

**BEFORE THE BOARD OF SUPERVISORS
OF THE COUNTY OF YUBA**

**RESOLUTION OF THE BOARD OF)
SUPERVISORS OF THE COUNTY OF YUBA)
ADOPTING CALTRANS LOCAL)
ASSISTANCE PROCEDURES MANUAL)
CHAPTER 10: CONSULTANT SELECTION)**

RESOLUTION NO. 2025-006

WHEREAS, The County of Yuba is responsible for constructing transportation projects that are state and federally funded; and

WHEREAS, In order to comply with the Federal regulations and due to limited staffing and expertise, certain services including Architectural and Engineering (A&E) are contracted out to qualified firms; and

WHEREAS, The Federal regulations set forth standards for procuring and administering A&E contracts; and

WHEREAS, The provisions of the Brooks Act (40 United States Code, Section 1104) requires local agencies to award federally funded engineering and design-related contracts, otherwise known as A&E contracts, on the basis of fair and open competitive negotiations, demonstrated competence, and professional qualifications (23 CFR 31.201-3); and

WHEREAS, Pursuant to 23 CFR 172.5 (b), local agencies shall develop and sustain organizational capacity and provide the resources necessary for the procurement, management, and administration of engineering and design related consultant services, reimbursed in whole or in part with Federal-Aid Highway Program funding as specified in 23 U.S.C. 106(g)(4)(A); and

WHEREAS, The provision 23 CFR 172.5 (b)(1) requires local agencies to adopt written policies and procedures for the procurement, management, and administration of engineering and design related consultant services in accordance with applicable Federal and State laws and regulations; and

WHEREAS, The State of California Department of Transportation (Caltrans) has developed the Local Assistance Procedures Manual (LAPM), Chapter 10, Consultant Selection which sets forth policies and procedures to be utilized by local agencies in the procurement and

management of A&E contracts on State and Federal funded transportation projects to ensure compliance with applicable Federal and State laws and regulations and to maintain eligibility for Federal-Aid reimbursement; and

WHEREAS, The County of Yuba as developed additional policies, dated June 12, 2018, to ensure avoidance of conflict of interests in the performance of A&E services for State and Federal funded transportation projects; and

WHEREAS, The County of Yuba desires to adopt Caltrans's LAPM Chapter 10 and the County's conflict of interest policies for compliance with Federal regulations on the procurement and administration of A&E contracts.

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NOW, THEREFORE, BE IT RESOLVED by the Yuba County Board of Supervisors as follows:

Section 1. The above recitals are true and correct findings of the County of Yuba.

Section 2. The Local Assistance Procedures Manual, Chapter 10, Consultant Selection dated January 2025 is approved and adopted.

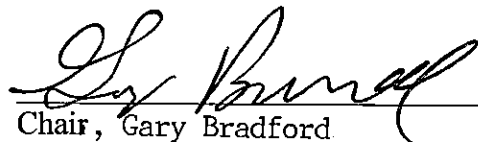
PASSED AND ADOPTED this 28 day of January 2025, by the Board of Supervisors of the County of Yuba, by the following vote:

AYES: Supervisors Vasquez, House, Fuhrer, Bradford, Messick

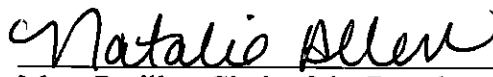
NOES: None

ABSENT: None

ABSTAIN: None


Chair, Gary Bradford

ATTEST:


Mary Pasillas, Clerk of the Board
Natalie Allen, Board Clerk

APPROVED AS TO FORM:
JANET BENDER, COUNTY COUNSEL



Chapter 10 Consultant Selection

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Exhibit 10-O2: Consultant Contract DBE Commitment

Exhibit 10-Q: Disclosure of Lobbying Activities

Exhibit 10-R: A&E Boiler Plate Agreement Language

Exhibit 10-S: Consultant Performance Evaluation




Exhibit 10-T: Conflict of Interest & Confidentiality Statement

Exhibit 10-U: Consultant in Management Support Role Conflict of Interest and Confidentiality Statement

All LAPM Exhibits are located at:

<https://dot.ca.gov/programs/local-assistance/forms/local-assistance-procedures-manual-forms>

10.1 FEDERALLY-FUNDED A&E CONTRACTS

Procurement Planning		
1	2	3
		
<ul style="list-style-type: none"> *Select Project *Set Project Objectives *Determine Project Schedule *Obtain CTC Allocation/Federal Authorization to Proceed prior to beginning reimbursable work * Solicitations for Consultant in Management Support Role (CMSR): submit Conflict of Interest (COI) and Scope of Work (SOW) to DLA-HQ prior to contract advertisement and receive FHWA approval prior to contract advertisement 	<ul style="list-style-type: none"> *Identify Need for Consultant *Designate Contract Administrator *Segment Project Work *Define SOW of A&E Consultant *Specify Products to be delivered 	<ul style="list-style-type: none"> *Estimate Cost of Consultant Work (prepare independent cost estimate) *Determine Type of Contract (Project Specific or On-Call) *Determine Method of Payment: Lump Sum; Cost-Plus- Fixed-Fee; Cost Per Unit of Work; or Specific Rate of Compensation *Submit <u>Exhibit 9-D: Contract Goal Methodology</u> to DLAE for review and concurrence prior to contract advertisement

The Division of Local Assistance Acronyms List is available at:
<https://dot.ca.gov/-/media/dot-media/programs/local-assistance/documents/guide/dla-acronyms.pdf>

Figure 10-1: A&E Contract Procurement Process Workflow Diagram




Solicitation Documents and Advertisement		
4	5	6
		
<ul style="list-style-type: none"> *Determine Solicitation Document; RFP or RFQ *Appoint Consultant Selection Committee *Collect signed Conflict of Interest forms and Confidentiality Statements (see <u>Exhibit 10-T: Conflict of Interest & Confidentiality Statement</u>) from all members involved in process *Determine Procurement Schedule *Develop Technical Criteria with level of importance (weights) for Evaluation of Proposals or the SOQ 	<ul style="list-style-type: none"> *Prepare RFP or RFQ documents *Include SOW, evaluation process/criteria, DBE goals, MOP and cost proposal, minimum requirement of Proposal or SOQ, Notice to Proposers DBE Information (see <u>Exhibit 10-I: Notice to Proposers DBE Information</u>), submittal deadline *Advertise RFP or RFQ on public forum (newspaper, technical publications, web hosting site, other local websites) *Issue RFP or RFQ (direct mailing, web posting) 	<ul style="list-style-type: none"> *Prepare to respond to RFP/RFQ questions *Conduct Proposers Conference, if applicable *Receive Proposals or SOQs

Figure 10-1: A&E Contract Procurement Process Workflow Diagram (continued)


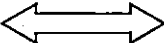

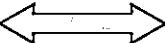

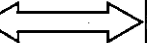
Evaluation and Selection of Consultant		
		Contract Negotiation
7	8	9
 	 	 
<ul style="list-style-type: none"> *Distribute Proposals or SOQs to Selection Committee members *Ensure Committee members receive the appropriate score sheet to use (see <u>Exhibit 10-B: Suggested Consultant Evaluation Sheet</u>) *Convene Selection Committee and evaluate submittals; perform reference checks *Develop Final Ranking or Short List *Notify proposers of ranking/Short List *Retain all original score sheets and summaries 	<ul style="list-style-type: none"> *Send out RFPs to Short List (two-step process) *Conduct Interview of Short List (if needed) *Develop Final Ranking of Consultants, and notify all interviewees *Retain all original score sheets and summaries *Provide a copy of Standard Contract language to top ranked consultant and invite for negotiations (see <u>Exhibit 10-R: A&E Boiler Plate Agreement Language</u> for standard contract language and provisions) 	<ul style="list-style-type: none"> *Open and analyze cost proposal from the Highest Ranked firm <div style="border: 1px solid black; padding: 5px; text-align: center; margin: 10px 0;"> Caltrans LOA </div> <ul style="list-style-type: none"> *Review and evaluate Financial Document Review Request and supporting documents, if applicable *Issue Financial Review Letter, if applicable *Perform contract audits and reviews, if applicable, or review of CPA audited ICR workpapers to issue Cognizant Letter of Approval

Figure 10-1: A&E Contract Procurement Process Workflow Diagram (continued)

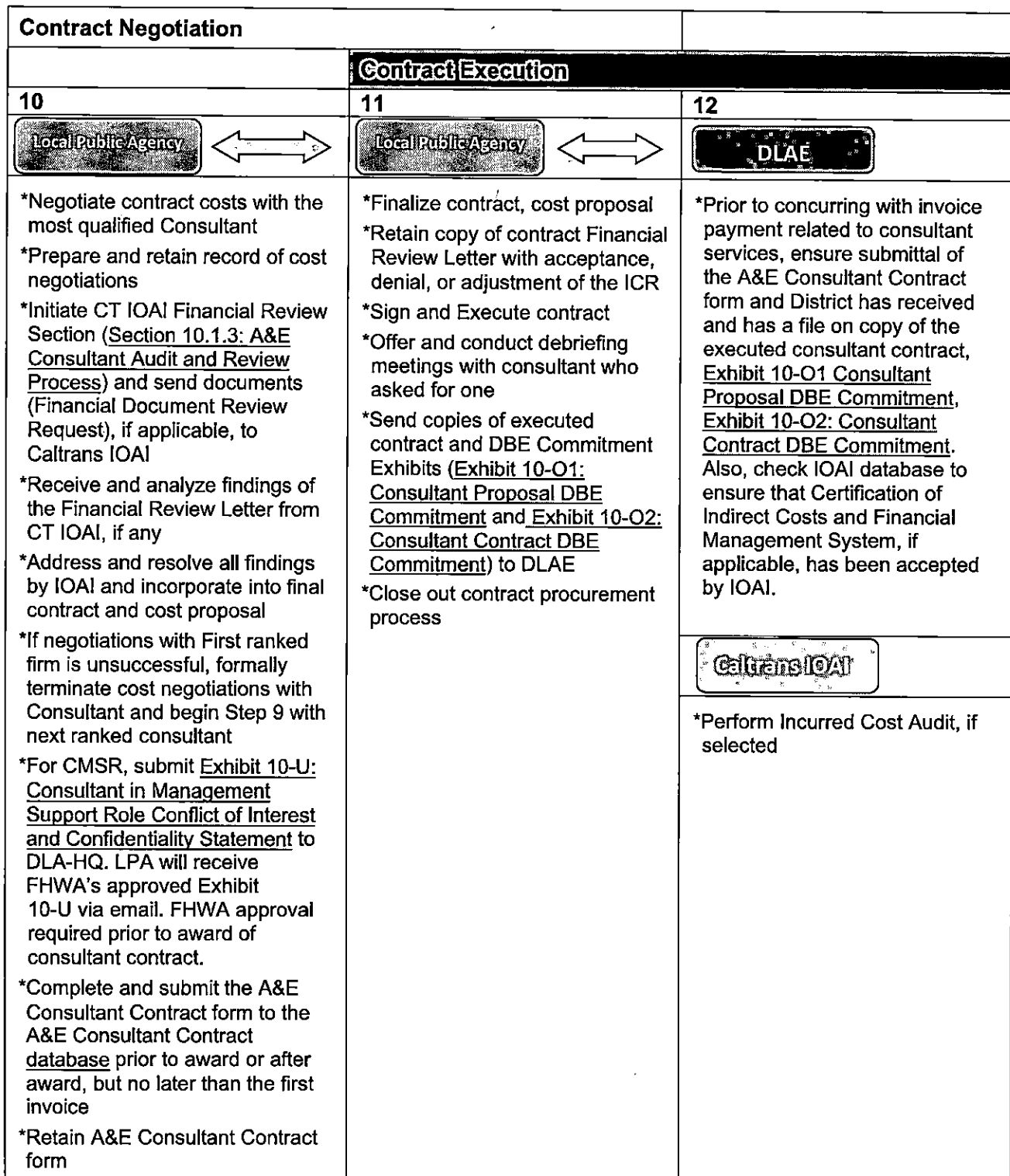


Figure 10-1: A&E Contract Procurement Process Workflow Diagram (continued)

10.1.1 General

Introduction

A Local Public Agency (LPA) may engage consultants to perform architectural, engineering, and related services to develop a federal-aid funded project. LPAs requesting federal funds to reimburse Architectural and Engineering (A&E) Consultants must follow the selection and contracting procedures detailed in Section 10.1: Federally-Funded A&E Contracts of this chapter. LPAs using local funds to procure an A&E Consultant on a federal-aid funded project and will not seek federal reimbursement for the consultant cost may choose not to follow the selection and contracting procedures detailed in Section 10.1 of this chapter.

Definition of an Architectural and Engineering Consultant

23 CFR 172 and California Government Code 4525 defines A&E services as program management, construction management, feasibility studies (includes environmental studies and analysis), preliminary engineering, design, engineering, surveying, mapping or architectural related services.

Architectural and Engineering Consultants

The Brooks Act (40 U.S.C.1101-1104) requires LPAs to award federally-funded engineering and design related contracts based on fair and open competitive negotiations, demonstrated competence, and professional qualifications (23 CFR 172), at a fair and reasonable price (48 CFR 31.201-3).

Cost proposals submitted to the LPA must be sealed and must not be included as a criterion for rating such consultants. After ranking, cost negotiations will begin with the most qualified consultant and only their cost proposal will be opened. Should negotiations fail or result in a price that the LPA does not consider fair and reasonable, negotiations must be formally terminated, and the LPA must then undertake negotiations with the second most qualified consultant.

If the negotiations with the second most qualified firm are not successful, negotiations must be formally terminated and the LPA must then undertake negotiations with the third most qualified consultant, and so on, until the price is determined to be fair and reasonable by the LPA.

In selecting an A&E consultant, a detailed technical proposal or qualifications proposal, and a proposed contract will be required.

Depending upon the scope of work, the required contract provisions may need to include the California State Prevailing Wages (Federal Payment of Predetermined Minimum Wage applies only to federal-aid construction contracts). Prevailing wages will apply if the services to be performed will involve land surveying (such as flag persons, survey party chief, rodman, or chainman), materials sampling and testing (such as drilling rig operators, pile driving, crane operators), inspection work, soils or foundation investigations, environmental hazardous materials and so forth. California State Prevailing Wage information is available through the California Department of Industrial Relations (DIR) websites below:

Consultants will need to provide their Prevailing Wage Policy if their participation on the project includes prevailing wage work. The policy will include information on the accounting treatment of delta base and delta fringe, and verify the accounting treatment is consistent every year.

- DIR FAQ [website](#)

- DIR Wage Determination [website](#)

Non-A&E Consultants

Consultants other than A&E consultants may be selected using cost, cost and qualifications (best value), or other critical selection criteria. The procedures outlined in this chapter can be modified for selecting non-A&E consultants by adding a cost item to the contract proposal.

For more details on non-A&E consultants, see [Section 10.3: Non-A&E Contracts](#) of this chapter.

Selecting the Project

The LPA is responsible for selecting and initiating a federal-aid financed transportation project. The decision to begin project development is influenced by the project needs, its acceptability, the timing of studies, financing, and construction. The LPA must identify the project's objectives including the general level of improvement or service, operating standards, maximum cost, and the target date for project completion before commencing any consultant selection process.

Subcontracted Services

The consultant is responsible for performing the work required under the contract in a manner acceptable to the LPA. The consultant's organization and all associated consultants and subconsultants must be identified in the proposal. If the consultant wishes to use a subconsultant not specified in the proposal, prior written approval must be obtained from the LPA. The subcontract must contain all required provisions of the prime contract. All subawards must include adequate oversight, management, and administration of engineering and design related consultant services and be administered in accordance with State laws and procedures specified in 23 U.S.C.106(g)(4) and 2 CFR 200.331-333.

Organizational and Consultant Conflicts of Interest

In the procurement of contracts for engineering services by private consulting firms using federal-aid highway funds, LPAs must take all the steps necessary to prevent fraud, waste, and abuse. The LPA must develop and maintain a written code of conduct governing the performance of its employees (including the contract administrator) engaged in the award and administration of federal-aid highway funded contracts, including the prevention of conflicts of interest in accordance with 23 CFR 172.7(b)(4).

A conflict of interest occurs when a public official's private interests and his or her public duties and responsibilities diverge or are not consistent. Conflicts of interest may be direct or indirect (e.g., as result of a personal or business relationship). The appearance of a conflict of interest should be avoided as an apparent conflict may undermine public trust if not sufficiently mitigated.

Federal Regulation Governing Conflict of Interest (23 CFR 172.7(b)(4)) requires that:

- LPA must maintain a written code of standards of conduct for employees engaged in the award and administration of engineering and design service contracts;
- No contracting agency employee who participates in the procurement, management, or administration of federal-funded contracts or subcontracts must have, directly or indirectly, any financial or other personal interest in connection with such contract or subcontract;
- No person or entity performing services for a contracting agency in connection with a federal-funded project must have, directly or indirectly, any financial or other personal

- interest, other than employment or retention by the contracting agency, in any contract or subcontract in connection with such project;
- No person or entity performing services for a contracting agency in connection with a federal-aid highway funded project must have, directly or indirectly, any financial or other personal interest in any real property acquired for the project;
 - No contracting agency employees or agents must neither solicit nor accept gratuities, favors, or anything of monetary value from consultants, potential consultants, or parties to sub-agreements;
 - LPA must promptly disclose in writing any potential conflict of interest to FHWA.

Consultants Performing Work on Multiple Phases of Federal-aid Projects

LPAs may choose to hire the same consultant firm to perform construction engineering and/or inspection services on the same project on which the firm also performed design services. This can cause project delivery efficiencies, as the design firm is well-suited to verify that the project is being constructed in accordance with the design and can resolve issues related to the design on behalf of the contracting agency. However, this may also pose a potential conflict of interest if the firm has a vested financial interest in failing to disclose deficiencies in its design work product and seeks to insulate itself from pecuniary liability in subsequent phases of the project, such as minimizing or ignoring design errors and omissions, rather than serving the best interests of the contracting agency and the public. Procuring a different firm from the design firm to provide the construction engineering and/or inspection services provides another level of review and reduces the risk of, or potential for, a conflict of interest.

Although federal regulations do not expressly prohibit the same firm from providing services on subsequent phases, the LPAs are responsible for ensuring the public interest is maintained throughout the life of a project and that a conflict of interest, real or apparent, does not occur or is sufficiently mitigated by appropriate public agency controls. Prior to allowing a consulting firm to provide services on subsequent phases of the same project, the contracting agency must establish appropriate compensating controls in policies, procedures, practices, and other safeguards to ensure a conflict of interest does not occur in the procurement, management, and administration of consultant services.

When design and construction phase services are procured under a single solicitation, the selection of the consulting firm must be based on the overall qualifications to provide both design and construction phase services, which require different skill sets, experience, and resources. Procuring these services under different solicitations may result in selection of a more qualified firm to perform services in each phase, as the most qualified firm to perform design phase services may not be the most qualified firm to provide construction phase services. Similarly, the qualifications and capacity of a firm may change over time. As such, it may not be appropriate to contract with a consulting firm to provide construction phase services at the outset of a design phase, knowing that these services may not be needed for an extended period until the preconstruction phase of the project is complete and construction funding authorized. The contract with a consulting firm providing design phase services on a project may not be amended to include construction phase services unless the desired construction phase services were included within the original advertised scope of services and evaluation criteria of the solicitation from which a qualifications-based selection was conducted. All consultants acting in a management support role must complete Exhibit 10-U: Consultant in Management Support Role Conflict of Interest and Confidentiality Statement (see Section 10.1.9: Miscellaneous Considerations in this chapter) and retain it in the LPA files.

