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Section 9 Measurement and Payment

Section 9 Measurement and Payment

3-901 General

3-901 General

This section covers measurement and payment of contract item work and extra work, partial payments, and payment to the contractor after contract acceptance.

3-902 Payment Methods

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The specifications for Caltrans contracts provide the following methods to make the ultimate total payment for all work performed:

- Payment for contract items at contract unit prices
- Adjustments to contract prices (known as adjustments in compensation)
- Payment for extra work at agreed unit prices, force account, or lump sum
- Deductions from monies due under the contract

3-903 Measurement and Payment of Contract Item Quantities

3-903 Measurement and Payment of Contract Item Quantities

Contract work, as bid on by the contractor, is measured and paid for as contract items. Contract items are measured for payment as units. The unit for each contract item is shown in the engineer's estimate as "unit of measure." Contract items may be measured by units of count, length, area, volume, weight, or lump sum. The engineer's estimate also includes the estimated quantity of each contract item. Resident engineers and assistant resident engineers must determine, by measurement and calculation, the quantities of the various contract items actually performed by the contractor.

3-903A Method of Measurement

Check the "measurement" or "measurement and payment" clauses in the specifications for the required method of measurement for each contract item. Use the specified method to measure quantities. For more information about measuring quantities for specific contract items, see Chapter 4, "Construction Details," of the *Construction Manual* (manual).

A change in the unit or the method of measurement changes the contract. Do not change the unit or the method of measurement unless the change is provided for in a contract change order.

3-903B Accuracy

Measure and calculate contract item quantities to a degree of accuracy consistent with the contract price of the item. Give early consideration to the accuracy desired so that all personnel on a given project will measure and calculate uniformly. The general rule is to measure to a degree of accuracy that, when calculated, the resulting value will be accurate within 0.2 percent to 0.5 percent. A $50,000 item should be measured and calculated to result in payment accurate within about $100.

3-903C Source Documents

Enter measurements and calculations for contract item quantities on permanent record sheets that are commonly referred to as "source documents." Include on each source document the appropriate contract item number, the location of installation (if applicable), the necessary measurements and calculations, and the name of the person preparing the document. Check source document calculations independently, and enter the name of the checker on the document.

Check source document calculations as soon as possible, preferably before the quantity is entered on a progress pay estimate. Always check them before entry on the proposed final estimate. Whenever possible, measure, calculate, and check contract item quantities as the work on a contract item is completed. Resident engineers must assign responsibility for checking calculations to assistant resident engineers in the same manner that other project responsibilities are assigned.

Enter into the system for progress payment the quantities from the source documents. For a description of the progress payment process, see Section 5-1, "Project Records and reports," of this manual.

3-903D Audit Trail

State the source of any figure, calculation, or quantity shown on the source document. For instance, a quantity may be the result of a field measurement, scale weights, a count, or a calculation based on planned dimensions.

Create a clear and easily followed trail for the total pay quantity in the proposed final estimate back to the first measurement or calculation for each contract item.

Consider organizing source documents for each contract item so an easily followed audit trail exists. Category 47, "Drainage Structures," in Section 5-102, "Organization of Project Documents," of this manual, provides a very good system, especially for large projects, for organizing source documents for drainage related contract items. Category 48, "Contract Item Quantity Documents," in the same manual section, describes the numbering system to be used for source documents for other contract items.

3-903E Weighing and Metering Procedures

The following describes the duties and responsibilities of the people involved in weighing and metering materials and the procedures for ensuring accurate measuring and metering:

3-903E (1) Personnel

The process of determining contract item quantities by weighing and metering includes the following personnel:

- The resident engineer
- Assistant resident engineers
- The district weights and measures coordinator
- The Division of Construction weights and measures coordinator

In addition to Caltrans personnel, the following people also are involved in the weighing and metering process:

- County sealers of weighing and measuring devices
- Representatives of the Division of Measurement Standards

- Private scale technicians performing California Test 109, “Test for Weighing and Measuring Devices”

3-903E (2) Responsibilities

All Caltrans personnel must be alert for conditions that contribute to failure to obtain the accurate weight and measurement of materials. The following describes the typical duties and responsibilities for ensuring compliance with the specifications for weighing and metering:

3-903E (2a) Resident Engineers

The resident engineers must do the following:

- Ensure accurate weighing and measuring through adequate inspection.
- Routinely determine that proper weighing procedures are used.
- Ensure that the spot-checking of weighing procedures is recorded in daily reports.
- Require the contractor to correct any malfunctioning weighing or metering device.
- To ensure accuracy, order the resealing and retesting of scales and meters as often as necessary.
- Determine when load slips are to be used. Order the use of load slips except when the number of loads is very small or conditions preclude that proper weighing procedures be used. In the daily report, record the reasons for not using load slips.

