Department's review of average audited reimbursement rates. Current maximum caps for the Department's reimbursement rates are found on the Procurement Office website at <http://www.dot.state.fl.us/procurement/news.shtm>. Self-certified reimbursement rate requests should be forwarded to Central Office Procurement for review.

If the consultant performing minor services has not acted to pre-establish reimbursement rates prior to entering contract negotiations with the District PSU, the PSU may require the consultant to complete and submit a self-certified reimbursement rate request. The PSU should forward the report to Central Office Procurement for review. Central Office Procurement will prepare a report of the reimbursement rates supported by the financial information included with the self-certified reimbursement rate request. The Procurement Office report will be distributed to the consultant and the requesting PSU. Reimbursement rates established will be entered in the Professional Services Information System (PSI) database, and made available for use by all Department PSUs.

Self-Certification of Accounting System and Reimbursement Rates

Self-certified reimbursement rate requests are to be prepared accordance with this form. Page 1 of the form is a questionnaire concerning the consultant's accounting system and related information. Page 2 allows the consultant to list their proposed reimbursement rates, including: a declaration of a period ending date within 16 months of the certification date; the direct labor base for that period; the consultant's proposed fringe benefit rate, general overhead rate, and combined overhead rate; the proposed direct expense rate; and the average net book value of capitalized assets. Page 2 also requires certification of the information submitted by a principal of the firm.

Additional sheets must be attached listing the indirect and direct expenses supporting the consultant's rate calculations.

Attachment F
Guidelines for Field Offices

MEMORANDUM

DATE: November 1, 1991

TO: Professional Services Administrators

FROM: Terry J. Cappellini, Manager, Contractual Services Office

SUBJECT: Overhead Rates for Subconsultants on Construction Engineering & Inspection (CEI.) Projects

There have been some questions regarding the appropriate overhead rate which should be allowed for subconsultants who are working on CEI. projects. Currently, some negotiators are allowing the subconsultant (who may be furnishing administrative personnel for the field office and/or technical personnel for field operations) to charge an audited or negotiated field office overhead rate whereas other negotiators are restricting the subconsultant to fringe benefits and minimal general overhead. The differences in methodology have created problems for the subconsultants, especially when they move from District to District or even from job to job within the same District.

Although I believe the District should have the flexibility to negotiate in a manner that affords them a fair, reasonable and competitive price, I also believe that consistency in our negotiations- is important. The contractual arrangements between the prime consultant and the subconsultant are the responsibility of the prime; however, their arrangement does impact on the cost of our project and it is up to us to determine an acceptable price.

The same cost principles which are used in negotiating the prime consultant's fee should also be applied to the subconsultant. If the subconsultant is providing personnel which would otherwise be provided by the prime and for which the prime would be allowed to charge a full field office overhead rate, then the subconsultant should also be allowed a field office overhead rate which is computed on a comparable basis. The- subconsultant's overhead rate is computed on a direct labor basis just the same as the prime consultant and to not allow him to recover his allowable overhead would unjustly penalize him.

There may be instances where the subconsultant's overhead should be restricted. For example, assume that the subconsultant proposes to provide a secretary for a field office, but in lieu of assigning one of his employees to the job, he hires a temporary person on a contractual arrangement for the job. Since the person is not a bonafide employee of the subconsultant, he would not be entitled to any overhead for the employee.

We generally have an audited overhead rate and verification of the adequacy of the prime consultant's accounting system prior to selection, for a particular project. This information is-used during the negotiations process to help us obtain a fair, reasonable and competitive price; however, this same information may not be available for the subconsultant due to the lack of prequalification requirements. Subconsultants should be handled in the following manner:

1. Proposed costs of \$250,000 or less: The negotiating officer should require that the subconsultant provide documentation which will support all costs which are proposed. An independent overhead audit is not required, unless desired by the negotiating officer; however, the subconsultant should be required to provide some type of documentation, i.e., a trial balance, self-certification statement, etc, which will support the reasonableness of the proposed overhead rate.