Miscellaneous Considerations Authorization to Proceed

The Federal Highway Administration (FHWA) must give the LPA an Authorization to Proceed (E-76) with the work prior to performing of any work for which federal reimbursement is to be requested, (see LAPM Chapter 3: Project Authorization). Eligible consultant contracts may be procured using local funds prior to receiving the E-76, but reimbursement is for work performed after the E-76 authorization date. If contract is procured using state or local funds, federal procedures must have been followed if seeking federal reimbursement. For state-funded projects see Section 10.2: State-Only Funded A&E Contracts and LAPG Chapter 25: State Programs for Local Agency Projects, for guidance on when work may proceed.

Copies of the Authorization to Proceed and the consultant contract must be retained in the LPA project files for future audit.

10.1.2 Identifying & Defining a Need for Consultants

The need for a consultant is identified by comparing the project's schedule and objectives with the LPA's capabilities, its staff availability of the required expertise, and its funding resources. If the LPA does not have sufficient staff capabilities, it may solicit assistance from another agency, or use a qualified private consultant to perform the required work.

If the LPA determines that there is a need to solicit assistance from another LPA, or to use a consultant, the District Local Assistance Engineer (DLAE) should be notified if federal-aid funds are to be requested for the project segment to be contracted out.

Designate Contract Administrator

The Contract Administrator is responsible for ensuring the quality of consultant contract products or services. The Contract Administrator is designated as soon as the need for consultant services is identified. The Contract Administrator is involved throughout the development of the selection process and the contract provisions, and in the administration of the consultant's work. The Contract Administrator must be a qualified LPA employee or have staff that is qualified to ensure the consultant's work is complete, accurate, and consistent with the terms and conditions of the consultant contract. On federal-aid contracts, the Contract Administrator or staff members must be a full-time public employee and familiar with the work to be contracted out and the standards to be used. The Contract Administrator must also abide by the laws, regulations and policies required as part of accepting federal or state funding for their project. Non-compliance with the laws, regulations, and policies may result in loss of project funding.

The Contract Administrator's duties are listed in 23 CFR 172.9(d)(1) and include:

- Contract negotiation, contract payment, and evaluation of compliance performance, and quality of services provided by the consultant;
- Being familiar with the contract requirements, scope of services to be performed, and products to be produced by the consultant;
- Being familiar with the qualifications and responsibilities of the consultant's staff and evaluating any requested changes in key personnel;
- Schedules and attends progress and project review meetings, commensurate with the magnitude, complexity, and type of work, to ensure the work is progressing in accordance with established scope of work and schedule milestones;

- Documents contract monitoring activities and maintaining supporting contract records as specified in 2 CFR 200.332-334;
- Provides direction to ensure the proposed work is advertised properly;
- Prepares and distributes the Request for Qualifications (RFQ), description of work, and Request for Proposals (RFP), if used;
- Prepares the draft contract;
- Arranges for preparation before an independent estimate of the value of the work to be contracted out;
- Ensures that the selection procedures are followed;
- Analyzes the selected/best-qualified consultant's cost proposal;
- Ensures contract audit and review procedure is followed;
- Ensures that fee/profit negotiation is conducted and keeps records;
- Serves as the LPA's primary contact person for the successful consultant;
- Monitors the consultant's progress and provides direction;
- Ensures consultant costs billed are allowable in accordance with the federal cost principles and consistent with the contract terms as well as the acceptability and progress of the consultant's work;
- Identifies other LPA staff for the consultant to contact, if needed;
- Closes out the contract at completion, by processing the final invoice; completing a mandatory consultant evaluation, and final DBE utilization reports (Exhibit 17-F: Final Report - Utilization of Disadvantaged Business Enterprises (DBE) and First-Tier Subcontractors) or Exhibit 17-F1: Final Report - Utilization of Disadvantaged Business Enterprises (DBE) for A&E On-Call Contracts.

Segmenting Consultant Work

Consultant services are most effective when consultant work is segmented appropriately. The extent of segmenting depends upon the type and complexity of the work. Combining preliminary engineering tasks with the preparation of the required environmental analysis is normally desirable. Preparing an Environmental Assessment (EA) or Environmental Impact Statement (EIS) is more than simply writing a report. Assessment and impact reports include preliminary engineering needed to analyze project alternatives and produce an engineering and planning assessment. Initial project studies include only as much traffic and engineering analysis of alternatives, as is needed to produce a sound EA or EIS (see LAPM Chapter 6 Environmental Procedures and Standard Environmental Reference (SER) Chapter 31: Environmental Assessment (EA)/Finding of No Significant Impact (FONSI) and SER Chapter 32: Environmental Impact Statement (EIS)). Final design must not begin until NEPA environmental approval has been received if federal reimbursement is desired.

Refer to Figure 10-2: Segmenting Consultant Work, which illustrates several satisfactory ways to segment consultant activities.

	Well-structured Projects With Simple Right of Way Requirements	Well-structured Projects With Complex Right of Way Requirements	More Difficult Projects	Very Complex Projects
Preliminary Engineering				
Environmental Analysis				
Plans, Specifications &Estimates				
Right of Way Activities				
Utility Relocation				
Construction Engineering				

Figure 10-2: Segmenting Consultant Work

Specify Products to be Delivered

The Contract Administrator identifies the products and services to be delivered as a result of consultant contract work, and minimum qualification of consultant professionals and staff. These vary depending upon the type of projects and the phase of project development being addressed.

Scope of Consultant Work

The scope of work, which the contract must include, is a detailed description of the products or services the consultant is to provide. From a detailed scope of work, consultants respond to a project advertisement, determine personnel and time requirements, and develop a technical proposal. Therefore, the scope of work must be clear, concise, complete, and describe the deliverables, standards for design and other work, quality control measures, acceptance criteria and deadlines.

Title VI Assurances

Title VI Assurances Appendices A and E must be included in each consultant contract. Include Title VI Assurances Appendices B, C, and D if applicable. The consultant must include the Title VI Assurances Appendices A and E, and if applicable Appendices B, C, and D in all subcontracts to perform work under the contract. Include Title VI Assurances Appendices B, C, and D if applicable. Refer to Exhibit 10-R: A&E Boilerplate Agreement Language, Article XXXII Title VI Assurances. Disadvantaged Business Enterprises will be afforded full opportunity to submit bids in response to this invitation and will not be discriminated against on the grounds of race, color, sex, national origin, religion, age, or disability in consideration for an award.

Non-Discrimination Clause

The Non-Discrimination Clause (Exhibit 10-R: A&E Boilerplate Agreement Language, Article XVI Non-Discrimination Clause and Statement of Compliance) must be included in each consultant contract. The consultant must include the non-discrimination and compliance

provisions of the Non-Discrimination Clause in all subcontracts to perform work under the contract.

Disadvantaged Business Enterprise (DBE) Participation

When administering federal-aid projects, federal regulations (49 CFR 26) require the LPA to comply with the DBE program and take necessary steps to ensure that DBE firms have the opportunity to participate in the projects. Refer to LAPM Chapter 9: Civil Rights and Disadvantaged Business Enterprises for DBE requirements for A&E Consultant Contracts.

Estimated Cost of Consultant Work

An independent estimate for cost or price analysis is needed for all consultant contracts (23 CFR 172.7(a)(1)(v)(B)) to ensure that consultant services are obtained at a fair and reasonable price. The estimate must be prepared prior to opening the cost proposal from the top-ranked consultant, so the LPA has a cost comparison to evaluate the reasonableness of the consultant's cost proposal. The estimate, which is specifically for the use of the LPA's negotiating team, is to be kept confidential and maintained for records.

A good cost estimate can be prepared only if the scope of work is defined clearly. The scope of work must include a list of the products or services which the consultant is required to deliver, and a time schedule of when they must be delivered.

It should be stressed that all work to be derived from the consultant services, such as preliminary design, environmental, or final design, must be clearly identified in the solicitation of consultant services (RFQ or RFP) and included in the cost estimate. The addition of work to the original scope by amendment should be avoided whenever possible. Contract modifications are required for any amendments to the terms of the existing contract that change the cost of the contract; significantly change the character, scope, complexity, or duration of the work; or significantly change the conditions under which the work is required to be performed.

Some of the costs estimating techniques are:

Analogous Estimating

Analogous cost estimating is using the actual cost of a previous, similar contract as the basis for estimating the cost of the current contract. Analogous cost estimating is frequently used to estimate costs when there is a limited amount of detailed information about the project. Analogous cost estimating is generally less accurate, and it is most reliable when previous projects are similar in fact, and not just in appearance, and it uses expert judgment.

Parametric Estimating

Parametric estimating is a technique that uses statistical relationship between historical data and other variables to calculate a cost estimate for an activity resource. This technique can produce a higher level of accuracy depending upon the sophistication, as well as underlying resource quantity and the cost data. A cost example would involve multiplying the planned quantity of work by the historical cost per unit to obtain the estimated cost of the contract.

Bottom-up Estimating

This technique involves estimating the cost for individual work in the contract with the lowest level of detail. This detailed cost is then summarized or rolled up to determine a total cost of contract. Cost detail should include estimated hours per task, labor hourly cost for professional and non-professional classifications, subconsultant costs, other project direct costs, and profit. Labor costs should be broken down to direct labor and indirect cost rates, if possible.

If more than one project or phase of work is to be developed within the consultant contract, separate cost estimates are required for each project or phase of work. Separate cost estimates are required for each milestone and portion of the work expected to be subcontracted.

For on-call (as-needed) contracts, the cost estimate/analysis should include at minimum, a historical analysis of annual needs for consultant work, professional labor cost and market analysis, and reasonable profit analysis.

Determine Type of Contract

Types of contracts to be used are described as follows:

- Project-specific contract is between the LPA and consultant for the performance of services and a defined scope of work related to a specific project or projects.
- Multi-phase contract is a project-specific contract where the defined scope of work is divided into phases which may be negotiated and executed individually as the project progresses.
- On-call contract is a contract that may be utilized for a number of projects, under which task or work orders are issued on an as-needed basis, for an established contract period and maximum total contract dollar amount. On-call contracts are typically used when a specialized service of indefinite delivery or indefinite quantity is needed for a number of different projects, such as construction engineering, design, environmental analysis, traffic studies, geotechnical studies, and field surveying, etc. Many agencies use these contracts to address peaks in workload of in-house engineering staff and/or to perform a specialized service which the agency does not have. On-call contracts must specify a reasonable maximum length of contract, not to exceed five (5) years, and a maximum total contract dollar amount (23 CFR 172.7(a)(2)(iv)). The maximum dollar amount for all contracts awarded under the solicitation must be stated in the solicitation. The maximum dollar amount is the aggregate of the on-call contracts anticipated to be awarded. For example, if the solicitation lists that up to five (5) contracts may be awarded, the aggregate amount of these five (5) contracts is the maximum contract dollar amount. Setting maximum amount on each on-call contract under a multiple on-call solicitation does not meet the intent of 23 CFR 172. How many contracts are anticipated to be awarded must be stated in the solicitation. How task orders will be issued must be stated in the solicitation.

There are two options on how task orders must be awarded under multiple on-call contracts for the same type of service under the same solicitation:

1. Through an additional qualifications-based selection procedure also known as mini-RFP.
 - Solicit task order to the multiple on-call consultants on the master on-call contracts
 - Master on-call contracts are contracts awarded to on-call consultants at the initial RFQ/RFP procurement process.
 - Solicitation may be informal, e.g. email, letter, etc.; documentation is required.

- Evaluation criteria must be included in the solicitation. The mini-RFP contains evaluation criteria that matches the strengths of the qualified firms to the specifics of the known tasks, thereby selecting the most qualified firm for each task.
- The evaluation criteria can include:
 - i. availability of personnel,
 - ii. staff capabilities,
 - iii. DBE (10% or less of overall score); the overall DBE goal was established at the master on-call contract,
 - iv. completion of time,
 - v. experience of consultant
 - vi. specialized expertise, and past performance.
- Evaluate and rank proposals and select from the multiple on-call contracted consultants
 - Recommend at least three panel members to evaluate and rank
 - Evaluate based on criteria in mini-RFP solicitation
- Negotiate and award to the on-call contracted consultant
 - The mini-RFP or the task order will be negotiated with first ranked firm from each competition. Task order (mini-RFP) cost will be based on wage rates established in the master on-call contract, and the time and deliverable requirements in the task order.
- If only one proposal is received or there is an emergency, a Non-Competitive process must be justified, and Exhibit 12-F: Cost Effectiveness / Public Interest Finding / A&E Noncompetitive must be documented and signed by the DLAE
- Awarding task order to the multiple on-call consultants on a rotational basis does not meet the intent of the qualifications-based selection
- Exhibit 10-G: Individual A&E Task Order DBE Tracking Sheet must be used to track percentage of DBE after a task order is completed
- Each task order must have an Exhibit 10-O1: Consultant Proposal DBE Commitment and Exhibit 10-O2: Consultant Contract DBE Commitment as applicable

2. Regional basis where each on-call consultant is contracted to a designated area.

To maintain the intent of the Brooks Act (40 U.S.C.1101-1104) in promoting open competition and selection based on demonstrated competence and qualifications, on-call consultant contracts established through the RFQ process must meet the following requirements:

- Must define a general scope of work, complexity, and professional nature of services.
- Specify a task order procedure the LPA uses to procure project-specific work under the contract.

- Task order work performed after the master on-call contract has expired will result in those costs being ineligible for federal or state reimbursement.
- If multiple consultants are to be selected and multiple on-call contracts awarded through a single solicitation for specific services, the number of consultants that may be selected or contracts that may be awarded must be identified.
- Specify procurement procedures in the contracts the LPA will use to award/execute task orders among the consultants:
 - Either through an additional qualification-based selection process (see the Two-Step RFQ/RFP process later in this chapter), OR
 - On regional basis whereby the region is divided into areas identified in the solicitation, and consultants are selected to provide on-call services for assigned areas only. The RFP may list multiple regions that allow consultants to crossover or be a “backup” to other consultants that for specifically documented reasons are not able to perform the work in their assigned region. Per 23 CFR 172.9 (a)(3)(iv)(B)(2), the “backup” option needs to be listed in the respective contracts.

An example of acceptable contract wording in multiple on-call contracts for the same type of service:

- “Agency has or will enter into three (3) task order contracts for performance of the Scope of Services identified in Exhibit “A”, including this Agreement (“CM Services Task Order Contracts”). The other CM Services Task Order Contracts are [identify other two contracts by agreement numbers and consultant firms]. The total amount payable by Agency for the CM Services Task Order Contracts must not exceed a cumulative maximum total value of Seven Million, Five Hundred Thousand Dollars (\$7,500,000) (“NTE Sum”). It is understood and agreed that there is no guarantee, either expressed or implied that this dollar amount will be authorized under the CM Services Task Order Contracts through Task Orders. Each time a Task Order is awarded under any of the CM Services Task Order Contracts, the Agency must send written notification to Consultant and each of the other consultants entering into the CM Services Task Order Contracts. The notice must identify the total funds allocated under issued Task Orders, and the remaining unencumbered amount of the NTE Sum. Consultant acknowledges and agrees that Agency must not pay any amount under this Agreement that would exceed the NTE Sum, and Consultant must not enter into a Task Order that exceeds the NTE Sum.”

Determining the Project Schedule

The LPA develops a schedule for performance of work and completion of the project. The schedule must include sufficient time to allow for:

- Selecting the consultant;
- Developing the consultant contract;
- Completing the A&E consultant contract audit process;
- Conducting meetings and project reviews.

Determine Method of Payment

The method of payment of contract must be specified. The following four methods are permitted under 23 CFR 172.9(b) depending on the scope of services to be performed (sample cost proposals are provided on the DLA Consultant Selection and Procurement [website](#)):

- Cost-Plus-Fixed Fee
- Cost Per Unit of Work
- Specific Rates of Compensation
- Lump Sum

The method of payment to the consultant must be set forth in the original solicitation, contract, and in any contract modification thereto. A single contract may contain different payment methods as appropriate for compensation of different elements of work. Markups are not allowed on any of the four methods of payment.

The cost plus a percentage of cost and percentage of construction cost methods of payment must not be used. Both of these methods are explicitly prohibited by 23 CFR 172.9(b).

Cost-Plus-Fixed Fee

The consultant is reimbursed for costs incurred and receives an additional predetermined amount as a fixed fee (profit). Federal regulations require that profit be separately negotiated from contract costs. The determination of the amount of the fixed fee must take into account the size, complexity, duration, and degree of risk involved in the work. The fixed fee is not adjustable during the life of the contract. The fixed fee dollar amount must be clearly stated in the contract. See the DLA Consultant Selection and Procurement [website](#) for a useful tool on Profit/Fee Determination.

This method of payment is appropriate when the extent, scope, complexity, character, or duration of work cannot be precisely predicted. The fixed fee limit applies to the total direct and indirect costs. Fixed fees in excess of 15 percent of the total direct labor and indirect costs of the contract may be justified only when exceptional circumstances exist. The contract must specify a reasonable maximum length of contract period and a maximum total contract dollar amount (see [Exhibit 10-R: A&E Boilerplate Agreement Language](#), Article V, Option 1). The contract cost proposal must identify all key employees and/or classifications to be billed. New key employees and/or classifications must be approved by the LPA before they incur work on the contract, or the costs can be questioned or disallowed. LPAs are not required to update the A&E Consultant Contract form when new key employees and/or classification are added to a contract. For more details, reference [Section 10.1.8. Completing the Project](#).

Cost Per Unit of Work

The consultant is paid based on specific item of work performed. The item of work must be similar, repetitious, and measurable, such as a specific geotechnical investigation and material testing. This method of payment is appropriate when the cost per unit of work can be determined with reasonable accuracy in advance, but the extent or quantity of the work is indefinite. Contract payment provisions must specify what is included in the price to be paid for each item. Any item of work not identified in the contract cost proposal is not eligible for reimbursement. New items of work (those within the original scope of work only) must be amended into the contract before work is performed. The contract must also specify a

reasonable maximum length of contract period and a maximum total contract dollar amount (see Exhibit 10-R: A&E Boilerplate Agreement Language, Article V Option 2).

Specified Rates of Compensation

The consultant is paid at an agreed and supported specific fixed hourly, daily, weekly, or monthly rate, for each class of employee engaged directly in the work. Such rates of pay include the consultant's estimated costs and net fee (profit). Federal regulations require that profit be separately negotiated from contract costs. The specific rates of compensation, except for an individual acting as a sole proprietor, are to include an hourly breakdown, direct salary costs, fringe benefits, indirect costs, and net fee. Other direct costs may be included, such as travel and equipment rentals, if not already captured in the indirect cost rate. Other direct costs regardless of amount are to be listed on the cost proposal.

This method of payment should only be used when it is not possible at the time of procurement to estimate the extent or the duration of the work, or to estimate costs with any reasonable degree of accuracy. This method should not be used for project-specific contracts and is recommended for on-call contracts for specialized or support type services, such as construction engineering and inspection, where the consultant is not in direct control of the number of hours worked, and it also requires management and monitoring of the consultant's level of effort and the classification of employees used to perform the contracted work. The contract must also specify a reasonable maximum length of contract period and a maximum total contract dollar amount (see Exhibit 10-R: A&E Boilerplate Agreement Language, Article V Option 3).

Lump Sum

The consultant performs the services stated in the contract for an agreed amount as compensation, including a net fee or profit. This method of payment is appropriate only if the extent, scope, complexity, character, duration, and risk of the work have been sufficiently defined to permit fair compensation to be determined and evaluated by all parties during negotiations (see Exhibit 10-R: A&E Boilerplate Agreement Language, Article V: Option 4). Normally, a lump sum contract will be paid in full at end of the contract when completed. However, a lump sum contract can be negotiated with progress payment if feasible. The progress payment must be based on percent of work complete or completion of clearly defined milestones. The contract cost proposal must document the agreed-upon progress payment and include the necessary milestones costs, or the percent work complete schedule.

A firm fixed price method of payment is not the same as lump sum. A firm fixed price contract must not be amended.