3-903E (2b)District Weights And Measures Coordinator

The district weights and measures coordinator must do the following:

- Provide technical assistance to the resident engineer and assistant resident engineers.
- Provide information to resident engineers regarding the adequacy of scales and the validity of seals.
- When requested by the resident engineer, witness the testing of scales or meters in compliance with the requirements of California Test 109, “Test for Weighing and Measuring Devices.” For California Test 109 procedures, see Section 3-12, “Accuracy and Suitability of Scales and Meters (Materials-Producing Plants),” of the *Quality Assurance Program Manual*.
- Furnish copies of California Test 109 report to each project using a scale tested in accordance with California Test 109.
- Furnish and attach Form CEM-4204, “California Test 109 Sticker,” to tested scales.
- Maintain a file on the current status of all scales that are commonly used for weighing materials for Caltrans projects in the district.
- On request, provide scale status information to adjacent districts.
- Perform spot-checks of weighing and metering devices and procedures in the district, and furnish written reports to the resident engineer.

- Determine whether any weighing or metering problems should involve the Division of Measurement Standards. Request any such involvement through the Division of Construction weights and measures coordinator.

3-903E (2c) Assistant Resident Engineers

Assistant resident engineers act for the resident engineer and, depending on the authority delegated to them, do the following:

- Observe the installation of scales installed primarily for use on a given project. Decide whether such scales and appurtenances meet the requirements of the specifications. When necessary request assistance from the district weights and measures coordinator.
- Inspect and observe the general condition of all scales used on the project. If the scales are in questionable condition, request advice from the district weights and measures coordinator.
- Request a material plant approval report from the district weights and measures coordinator on the validity of the current seals. If a seal or Form CEM-4204 is not valid, require the contractor to have the scales tested before use.
- Witness scale testing. Determine that the scales have been tested to the capacity for which they are being used on the project. Request the district weights and measures coordinator to observe the procedure.
- Whenever a scale is moved, overhauled, or shows obvious deficiencies, require the scale to be restored to normal operating condition and then retested.
- To observe the weighing of materials, visit the scale house or plant periodically. If necessary, request technical assistance from the district weights and measurement coordinator. Check the scale sheets and load slips to ensure they are being used properly.
- Spot-check tare and gross weights to see that weigh masters are using the correct tare. Ensure the weigh master is licensed for the scale location.
- Observe all meters that are required under the contract, and ensure they have been tested and sealed.
- Collect load slips at the point of delivery. A Caltrans employee should be present at the work site to collect load slips. Sign or initial the load slip or weight certificate to indicate that the represented material was used in the work.

When certified summary scale sheets are used, and load slips are not used, verify that material shown on the summary sheets has been used in the work. Do this verification by using a tally sheet, a spread record, or a random check. In the daily report, record that the material has been used in the work and also the verification method. Sign the summary scale sheets to certify that the represented material, less any material deducted from the total, was used in the work

Return to the contractor a copy of any load slips or scale sheets representing loads or partial loads that are not to be paid for. On the load slip or scale sheet, indicate the quantity of material not included for payment. Retain a copy for the project records. When a determination is made to reduce the quantity, advise the

contractor's foreman or superintendent of the amount and reason for the reduction. In the daily report, note the reduction and the name of the contractor's employee who you advised of the reduction.

3-903E (2d) Contractors

The following describes some of the duties and responsibilities of contractors and their agents in using scales and metering devices for measuring and proportioning materials:

- The contractor and materials suppliers must maintain scales and meters within the accuracy required by the Division of Measurement Standards.
- The owner of the scale or meter must maintain it in good operating condition at all times. If breakdowns or suspected inaccuracies occur, the owner must make repairs. After repairing a commercial device, the owner must notify in writing the county sealer of weights and measures that this work has been done. The device must be resealed before it is used to weigh materials for payment. For non-commercial devices, the contractor must ensure California Test 109, "Test for Weighing and Measuring Devices," is performed. In either case, the contractor must notify the resident engineer at least 24 hours before any scheduled testing so that the testing can be witnessed.
- The resident engineer may recommend to the contractor the following procedure for obtaining tests by the county sealer of weights and measures:
    1. Contact the county sealer of weights and measures directly by telephone and request testing followed by written confirmation of the request.
    2. When the county sealer of weights and measures cannot respond to the contractor's request in a reasonable time, the contractor should contact the Division of Measurement Standards.