The purpose of this memorandum is to provide additional guidance in the above areas; however, if you should have any questions, please contact the Procurement Office.

Attachment G
Capital Equipment Acquisition Policy

MEMORANDUM

DATE: November 30, 1987

TO: Deputy Assistant Secretaries, Division Directors,
Bureau Chiefs, and Office Heads

FROM: Kaye N. Henderson, P.E., Secretary

COPIES: Thomas H. Bateman, III; District General Counsels

SUBJECT: Equipment Acquisition Policy

Funds provided in the General Appropriations Act must be expended only for the purpose for which appropriated. It is the policy of the Department to comply with the appropriations process. Any attempt to circumvent or evade the normal budgeting process will not be tolerated.

The Legislature by statute has promulgated the process by which the Department acquires operating capital outlay items. Operating capital outlay (OCO) is defined by statute as "equipment, fixtures, and other tangible personal property of a non-consumable and expendable nature, the value or cost of which is \$2.00 or more and the normal expected life of which is one year or more, and hardback covered bound books, the value or cost of which is \$25 or more. Computer hardware and office furniture and equipment are just a few examples which would be included within this definition. All OCO purchases in excess of \$3000 are to be acquired by competitive bidding.

It is not proper to lease or purchase OCO items through construction, consultant or other contracts unless that item is an integral part of the contract and essential for the performance of the work.

Generally, Department contracts should not include provisions requiring the contractor or consultant to purchase equipment, furniture, computers or other equipment, furniture, computers, or other personal property and furnish these items to the Department during or at the completion of the project. In exercising good business judgment, the following criteria should be considered before including such items in the contract:

- 1) Whether the item is essential to completion of the project;
- 2) The cost effectiveness of acquisition of the item versus payment for the use of the item over the life of the contract;
- 3) Taking title to items should not be an issue. If the item is to become DOT property, then it should receive property tags and be placed on property records at the time of payment. Generally, this means early in the contract stage since these type items are mobilization or required to begin the project. Note then, that we will have DOT property at consultant or contractor locations and it becomes the responsibility of the project manager to protect and safeguard our property. This includes placing it on annual inventories and seeing it is properly insured. It therefore does not appear to be a good practice for the Department to take title to many of these items due to the responsibility and liability involved. If you want to take title, please note the responsibility you are accepting.

When the contract document is forwarded for legal review, it should be clearly noted if it includes the purchase of equipment and proper justification should be attached to assure compliance with this policy and applicable statutes.

KNH/tkb

SALVAGE VALUE

(Excerpted from Florida Department of Transportation Overhead Audit Guidelines, 1995)

For items purchased for use on FDOT projects and paid for by FDOT, an equitable salvage value should be recognized. A salvage value is required for all capitalized assets costing more than \$500. Exceptions may be made on a case-by-case basis subject to approval by the Contracting Officer and the Office of Inspector General.

For items fully depreciated down to salvage value, a further salvage credit to the Department is not required on subsequent projects. However, the contracting officer may negotiate a user charge for such fully depreciated items in accordance with FAR 31.205-11, Paragraph 3, Subpart 1.

Attachment H
Policy Statement (000-375-025-a)
Use of Department Space and Equipment
by Consultants and Other Service Providers

POLICY STATEMENT

Effective: March 30, 1995
Office: Contractual Services
Topic No.: 000-375-025-a

USE OF DEPARTMENT SPACE AND EQUIPMENT BY CONSULTANTS AND OTHERS SERVICE PROVIDERS

It is the objective of the Florida Department of Transportation to enhance productivity by making the most cost-effective use of its resources. Professional Consultants and other service providers are a significant resource to the Department and it is the policy of the Department to be innovative in the use of this resource to increase effectiveness while controlling costs.