Changes to Cost Proposal

Changes to the cost proposal requiring resubmittal to Independent Office of Audits and Investigations (IOAI) for review:

- Consultant/subconsultant name change
- New participating subconsultant's Indirect Cost Rate (ICR)
- Change in ICR rate

Since these changes require an amendment, the LPA is to update the A&E Consultant Contract form.

10.1.3 A&E Consultant Audit and Review Process

This section outlines the audit and review process for A&E contracts that at any time use state or federal-aid highway funds in furtherance of highway construction projects. All proposed A&E contracts and supporting documents are subject to audit or review by Caltrans' Independent Office of Audits and Investigations (IOAI), other state audit organizations, or the federal government. Not all proposed contracts will be audited or reviewed; rather, they will be selected on a risk-based approach.

Applicable Standards

State and federal requirements listed below, and specific contract requirements, serve as the standards for audits and reviews performed.

LPAs, consultants, and subconsultants are responsible for complying with state, federal, and specific contract requirements. LPAs are responsible for determining the eligibility of costs to be reimbursed to consultants.

Applicable standards include, but are not limited to:

- Caltrans Local Assistance Procedures Manual (LAPM);
- State and Federal agreements between LPAs and Caltrans, (i.e., Master Agreements);
- Project Program Supplemental Agreements;
- 23 U.S.C., Section 112 – Letting of Contracts;
- 40 U.S.C., Chapter 11: the Brooks Act;
- 23 CFR 172 - Procurement, Management, and Administration of Engineering and Design Related Services;
- 23 CFR, Chapter 1- Federal Highway Administration, Department of Transportation;
- 48 CFR, Federal Acquisition Regulation (FAR), Part 31- Contract Cost Principles and Procedures;
- 48 CFR, Chapter 99 – Cost Accounting Standards Board, Office of Federal Procurement Policy, Office of Management and Budget
- 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;
- United States Government Accountability Office, Government Auditing Standards - Generally Accepted Government Auditing Standards (GAGAS);
- California Government Code sections 4529.5 and 4529.10-4529.20; and
- Proposed contract terms and conditions.

See Section 10.1.11: References of this chapter for links to above referenced standards.

Audit Guidance Available

The American Association of State Highway and Transportation Officials (AASHTO), Uniform Audit & Accounting Guide (AASHTO Audit Guide), which is referred to frequently in this section, is a valuable tool to guide LPAs, consultants, and Certified Public Accountants (CPA) through

the requirements for establishing, and audits of FAR-compliant ICR. The AASHTO Audit Guide is used extensively as an industry guide in the audit and review process.

LPAs may seek accounting assistance from internal audit staff and an independent CPA for compliance. The consultant may seek professional guidance in selecting its independent CPA. See also the AASHTO Audit Guide, Chapter 2. Selection of CPA Firm as Overhead Auditor for guidance in the selection process. Training is also offered by FHWA's National Highway Institute (see <https://www.nhi.fhwa.dot.gov/home.aspx>). Courses offered include:

- Using the AASHTO Audit Guide for the Procurement and Administration of A&E Contracts (FHWA-NHI-231028)
- Using the AASHTO Audit Guide for the Development of A&E Consultant Indirect Cost Rates (FHWA- NHI-231029)
- Using the AASHTO Audit Guide for the Auditing and Oversight of A&E Consultant Indirect Cost Rates (FHWA-NHI-231030)

For training and additional information provided by Caltrans Local Assistance, visit the Caltrans Local Assistance Blog. For FHWA's Q&A for ICRs and audits, and A&E related services, visit FHWA Consultant Services website.

Allowable Costs

23 U.S.C.112(b)(2)(B) states that any A&E contract or subcontract awarded, whether funded in whole or in part with federal-aid highway funds in furtherance of highway construction projects, must be performed and audited in compliance with the federal cost principles.

LPAs are required to perform a cost analysis to ensure all costs are allowable and in compliance with federal and state requirements and retain documentation of negotiation activities and resources. Hourly rate(s) for each key personnel and/or classification of employee(s) proposed in cost proposals must be reasonable for the work performed and actual, allowable, and allocable in accordance with the federal cost principles.

All consultant ICRs must be supported with the required financial documents as outlined in the checklist on IOAI's Financial Document Review (FDR) Request Form; however, Category 4 applies to all consultants regardless of the participation amount.

Costs must be allowable only if the cost is incurred and cost estimates included in negotiated prices are allowable in accordance with the federal and state regulations and procedures, and contract provisions.

Consultants must account for costs appropriately and maintain records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, and are allowable, reasonable, and allocable to the contract, and comply with federal cost principles.

IOAI and representatives of the Federal Government have the right to conduct an audit of all contract costs. If the costs are subsequently determined to be unallowable, these costs are subject to repayment. For further guidance, refer to 23 CFR 172 and 48 CFR 31.

Generally, whenever LPAs, consultants, and/or contractors are unable to provide requested documentation, it must be viewed that the services were either not performed or the costs not properly recorded. Retention of all documents is required as it reduces the possibility of audit findings and **disallowed costs**.

Safe Harbor Rate

Developing ICRs annually can place a significant burden on some small or new and emerging A&E consulting firms that lack financial sophistication to develop an ICR, as well as on other established A&E consulting firms that may not have previous experience with federally-funded contracts for which an ICR would have been developed in compliance with federal cost principles 48 CFR 31. This may create a barrier for otherwise eligible and qualified firms to compete for federally-funded contracts.

To help alleviate and remove potential barriers, the Division of Local Assistance (DLA) has adopted Caltrans Division of Procurement and Contract's (DPAC) Safe Harbor Rate (SHR) process and rates which took into account LPA data. The SHR information and rates can be found at the DLA Consultant Selection and Procurement website:

<https://dot.ca.gov/programs/local-assistance/guidance-and-oversight/consultant-selection-procurement>. To request information regarding the SHR methodology, email the A&E Oversight Branch at aeoversight@dot.ca.gov. Eligible A&E consultant firms can choose to use the DLA SHR rate on new A&E contracts using federal-aid highway funds executed by LPAs in the State of California.

Use and application of the SHR by eligible firms provides reasonable assurance of consultant compliance with the federal cost principles per 23 CFR 172.11(c)(2). A&E consulting firms approved to use the established SHR will have their accounting system evaluated for capabilities of accumulating and tracking direct labor for applying the SHR, as well as for billing other direct costs by contract, segregating indirect costs, etc.

Use of the SHR is voluntary on behalf of the A&E consulting firm and LPAs. LPAs have the discretion to determine certification of eligibility based on requirements shown on the following SHR certification form: Consultant Firm Certification of Eligibility and Certification of Financial Management System.

A&E consultant firms (prime consultants and/or sub consultants) that have not had an ICR previously accepted by a cognizant agency may elect and request to use the SHR in a contract by submitting the completed SHR certification form, Consultant Firm Certification of Eligibility and Certification of Financial Management System, including the Questionnaire for Evaluating Consultant Firm's Financial Management System section, and any other documents as needed. This requirement is in addition to the A&E Consultant Audit and Review Process requirements described in this chapter.

It is the LPA's responsibility to:

- Collect and screen all requests to use the safe harbor indirect cost rate. See SHR certification form, Consultant Firm Certification of Eligibility and Certification of Financial Management System, including the Questionnaire for Evaluating Consultant Firm's Financial Management System section.
- Submit all SHR documents to the Independent Office of Audits & Investigations (IOAI) as part of the Financial Document Review Request package. The IOAI email address is: Conformance.Review@dot.ca.gov. Requests to use the safe harbor indirect cost rate must be accepted/approved by IOAI **before** contracts are executed.

Approval or Acceptance of Indirect Cost Rates

Cognizant Letters of Approval

A cognizant approved ICR has been audited by a cognizant agency (a State transportation agency of the State where the consultant's accounting and financial records are located or a

State transportation agency to which cognizance for the particular indirect cost rate(s) of a consulting firm has been delegated or transferred to in writing by the State transportation agency where the consultant's accounting and financial records are located) in accordance with generally accepted government auditing standards to test compliance with the requirements of the federal cost principles (per 48 CFR 31), and the cognizant agency has either 1) issued an audit report of the consultant's indirect cost rate or 2) conducted a review of an audit report and related workpapers prepared by a certified public accountant and issued a letter of concurrence with the audited indirect cost rate(s). The cognizant agency approves the ICR and a cognizant approval letter is issued.

Caltrans Acceptance of Indirect Cost Rate

When the ICRs have not been established by a cognizant agency, Caltrans must perform an audit or review of a consultant's and subconsultant's ICR(s) to provide reasonable assurance of compliance with federal cost principles for consultant contracts with a dollar value equal to or greater than \$1M.

An audit or review of the ICR may consist of one or more of the following:

- Perform a review to determine if the ICR was prepared in accordance with 23 CFR 172 and 48 CFR 31;
- Perform an audit to determine if the ICR was prepared in accordance with 23 CFR 172 and 48 CFR 31; and issue an audit report;
- Review and accept an ICR audit report and related workpapers prepared by a CPA or another State Transportation Agency;
- Perform other evaluations in accordance with a risk-based oversight process in accordance with 23 CFR 172 and 48 CFR 31.

Financial Review Performed Prior to Contract Execution

All consultants, including prime consultants and subconsultants, on a proposed contract with a dollar value equal to or greater than \$1M are subject to an ICR financial review by IOAI. The financial documents required are detailed in the Financial Document Review Request form. IOAI will review the ICR financial documents to either accept or adjust the indirect cost rate **prior to contract execution** using a risk-based approach as dictated by factors that include but are not limited to:

- History of satisfactory performance and professional reputation of consultant;
- Prior FAR compliant history and audit frequency;
- Experience of consultant with FAHP contracts;
- General responsiveness and responsibility;
- The approximate contract volume and dollar amount of all A&E contracts awarded to the consultant by Caltrans or an LPA in California within the last three calendar years;
- The number of states in which the consultant does business;
- The type and complexity of the consultant's accounting system;
- The relevant professional experience of any CPA performing audits of the consultants indirect cost rate;

- Assessment of consultant's internal control. Responses to internal control questionnaire, see AASHTO Audit Guide, Appendix B;

The outcome of an audit or review for contracts with a dollar value equal to or greater than \$1M is for Caltrans to approve or accept the ICR so that it can be relied upon for future contracts with the consultant for a given one-year accounting period and for reliance by other contracting agencies using the same consultant. Contracts below \$1 Million are not subject to the Caltrans Financial Document Review but LPAs are required to establish that all costs are in compliance with the federal cost principles, 48 CFR 31, and other applicable requirements are met. Cost analysis documents are required to be retained in the project files to demonstrate compliance. For further guidance, refer to 23 CFR 172.11(b)(1). If the consultant is subject to Cost Accounting Standards (CAS), the consultant must use the applicable ICR for the contract.

LPAs are required to apply Caltrans-accepted consultant or subconsultant's ICRs, to contracts. An ICR is valid for the one-year applicable accounting period accepted or reviewed by Caltrans. Consultants must update, on an annual basis, ICRs in accordance with the consultant's annual accounting period and in compliance with the federal cost principles. LPAs must ensure that only approved or accepted ICRs of consultants for the applicable one-year accounting period be applied to contracts, if rates are not under dispute. A consultant's accepted ICR for its one-year applicable accounting period must be applied to contracts; however, once an ICR is established for a contract, it may be extended beyond the one-year applicable period, through the duration of the specific contract, provided all concerned parties agree. Agreement to the extension of the one-year applicable period must not be a condition or qualification to be considered for the work or contract award. The contract must clearly specify the ICR period if it is beyond the one-year applicable period.

ICRs that have not been accepted by Caltrans for contracts with a dollar value equal to or greater than \$1M will not be eligible for indirect cost payment. An ICR approved by a cognizant agency may be used across states for the one-year applicable accounting period, but an ICR accepted by Caltrans may only be applied to A&E contracts with Caltrans or LPA contracts using pass-through Caltrans funding. LPAs include Cities, Counties, Metropolitan Planning Organizations, Special Districts, and Regional Transportation Planning Agencies.

Local Public Agency Responsibilities

LPAs are responsible for obtaining all required ICR supporting documentation from A&E prime consultants and subconsultants as outlined in the Financial Document Review Request form. LPAs are responsible for forwarding these documents to IOAI for review. LPAs are also required to ensure that IOAI has a copy of the Certification of Indirect Costs and Financial Management System form. The ICR included in the LPA's cost proposal must match the ICR included in the Certification of Indirect Costs and Financial Management System form and the consultant's ICR schedule. The proposed ICR, however, can be lower than ICR in the Certification of Indirect Costs and Financial Management System form and the consultant's ICR schedule if the consultant elects to propose a lower ICR. For contracts spanning more than one year, LPAs are responsible for ensuring the Certification of Indirect Costs and Financial Management System form and cost proposals are updated annually unless all concerned parties agree to fix the ICR for the term of contract, and this is clearly specified in the contract. ICR updates are not required to IOAI if the ICR is fixed for the life of the contract. ICR's are only reviewed for consultants that are being awarded a contract, not consultants on a short list or pre-qualified list.

The cost proposal includes contract costs: direct salary or wage rates, fixed fees, other direct costs, indirect costs, total costs, and certification for the costs. LPAs must perform and retain

documentation of activities and resources used to support that a cost analysis has been performed to establish that costs and elements were determined to be fair and reasonable in accordance with federal cost principles.

All contract supporting documentation must be retained by the LPA in project files for the required retention period. Unsupported costs may be disallowed and required to be returned to Caltrans. Having proper documentation policy and procedures, trained staff, and organized project files are essential for demonstrating that costs claimed and reimbursed have been incurred, are eligible, reasonable, allowable, and allocable to the contract and comply with federal cost principles.

Instructions are provided in the Financial Document Review Request form including requirements for submitting a complete Financial Review packet. Financial packets can be e-mailed to: conformance.review@dot.ca.gov.

Alternatively, Financial Review packets can be mailed to:

Department of Transportation
Independent Office of Audits and Investigations
MS 2 Attention: External Audit Manager
P.O. Box 942874
Sacramento, CA 94274-0001

LPAs may check IOAI's website to verify whether consultants have been reviewed by Caltrans for the valid ICR period. All approved or accepted ICRs are issued an Acceptance Identification (ID) number by IOAI that is posted to IOAI's [website](#). This ID number should be referenced on all future contracts that use the same fiscal year ICR. ICR can be fixed for the life of the contract in prior written document or annually updated. Once it has been updated, it must be annually updated and the most current fiscal year of ICR must be used.

Consultant Responsibilities (Both prime consultants and subconsultants)

A&E prime consultants and subconsultants in contract with LPAs using state or federal-aid highway funds should refer to the Financial Document Review Request form for the ICR financial documents required to be submitted to their LPA. Consultants must complete the Certification of Indirect Costs and Financial Management System form that attests that the ICR rate proposed is in compliance with federal cost principles (48 CFR 31) and that the consultant's financial management system is adequate to accumulate and segregate reasonable, allowable, and allocable direct and indirect project costs. The Financial Document Review Request and Certification of Indirect Costs and Financial Management System forms should be submitted to the LPA who will forward a copy to IOAI along with all other related and required financial documents. For all future contracts within a same fiscal year, the consultant needs to only provide a copy of the Certification of Indirect Costs and Financial Management System form to the LPA.

Consultants must follow all the federal, state, and contract requirements outlined in the above, Applicable Standards section. Each contracting consultant must ensure its ICR is not combined with any parent company's or subsidiary's ICR.

ICR schedules for both prime consultants and subconsultants should be prepared using the accrual basis of accounting and be presented in compliance with the federal cost principles. See a [Standard Indirect Cost Rate Schedule](#) example that consultants can use when preparing their own.

For public works Prevailing Wage contracts, all workers must be paid the prevailing wage rate determined by the Director of the Department of Industrial Relations according to the type of work and location of the project: <http://www.dir.ca.gov/Public-Works/Prevailing-Wage.html>.

When determined necessary, IOAI may request additional information, such as a labor distribution summary and Executive Compensation Analysis (ECA). A consultant's labor distribution summary report is a labor expense report that detail all hours worked (paid and unpaid) for a fiscal year, wages earned, and benefits accrued by all the consultant's employees. The labor summary report should include employee names, salaries, hourly rates, total hours worked segregated by direct hours, indirect hours, paid time off hours, and uncompensated hours and amounts.

An ECA is an evaluation by the consultant to determine the allowability and reasonableness of executive compensation in compliance with federal cost principles and the AASHTO Audit Guide that can be based on either the National Compensation Matrix or independent compensation surveys.

Independent Office of Audits and Investigations' Responsibilities

After IOAI receives a consultant's complete financial document packet (per the Financial Document Review Request form) from the LPA, IOAI will review the proposed ICR and supporting documents and notify LPAs in writing whether the proposed ICRs are accepted or adjusted.

Contracts will be executed after IOAI either accepts or adjusts the ICR. Correction of the final cost proposal, however, does NOT need to be cleared through Caltrans IOAI before executing the contract. An email notification from IOAI serves as documentation to support an accepted ICR.

Audits and Reviews to be Performed

After contract execution, a consultant's ICR may be subject to further detailed review or audit by IOAI based on certain risk factors. Costs that are determined to be unallowable as a result of the review or audit will be subject to repayment.

Indirect Cost Rate Audits

During an ICR audit, IOAI or an independent CPA will examine the consultant's proposed ICR for a one-year accounting period to ensure that unallowable costs have been removed from the indirect costs, that allowable costs have been correctly measured and properly charged and allocated, and that the ICR has been developed in accordance with the federal cost principles (as specified in 23 U.S.C.112(b)(2)(B), 23 CFR 172.11, 48 CFR 31 and other FAR and State requirements). As a result of the audit, the LPA will work with the consultant to adjust the ICR based on audit recommendations.

For guidance regarding the existing policies and procedures set forth in the federal regulations, and acceptable ICR schedules, refer to the AASHTO Audit Guide, Chapter 5, and the example Standard Indirect Cost Rate Schedule. The AASHTO Uniform Audit and Accounting Guide, Appendix A Review Program for CPA Audits of Consulting Engineers' Indirect Cost Rates is also a resource for consultants and CPAs when preparing an ICR for audit.

CPA Workpaper Reviews

During a workpaper review of a CPA audit of an ICR, IOAI will review the CPA's audit workpapers to determine whether to issue a Cognizant Letter of Approval for the ICR. The CPA

Workpaper Review determines whether: (a) the CPA's audit of the ICR was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS), (b) the CPA adequately considered the auditee's compliance with the federal cost principles and related federal and state laws and regulations. Chapter 11 of the AASHTO Audit Guide provides information to the CPA on the required audit disclosures.

IMPORTANT NOTE FOR CPAs: Contracts receiving state or federal funds are highly scrutinized. Materiality levels tend to be lower and more testing is required. GAGAS provides that auditors may find it appropriate to use lower materiality levels as compared with the materiality levels used in non-GAGAS audits because of the public accountability of government entities and entities receiving government funding, various legal and regulatory requirements, and the visibility and sensitivity of government programs. The AASHTO Audit Guide should be used as a tool for performing audits and attestations of A&E firms.

Contract Audits

During a Contract Audit, auditors will review a consultant's financial management system and contract cost proposal to determine if:

- The consultants' accounting system is adequate to accumulate and segregate costs;
- Costs are reasonable, allowable, allocable, and supported adequately;
- The contract contains all required fiscal provisions;
- Proper state and federal procurement requirements were followed.

Incurred Cost Audits

During an Incurred Cost Audit, auditors will review incurred contract costs to determine if:

- Cost data are maintained in an accounting system that adequately gathers, records, classifies, summarizes, and reports accurate and timely financial data for direct and indirect project costs by account;
- Costs are adequately supported, reasonable, allowable, and allocable;
- Costs incurred are in compliance with state and federal laws and regulations;
- Costs incurred are in compliance with the Master Agreement and Supplemental Agreement;
- Costs incurred are in compliance with the fiscal provisions stipulated in the contract; and
- The terms required by the Master Agreement and federal laws and regulations are in the contract.