As part of the effort to achieve this objective, the Department may consider allowing consultants and other service providers to share Department office space for the contract duration. Before allowing such use, the following conditions must exist:

It must clearly enhance the productivity of the consultant in performing the scope of services required. This would not usually be true of consultants working on a phase of a transportation project (Planning, Design, Right of Way, Construction, Maintenance). It may be true of consultants performing management or administrative support functions such as general consultants, systems consultants, or accounting and auditing consultants who require daily interaction with Department staff to effectively perform their duties.

The decision to provide Department space to the consultant should be made prior to contracting so that consideration may be given to offsetting the cost of the consultant services with the value of the space provided. This would occur during the competitive negotiations of a professional services contract. For services acquired pursuant to sealed competitive bids or proposals, the request for proposal or invitation to bid should clearly identify the availability of Department space so that it may be factored into the bid price by the proposer. Consultants housed in DOT space may only work on the DOT project requiring their presence. Other non-project activities, such as marketing, are prohibited.

Consultant staff working in Department space should, whenever possible, use available Department office equipment (furniture, computer hardware and software, copiers, etc.). Department equipment which will be made available for consultant use on the project should be identified prior to contracting, to allow the Department to realize maximum cost benefit in negotiated or bid prices.

When Department equipment is not available, consideration may be given to allowing the consultant to bring their own equipment into Department space for use on the project, if it is essential to the effective performance of the contracted services. All applicable Department policies, procedures standards and guidelines concerning any such equipment, including data processing equipment and software, must be adhered to by the consultant.

Ben G. Watts, P.E.
Secretary

Attachment I
Administrative Add Ons for Subconsultant Costs

MEMORANDUM

DATE: February 19, 1993

To: Terry Cappellini, Manager, Contractual Services, MS 20
Woody Lawson, Turnpike Production, MS 98
Professional Services Administrators, Districts 1 - 7

From: Lowell R. Clary, Chief Internal Auditor

Copies: Buddy Marcoux, Frank Carlile, Tom Barry, Tereasa Stewart,
District Secretaries, Districts 1 - 7, Jim Ely

Subject: Administrative Add On Charges to Consultant Contracts

There have been past contracts between the Department and consultants which have allowed an administrative add on charge for the handling of subconsultants by the prime contractor in addition to the overhead, labor, and operating margin which are a normal part of the contract. These administrative fees, or whatever name they are proposed under, are charges which the consultant is already being reimbursed for through his overhead and operating margin portion of the contract.

When the Department enters into a contract with a consultant, we agree to pay the consultant for his labor, administrative overhead (which includes the operation cost of his home, branch, or field offices) plus an operating margin on his labor and overhead costs. In addition we also reimburse the consultant for any out of pocket expenses on a dollar for dollar basis. These additional expenses includes subconsultants. When the Department allows the consultant to include an additional administrative add on for the handling of subconsultants, we are actually allowing the consultant to bill us twice for what we are already paying him for in our reimbursement for labor, overhead, and operating margin. The same people who process the subconsultant paper work for the prime consultant are either being directly reimbursed as part of the direct labor, or their salary and expense cost are part of their overhead.

In order to prevent this from continuing, we suggest that any additional administrative add ons contained in a contract over and above the overhead, operating margin, and facilities capital cost of money be disallowed.

Please contact me or Larry Cooley at (904) 488-2501 (S/C 278-2501) if you have any questions. -

LR/LSC

Attachment J
Vehicle Expense Guidelines



Florida Department of Transportation

RICK SCOTT
GOVERNOR

605 Suwannee Street
Tallahassee, FL 32399-0450

STEPHANIE C. KOPELOUSOS
SECRETARY

MEMORANDUM

To: *District Professional Services Administrators*

From: *Carla Perry*
Interim Manager, Procurement Office

Date: *February 10, 2011*

Subject: *Vehicle Expense Allowance Guidelines*

Attached for your use are guidelines for vehicle expenses for CEI contracts revised to reflect published 2011 list prices. These vehicle expense guidelines should be used when supplementing contracts selected prior to October, 2003.

Please note that under these guidelines, the vehicle expense should be shown as a separate line item in the method of compensation to facilitate the identification of these expenses for offset entries in the consultant's accounting records. Also, it is stressed that the allowance should be based on the most economical vehicle class meeting the needs of the project. Higher cost vehicles should not be used unless necessary.

This information will also be available in the Negotiations Handbook, which is available on the Procurement Office's Internet and Intranet web sites.

Please let us know of any questions regarding the attachment.

Enclosure

VEHICLE EXPENSE ALLOWANCE GUIDELINES

CEI Contracts

Vehicles approved for use for direct expense associated with CEI contracts should be from the categories listed in **Table 1**, except for extraordinary circumstances. The appropriate category of vehicle should be selected based on the requirements of the projects.

The average monthly ownership costs, as listed, have been derived for the current model year for each category based on published vehicle price guides. The new costs are based on the published list price, and current Florida tax and title rates. The average monthly cost is based on straight-line depreciation of the new vehicle cost, less 20% trade in value, over a 4-year period. Data used for deriving the average ownership costs for each category are provided in on **pages J-5 through J-8**.

The operating and maintenance allowance was developed by an analysis of current costs for service normally associated with the operation and maintenance of a vehicle. The basis for this allowance is provided on **page J-9**. The allowance is based on vehicle usage of 1,000 miles per month. *The allowance should be proportionally increased or decreased to allow for mileage estimated for the project by the Department's Construction Project Manager.*

The vehicle insurance allowance is based on sampling of vehicle insurance rates across the state.

An analysis should be made of the vehicle requirements over the term of the project to allow assessment of the vehicle months needed for the project. In all cases, the most economical vehicle meeting the actual needs of the position(s) to be using the vehicle should be selected. After the number of vehicle months for the various categories of vehicles needed for the project are determined, the vehicle expense allowance may be determined by adding the allowance for ownership, operation and maintenance, and licensing and insurance from **Page J-4** and multiplying the resulting sum by the number of vehicle months for each category. For example, for a 2011 economy pickup truck, the monthly allowance for 1000 miles would be $\$342 + \$181 + \$147.43 = \670.43 .

This allowance is considered a direct cost. If any element of vehicle costs is included in overhead by the consultant, then no allowance for that element should be provided unless appropriate expense offset entries are reflected in the consultant's ledgers. To facilitate this, the vehicle allowance will be shown as a separate expense line item in the method of compensation for the consultant contract. Adjustments for personal use of vehicles should also be reflected as offset entries in the consultant's ledgers.

VEHICLE EXPENSE ALLOWANCE

Table 1

| MONTHLY VEHICLE OWNERSHIP ALLOWANCE | | |
|---|---|---------------|
| <i>Model Year 2011</i> | | |
| Vehicle Category | Approved Use | Amount |
| Economy Pickup <i>(2DR,2WD,SB,4 CY,AT,AC)*</i> | Basic vehicle for all functions and projects | \$342 |
| 4X4 Economy Pickup <i>(2DR,4WD,SB,AT,AC)*</i> | Basic vehicle where off road travel is required. | \$463 |
| Full Size Pickup <i>(AT,AC)*</i> | Basic vehicle for new construction. | \$401 |
| Midsize Utility Vehicle <i>(4 DR,4 CY,AT,AC)</i> | When necessary to transport equipment in covered space. | \$405 |
| 4X4 Midsize Utility Vehicle <i>(4 DR,4 CY,AT,AC)</i> | When necessary to transport equipment in covered space off road. | \$459 |
| Midsize 4 Dr Sedan <i>(4 CY,AT,AC)</i> | When necessary to transport official visitors on project. | \$381 |
| Minivan <i>(4DR,AT,AC)</i> | When necessary to transport several official visitors on project. | \$428 |
| Full Sized Cargo Van <i>(3 DR,AT,AC)</i> | When necessary to transport equipment in covered space. | \$484 |

*Topper may be added, at cost, when covered bed required.