Audit Findings and Review Deficiencies

If a consultant's ICR is audited or reviewed, LPAs are responsible for ensuring all executed and future contracts reflect the audited and adjusted fiscal year ICR(s). LPAs should request reimbursement from the consultant for overpayment on rates that were adjusted down.

The LPA may be subject to sanctions outlined in Section 10.5 Sanctions if the state or federal government determines that any reimbursements to the consultant are the result of lack of proper contract provisions, unallowable charges, unsupported activities, or an inadequate financial management system.

10.1.4 Consultant Selection Methods

There are three methods normally used in selecting a consultant:

- One-Step RFP
- One-Step RFQ
- Two-Step RFQ/RFP

The method used depends upon the scope of work, the services required, the project's complexity, and the time available for selection of the consultant; see Consultant Selection Flowchart.

Beginning with Section 10.1.5: Consultant Selection Using the One-Step RFP Method, each of the selection methods is explained in detail. Regardless of the method used, the LPA must retain all consultant selection documentation in their project files as required by 23 CFR 172.

One-Step RFP

The One-Step RFP method may be used for Project-specific contracts when the scope of work is well-defined or for Multi-phased contracts where the defined scope of work is divided into phases. Other considerations include when the consultant's services are highly specialized and there are few qualified consultants.

One-Step RFQ

The One-Step RFQ method is used when the requested services are specialized, or the scope of work is defined broadly and may include multiple projects. Typical services are preliminary engineering, surveying, environmental studies, preparation of Plans Specifications and Estimate (PS&E) and environmental documents, or construction management. This method or the two-step selection process is used for procurement of on-call contract(s). Note that specifications and requirements in the RFQ must cover all aspects of the final need. An RFP specific to the project, task, or service must be included in the solicitation for evaluation of a consultant's specific technical approach and qualifications.

Two-Step (RFQ Followed by RFP)

The Two-Step RFQ/RFP method may be used when the scope of work is complex or unusual. This method also may be preferred by LPAs that are inexperienced about negotiations and procedures for establishing compensation. However, the Two-Step RFQ/RFP method is recommended for procurement of multiple on-call contracts, or on-call list, through a single solicitation. Regardless of any process utilized for pre-qualification of consultants or for an initial assessment of a consultant's qualifications under a RFQ, a RFP specific to the project, task, or service is required for evaluation of a consultant's specific technical approach and qualifications. For more information, refer to description of on-call contract in Section 10.1.2: Identifying & Defining a Need for Consultants. This method requires substantially more work and time than the other two methods described above.

10.1.5 Consultant Selection Using the One-Step RFP Method

Of the three methods discussed, this one is most easily modified for non-A&E consulting contracts. This procurement procedure usually involves a single step process with issuance of a request for proposal (RFP) to all interested consultants. For non-A&E consulting contracts, a cost proposal must be part of the RFP and the selection criteria. For A&E contracts, the cost proposal is not requested until the consultants have been final ranked based upon their submitted technical proposal.

Appoint Consultant Selection Committee

A consultant selection committee with a minimum of three members is appointed at the beginning of the consultant selection process. The committee reviews materials submitted by consultants, develops a short list of qualified consultants, and develops a final ranking of the most qualified proposals. Representation on the committee includes the Contract Administrator and subject matter experts from the project's functional area. The members should be familiar with the project/segment to be contracted out and with the LPA standards that will be used in the contract. Participation by a Caltrans district representative is at the option of the agency and subject to availability of the DLAE staff. Caltrans participation on the interview panel does not relieve the LPA of its responsibility to ensure that proper procurement procedures are followed, and all requirements are met.

LPA Contract Administrator ensures that all committee members meet the conflict of interest requirements (23 CFR 172.7(b)(4)) by completing and signing a conflict of interest statement prior to selection process initiation. A sample conflict of interest form is provided in Exhibit 10-T: Conflict of Interest & Confidentiality Statement.

Develop Technical Criteria for Evaluation of Proposals

The Contract Administrator is responsible for developing the technical criteria, and their relative importance which are used to evaluate and rank the consultant proposals. In-state or local preference must not be used as factor in the evaluation, ranking, and selection phase. Local presence and DBE participation are the only two non-qualifications-based evaluation criteria that are permitted, however, the combined total of these criteria cannot exceed a nominal value of 10 percent of the total evaluation criteria (23 CFR 172.7(a)(1)(iii)(D)). All price or cost related items which include, but are not limited to, cost proposals, direct salaries/wage rates, indirect cost rates, and other direct costs are prohibited from being used as evaluation criteria.

The criteria and relative weights must be included in the RFP, and the same criteria and relative weights must be used in the evaluation sheets. Failure to include criteria and relative weights and to use the same criteria and weights during the evaluation will result in the contract costs being ineligible for federal or state reimbursement. Exhibit 10-B: Suggested Consultant Evaluation Sheet is a recommended evaluation sheet with criteria and rating points for A&E consultants, where cost is not used as a rating factor. This format is not mandatory, but it is recommended in the interest of developing consistency among the hundreds of agencies and consultants operating in the state. The LPA should consult with the DLAE before making major changes to the suggested approach.

Develop Schedule for Consultant Selection

Before the contract is advertised, the Contract Administrator completes a contract procurement schedule including key dates for consultant selection activities. The Contract Administrator should confirm key dates with all selection committee members before completing the schedule.

Prepare RFP

The information required in an RFP solicitation includes the following:

- Description of project;
- Clear, accurate, detailed Scope of work, technical requirements, and qualifications;
- Services to be performed;
- Deliverables to be provided;
- Procurement schedule;
- Applicable standards, specifications, and policies;
- Schedule of work (including estimated start and end dates of the contract);
- Method of payment, and cost proposal requirements. The cost proposal is submitted in a separate concealed format. Cost proposals are requested from the highest ranked firm. If these negotiations are formally terminated, the cost proposal is then requested from the next highest ranked firm. See sample cost proposals at the DLA Consultant Selection and Procurement [website](#);
- Contract audit and review process requirements (see [Section 10.1.3: A&E Consultant Audit and Review Process](#));
- Proposal format and required contents;
- Method, criteria, and weighting for selection;
- Requirements for any discussions that may be conducted with three or more of the most highly qualified consultants following submission and evaluation of proposals;
- Specify contract type;
- Special provisions or contracts requirements;
- A DBE contract goal is specified in the solicitation (see [Exhibit 10-I: Notice to Proposers DBE Information](#)), if a federal-aid contract;
- CMSR requirements (see [Exhibit 10-U: Consultant in Management Support Role Conflict of Interest and Confidentiality Statement](#));
- Protest procedures and dispute resolution process per 2 CFR 200.318(k) and 23 CFR 172.5(c)(18).

The RFP specifies the content of a proposal, the number of copies required, due date, mailing address, and a physical address where the submittals may be hand-delivered if different from the mailing address. A minimum of fourteen (14) calendar days is required between the time the RFP is published and time that proposals must be submitted. More time may be required for complex contracts or projects.

Items typically required in a technical proposal include:

- Work plan (specify what is to be covered);
- Organizational chart;
- Schedule and deadlines;

- Staffing plan;
- Proposed Team—complete for prime consultant and all key subconsultants;
- Key personnel names and classifications—key team members identified in the original proposal/cost proposal must not change (be different than) in the executed contract;
- Staff resumes;
- Names of consultant's project manager and the individual authorized to negotiate the contract on behalf of the consulting firm;
- Consultant DBE Commitment document, see Exhibit 10-O1: Consultant Proposal DBE Commitment;
- References.

Financial Management and Accounting System Requirements

The LPA must ensure that consultant contract solicitation and advertising documents (RFPs) clearly specify that contracts must not be awarded to a consultant without an adequate financial management and accounting system as required by 48 CFR 16.301-3, 2 CFR 200, and 48 CFR 31. The LPA must ensure the selected consultants have adequate financial management systems as required by the applicable federal regulations.

Advertise for Consultants

The solicitation process for consultant services must be by public advertisement, or by any other public forum or method that assures qualified in-State and out-of-State consultants are given a fair opportunity to be considered for award of contract. The minimum length of advertisement is 14 calendar days.

Advertisement of the RFP in a major newspaper of general circulation, technical publications of widespread circulation, professional associations and societies, recognized DBE organizations, web hosting or clearing houses known for posting government contract solicitations such as BidSync, Planetbids, Public Purchase, or posting the RFP on the LPA's or other widely used websites are all acceptable methods of solicitation.

To document website postings, the LPA should retain copies of screen shots displaying the posted begin/end dates.

The LPA must keep a record of all consultants that have downloaded RFP online as well as those receiving an RFP through other means, to ensure that any inquiry responses, addendums, or amendments to the RFP are given to all consultants that received the RFP.

Conduct Proposer's Conference or Answer Written Questions

The LPA may allow for clarification of the RFP by inviting submittal of written questions or by conducting a proposer's conference, or by doing both. The LPA must publish or mail their responses to any written questions to all consultants receiving the RFP. No response should be given to verbal questions. It is important that all competing consultants receive the same information. If a proposer's conference is to be held, the exact time and place must be specified in the RFP. Attendance at a proposer's conference normally is not mandatory. However, consultants not attending the conference do not receive notes from the meeting unless they request the notes.

Receive and Evaluate Technical Proposals

The Contract Administrator must verify that each proposal contains all of the forms and other information required by the RFP. If all required information is not provided, a proposal may be considered nonresponsive and rejected without evaluation. Late submittals, submittals to the wrong location, or submittals with inadequate copies are considered nonresponsive and must be rejected. Submittal of additional information after the due date must not be allowed.

Documentation of when each proposal was received must be maintained in the project files. Copies of date stamped envelope covers or box tops are recommended. The members of the consultant selection committee must evaluate each proposal according to the technical criteria listed in the RFP. Minimum of three proposals must be received and evaluated. If only two proposals are received, a justification must be documented to proceed with the procurement. The justification should state that the solicitation did not contain conditions or requirements that arbitrarily limited competition per 23 CFR 172.7(a)(1)(iv)(D) and competition is determined to be inadequate and it is not feasible or practical to re-compete under a new solicitation per 23 CFR 172(a)(3)(iii)(C). If only one proposal is received, a Non-Competitive process must be justified and an Exhibit 12-F: Cost-Effectiveness / Public Interest Finding / A&E Noncompetitive must be documented and signed by the DLAE. In either case, the re-advertisement of the RFP should be considered as an option.

The committee must also evaluate reference checks and other information gathered independently. Reference checks must be completed, and other information gathered before the interviews are conducted. If necessary, the results of the reference checks or other information may be discussed with the highest ranked qualified consultants at the interviews.

Develop Final Ranking and Notify Consultants of Results

The selection committee evaluates each proposal, interviews the three or more highest ranked consultants (short listed) if noted in solicitation, and develops a final ranking of the highest ranked consultants. All consultants that submitted proposals must be informed about the final ranking of consultants. It is important that all competing consultants receive the same information.

Most consultants will request information as to why they were not the highest ranked. The LPA may have an established procedure adopted for conducting debriefings but may also consider the following: The selection committee should keep notes as to why a particular consultant was not selected. When a consultant requests debriefing, the reasons for not being selected must be objective reasons. The consultant should not be compared to others and should not be provided with information about other consultants during this debriefing. Normally, the Contract Administrator does the debriefing; however, any member of the selection committee may be designated to do the debriefing.

Negotiate Contract with Top-Ranked Consultant

Cost proposal (for both prime consultant and all subconsultants), and contract audit and review documents such as the Certification of Indirect Costs and Financial Management System and Financial Document Review Request forms, whichever is applicable (see Section 10.1.3: A&E Consultant Audit and Review Process) should be submitted in a separate sealed envelope. Typically, the cost proposals are submitted by the short-listed consultants only, at time of interview. However, if time is of the essence and it can be justified, or if no interviews are planned, the cost proposal can be requested from all consultants with their technical proposal.

The cost proposal for the most qualified consultant will be opened and used to begin negotiations. If agreement cannot be reached, then negotiations proceed to the next most qualified consultant. Each consultant's cost proposal must remain sealed until negotiations commence with that particular consultant. The goal of negotiations is to agree on a final contract that delivers the services, or products required at a fair and reasonable cost to the LPA. At the completion of successful cost negotiations, all remaining sealed envelopes containing cost proposals must be returned to consultants.

Cost proposals in electronic form must be submitted separately from the RFP and contained in a secure database that is inaccessible to the members involved in the A&E consultant contract procurement process. Only the cost proposal of the most qualified consultant will be requested to be sent to the members. Cost proposals of unsuccessful consultants are confidential and must not be opened by the LPA or any private entity that the LPA uses to store the cost proposals. Any concealed cost proposals of the unsuccessful consultants must be returned unopened or properly disposed of in accordance with the LPA's written policies and procedures.

The independent cost estimate, developed by the LPA in advance of requesting a cost proposal from the top-ranked consultant, is an important basis and tool for negotiations or terminating unsuccessful negotiations with the most qualified consultant. Items necessary for the independent cost estimate include, hours/detailed work, direct labor costs, indirect labor costs, other direct costs, and profit/fee. Agencies must retain documentation of how the cost estimate was developed. It can be revised, if needed, for use in negotiations with the next most qualified consultant. A contract audit and review may be required (see Section 10.1.3: A&E Consultant Audit and Review Process in this chapter). LPA Contract Administrator ensures that all required documentations are provided to Caltrans IOAI within 10 days of written request, including all documents for a Financial Review, if applicable. Caltrans IOAI will not proceed with a Financial Document Review until all required documentation is completed correctly and submitted. Negotiations should be finalized after addressing all deficiencies noted in the Caltrans IOAI Financial Review Letter if applicable. An indirect cost audit may be performed within the record retention period of the contract.

Items typically negotiated include:

- Work plan;
- Schedule and deadlines (for deliverables and final duration of contract);
- Products to be delivered;
- Classification, wage rates, and experience level of personnel to be assigned;
- Cost items, payments, and fees. Fee is required to be negotiated as a separate element;
- Hours, level of effort by task and/or classification.

The consultant's ICR is not a negotiable item. A lower rate cannot be negotiated by the LPA. The LPA and the consultant will agree on the final cost proposal and incorporate into final contract. Retain all documentation related to negotiations.

Before executing the consultant contract, the LPA must review contract to ensure that all federal and state requirements have been met and adjustment or denial of ICR as identified in the Financial Review Letter has been included in the final cost proposal, if applicable.

Prior to contract award, or after contract award but no later than the first invoice, the LPA must submit a completed A&E Consultant Contract form for all new federal funded A&E consultant contracts using the A&E Consultant Contract database at: <https://dla.dot.ca.gov/fmi/webd/AE%20Consultant%20Contract%20Form> (Firefox or Chrome browser). Submission of the A&E Consultant Contract form is not required for non-A&E consultant contracts.

If there are any changes requiring an amendment to the contract after submittal of the A&E Consultant Contract form, refer to Section 10.1.8: Contract Amendments of this chapter.

10.1.6 Consultant Selection Using the One-Step RFQ Method

The RFQ method is used when the services being procured are specialized, or the scope of work is defined broadly and may include multiple projects.

Appoint Consultant Selection Committee

A consultant selection committee with a minimum of three members is appointed at the beginning of the consultant selection process. The committee reviews and scores the materials submitted by consultants in response to the RFQ, develops a short list of qualified consultants, interviews those consultants, and develops a final ranking of the most qualified consultants. Representation on the committee includes the Contract Administrator and subject matter experts from the project's functional area. The members should be familiar with the scope of work to be contracted out and with the LPA standards that will be used in the contract.

Participation by a Caltrans district representative is at the option of the LPA and subject to the availability of the DLAE staff. Caltrans participation on the interview panel does not relieve the LPA of its responsibility to ensure that proper procurement procedures are followed, and all requirements are met.

LPA Contract Administrator ensures that all committee members meet the conflict of interest requirements (23 CFR 172.7(b)(4)) by completing and signing a conflict of interest statement prior to selection process initiation. A sample conflict of interest form is provided in Exhibit 10-T: Conflict of Interest & Confidentiality Statement.

Develop Technical Criteria for Evaluation of Qualifications

The Contract Administrator is responsible for developing the technical criteria, and their relative importance which are used to evaluate and rank the consultant qualifications. In-State or local preference must not be used as factor in the evaluation, ranking, and selection phase. Local presence and DBE participation are the only two non-qualifications-based evaluation criteria that are permitted, however, the combined total of these criteria cannot exceed a nominal value of 10 percent of the total evaluation criteria (23 CFR 172.7(a)(1)(iii)(D)). All price or cost related items which include, but are not limited to, cost proposals, direct salaries/wage rates, indirect cost rates, and other direct costs are prohibited from being used as evaluation criteria.

The criteria and relative weights must be included in the RFQ, and the same criteria and relative weights must be used in the evaluation sheets. Failure to include criteria and relative weights and to use the same criteria and weights during the evaluation will result in the contract costs being ineligible for federal or state reimbursement. Exhibit 10-B: Suggested Consultant Evaluation Sheet is a recommended evaluation sheet with criteria and rating points for A&E consultants, where cost is not used as a rating factor. This format is not mandatory, but it is recommended in the interest of developing consistency among the hundreds of agencies and

consultants operating in the State. The LPA should consult with the DLAE before making major changes to the suggested approach.

Develop Schedule for Consultant Selection

Before a contract is advertised, the Contract Administrator completes a contract procurement schedule including key dates for consultant selection activities. The Contract Administrator should confirm target dates with all selection committee members before completing the schedule.

Prepare RFQ

As a minimum, the RFQ generally includes the following:

- General description of the services or project(s);
- Scope of work;
- Schedule of work (including contract begin and end dates);
- Method of payment, and cost proposal requirements. The cost proposal is submitted in a separate sealed envelope. See sample cost proposals at the DLA Consultant Selection and Procurement [website](#);
- Contract audit and review process requirements (see [Section 10.1.3: A&E Consultant Audit and Review Process](#));
- Statement of Qualification (SOQ) format and required content to be submitted;
- Method and criteria and weights for selection;
- A DBE contract goal is specified in the solicitation (see [Exhibit 10-I: Notice to Proposers DBE Information](#)), if a federal-aid contract;
- Consultants acting in a management support role requirements [Exhibit 10-U: Consultant in Management Support Role Conflict of Interest and Confidentiality Statement](#); Protest procedures and dispute resolution process per 2 CFR 200.318(k) and 23 CFR 172.5(c)(18).

The RFQ specifies the content of the SOQ, the number of copies required, due date, mailing address, and a physical address where the submittals may be hand-delivered if different from the mailing address. Two to four weeks is usually allowed between the time the RFQ is published and time that SOQs must be submitted. More time may be required for complex contracts or scope of work.

Items typically required in a statement of qualification include:

- Qualifications of key personnel (including consultant project manager) proposed for the contract. Key team members identified in the original proposal/cost proposal must not change (be different than) in the executed contract;
- Staff resumes;
- Related projects that key personnel have worked on;
- Qualifications/experience of the firm;
- Organizational chart;

- Forecast or Schedule of work;
- Consultant DBE Commitment document, see Exhibit 10-O1: Consultant Proposal DBE Commitment;
- References.

Financial Management and Accounting System Requirements

The LPA must ensure that Consultant contract solicitation and advertising documents (RFQs) clearly specify that contracts must not be awarded to a consultant without an adequate financial management and accounting system as required by 48 CFR 16.301-3, 2 CFR 200, and 48 CFR 31. The LPA must ensure the selected consultants have adequate financial management systems as required by the applicable federal regulations.

Advertise for Consultants

The solicitation process for consultant services must be by public advertisement or any other public forum or method that assures qualified in-state and out-of-state consultants are given a fair opportunity to be considered for award of contract. The RFQ must contain sufficient project work information, so that interested consultants can submit an appropriate SOQ.

Advertisements for RFQ may take one of two approaches. The most common is an advertisement or publication of the RFQ in a major newspaper of general circulation, technical publication of widespread circulation, professional associations and societies, recognized DBE organizations, web hosting or clearing houses known for posting contract solicitations such as Bid Sync, PlanetBids, or posting the RFQ on other widely used websites. To document website postings, the LPA should retain copies of screen shots displaying the posted begin/end dates.

In the second approach, the LPA advertises the availability of the RFQ in a major newspaper of general circulation, technical publications of widespread circulation, professional associations and societies, recognized DBE organizations, or through a web hosting or clearing houses known for posting contract solicitations such as BidSync or PlanetBids, and requests that interested consultants send a letter of interest to the LPA for the RFQ. The RFQs must then be sent to those firms who indicated interest in the RFQ. In some cases, it may be desirable to advertise nationwide for a particular project or service. This approach provides a registry for firms who received the RFQ and therefore facilitates the broadcast of any revisions or addenda to the RFQ, if necessary.

Issue/Publish RFQ

The LPA must publish the RFQ online and also issue the RFQ to all consultants responding to newspaper advertisement. The LPA must keep a record of all consultants that have downloaded the RFQ online as well as those receiving an RFQ through other means, to ensure that any inquiry responses, addendums, or amendments to the RFQ are given to all consultants that received the RFQ.

Receive/Evaluate Statements of Qualifications and Develop Short List

The first step in the evaluation process is to determine that each SOQ contains all forms and other information required by the RFQ. Otherwise, the submittals may be considered nonresponsive and rejected without evaluation. Late submittals, submittals to the wrong location, and submittals with inadequate copies are considered nonresponsive and must be rejected. Submittal of additional information after the due date must not be allowed.

Documentation of when each proposal was received must be maintained in the project files. Copies of date stamped envelope covers or box tops are recommended.

Minimum of three proposals must be received and evaluated. If only two proposals are received, a justification must be documented to proceed with the procurement. If only one proposal is received, a Non-Competitive process must be justified, and an Exhibit 12-F: Cost Effectiveness / Public Interest Finding / A&E Noncompetitive must be documented and signed by the DLAE. In either case, the re-advertisement of the RFP should be considered as an option.

The consultant selection committee reviews the submitted SOQ according to the published evaluation criteria and weighting factors. The committee makes an independent random check of one or more of the consultant's references. This check applies to major subconsultants also. The committee establishes a short list of consultants who are considered to be best qualified to perform the contract work. The short list includes enough qualified consultants to ensure that at least three consultants are interviewed.

Notify Consultants of Short List

All consultants that submitted an SOQ must be notified of the results of the review. The notification also identifies those consultants (short list) that will be requested to attend interviews if interviews were an option in the solicitation. Most consultants will request information as to why they were not placed on the short list. Therefore, the selection committee should keep notes why a particular consultant was not selected for the short list. When a consultant requests a debriefing, the reasons given for not being selected must be objective reasons. Consultants should not be compared with each other during the debriefing. Normally, the Contract Administrator does the debriefing; however, any member of the selection committee may be designated to do the debriefing.

Interview Top-Ranked Consultants

Each consultant to be interviewed is given a copy of the draft of the proposed contract, defining the detailed scope of work, and/or description of required services, and other information. This should be sent with the initial notification of the interview.

Between the time of the notification of the short list and interviews, the LPA may answer any questions concerning the scope of work to be contracted out, if not done earlier during the solicitation. In addition, the LPA may conduct additional reference checks for each consultant to be interviewed. Consultants should submit their questions about the RFQ and receive their answers from the LPA in writing. It is required that all consultants on the short list receive the questions and answers and are given the same information.

The committee should evaluate reference checks and other information that is gathered independently. Reference checks must be completed, and other information gathered before the interviews are conducted. If necessary, the results of the reference checks and other information may be discussed with the consultant at the interview.

Interviews are to be structured and conducted in a formal manner. Each consultant must be allowed the opportunity to make a presentation if desired; however, a time limit should be specified. Interview questions are prepared in advance.

Two types of questions may be asked:

- Questions that are to be asked of all competing consultants, and

- Questions relating to each specific consultant, based upon the reference checks, and the strengths and weaknesses identified during evaluation of the SOQ

The agency can request competing consultants to bring additional information or examples of their work to the interviews; if the additional information facilitates the interview or evaluation process. Additional information requested should be kept at a minimum, that is, only information required to select the most qualified consultant for the contract. The selection committee or LPA must not gather additional information concerning the consultants after the interviews are completed.

Develop Final Ranking and Notify Consultants of Results

All consultants interviewed must be informed about the final ranking of consultants. It is important that all competing consultants receive the same information.

Most consultants will request information as to why they were not selected as the most qualified. Therefore, the selection committee should keep notes as to why a particular consultant was not selected. When a consultant requests debriefing, the reasons for not being selected must be objective. Consultants should not be compared with each other or provided with information about other consultants during the debriefing.

Normally, the Contract Administrator does the debriefing; however, any member of the selection committee may be designated to do the debriefing. The next two sections provide guidance when the RFQ is solicited for specialized services and additional information is required prior to cost negotiations with consultant. For on-call contracts, skip the next two sections and begin Negotiation phase.

Conduct Scoping Meeting

The Contract Administrator should meet with the first-ranked consultant's project manager to review the project, and to ensure that the consultant has a complete understanding of the work that is required. The consultant is shown as much material as is available regarding the project. Any technical questions regarding the project are answered for the consultant.

Request Cost Proposal

The first-ranked consultant is asked to provide a cost proposal to perform the work described in the draft contract and discussed at the scoping meeting. The work is to be performed according to the conditions described in the draft contract using the payment method described therein. Alternatively, if time is of the essence and it can be justified, sealed cost proposals may be requested from all of the consultants on the short list.

If the contract involves more than one project, the consultant must provide a separate cost proposal for each project in addition to a summary cost proposal for the total contract. If the contract involves milestones, the consultant must furnish a separate cost proposal for each milestone with a summary cost proposal for the total costs. If the contract involves subconsultants, the prime consultant must include a separate cost proposal for each subconsultant. Each subconsultant's cost proposal must follow the same format as the prime consultant's cost proposal.

Negotiate Contract with Top-Ranked Consultant

Cost proposals (for both prime consultant and all subconsultants), and contract audit and review documents such as Certification of Indirect Costs and Financial Management System and Financial Document Review Request forms, whichever applicable (see Section 10.1.3: A&E Consultant Audit and Review Process), will be submitted in a separate sealed envelope. Typically, the cost proposals are submitted by the short-listed consultants only, at time of interview. However, if time is of the essence and it can be justified, or if no interviews are planned, the cost proposal can be requested from all consultants with their statements of qualification.

After the top-ranked consultant submits a sealed cost proposal, the LPA reviews the cost proposal and compares it with the LPA's confidential detailed independent cost estimate and enters into negotiations. The goal of negotiation is to agree on a final contract that delivers to the LPA the services or products required at a fair and reasonable cost.

Negotiations should commence with the most qualified consultant. If agreement on a fair and reasonable price cannot be reached, negotiations should then be formally terminated. Negotiations then proceed to the next most qualified consultant, and so on. Each consultant's cost proposal must remain sealed until negotiations commence with that particular consultant.

At the completion of successful cost negotiations, all remaining sealed envelopes containing cost proposals must be returned to consultants.

Cost proposals in electronic form must be submitted separately from the RFQ and contained in a secure database that is inaccessible to the members involved in the A&E consultant contract procurement process. Only the cost proposal of the most qualified consultant will be requested to be sent to the members. Cost proposals of unsuccessful consultants are confidential and must not be opened by the LPA or any private entity that the LPA uses to store the cost proposals. Any concealed cost proposals of the unsuccessful consultants must be returned unopened or properly disposed of by permanently deleting the cost proposals in accordance with LPA's written policies and procedures.

The independent cost estimate, developed by the LPA in advance of requesting a cost proposal from the top-ranked consultant, is an important basis and tool for negotiations or terminating unsuccessful negotiations with the most qualified consultant. Items necessary for the independent cost estimate include, hours/detailed work, direct labor costs, indirect labor costs, other direct costs, and profit/fee. Agencies must retain documentation of how the cost estimate was developed. It can be revised, if needed, for use in negotiations with the next most qualified consultant.

A contract audit and review may be required (see Section 10.1.3: A&E Consultant Audit and Review Process earlier in this chapter). LPA Contract Administrator is responsible for the submittal of all required documentations to Caltrans IOAI in a timely fashion, including all documents for a Financial Review, if applicable. Caltrans IOAI will not proceed with a Financial Review until all required documentation is completed correctly and submitted. Negotiations may be completed after receipt of the Caltrans IOAI Financial Review Letter. An indirect cost audit may be performed within the record retention period of the contract.

The items typically negotiated include:

- Work plan;
- Staffing plan;

- Schedule (including contract begin and end dates);
- Products to be delivered;
- Classification, wage rates, and experience level of personnel to be assigned;
- Cost items, payments, and fee. Fee is required to be negotiated as a separate element.

The consultant's ICR is not a negotiable item. A lower rate cannot be negotiated by the LPA. For on-call contracts, typically a price agreement is reached based on specific rate of compensation for the term of the contract. The subsequent task orders (or mini agreements for individual project work) is negotiated based on cost plus fee, or lump sum, which is derived from the wage rates agreed upon earlier for the on-call contract.

Before executing the consultant contract, the LPA must review the contract to ensure that all federal and state requirements have been met, and receive Caltrans IOAI's Financial Review acceptance letter, if applicable.

Prior to contract award, or after contract award but no later than the first invoice, the LPA must submit a completed A&E Consultant Contract form for all new federal-funded A&E consultant contracts using the A&E Consultant Contract database at <https://dla.dot.ca.gov/fmi/webd/AE%20Consultant%20Contract%20Form> (Firefox or Chrome browser).

If there are any changes to the contract after submittal of the A&E Consultant Contract form, refer to [Section 10.1.8: Contract Amendments](#) of this chapter.

10.1.7 Consultant Selection Using the Two-Step RFQ/RFP Method

Combined RFQ and RFP

Selecting consultants using the Two-Step RFQ/RFP method requires combining certain steps from each of the other two methods previously described. The consultants are rated based upon both their qualifications and their technical proposals. This procurement procedure involves a two-step process with issuance of a request for qualifications (RFQ) whereby responding consultants are evaluated and ranked based on qualifications and a request for proposal (RFP) is then provided to three or more of the most highly qualified consultants. The two-step method leads to an executed project specific contract.

A different process may also be used that includes assessing minimum qualifications of consultants to perform services under general work categories or areas of expertise through a pre-qualification process whereby annual statements of qualifications and performance data are encouraged. These consultants are not ranked, and an RFP must be submitted to the entire list for evaluation and consideration. Regardless of any process utilized for pre-qualification of consultants or for an initial assessment of a consultant's qualifications under a RFQ, a RFP specific to the project, task, or service is required for evaluation of a consultant's specific technical approach and qualifications.

The initial steps in the Two-Step RFQ/RFP method (up to the development and notification of the short list) are similar to the steps followed when using the One-Step RFQ method. At this point, the consultants from the short list are issued an additional RFP. The remaining steps are the same as the later steps followed in the One-Step RFP method. Because it is a combination of the One-Step RFQ and One-Step RFP methods, this method of consultant selection requires

more work and time than the other two methods. Consequently, the Two-Step RFQ/RFP method is recommended for use only when the scope of work is not clearly known, very complex, or unusual.

The Two-Step RFQ/RFP is also well-suited for procuring multiple on-call contracts through a single solicitation (see Section 10.1.2 Determine Type of Contract). The outcome of the first step RFQ will be multiple contracts, or on-call list of consultants. For multiple on-call contracts, project work will be procured through subsequent competition or mini-RFPs amongst the on-call consultants.

LPAs may also use the Two-Step RFQ/RFP method to:

1. Develop and maintain a pre-qualified file/list of consultant firms by specific work categories or areas of expertise. This list includes all consultants that meet the minimum published pass/fail requirements. The pre-qualified list can be updated annually or at least every two years and must be maintained by the agency. This list has not gone through the evaluation process.
2. Create a short list of evaluated and ranked consultants that leads to executed contracts

Because it is a combination of the One-Step RFQ and One-Step RFP methods, the Two-Step RFQ/RFP method of consultant selection requires more work and time than the other two methods. Consequently, the combined RFQ/RFP method is recommended for use when the scope of work is very complex or unusual.

Categorize Work

Descriptions of the categories of work, deliverables, and the minimum qualification standards for each category must be clearly identified.

The LPA may prequalify consulting firms in the following (or more) categories:

- Roadway Design
- Bridge Design
- Bridge Inspection
- Traffic Engineering
- Environmental Services
- Roadway Construction Inspection and Administration
- Landscape Architecture
- Land Surveying
- Intelligent Transportation System (ITS)
- Federal-aid Highway Project Development Support Services

Establish Minimum Qualifications

In an effort to ensure quality performance and results, a consultant should be required to meet certain minimum qualifications to be eligible for consideration in the pre-qualification process.

General criteria guidelines should be established for consultant selection for a pre-qualified list. The criteria may be established by an individual or a panel of subject matter experts for the specific task of developing the criteria. Some agencies also establish appropriate weights for

each criterion. It may be necessary to modify the criteria to fit specific cases. When a RFQ is published, it should state the criteria that will be used in the selection process.

Criteria for evaluating statements of qualifications, may include but are not limited to:

- Special expertise and experience of the firm's key employees
- Proposed staffing (include number of licensed and specialized staff) for the project and previous experience of those identified
- Experience of the firm and their personnel on previous projects similar to the one under consideration
- Consultant DBE Commitment document (see Exhibit 10-O1: Consultant Proposal DBE Commitment)
- Professional references by the firm with the LPA
- Understanding of the project by the firm as demonstrated by their approach to organizing and management of the work
- Current workload of the firm and their ability to meet the proposed project schedule
- Quality of previous performance by the firm with the LPA
- Use of subconsultants to accomplish work on the project
- Equipment the firm has available and proposes to use as compatibility with Computer-Aided Drafting and Design (CADD) and other equipment proposed to be used in accomplishing the work
- Familiarity with federal, state, and local codes, requirements, standards, and procedure
- Examples of minimum qualifications for work categories above are provided here based on Caltrans best practices

Issue RFQ

The need for services of a consulting firm may be advertised in appropriate national, state, and local publications and web sites. Notices can also be sent to firms known to be qualified to do specific work, to professional societies, and to recognized Disadvantaged Business Enterprises (DBE) organizations. The advertisements and notices seek statements of interest and qualifications from consultants who are interested in the project. The DBE goal is established at the master on-call contract and included in the solicitation document.

The SOQ should list consulting firm details, names of principals, office locations, personnel by discipline, project experience and examples, current workload, types of service the firms are qualified to perform, and previous performance. Also, resumes of key persons, specialists, and other associates that may be assigned to the project or projects should be included. This information should be the basis for evaluating and placing a consulting firm on a general pre-qualification list.

Federal regulations require that any procedures related to prequalifying consultants cannot restrict competition.

Pre-qualification of consultants may be allowed as a condition for submitting a technical proposal for a contract only if the period between the date of the issuance of the RFP and the deadline for submitting a technical proposal affords sufficient time to enable a consultant to obtain pre-qualification status.

Another practice is to qualify consultants on a project-by-project basis. This is accomplished for some agencies by advertising or publishing notices in national, state, and local publications for needed services for specific, individual projects. These notices include a precise project location, a defined preliminary scope of services to be performed, a specific schedule within which the work is to be completed, and a list of products and deliverables to be provided by the consultant. Specific project advertisements usually are published when the proposed project is large and complex, in-house resources are not available, special expertise is required, or the objectivity of an outside authority is desired.

Appropriate federal-aid requirements should be complied with on federal-aid projects.

Set-Up Evaluation Process

The first step in the evaluation process is to determine that each SOQ contains all forms, qualifications, and other information required by the RFQ. Otherwise, the submittals may be considered nonresponsive and rejected without evaluation. Documentation of when each SOQ was received must be maintained in the project files. Copies of date stamped envelope covers or box tops are recommended.

If all required information is not provided, a SOQ may be considered nonresponsive and rejected without evaluation. Late submittals, submittals to the wrong location, or submittals with inadequate copies are considered nonresponsive and must be rejected. Submittal of additional information after the due date must not be allowed.

The LPA must establish a process by which SOQs are evaluated and consultants who are deemed meeting the minimum qualifications are accepted and placed on a pre-qualified list. Whether the LPA has a "committee" of experts evaluating the SOQs or individuals responsible for the evaluation, the process must be well-defined, open, and transparent. The pre-qualification process must also allow for consultants to be re-evaluated in cases of denials. The LPA must specify how long the pre-qualified list lasts, not to exceed two years. Federal regulation recommends refreshing the SOQs on an annual basis.

LPA Contract Administrator ensures that all committee members meet the conflict of interest requirements (23 CFR 172.7(b)(4)) by completing and signing a conflict of interest statement prior to selection process initiation. A sample conflict of interest form is provided in Exhibit 10-T: Conflict of Interest and Confidentiality Statement.

Evaluate Qualifications and Add Firm to List

All SOQs received should first be reviewed for completeness. Each response must contain all required forms and any other information requested in the advertisement. The response may be considered incomplete and rejected without further evaluation if all required information is not provided or if the submittal is late.

The qualifications of all responding firms are then reviewed according to established evaluation criteria or factors. The agency then establishes a short list of at least three consultants that are determined to be the most highly qualified to perform the required work. Firms not selected should be notified in writing.

Maintain List

Pre-qualification of a consultant expires in two years. Pre-qualified consultants must renew their pre-qualification status every two years. Firms can apply to be on the list at any time. After a period of two years, firms should re-apply (repeat the process of submitting SOQs) to be on the list. In addition to the required two-year renewal process, the consultant should also be required

to update the firm's organizational structure within one year when there is a corporate/affiliate change, ownership control, type of work expertise, capacity, or any other major change.

If the consultant does not meet the minimum requirements and their SOQ is rejected, the committee must respond to the consultant explaining the reason for their rejection. The consultant is allowed to reapply to be on the list again provided the reasons for rejection are corrected.

The list of qualified firms can be maintained online through the agency's website. Firms can also apply to be on the list through the agency website for ease of operation.

Issue RFP to Pre-qualified Consultants on List

An RFP is sent to the short-listed firms. The RFP should indicate the content of the technical proposal, technical review procedures, anticipated schedule of activities, scope of work, project description, where the technical proposals are to be delivered, the number of copies required, and the due date.

Some agencies receive the technical proposal orally as part of an interview conducted for this purpose. In these cases, written documentation may not be required.

Items typically required in a technical proposal include:

- Work plan
- Organization plan
- Schedule for meeting time frame
- Available computer equipment and programs
- Staffing plan and resumes including subconsultants
- Pre-award audit/financial package information (if deemed appropriate)
- Examples of similar work previously completed
- Subconsultants, DBE, their proposed participation, and other related information

Conduct Proposer's Conference or Answer Written Questions

The LPA may allow for clarification of the RFP by inviting submittal of written questions or by conducting a proposer's conference, or by doing both. The LPA must publish or mail their responses to any written questions to all consultants receiving the RFP. No response should be given to verbal questions. It is important that all competing consultants receive the same information. If a proposer's conference is to be held, the exact time and place must be specified in the RFP. Attendance at a proposer's conference normally is not mandatory. However, consultants not attending the conference do not receive notes from the meeting unless they request the notes.

Receive and Evaluate Technical Proposals

The Contract Administrator must verify that each technical proposal contains all forms and other information required by the RFP. If all required information is not provided, a technical proposal may be considered nonresponsive and rejected without evaluation. Late submittals, submittals to the wrong location, or submittals with inadequate copies are considered nonresponsive and must be rejected. Submittal of additional information after the due date must not be allowed.