MONTHLY OPERATION & MAINTENANCE ALLOWANCE *\$181.00*****

The operation and maintenance allowance is based on vehicle usage of 1,000 miles per month. The allowance should be proportionally increased or decreased for the estimated mileage anticipated for the project.

MONTHLY LICENSING & INSURANCE ALLOWANCE

| | |
|-------------------------------|------------------------|
| Insurance (\$1712.00/yr/12mo) | \$142.67 |
| Licensing (\$ 57.15/yr/12mo) | <u>4.76</u> |
| Total | <i>\$147.43</i> |

If insurance cost is normally included in overhead by the consultant, then no insurance allowance should be provided.

2011 Economy Pickup

(2DR,2WD,SB,4 CY,AT,AC)

PURCHASE COST

| | <i>Ford Ranger</i> | <i>Toyota Tacoma</i> | <i>Chevrolet Colorado</i> | |
|------------------------|------------------------|--------------------------|-------------------------------|---------------------|
| Base List | 17,935.00 | 17,265.00 | 17,045.00 | |
| Freight | 820.00 | 810.00 | 810.00 | |
| AT | 1,000.00 | - | 1,095.00 | |
| AC | - | - | - | |
| Tax & Title | 1,647.70 | 1,546.90 | 1,599.40 | AVERAGE |
| NEW COST | \$ 21,402.70 | \$ 19,621.90 | \$ 20,549.40 | \$ 20,524.67 |

Average Monthly Ownership Cost

List less 20% salvage depreciated over 4 years: **\$342.08**

2011 4X4 Economy Pickup

(2DR,4WD,SB,AT,AC)

PURCHASE COST

| | <i>Chevrolet Colorado</i> <small>(4 cy)</small> | <i>Dodge Dakota</i> <small>(6 cy, 4DR)</small> | <i>Ford Ranger</i> <small>(6 cy)</small> | |
|------------------------|--|---|---|---------------------|
| Base List | 20,550.00 | 27,360.00 | 25,015.00 | |
| Freight | 810.00 | 740.00 | 820.00 | |
| AT | 1,095.00 | - | 1,000.00 | |
| AC | - | - | - | |
| Tax & Title | 1,809.70 | 2,148.40 | 2,072.50 | AVERAGE |
| NEW COST | \$ 24,264.70 | \$ 30,248.40 | \$ 28,907.50 | \$ 27,806.87 |

Average Monthly Ownership Cost

List less 20% salvage depreciated over 4 years: **\$463.45**

*Data Source: Edmunds, New Truck Prices & Reviews, 2011

2011 Full Size Pickup

(AT,AC)

PURCHASE COST

| | <i>Chevrolet Silverado</i> | <i>Ford F-150</i> | <i>Dodge Ram 1500</i> | |
|------------------------|--------------------------------|-----------------------|---------------------------|---------------------|
| Base List | 20,850.00 | 22,415.00 | 20,610.00 | |
| Freight | 995.00 | 975.00 | 900.00 | |
| AT | - | - | - | |
| AC | - | - | - | |
| Tax & Title | 1,773.10 | 1,865.80 | 1,753.00 | <i>AVERAGE</i> |
| NEW COST | \$ 23,618.10 | \$ 25,255.80 | \$ 23,263.00 | \$ 24,045.63 |

Average Monthly Ownership Cost

List less 20% salvage depreciated over 4 years: **\$400.76**

2011 Midsize Utility Vehicle

(4DR,4CY,AT,AC)

PURCHASE COST

| | <i>Dodge Journey</i> | <i>Mitsubishi Outlander</i> | <i>Nissan Rogue</i> | |
|------------------------|--------------------------|---------------------------------|-------------------------|---------------------|
| Base List | 22,245.00 | 21,995.00 | 20,830.00 | |
| Freight | 750.00 | 780.00 | 810.00 | |
| AT | - | - | - | |
| AC | - | - | - | |
| Tax & Title | 1,842.10 | 1,828.90 | 1,760.80 | <i>AVERAGE</i> |
| NEW COST | \$ 24,837.10 | \$ 24,603.90 | \$ 23,400.80 | \$ 24,280.60 |