Documentation of when each technical proposal was received must be maintained in the project files. Copies of date stamped envelope covers or box tops are recommended.

A consultant selection committee with a minimum of three members is appointed at the beginning of the consultant selection process. The members of the consultant selection committee must evaluate each technical proposal according to the technical criteria listed in the RFP. A minimum of three technical proposals must be received and evaluated.

If only two technical proposals are received, a justification must be documented to proceed with the procurement. If only one technical proposal is received, a Non-Competitive process must be justified, and an Exhibit 12-F: Cost-Effectiveness / Public Interest Finding / A&E Noncompetitive must be documented. In either case, the re-advertisement of the RFP should be considered as an option.

The committee must also evaluate reference checks and other information gathered independently. Reference checks must be completed, and other information gathered before the interviews are conducted. If necessary, the results of the reference checks or other information may be discussed with the highest ranked qualified consultants at the interviews.

Develop Final Ranking and Notify Consultants of Results

The selection committee discusses and documents the strengths and weaknesses of each technical proposal, interviews the three or more highest ranked consultants (short listed), and develops a final ranking of the highest ranked consultants. All consultants that submitted technical proposals must be informed about the final ranking of consultants. It is important that all competing consultants receive the same information.

Most consultants will request information as to why they were not the highest ranked. Therefore, the selection committee should keep notes as to why a particular consultant was not selected. When a consultant requests debriefing, the reasons for not being selected must be objective reasons. The consultant should not be compared to others and should not be provided with information about other consultants during this debriefing. Normally, the Contract Administrator does the debriefing; however, any member of the selection committee may be designated to do the debriefing.

Request Cost Proposal and Negotiate Contract with Top-Ranked Consultant

The first-ranked consultant is asked to provide a cost proposal to perform the work described in the draft contract and discussed at the scoping meeting. The work is to be performed according to the conditions described in the draft contract using the payment method described therein. Alternatively, if time is of the essence and it can be justified, sealed cost proposals may be requested from all the consultants on the short list.

If the contract involves more than one project, the consultant must provide a separate cost proposal for each project in addition to a summary cost proposal for the total contract. If the contract involves milestones, the consultant must furnish a separate cost proposal for each milestone with a summary cost proposal for the total costs. If the contract involves subconsultants, the prime consultant must include a separate cost proposal for each subconsultant. Each subconsultant's cost proposal must follow the same format as the prime consultant's cost proposal.

Cost proposals (for both prime consultant and all subconsultants) and contract audit and review documents, such as Certification of Indirect Costs and Financial Management System and

Financial Document Review Request forms, whichever applicable (see Section 10.1.3: A&E Consultant Audit and Review Process), will be submitted in a separate sealed envelope.

After the top-ranked consultant submits a sealed cost proposal, the LPA reviews the cost proposal and enters into negotiations. The goal of negotiation is to agree on a final contract that delivers to the LPA the services or products required at a fair and reasonable cost.

Negotiations should commence with the most qualified consultant. If agreement on a fair and reasonable price cannot be reached, negotiations should then be formally terminated. Negotiations then proceed to the next most qualified consultant, and so on. Each consultant's cost proposal must remain sealed until negotiations commence with that particular consultant. At the completion of successful cost negotiations, all remaining sealed envelopes containing cost proposals must be returned to consultants.

The independent cost estimate, developed by the LPA in advance of requesting a cost proposal from the top-ranked consultant, is an important basis and tool for negotiations or terminating unsuccessful negotiations with the most qualified consultant. Items necessary for the independent cost estimate include, hours/detailed work, direct labor costs, indirect labor costs, other direct costs, and profit/fee. Agencies must retain documentation of how the cost estimate was developed. It can be revised, if needed, for use in negotiations with the next most qualified consultant.

A contract audit and review may be required (see Section 10.1.3: A&E Consultant Audit and Review Process). The LPA Contract Administrator is responsible for the submittal of all required documentations to Caltrans IOAI in a timely fashion, including all documents for a Conformance Review, if applicable. Negotiations may be completed after receipt of the Caltrans IOAI Conformance Letter. An indirect cost audit may be performed within the record retention period of the contract.

Items typically negotiated include:

- Work plan
- Schedule and deadlines (for deliverables and final duration of contract)
- Products to be delivered
- Classification, wage rates, and experience level of personnel to be assigned
- Other Direct Cost items, and profit or fee

The consultant's ICR is not a negotiable item. A lower rate cannot be negotiated by the LPA.

The LPA and the consultant will agree on the final cost proposal and incorporate into final contract.

Before executing the consultant contract, the LPA must review the contract to ensure that all federal and state requirements have been met.

10.1.8 Completing the Project

Develop the Final Contract

The Contract Administrator requests a revised cost proposal from the consultant after: (1) negotiations have been completed, (2) the LPA and consultant have agreed to a fair and reasonable price, and (3) a letter, if applicable, is released by Caltrans IOAI that accepts, denies, or makes an adjustment to the proposed ICR. The Contract Administrator should review

the revised cost proposal to ensure that all the items and changes discussed during negotiation were included. This revised cost proposal then becomes the final cost proposal and is attached to and made a part of the consultant contract. Sample contract language and format have been included as Exhibit 10-R: A&E Boilerplate Agreement Language.

The Contract Administrator has responsibility to ensure that the final negotiated contract is complete and has verified that all required backup documents have been provided. Copies of the contract are sent to the consultant for signature first.

Review and Approval of Contracts

Proposed contracts for consultant services (including subcontracted work) must be reviewed by the LPA to verify that:

- Compensation is fair and reasonable and includes prevailing wage rates, if applicable;
- Work activities and schedules are consistent with the nature and scope of the project;
- DBE goal Exhibit 10-O2: Consultant Contract DBE Commitment is included for all contracts regardless of goal;
- Certification of Indirect Costs and Financial Management System (for prime consultants and subconsultants) and Financial Document Review Request forms and all supporting documents, if applicable (contracts at or above \$1 Million), have been submitted to Caltrans IOAI;
- If applicable, adjustment or denial of the ICR identified in the Financial Review Letter have been included in the final cost proposal;
- A&E Consultant Contract database must be used to ensure that required documentation has been provided;
- A cost proposal must include the costs of materials, direct salaries, payroll additions, other direct costs, indirect costs, fees, and backup calculations.

Before approving a contract for consulting services, the Contract Administrator must be satisfied that the consultant's organization:

- Is qualified to perform the services required;
- Is in a position, considering other work commitments, to provide competent and experienced personnel to perform the services in the time allowed;
- Is fully aware of all applicable federal and state laws including implementing regulations, design standards, specifications, previous commitments that must be incorporated into the design of the project, and administrative controls including those of Caltrans and FHWA.
- Has an adequate financial management system as required by the applicable federal regulations.
- Is not disbarred or suspended from state or federally-funded contracts. Per 23 CFR 172.7(b)(3) "A contracting agency shall verify suspension and debarment actions and eligibility status of consultants and subconsultants prior to entering into an agreement or contract in accordance with 2 CFR 1200 and 2 CFR 180."

The contract must provide for a defined level of acceptability and a statement to the effect that the consultant may be required to modify its work as necessary; to meet that level of acceptability as defined in the contract. The contract must provide for LPA reviews at appropriate stages during performance of the work, to determine if any changes or other actions are warranted.

The contract must provide that the consultant and subconsultants must maintain all books, documents, papers, accounting records, and other information pertaining to costs incurred. Such materials must be available for inspection and audit by federal, state, and LPA authorized representatives; and copies thereof must be furnished, if requested.

Following final settlement of the contract accounts with the State or FHWA, such records and documents may be archived at the option of the LPA and must be retained for a three-year period after processing of the final voucher by FHWA.

Execute Contract and Issue Notice to Proceed to Consultant

The Contract Administrator sends the consultant a fully executed copy of the contract with an original signature and issues a notice to proceed. Funds may not be used to reimburse the agency for any work or costs incurred before the Authorization to Proceed is issued, or for consultant costs incurred prior to the execution of the consultant contract. All executed on-call contracts must have a begin and end date. All executed project-specific or multiphase contracts must have a begin date and should have an end date prior to the Project End Date. Work performed after the Project End Date is not eligible for reimbursement; see LAPM Chapter 3: Project Authorization. LPA consultant selection and contract execution costs may be reimbursable.

For on-call contracts, a fully executed copy of the contract with original signatures will be sent to the consultant. Each subsequent task order (for individual project) will be accompanied with a copy of the signed task order and a Notice to Proceed, once it is negotiated and approved. Task order expiration dates must not exceed the Master On-call agreement end date.

Administer the Contract

Project work begins as specified in the contract after the notice to proceed is issued to the consultant. Thereafter, the LPA manages and administers the contract to ensure that a complete and acceptable product is received on time, within standards, and within budget and terms of the contract.

Contract administration activities help to ensure that contractual obligations are completed satisfactorily. Generally, these activities include:

- Monitoring project progress and compliance with contract requirements;
- Receiving, reviewing, and assessing reports, plans, and other required products/deliverables;
- Receiving and reviewing state prevailing wages (see Department of Industrial Relations websites below):
 - DIR FAQ website: http://www.dir.ca.gov/OPRL/FAQ_PrevailingWage.html
 - DIR Wage Determination website:
<http://www.dir.ca.gov/oprl/DPreWageDetermination.htm>

- Reviewing invoices to ensure costs claimed are in accordance to the method of payment and contract cost proposal, approving payments;
- If new consultant personnel are added or substituted, labor rates must be verified prior to approving invoices.
- Record keeping and reporting;
- Controlling costs;
- Identifying changes to the scope of work and preparation of amendments (must ensure that any changes to the scope is within the constraints of the original RFP/RFQ;
- Completing the consultant performance evaluations (see Exhibit 10-S: Consultant Performance Evaluation).

Substitution of Consultant Personnel and Subconsultants

After contract execution the consultant should not substitute key personnel (project manager and others listed by name in the cost proposal) or subconsultants without prior written approval from the LPA. Refer to LAPM Chapter 9: Civil Rights & Disadvantaged Business Enterprise and 49 CFR 26 for DBE substitution requirements. To do so can result in the costs being ineligible for federal or state reimbursement. The consultant must request and justify the need for the substitution and obtain approval from the LPA prior to use of a different subconsultant on the contract.

The proposed substituted person must be as qualified as the original, and at the same or lower cost. For engineering types of consultant contracts, the consultant's project manager must be a registered engineer in the State of California.

Invoicing (or Progress Payments)

The frequency and format of the invoices/progress payments are to be determined by the contract. Program Supplement Agreements (see LAPM Chapter 3: Project Authorization) need to have been prepared prior to any payments being requested. Payments to the consultant are to be in arrears. In other words, the consultant must have actually incurred and paid the costs before invoicing the LPA.

For federal reimbursement of consultant costs on a project, the LPA must submit the following to the DLAE, for each consultant or consulting firm used on the project (failure to do so will result in the consultant's invoices for reimbursement being returned to the agency unprocessed):

- Copy of Executed Consultant contract;
- Exhibit 10-O1: Consultant Proposal DBE Commitment
- Exhibit 10-O2: Consultant Contract DBE Commitment
- Copy of issued task order and Exhibit 10-O2 for the task order for on-call contracts.

DLAE must confirm that the LPA has submitted copies of the Certification of Indirect Costs and Financial Management System form (for prime consultant and subconsultants) to Caltrans IOAI and that LPA has submitted the A&E Consultant Contract form to Caltrans.

The LPA is to follow the procedures given in LAPM Chapter 5: Invoicing, to obtain reimbursement of federal or state funds.

Contract Amendments

Contract amendments are required to modify the terms of the original contract for changes such as extra time, added work, or increased costs. Only work within the original advertised scope of services must be added by amendment to the contract. The addition of work outside the original advertised scope will make that work ineligible for federal or state reimbursement (see FHWA's Q&A for A&E related services).

There is no prescribed format for contract amendments. They may take the form of letter-type agreements meeting the legal requirements of the LPA, clearly outlining the changes and containing a mutually agreed-upon method of compensation. Such agreements must conform to the requirements of this manual with regard to payment.

A consultant contract may be amended at any time prior to the expiration date of the original contract. The most common amendment is to extend the ending date of the contract. All contract amendments must be fully executed before the ending date of the contract by formal amendment. Failure to amend a contract prior to the ending date will make the subsequent costs ineligible for federal and state reimbursement. Task orders are not considered an amendment and therefore not appropriate to extend the terms of the contract.

All contract amendments must be negotiated following the same procedures as the negotiation of the original contract and must be in writing and fully executed by the consultant and LPA before reimbursable work begins on the amendment. For any additional engineering and design related services outside of the scope of work established in the original solicitation, a contracting agency must either procure the series under a new solicitation, perform the work itself using agency staff, or use a different, existing contract under which the services would be within the scope of work. Overruns in the costs of the work must not automatically warrant an increase in the fixed fee portion of a cost-plus-fixed fee reimbursed contract. Permitted changes to the scope of work or duration may warrant consideration for adjustment of the fixed fee portion of cost-plus-fixed fee or lump sum reimbursed contracts. If an emergency exists of such magnitude that a delay cannot be tolerated, the LPA and the consultant may agree on an amendment initiating the work, so that reimbursable work may begin. The initiating amendment is then followed by a final amendment once the full scope of the emergency work is known and agreed to by both parties. In both cases, sufficient funding should be included in the amendments to pay for all work to be performed by the consultant. The final amendment must be executed as quickly as possible. Failure to fully comply with this section may result in the loss of LPA funding. Section 10.1.3: A&E Consultant Audit and Review Process of this chapter must apply to the entire contract and must be completed prior to execution of the contract amendment. For contracts greater than or equal to \$1 Million, submit the Financial Document Review Request form to IOAI for all amendments on consultant/subconsultant's name change, amending an ICR, or adding new subconsultant's ICR. ICRs that have not been accepted by IOAI are not eligible for federal or state reimbursement. For contracts with original amounts under \$1 Million but subsequently became greater than or equal to \$1 Million after amendment, IOAI Financial Document Review is not required. If there are any changes to the contract after submittal of the A&E Consultant Contract form, the LPA must submit an amended form to the A&E Consultant Contract database prior to the first invoice after the contract has been amended. Submission of the A&E Consultant Contract form is not required for non-A&E consultant contracts. All amendments must incorporate any current requirements of the federal regulations including the federal fiscal provisions and submit the A&E Consultant Contract form to the A&E Consultant Contract database prior to the first invoice after the contract has been amended (please use Firefox or Chrome if not supported by your browser).

Performance Evaluation

Pursuant to 23 CFR 172.9(d)(2) agencies are required to prepare an evaluation of the consultant when the project has been completed. The Contract Administrator evaluates the consultant's performance after the consultant's final report has been submitted, and the Contract Administrator has conducted a detailed evaluation with the consultant's project manager. See Exhibit 10-S: Consultant Performance Evaluation for a suggested format for use by the LPA.

Project Records

Federal-aid Highway Program funding recipients and subrecipients must maintain adequate and readily accessible project performance and financial records, supporting documents, and other records considered pertinent to the grant agreement and in compliance with federal laws and regulations (e.g., 23 USC 112; 40 USC 1101-1104, 23 CFR 172, 48 CFR 31, and 2 CFR 200). These records must be maintained for a minimum of three (3) years following issuance of the final voucher from FHWA (forwarded by Caltrans) and the closure of all other pending matters (2 CFR 200.334).

For audit purposes, project records and documentation must be kept for three (3) years after payment of the final federal or state voucher. Among the records to be retained are as follows (not an all-inclusive list):

- Copies of RFPs and RFQs, changes, addendums, etc. and bidder's list;
- Documentation of DBE participation (including Exhibit 10-O1: Consultant Proposal DBE Commitment, Exhibit 10-O2: Consultant Contract DBE Commitment), Exhibit 10-G: Individual A&E Task Order DBE Tracking Sheet, Exhibit 17-F: Final Report – Utilization of Disadvantaged Business Enterprise and First-Tier Subcontractors or Exhibit 17-F1: Final Report-Utilization of Disadvantaged Business Enterprise for A&E On-Call Contracts, and Exhibit 17-O: Disadvantaged Business Enterprise Certification Status Change);
- Solicitation and advertisement records;
- Identification of selection committee members;
- Record of receiving proposals, statement of qualifications;
- Evaluation and ranking records such as original score sheets from all panel members, short list questions, and other documentation (see Exhibit 10-B: Suggested Consultant Evaluation Sheet);
- Independent cost estimate (prepared in advance of requesting a cost proposal from the top-ranked consultant);
- Record of negotiations (to include a separate negotiation of profit in accordance with federal guidelines);
- Financial Review Letter and Cognizant Agency Letter, when applicable;
- CPA-audited ICR Audit Report or Approved State DOT Cognizant Indirect Rate Letter, if any;
- Consultant Certification of Costs and Financial Management (Certification of Indirect Costs and Financial Management System form) for contracts at or above \$1 Million;

- A&E Consultant Audit Request Letter and Checklist (Financial Document Review Request form) for contracts at or above \$1 Million and all supporting documentation.
- Executed consultant contracts, cost proposals, and amendments (see Exhibit 10-R: A&E Boilerplate Agreement Language);
- Contract oversight and progress meeting documents;
- Progress and final payments, and supporting documentation;
- Performance evaluation (see Exhibit 10-S: Consultant Performance Evaluation);
- A&E Consultant Contract form (see A&E Consultant Contract database);
- Accounting records documenting compliance with State and federal administrative requirements;
- Certifications and Conflict of Interest forms (Exhibit 10-T: Conflict of Interest & Confidentiality Statement, all personnel involved in the procurement of the agreement should complete Exhibit 10-T, Exhibit 10-U: Consultant in Management Support Role Conflict of Interest and Confidentiality Statement, and Exhibit 10-Q: Disclosure of Lobbying Activities, as appropriate). Exhibit 10-Q is included in the solicitation and must be completed if the consultant needs to disclose any lobbying activities.

Retention Clauses

At the option of the LPA, a retention clause may be included in the consultant contract. A retention clause in the consultant contract is recommended (see Exhibit 10-R: A&E Boilerplate Agreement Language, Article VIII).

Review of Local Public Agency Actions

Federal-aid or state reimbursement is contingent on meeting the federal or state requirements and can be withdrawn, if these procedures are not followed and documented. The LPA files are to be maintained in a manner to facilitate future FHWA or Caltrans process reviews and audits. As specified in the Review and Approval of Contracts above, the Contract Administrator must review the proposed consultant contract before execution.

The A&E Consultant Contract form is to be completed prior to award, or after contract award but no later than the first invoice. A copy of this form must be retained in the LPA project files.

10.1.9 Miscellaneous Considerations

Agreements with Other Governmental Agencies

Intergovernmental or inter-entity agreements are encouraged if appropriate. If another governmental agency is requested to do work or provide services to an agency, an interagency agreement is needed (2 CFR 200, PCC 10340, and California Government Code 11256).

Small Purchase Contracts

Contracts that are less than \$250,000 are considered small contracts in accordance with federal regulations. However, within the State of California, there is no recognized small purchase procedure and all A&E contracts are procured using qualifications-based selection and not cost. For federal contracts that are less than \$250,000 and are not anticipated to exceed this amount, the agency must use either Section 10.2: State-Only Funded A&E Contracts or the federal guidance for contracts greater than \$250,000. If the contract is anticipated to exceed \$250,000,

use one of the accepted procurement procedures listed in the previous sections. Small contracts using the simplified acquisition procedure (see Section 10.2: State-Only Funded A&E Contracts) must not exceed \$250,000 or the additional costs are considered not reimbursable. The entire contract could also be considered ineligible by FHWA depending on circumstances. The scope of work, project phases, and contract requirements must not be broken down into smaller components to permit the use of small purchase procedure. DBE requirements apply for all federally-funded projects.

Noncompetitive Negotiated Contracts (Sole-Source)

Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under sealed bids or competitive proposals (23 CFR 172.7(a)(3)).

FHWA considers these types of contracts as Sole Source contracts and should be used only in very limited circumstances. An Exhibit 12-F prepared by the LPA and approved by Caltrans is required before establishing these services (23 CFR 172.7(a)(3); also see Exhibit 12-F: Cost-Effectiveness/Public Interest Finding/A&E Noncompetitive.

Conditions under which noncompetitive negotiated contracts may be acceptable include:

- Only one organization is qualified to do the work;
- An emergency exists of such magnitude that cannot permit delay;
- Competition is determined to be inadequate after solicitation of a number of sources.

The LPA must:

- Follow its defined process for noncompetitive negotiation;
- Develop an adequate scope of work, evaluation factors, and cost estimate before solicitation;
- Conduct negotiations to ensure a fair and reasonable cost.

The LPA must carefully document details of the special conditions, obtain Caltrans approval on the Exhibit 12-F: Cost Effectiveness / Public Interest Finding / A&E Noncompetitive and retain all documents in the project files for future Caltrans' or FHWA's review.

Retaining a Consultant in a Management Support (CMSR) Role

Management support role means performing engineering management services or other services acting on the contracting agency's behalf, which are subject to review and oversight by agency officials, such as a program or project administration role typically performed by the contracting agency and necessary to fulfill the duties imposed by Title 23 of the United States Code, other federal and state laws, and applicable regulations. Other services can include supervising construction including serving as single point of contact, developing and maintaining project document tracking system, establishing project internal communication protocol, performing document control and implementing a quality assurance program.

Management support roles may include, but are not limited to, providing oversight of an element of a highway program, function, or service on behalf of the contracting agency or may involve managing or providing oversight of a project, series of projects, or the work of other consultants and contractors on behalf of the contracting agency. Contracting agency written policies and procedures as specified in 23 CFR 172.5(c) may further define allowable management roles and services a consultant may provide, specific approval responsibilities, and associated controls necessary to ensure compliance with federal requirements.

The LPA may retain a qualified CMSR on its staff in professional capacities for federal-aid projects such as:

- A City Engineer (or equivalent) who manages the engineering unit for the city, providing oversight of a project, series of projects, managing or directing work of other consultants or contractors on behalf of the city.
- A County Engineer (or equivalent) who manages the engineering unit for the county such as duties described above.
- A Project Manager (or equivalent) who manages and oversees a project, series of projects, or the work of other consultants and contractors on behalf of the public agency.
- A Program Manager (or equivalent) who manages and oversees an element of a highway program, function, or service on behalf of the public agency.

However, typically a CMSR is not:

- A consultant engineer performing project-specific design, and/or construction contract administration and construction engineering for the public agency.
- A consultant providing support to administrative duties such as federal authorization process, labor compliance activities, and other management and administrative tasks.

The use of a CMSR should be limited to unique or very unusual situations. These situations require a thorough justification as to why the LPA cannot perform the management. Consultants used in management support roles must be selected using the same procedures as those for other consultants specified in this chapter. CMSR contracts with local/state funding only do not require FHWA approval. However, if the CMSR is not approved, they may not be used as a local/state match on another activity when the CMSR provides services on a federal-aid project (i.e., soft match).

Eligibility for federal reimbursement for a CMSR requires the following:

- Compliance with the selection procedures specified in this chapter;
- Existence of a contract between the LPA and the consultant specifying the LPA engineering services to be performed;
- Written designation by the LPA of the responsibilities and authority of the consultant as an agency engineer;
- For a federal-aid project, completion of Exhibit 10-T: Conflict of Interest & Confidentiality Statement by all panel members (both consultants and employees) prior to participating in the A&E Selection Panel pertaining to the specific selection process and the firms being considered;
- Selection of consultants for A&E management positions must be by the use of qualification-based selection procedures on an open and competitive basis resulting in a contract with defined beginning and ending dates not to exceed five (5) years;
- For a federal-aid project, the LPA's CMSR must not:
 - Participate in, or exercise authority over the A&E selection process, if that consultant's firm is one of the proposing firms, or subconsultant to a proposing firm;
 - Participate in, or exercise authority over management of work performed by the consultant's firm, or to a consultant's firm of which the LPA consultant firm is a

subconsultant. This would include, but not be limited to, managing or directing the work, approving changes in the schedule, scope, or deliverables, and approving invoices.

- Apply for or receive reimbursement of federal-aid funds for the LPA's federal-aid project if either of the foregoing has occurred. However, reimbursement for the construction contract portion of the project will still be allowed provided all other federal-aid requirements have been met.
- Where benefiting more than a single federal-aid project, allocability of consultant contract costs for services related to a management support role must be distributed consistent with the cost principles applicable to the contracting agency in 23 CFR 172.7(b)(5).

If engineering services for a project are within the scope of the services described in the retained consultant's contract, these services may be performed by the person or firm designated as an agency engineer. If the services are not within the scope, eligibility for federal reimbursement for these services require a new consultant contract to be developed using the selection procedures in this chapter. Retained consultants involved in the preparation of the RFP or RFQ must not be considered in the selection of consultants for the resulting project specific work.

When a CMSR is procured with federal-aid funds, the LPA (subgrantee) must fully comply with the following:

- Subparagraphs of 2 CFR 200.318 maintain a contract administration system and maintain a written code of standards. No employee, officer, or agent of the subgrantee must participate in selection, or in the award or administration of a contract supported by federal funds if a conflict of interest, real or apparent, would be involved.
- Subparagraph of 23 CFR 172.7(b) requires that the LPA must receive approval of the CMSR from FHWA.
- Liability insurance should normally be required from the consultant (errors and omissions, etc.).

For federally-funded projects, LPAs that solicit to hire A&E consultant(s) in a management support role must obtain FHWA approval prior to contract execution.

In order for a contract for a CMSR to be federally eligible, the following are required prior to contract execution:

- The LPA must submit a request for approval via email, the Scope of Work (SOW) and Conflict of Interest (COI) Policy to the Division of Local Assistance-Headquarters (DLA-HQ) at aeoversight@dot.ca.gov, prior to contract advertisement.
- Once the LPA receives FHWA's written response, the LPA may need to revise the documents reflecting FHWA's opinions and can proceed with the RFQ.
- Before award, the LPA must submit the completed Exhibit 10-U: Consultant in Management Support Role Conflict of Interest and Confidentiality Statement to DLA-HQ at aeoversight@dot.ca.gov. LPA will receive FHWA's approved Exhibit 10-U via email. FHWA approval required prior to award of consultant contract.

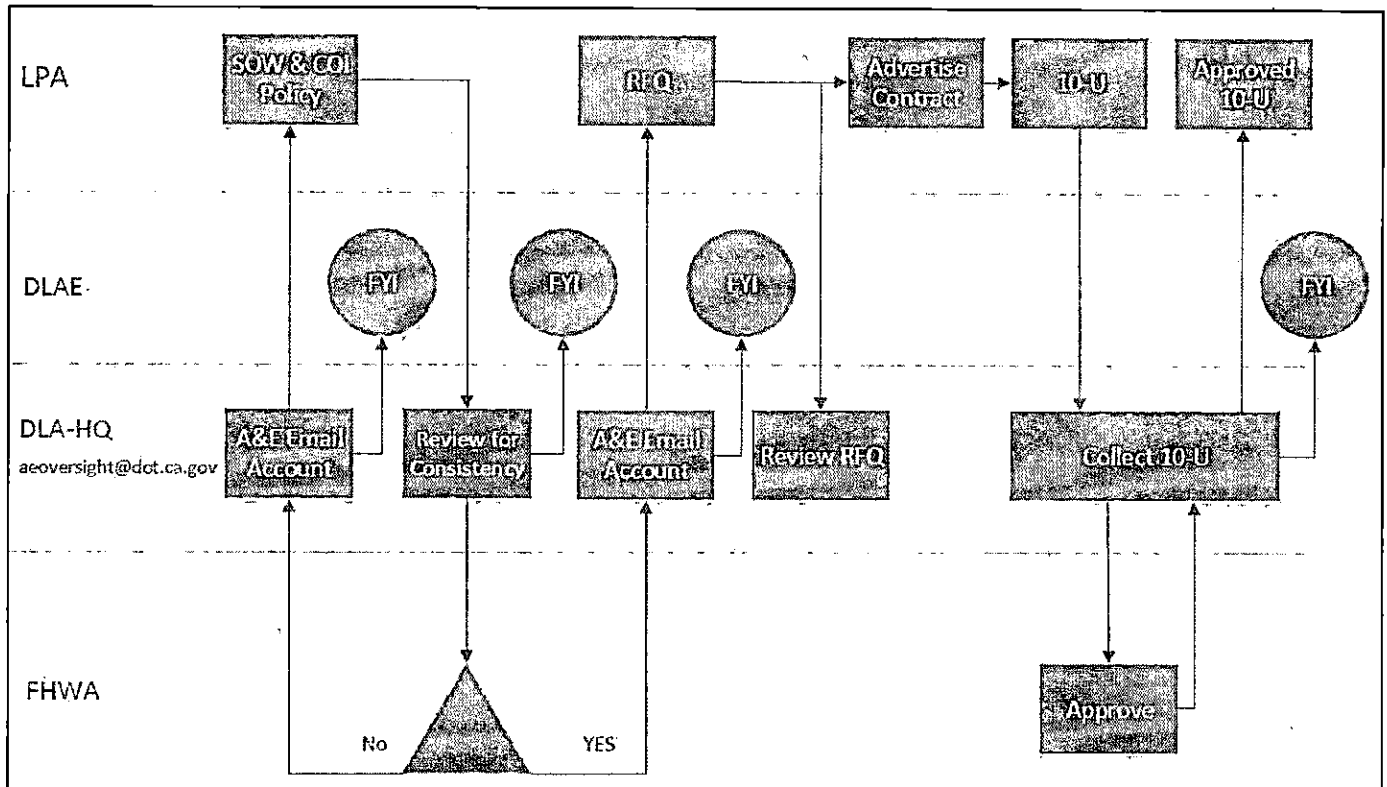


Figure 10-3: Consultant in a Management Support Role Flowchart

Construction Engineering Services

Under federal-aid regulations and state policy, the primary responsibility for general supervision of construction must remain with the LPA. The LPA must also ensure that the work is performed in accordance with the approved plans and specifications, by employing or retaining as a consultant a registered engineer for construction engineering services on the project.

All construction engineering activities performed by a consultant must be under the overall supervision of a full-time employee of the agency who is in responsible charge. These activities may include preparation of contract change orders, construction surveys, foundation investigations, measurement, and computation of quantities, testing of construction materials, checking of shop drawings, preparation of estimates, reports, and other inspection activities necessary to ensure that the construction is being performed in accordance with the plans and specifications. The construction engineering consultant's contract defines the relative authorities and responsibilities of the full-time employee of the LPA in charge of the project and the consultant's construction engineering staff.

If a technical inspection consultant is to provide professional assistance to the LPA, a formal consultant contract must be executed which follows this chapter's requirements. The contract must provide for reviews at appropriate stages during performance of the work to determine if any changes or other actions are warranted; these reviews are to be made by the LPA.

10.1.10 Program Management

According to 23 CFR 172.5, LPAs are required to adopt written policies and procedures prescribed by Caltrans. As such, the LPA must adopt LAPM Chapter 10: Consultant Selection, which contain the A&E policies and procedures.

To meet this requirement, LPAs are required to email and provide one of the following documents to the DLA Office of Guidance and Oversight (OGO) at aeoversight@dot.ca.gov:

1. A Board Resolution showing that the LPA is adopting Caltrans LAPM Chapter 10; OR
2. An official letter signed by the LPA's Public Works Director or equivalent manager addressed to the DLA OGO Office Chief, stating that the agency is adopting Caltrans LAPM Chapter 10

The DLA Consultant Selection and Procurement website includes an example of the adoption resolution and letter. These examples are for reference only; the appropriate language to be used is determined by the individual agency.

LPAs are responsible for providing all resources necessary for the procurement, management, and administration of A&E consultant contracts including subcontracts. Ensuring consultant costs billed are allowable in accordance with the federal cost principles and consistent with the contract terms as well as the acceptability and progress of the consultant's work;

- Monitoring the consultant's work and compliance with the terms, conditions, and specifications of the contract;
- Preparing a consultant's performance evaluation when services are completed and using such performance data in future evaluation and ranking of consultant to provide similar services;
- Closing-out a contract;
- Retaining supporting programmatic and contract records, as specified in 2 CFR 200.334 and the requirements of this part;
- Determining the extent to which the consultant, which is responsible for the professional quality, technical accuracy, and coordination of services, may be reasonably liable for costs resulting from errors and omissions in the work furnished under its contract;
- Assessing administrative, contractual, or legal remedies in instances where consultants violate or breach contract terms and conditions, and providing for such sanctions and penalties as may be appropriate; and
- Resolving disputes in the procurement, management, and administration of engineering and design related consultant services.

10.1.11 References

2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirement, and Audit Requirements for Federal Awards
<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200?toc=1>

2 CFR Part 215 Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
<https://www.govinfo.gov/app/details/CFR-2013-title2-vol1/CFR-2013-title2-vol1-part215/context>

- 23 U.S.C.112 Letting of Contracts
<https://www.govinfo.gov/app/details/USCODE-2021-title23/USCODE-2021-title23-chap1-sec112/context>
- 23 CFR Part 172 Procurement, Management, and Administration of Engineering and Design Related Services
<https://www.ecfr.gov/current/title-23/chapter-I/subchapter-B/part-172>
- 40 U.S.C. Chapter 11 Brooks Act
<https://www.govinfo.gov/app/details/USCODE-2021-title40/USCODE-2021-title40-subtitle-chap11/context>
- 41 CFR Public Contracts and Property Management
http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title41/41tab_02.tpl
- 41 U.S.C. Public Contracts
<https://www.govinfo.gov/app/details/USCODE-2020-title41/context>
- 48 CFR Part 15 – Contract By Negotiation
<https://www.ecfr.gov/current/title-48/chapter-1/subchapter-C/part-15>
- 48 CFR Part 31 – Contract Cost Principles and Procedures
<https://www.ecfr.gov/current/title-48/chapter-1/subchapter-E/part-31>
- 48 CFR Part 16 – Types of Contracts
<https://www.ecfr.gov/current/title-48/chapter-1/subchapter-C/part-16>
- 48 CFR 27, Subpart 27.3 – Patent Rights under Government Contracts
<https://www.ecfr.gov/current/title-48/chapter-1/subchapter-E/part-27/subpart-27.3>
- 48 CFR 31.201-3 – Determining Reasonableness
<https://www.ecfr.gov/current/title-48/chapter-1/subchapter-E/part-31/subpart-31.2/section-31.201-3>
- 48 CFR, Chapter 99 - Cost Accounting Standards Board, Office of Federal Procurement Policy, Office of Management and Budget
<https://www.ecfr.gov/current/title-48/chapter-99>
- 49 CFR Part 26 Participation by Disadvantaged Business Enterprises in Department of Transportation Financial Assistance Programs
<https://www.ecfr.gov/current/title-49/subtitle-A/part-26>
- American Association of State Highway and Transportation Officials (AASHTO) Uniform Audit and Accounting Guide
<https://transportation.org/audit/>
- Caltrans Division of Procurement and Contracts Website
<http://www.dot.ca.gov/dpac/index.html>
- California Labor Code, Section 1775
https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=LAB§ionNum=1775
- California Government Code Sections 4525 through 4529.5
https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=5.&title=1.&part=&chapter=10.&article=

California Government Code Sections 4529.10 through 4529.20

https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=5.&title=1.&part=&chapter=10.1.&article=

Government Auditing Standards (GAS) issued by the United States Government Accountability Office

<http://www.gao.gov/yellowbook/overview>

Standard Environmental Reference (SER)

<http://www.dot.ca.gov/ser/>

10.2 STATE-ONLY FUNDED A&E CONTRACTS

10.2.1 General

LPAs are required to follow all applicable local and state regulations including those listed in LAPM Chapter 10 in accordance with their State Master Agreement. Although the requirements listed in this section are minimum requirements, the LPA must use good engineering judgment and best practices to document their processes and procedures when procuring A&E contracts utilizing qualifications-based selections. LPAs using local funds to procure an A&E Consultant on a state-only funded project and will not seek state reimbursement for consultant cost may choose not to follow the selection and contracting procedures detailed in Section 10.2: State-Only Funded A&E Contracts of this chapter.

All consultants must comply with 48 CFR 31: Contract Cost Principles and Procedures. Also, consultants and LPAs must comply with 2 CFR 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, excluding sections 200.318-200.326 Procurement Standards.

Agency state-only funded (SOF) agreements must contain the required federal fiscal provisions from 2 CFR 200 in all Division of Local Assistance funded agreements. Exhibit 10-R: A&E Boilerplate Agreement Language contains 2 CFR 200 requirements and may also be used in SOF agreements. Depending upon the scope of work, the required contract provisions may need to include the California State Prevailing Wages.

All proposed A&E contracts and supporting documents (including state-only funded) are subject to audit or review by Caltrans' Independent Office of Independent Office of Audits and Investigations (IOAI), other state audit organizations, or the federal government and required to follow Section 10.1.3 A&E Consultant Audit and Review Process.

CMSR contracts with local/state funding only do not require FHWA approval. However, if they are not approved, they may not be used as a local/state match on another activity when the CMSR provides services on a federal-aid project (i.e., soft match). Refer to Section 10.1.9 Retaining a Consultant in a Management Support Role (CMSR).

DBE contract goals are not required for state-only funded contracts.

This guidance is for contracts utilizing state funds only. If any federal funds are added or reimbursed, the federal process must be followed.

Non-A&E consultant contracts reference Section 10.3: Non-A&E Contracts.

Reference: California Government Code Title 1, Division 5, Chapter 10, Contracts with Private Architects, Engineering, Land Surveying, and Construction Project Management Firms §4525-4529.5.

10.2.2 Definition of A&E

Architectural, landscape architectural, engineering, environmental, and land surveying services includes those professional services of an architectural, landscape architectural, engineering, environmental, or land surveying nature as well as incidental services that members of these professions and those in their employ may logically or justifiably perform.

Construction project management means those services provided by a licensed architect, registered engineer, or licensed general contractor. Any individual or firm proposing to provide construction project management services must provide evidence that the individual or firm and its personnel carrying out onsite responsibilities have expertise and experience in construction project design review and evaluation, construction mobilization and supervision, bid evaluation, project scheduling, cost-benefit analysis, claims review and negotiation, and general management and administration of a construction project.

Environmental services mean those services performed in connection with project development and permit processing in order to comply with federal and state environmental laws.

Reference: California Government Code §4525-4529.5 and 4529.10-4529.20

10.2.3 Minimum Audit Requirements

A. Written Procedures

LPAs must follow the minimum requirements listed below in addition to any local laws and regulations.

California Government Code §4526

B. Conflict of Interest

The LPA must develop and maintain a written code of conduct governing the performance of its employees engaged in the award and administration of state-funded contracts, including the prevention of conflicts of interest.

California Government Code §4526, §1090, §4529.12

C. Records

LPAs must keep adequate records of all contracts including the procurement, project management, accounting, and financial administration.

California Government Code §4529.14, §4006

D. Full & Open Competition

All A&E contracts must be procured through a qualifications-based selection utilizing open and fair competition. Evaluate at least three consultants using published evaluation criteria and rank these firms in order of preference. If less than three consultants are evaluated, provide justification for agency file.

California Government Code §4526, §4527, §4529.12

E. Selection Basis

Selection of a firm must be based on qualifications and the order of ranked preference.

California Government Code §4526, §4527

F. Publication

Solicitations for A&E contracts must be in a manner that is open and competitive.

California Government Code §4527

G. Solicitation

The solicitations must include published evaluation criteria to rank in order of preference. Clearly define expectations in the solicitation in order to evaluate firms.