Average Monthly Ownership Cost

List less 20% salvage depreciated over 4 years: **\$404.68**

*Data Source: Edmunds, New Truck Prices & Reviews, 2011

2011 4X4 Midsize Utility Vehicle

(4DR,4CY,AT,AC)

PURCHASE COST

| | <i>Toyota FJ Cruiser(6c</i> | <i>Toyota RAV4</i> | <i>Dodge Nitro(6cy)</i> | |
|------------------------|---------------------------------|------------------------|-----------------------------|---------------------|
| Base List | 26,880.00 | 23,325.00 | 23,995.00 | |
| Freight | 810.00 | 810.00 | 750.00 | |
| AT | - | - | - | |
| AC | - | - | - | |
| Tax & Title | 2,123.80 | 1,910.50 | 1,947.10 | AVERAGE |
| NEW COST | \$ 29,813.80 | \$ 26,045.50 | \$ 26,692.10 | \$ 27,517.13 |

Average Monthly Ownership Cost

List less 20% salvage depreciated over 4 years: **\$458.62**

2011 Midsize 4 Dr. Sedan

(4DR,4CY, AT,AC)

PURCHASE COST

| | <i>Chevrolet Malibu</i> | <i>Nissan Altima</i> | <i>Dodge Avenger</i> | |
|------------------------|-----------------------------|--------------------------|--------------------------|---------------------|
| Base List | 21,975.00 | 19,910.00 | 19,245.00 | |
| Freight | 760.00 | 760.00 | 750.00 | |
| AT | - | - | - | |
| AC | - | - | - | |
| Tax & Title | 1,826.50 | 1,702.60 | 1,662.10 | AVERAGE |
| NEW COST | \$ 24,561.50 | \$ 22,372.60 | \$ 21,657.10 | \$ 22,863.73 |

Average Monthly Ownership Cost

List less 20% salvage depreciated over 4 years: **\$381.06**

*Data Source:

Edmunds, New Truck Prices & Reviews, 2011

2011 Minivan

(4DR,AT,AC)

PURCHASE COST

| | <i>Mazda Mazda5</i> | <i>Volkswagen Routan</i> | <i>Dodge Caravan</i> | |
|------------------------|-------------------------|------------------------------|--------------------------|---------------------|
| Base List | 20,195.00 | 26,930.00 | 21,800.00 | |
| Freight | 795.00 | 820.00 | 835.00 | |
| AT | - | - | - | |
| AC | - | - | - | |
| Tax & Title | 1,721.80 | 2,127.40 | 1,820.50 | <i>AVERAGE</i> |
| NEW COST | \$ 22,711.80 | \$ 29,877.40 | \$ 24,455.50 | \$ 25,681.57 |

Average Monthly Ownership Cost

List less 20% salvage depreciated over 4 years: **\$428.03**

2011 Full Size Cargo Van

(3DR,AT,AC)

PURCHASE COST

| | <i>Chevrolet Express</i> | <i>GMC Savana</i> | |
|------------------------|------------------------------|-----------------------|---------------------|
| Base List | 25,980.00 | - | 25,980.00 |
| Freight | 980.00 | - | 980.00 |
| AT | | - | |
| AC | | | |
| Tax & Title | 2,080.00 | | 2,080.00 |
| NEW COST | \$ 29,040.00 | \$ - | \$ 29,040.00 |
| | | | \$ 29,040.00 |