California Government Code §4527

H. Cost Comparison

An independent cost comparison to the consultant's cost proposal must be done in order to ensure the contract is negotiated at a fair and reasonable price.

California Government Code §4528

I. Negotiations

Negotiations must be documented to verify a fair and reasonable contract has been executed using public funds.

California Government Code §4528

J. Audit and Review Process

A&E contracts procured by public agencies must be subject to standard accounting practices and may require financial and performance audits. All LPAs must follow the Audit and Review Process as stated in Section 10.1.3: A&E Consultant Audit and Review Process.

California Government Code §4529.14, 2 CFR 200

K. A&E Consultant Contract Form

The A&E Consultant Contract form must be completed and submitted in the A&E Consultant Contract database at <https://dla.dot.ca.gov/fmi/webd/AE%20Consultant%20Contract%20Form> (Firefox or Chrome browser) prior to contract award, or after contract award but no later than the first invoice for all new state-only funded A&E consultant contracts.

If there are any changes requiring an amendment to the contract after submittal of the A&E Consultant Contract form, the LPA must submit an updated form to the A&E Consultant Contract database prior to the first invoice after the contract has been amended. Submission of the A&E Consultant Contract form is not required for non-A&E consultant contracts.

10.2.4 References

California Government Code Section 1090

https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV§ionNum=1090.

California Government Code Section 4006

https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV§ionNum=4006.

California Government Code Section 4525

https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV§ionNum=4525.

California Government Code Section 4526

https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV§ionNum=4526.

California Government Code Section 4527

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California Government Code Section 4528

https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV§ionNum=4528.

California Government Code Section 4529.5

https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV§ionNum=4529.5.

California Government Code Section 4529.12

https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV§ionNum=4529.12.

California Government Code Section 4529.14

https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV§ionNum=4529.14.

California Government Code Section 4529.20

https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV§ionNum=4529.20.

10.3 NON-A&E CONTRACTS

Scope

This section covers the procurement requirements for the services that are not included in Section 10.1 Federally-Funded A&E Contracts and Section 10.2 State-Only Funded A&E Contracts. This guidance is for contracts utilizing federal-aid funds and state funds. Federal regulations refer to state and local regulations for non-A&E type contracts. Although LPAs are required to follow 2 CFR 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards for all contracts, the Procurement Standards section 200.318-200.326 is exempt. The guidance in this section follows the established regulations in the California Public Contract Code (PCC). Depending upon the scope of work, the required contract provisions may need to include the California State Prevailing Wages.

LPA must designate one person within the LPA as a contract manager. A contract manager must be a full-time, public employee of the contracting agency. The contract manager must have knowledge of legal and contractual arrangements (PCC 10348.5).

LPAs using local funds to procure non-A&E consultants on a federal-aid funded or state-only funded project and will not seek federal or state reimbursement for consultant costs may choose not to follow the selection and contracting procedures detailed in Section 10.3: Non-A&E Contracts of this chapter.

Determining Non-A&E

After identifying that there is a need for consulting services, the LPA must determine that the services needed are more of a technical nature and involve minimal professional judgement and that requiring a cost proposal would be in the public's best interest. These type of consultant services that are not directly related to a highway construction project or that are not included in the definition of engineering and design-related services are considered non-A&E. The services

must not be included in Section 10.1.1: Definition of Architectural and Engineering Consultant and 10.2.2: Definition of A&E.

The determining factor is whether the services being procured are related to a specific construction project and whether the services require work to be performed, provided by, or under the direction of a registered engineer or architect.

Example of Determining Non-A&E

Material testing has been requested to ensure quality assurance on a construction project. The service includes only performing the material test and providing material test data. Although the service is related to a construction project, the overall service did not provide an evaluation or a discipline report. In this example, the LPA can determine that the service provided is more of a technical nature and is therefore a non-A&E service.

The following is a list of the more common non-A&E services:

- Right-of-Way Appraisal
- Right-of Way acquisition activities
- Conducting public outreach during environmental clearance or construction
- Active Transportation Program educational and outreach activities
- Intelligent Transportation System (ITS)
- Non-Infrastructure
- Local Roadway Safety Plan (LRSP) associated with Highway Safety Improvement Program (HSIP)-funded projects
- Traffic Counts
- Speed Surveys

Intelligent Transportation System (ITS) Projects

Intelligent Transportation System (ITS) means electronic, communications, or information processing used singly or in combination to improve the efficiency or safety of a surface transportation system. ITS projects are those that in whole or in part, fund the acquisition of technologies or systems of technologies that provide significant contributions to the provision of one or more ITS user services as defined in the National ITS Architecture.

The federal-aid procurement regulations identify three possible contract procurement procedures for ITS projects including engineering and design related services (A&E), construction, and non-engineering/non-architectural (non-A&E).

If ITS projects include physical installation of field devices and/or communications infrastructure, such as new traffic signals, new controller cabinets, changeable message signs, radio and computers, vehicle detectors, and conduits for cabling in the roadway, then that work and required equipment usually meets the definition of construction. The construction contract must be procured based on competitive bidding. If the ITS project involves software development, system integration, hiring engineers, and specialists for ITS design and installation support, inspection, design documentation, training and deployment, it may be considered an engineering and design services contract and the contract must be procured as an A&E consultant contract. If the scope of work is unclear as to whether it is an A&E type of work, contact aeoversight@dot.ca.gov for assistance.

However, if an ITS project does not meet either the definition of construction or engineering and design services, then the contract may be considered to be a non-A&E consultant contract.

Examples of non-A&E consultant contracts are:

- The procurement of hardware and software associated with incident management system;
- Software systems for arterial and freeway management systems;
- Operating the 511 traveler information service;
- Nonprofessional services for system support such as independent validation and verification, testing and specification development;

For more information regarding Intelligent Transportation Systems (ITS) Program procurement requirements, refer to LAPG Chapter 13: Intelligent Transportation Systems (ITS) Program.

Non-Infrastructure Projects

Non-infrastructure (NI) projects are those transportation-related projects that do not involve either engineering design, Right-of-Way acquisition (for additional guidance refer to LAPM Chapter 13: Right of Way), or the eventual physical construction of transportation facilities.

Procurement of non-A&E consultant contracts associated with non-infrastructure projects must follow Non-A&E procurement procedures described in this chapter. For more information on NI projects, refer to LAPM Chapter 3: Project Authorization.

Governing Regulations and Codes for Non-A&E

When procuring non-A&E services with federal-aid funds, LPAs must comply with 2 CFR 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, excluding sections 200.318-200.326 Procurement Standards. LPAs must follow the same policies and procedures that the State uses for procurement with its non-federal funds. When procuring non-A&E services with federal-aid and state-only funds, the governing procurement code is California Public Contract Code 10335-10381.

Procurement of Non-A&E Consultant Contracts

All non-A&E procurements contracts must be conducted in a manner providing full and open competition consistent with federal and state standards. LPA must meet the code of conduct governing the performance of its employees engaged in the award and administration of federal-aid and state-funded contracts, including the preventions of conflict of interest in PCC 10410.

The following are the fundamental rules when procuring a non-A&E consultant contract.

1. The request for proposal (RFP) must not limit the competition directly or indirectly to any one consultant. The RFP must be publicized, and all evaluation factors and their relative importance identified (PCC 10339).
2. Splitting a single transaction into a series of transactions for the purpose of evading the procurement requirements is not allowed (PCC 10329).
3. LPA must secure at least three competitive proposals for each contract (PCC 10340). When receiving less than three proposals, refer to the Cost-Effective/Public Interest Finding in this section as an alternative to re-advertisement.

4. No proposals must be considered which have not been received at the place, and prior to the closing time as stated in the RFP (PCC 10344(a)).
5. LPA must have a written procedure for evaluating proposals (PCC 10344).

RFP Basic Requirements

There are two general types of consulting service contract solicitations:

- A. Request for Proposal using Cost only
- B. Request for Proposal using Cost and Qualifications

The LPA must include the following in the request for proposal:

- A. A clear, precise description of the work to be performed or services to be provided.
- B. Description of the format that proposals must follow and the elements they must contain.
- C. The standards the agency will use in evaluating proposals. This includes qualifications and certifications if applicable.
- D. The date the proposals are due.
- E. The procurement schedule that the LPA will follow in reviewing and evaluating the proposals.

(PCC 10344)

Additional Requirements and Evaluation Criteria

Additional Requirements for Request for Proposal using Cost only

- A. LPA must require consultants to submit their proposals and cost in a separate, sealed envelope.
- B. LPA must determine those that meet the format requirements and the standards specified in the request for proposal.
- C. The sealed envelopes containing the price and cost information for those proposals that meet the format requirements and standards must then be publicly opened and read.
- D. Contract must be awarded to the lowest responsible consultant meeting the standards.

(PCC 10344(b))

Additional Requirements for Request for Proposal using Cost and Qualifications

- A. LPA must include in the proposal the description of the evaluation and scoring method. Substantial weight in relationship to all other criteria utilized must be given to the cost amount proposed by the consultant.
- B. LPA must determine those that meet the format requirements specified in the RFP.
- C. LPA evaluation committee must evaluate and score the proposals using the methods specified in the RFP. All evaluation and scoring sheets must be available for public inspection after the committee scoring process. Evaluation committee should comply to the prevention of conflict of interest in PCC 10410.
- D. The non-A&E contract must be awarded to the consultant whose proposal is given the highest score by the evaluation committee.

(PCC 10344(c))

When using RFP (Cost and Qualifications), the criteria used to evaluate the consultant's proposals must have a logical foundation within the scope of work or within other technical requirements contained in the RFP. Each criterion must have a weight or level of importance, and it is recommended that total possible score for the evaluation criteria be one hundred (100) points. The proposed cost should be at least thirty percent (30%) of total points in evaluation criteria.

An example RFP for non-A&E is provided on the DLA Consultant Selection and Procurement website and may be modified.

Submission of the A&E Consultant Contract form is not required for non-A&E consultant contracts.

Consultant's Proposal

The consultant's proposal should include the following information:

- Consultant Project Manager – qualifications, roles, and responsibilities.
- Methodology - description of work and overall approach, specific techniques that will be used and specific administrative and operations expertise to be used.
- Workplan and Work Schedule - the technical proposal should include activities and tasks, and their delivery schedule.
- Personnel - List of personnel who will be working on the project, and their resumes.
- Facilities and resources (If applicable) - Explanation of where the services will be provided and what type of equipment is needed to perform services.
- Subcontracts - Identify all subcontracts that are to be used, description of each, and the work by each subconsultant/subcontractor. No work must be subcontracted unless listed in the technical proposal. Subconsultant resumes should be provided.
- References - The technical proposal should provide at least three (3) clients for whom the proposer has performed work of similar nature to the request.

Cost Proposal Worksheet

The RFP should provide a standard format for cost proposal that all proposers must include in their proposal. The cost proposal format can be broken down by specific tasks, showing hourly labor rates, level of effort and material, and/or by milestones and deliverables.

LPA is not required to award a contract if it is determined that the contract price is not reasonable (PCC 10344(d)).

DBE Consideration

DBE consideration is required on all federal-aid funded contracts including non-A&E.

Administrative Requirements

Advertisement for RFPs may be through the LPA website, local publications, and national publications. Minimum solicitation time is 14 calendar days. The solicitation should inform potential qualified consultants that questions must be submitted in writing to the Agency Contract Manager/Administrator by a specified date and time. All pertinent technical information

and answers to consultant's questions must be provided to all potential consultants. Written responses to all questions will be collectively compiled and provided as an addendum.

A proposal may be considered nonresponsive and rejected without evaluation if all required information is not provided. Proposals without information regarding, or not meeting, the required DBE utilization goal or without a Good Faith Effort documentation (see Exhibit 15-H: Proposer/Contractor Good Faith Efforts), late submittals, submittals to the wrong location, or submittals with inadequate copies are considered nonresponsive and must be rejected. Submittal of additional information after the due date must not be allowed. Documentation of when each proposal was received must be maintained in the project files. Copies of date stamped envelope covers or box tops are recommended.

No consultant who has been awarded a consulting service contract may be awarded a subsequent contract for the services or goods which are required as an end product of the consulting service contract, unless the subcontract is no more than 10 percent of the total monetary value of the consulting services contract. Excludes A&E contracts.

(PCC 10365.5)

Contracts may be modified or amended only if the contracts so provide. Amendments must be requested and executed prior to the termination date of the most recently approved original or amended contract. All records of contract activities must be kept for three years after federal final voucher E-76 or state final voucher for State-Only funds. Costs are reimbursable after state allocation by the California Transportation Commission (CTC) and/or the issuance of the federal E-76. The per diem rate must not exceed the state rate. Contract Managers are responsible for monitoring expenditures on all contracts and verifying categories of work that require prevailing wage. A person in Responsible Charge of contract management is required for all federally-funded projects.

Oral Presentations Optional

When oral presentations are required by the LPA, the evaluation criteria must include factors/sub-factors and weights used to score the proposers performance at the oral presentation. The evaluation committee will only be able to score each proposer based upon these criteria. The Contract Manager/Administrator should develop a set of questions related to the scope of work or the project to be asked during the evaluation committee question and answer (Q & A) section of the oral presentations. All proposers are asked the same questions for consistency.

The committee must also evaluate reference checks and other information gathered independently. Reference checks must be completed, and other information gathered before the interviews are conducted. If necessary, the results of the reference checks or other information may be discussed with the highest ranked qualified consultants at the interviews.

Cost-Effective / Public Interest Finding

A minimum of three proposals must be evaluated to establish effective competition. Any agency that has received less than three proposals on a contract must document the names and addresses of the firms or individuals it solicited for proposals. Prepare an explanation as to why less than three proposals were received. When only two proposals are received, a justification must be documented to proceed with the procurement. When only one proposal is received, a Non-Competitive process must be justified and a Public Interest Finding (PIF) (Exhibit 12-F: Cost-Effectiveness/Public Interest Finding/A&E Noncompetitive) must be documented. In either case, the re-advertisement of the RFP should be considered as an option. Retain document as supporting documentation in the contract file.

(PCC 10340(c))

Protest / Appeals / Reinstatement Procedures

Both state and federal regulations require well-defined protest/reinstatement procedures. It is essential that the procedures include a reasonable opportunity for the prospective consultant to present his/her case. The appeals procedures strengthen the process by which the contracting agency reaches its ultimate goal and helps defend its action against a claim of lack of due process. A termination clause and a provision for settlement of contract disputes are required. Protest procedures and dispute resolution processes should be in accordance with PCC 10345.

10.4 A&E OVERSIGHT PROGRAM AND PROCESS REVIEW

General

The A&E Oversight Branch is responsible for the oversight of consultant contracts procured by LPAs complying with federal regulations 23 CFR 172 and 23 U.S.C.112, and California Government Code 4525-4529.5.

For locally-administered federal-aid highway projects, A&E consultant contract oversight reviews will be performed by Caltrans' Local Assistance A&E Oversight Engineers (A&EOEs). DLAE staff should participate in the reviews.

Type of Reviews

The purpose of A&E consultant contract oversight reviews is to verify LPA compliance with federal and state consultant contract administration requirements. A risk-based approach has been identified by the A&E Oversight Branch to aid LPAs with compliance that includes requiring LPAs to complete and submit the A&E Consultant Contract form prior to contract award, or after contract award but no later than the first invoice. The objective is to create a database documenting all consultant contracts and to perform process reviews on a sample of contracts for the annual performance measures report.

Although the risk-based approach is the submittal of the A&E Consultant Contract form via the database, a process review may be conducted on projects for reporting purposes and to determine accuracy of the A&E Consultant Contract form information.

A&E Consultant Contract Form Review

The purpose of the A&E Consultant Contract form is to provide oversight and guidance to an LPA regarding consultant contract administration on a federal or state-funded project prior to the award of the contract. The A&E Consultant Contract form includes items considered critical for compliance with federal and state regulations.

Subsequent process reviews may be performed on selected state and/or federal projects requiring a greater degree of oversight if deemed necessary for LPAs with a noncompliance history.

The following factors may be used when selecting projects for subsequent review:

- LPAs with identified deficiencies during an Incurred Cost Audit
- Projects administered by agencies with previous sanctions/findings
- Lack of experienced/trained LPA personnel
- Request by LPA or DLAE for additional assistance

During subsequent process reviews, the A&EOE will meet with the LPA's consultant contract administration team and discuss project record documentation requirements using the A&E Consultant Contract form. The timing of these types of reviews is targeted for pre-advertisement, pre-negotiations, and pre-award of the consultant contract. This will allow for any changes to take place prior to execution or termination of negotiations for re-advertising. The A&EOE will also explain new policies or procedures, discuss available training, and highlight common problem areas and the means to avoid them.

Review Findings and Deficiencies

Caltrans will not be involved in most project-level reviews and approval activities. Instead, the Process Review as outlined in this section is Caltrans' primary method of ensuring that federal and state requirements are met. During a Process Review of the LPA's project files, errors and/or deficiencies that may violate federal or state law or regulation could be found. If that happens, federal and/or state funds may be withdrawn from a project depending on the severity and circumstance of the deficiency, as well as the possibility of jeopardizing future federal and/or state funding opportunities for the agency's other projects.

It is important to note that the formal process review is not the only method of discovering project deficiencies. Errors or deficiencies are discovered occasionally as part of the normal routine of processing project submittals by DLAEs or DLA Area Engineers.

Review findings from any subsequent reviews will be forwarded to the LPA and the DLAE within five business days. Deficiencies identified during a review may require development of a corrective action plan by the LPA in consultation with the district within 30 calendar days of receipt of the deficiency notification, unless the agency disagrees with the deficiencies identified and appeals the decision as discussed below.

A list of common A&E consultant procurement-related deficiencies is found at the DLA Consultant Selection and Procurement [website](#). These examples, not all-inclusive, should assist LPAs with knowing common deficiencies found in the past and the possible ramifications for those errors and deficiencies. The key to avoiding possible sanctions is to follow the procedures outlined in this chapter and other appropriate policies and guidelines, and if you have any questions, to consult your DLAE.

Corrective action plans, if required, will identify actions the LPA will take to address each deficiency noted. Corrective actions may include the following: Re-advertising, modifications of LPA policies and procedures, and participation in training to address systemic related deficiencies. Project-specific issues may require additional measures to remedy deficiencies to ensure compliance with federal and state requirements and ensure reimbursement eligibility. Corrective action plans must also include timelines for each action to be implemented. Failure to provide and implement corrective actions may result in sanctions or federal/state ineligibility notices against the project or LPA and could prevent federal or state participation in all or a portion of the project.

In the event the LPA disagrees with the deficiencies identified, the LPA will have 30 calendar days from receipt of the deficiency notification to submit their written request for appeal in accordance with the DLA's [Local Agency Dispute Resolution Process](#). If the appeal is denied, the LPA will have 30 calendar days from receipt of the decision to submit their corrective action plan.

The Dispute Resolution Process provides a means for the LPA to appeal a sanction that they feel has been imposed upon them unfairly or they feel the penalty is too harsh for the error or

deficiency. This appeal process is not limited to just the appeal of sanctions; it can be used by LPAs when they disagree with the decision, they receive from a district office.

10.5 SANCTIONS

Depending on the severity and circumstances of the deficiencies which may require sanctioning by Caltrans, the DLA or DLAE may impose one of the following sanctions:

- Freeze on all future programming of federal or state funds until corrective action is implemented
- Freeze progress payments for a federal-aid project until the project's deficiency is corrected
- Percentage of federal or state funds for a project withdrawn
- All federal or state funds withdrawn from a project

The DLAE will be responsible for notifying the LPA of sanctions imposed. Whether or not sanctions are imposed against an LPA, the LPA will be expected to develop a corrective action plan and implement it to correct the deficiencies. LPAs will be given adequate time to develop and implement their action plan. Failure to correct the deficiencies in a timely manner will be grounds for imposing additional sanctions.