Average Monthly Ownership Cost

List less 20% salvage depreciated over 4 years: **\$484.00**

*Data Source: Edmunds, New Truck Prices & Reviews, 2011

ANALYSIS OF TYPICAL OPERATION & MAINTENANCE COST 2011

| ITEM | COST/ MILE | ASSUMPTION |
|---|-------------------------|--|
| <i>Fuel</i> | \$ 0.1298 | <i>21.80 mpg with price of \$2.83/gal. (based on U.S. Energy Information Administration)</i> |
| <i>Service</i> | 0.0100 | <i>Service at 4,000 mile intervals at cost of \$40</i> |
| <i>Tuneup</i> | 0.0100 | <i>at 60,000 mile intervals at cost of \$600</i> |
| <i>Tires</i> | 0.0133 | <i>Replacement at 30,000 miles at cost of \$400</i> |
| <i>Brakes</i> | 0.0075 | <i>Replace pads at 40,000 at cost of \$299</i> |
| <i>Other</i> | <u>0.0100</u> | <i>Allow \$100 per 10,000 miles</i> |
| Total | \$ <u>0.1806</u> | |
| <i>Monthly Operation & Maintenance Allowance = \$ 0.1806</i> | | |

Attachment K
Certification of Use of Lower Tier Subs

STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION
CERTIFICATION OF USE OF LOWER TIER SUBS

375-030-40
PROCUREMENT
01/11

Financial Project No.: _____
Project Description: _____

I, the undersigned, certify that I have disclosed all lower tier subconsultants/sub-vendors proposed to be used by my firm to perform services on the subject FDOT contract.
In accordance with Section 7A of the Standard Professional Services Contract, I understand that: "The Consultant will not sublet, assign or transfer any work under this Agreement to other than subconsultants specified in the Agreement without the written consent of the Department."
I will comply with the aforementioned FDOT contractual requirement.
Additionally, I certify that all rates proposed by my firm in the fee proposal do not reflect blending of costs with lower tier subconsultants/sub-vendors.

I further certify that either:
(Indicate choice by checking box)

There are no lower tier subconsultants/sub-vendors to my consultant firm on this contract.

Or

I have disclosed all lower tier subconsultants/sub-vendors to my firm, and the full list of lower tier subconsultants/sub-vendors who may be utilized by my firm on this contract is provided below:

Firm Name: _____

Signature: _____

Name of Certifying Official (Print): _____

Title: _____

Date of Certification: _____

From: Blanchard, Brian
Sent: Monday, November 22, 2010

Subject: FDOT REQUIREMENT FOR DISCLOSURE OF LOWER TIER SUBS

In light of recent attention from Federal Highway Administration regarding contractor certification of costs, the Department feels it is necessary to re-emphasize a contractual requirement which was first disseminated to all FDOT prequalified geotechnical firms in 2007.

All professional services consultant firms, including geotechnical firms, are required to disclose the intended use of lower tier subs during contract negotiations. Lower tier subs, including drilling firms, must be authorized in the FDOT contract prior to services being rendered. It is not appropriate for geotech firms to certify rates as their own that are attributable to lower tier subs, or reflect a blending of the geotech firm's rates with lower tier drilling sub rates. Subconsultant/subcontractor rates are stand-alone, and each subconsultant/subcontractor should be separately authorized in the contract, regardless of tiered status. Unauthorized subs are not in accordance with FDOT Standard Professional Services Agreement, Section 7A, which states: "The Consultant... will not sublet, assign, or transfer any work under this Agreement to other than subconsultants specified in the Agreement without the written consent of the Department."

If uncovered in a contract audit, costs associated with unauthorized subconsultants/subcontractors would constitute an audit finding, and may ultimately be disallowed.

In order to ensure compliance with this disclosure requirement, the FDOT district Professional Services Offices will begin use of a certification statement, attesting to disclosure of all lower tier subs. This certification will be required for geotechnical firms and surveying & mapping firms who are compensated in whole or part using fee schedule rates on FDOT contracts, whether at a prime or subconsultant level. The certification form will be completed and submitted during contract negotiations.

Please contact the Procurement Office, 414-4484, if there are any questions.

Brian A. Blanchard, P.E.
Chief Engineer