Do not directly contact the county sealer of weights and measures for the contractor. The owner of the measuring device must request the testing. The resident engineer may only inform the contractor that such testing is necessary.

The district weights and measures coordinator may contact the Division of Construction weights and measures coordinator on any question regarding the validity of a seal or the legal capacity of a scale.

3-903E (2e) Division of Construction Weights and Measures Coordinator

The Division of Construction weights and measures coordinator does the following:

- Ensures the weights and measures program is operating satisfactorily throughout the various Caltrans districts.
- Serves as a contact between the district weights and measures coordinators and the Division of Measurement Standards.
- Keeps the district weights and measures coordinators informed of the latest equipment and techniques being developed throughout the industry.

3-903F Adjustments in Compensation

An adjustment in compensation is a monetary increase or decrease applied to the contract price of a contract item. The adjustment is a change to the contract and must be made by contract change order. Adjustments in compensation are either unit adjustments to the unit price of a contract item or they may be a lump sum increase or decrease applied to a contract item.

Section 4-1.03B, "Increased or Decreased Quantities," Section 4-1.03C, "Changes in Character of Work," and Section 9-1.08, "Adjustment of Overhead Costs," of the *Standard Specifications*, provide for adjustments in compensation. The special provisions may also provide for adjustments in compensation. One example is the special provision section titled "Compensation Adjustments for Price Index Fluctuations."

For more discussion about determining adjustments in compensation, see Section 3-4, "Scope of Work," and Section 5-3, "Contract Change Orders," of this manual.

3-903G Final Pay Items

Section 9-1.015, "Final Pay Items," of the *Standard Specifications*, defines and specifies the procedure for calculating pay quantities for final pay items.

3-904 Payment for Extra Work

3-904 Payment for Extra Work

For a definition and discussion about extra work, see Section 3-4, "Scope of Work," of this manual. Before payment can be made for extra work, the resident engineer must issue an approved contract change order. Section 5-3, "Contract Change Orders," of this manual, includes a discussion and examples of contract change orders providing for extra work. This section also discusses the two methods specified for paying for extra work: agreed price and force account.

3-904A Agreed Price

See Section 5-306C (2a), "Extra Work at Agreed Prices," in this manual, for guidelines for determining agreed prices and writing contract change orders that authorize agreed price payment.

The resident engineer may prepare Form CEM-4902, "Extra Work Bill (Short Form)," to make payments for extra work at the agreed price. The contractor's signature on the extra work bill is not required. For information on preparing extra work bills and entering data into the automated progress pay system, see Section 5-1, "Project Records and Reports," of this manual.

3-904B Force Account

The force account method, used to determine payment for extra work, consists of adding specified markups to the actual cost of labor, equipment, and material used to perform the extra work.

Section 9-1.03, "Force Account Payment," of the *Standard Specifications* specifies the force account method of payment. Section 5-3, "Contract Change Orders," of this manual contains examples of contract change orders with payment for extra work at force account. The following are the procedures for paying for extra work at force account:

3-904B (1) Authorization for Force Account Payment

On the authorizing contract change order, always show the amount to be paid for extra work at force account as an estimated amount. For the format for contract change orders, see Section 5-3, "Contract Change Orders," of this manual. You may make payment for extra work in excess of the estimated amount shown on the contract change order up to 100 percent of the estimated amount or $15,000, whichever is smaller. To authorize any additional payment, use a supplemental contract change order.

3-904B (2) Approval of Labor, Equipment, and Material

Section 9-1.03, "Force Account Payment," of the *Standard Specifications* states that labor, equipment, and materials used in the performance of extra work paid for on a force account basis are subject to the approval of the resident engineer. Normally the contractor will use labor and equipment that is on the site and used for work in progress. The contract change order will usually specify materials to be used in the extra work. However, before the work begins, the resident engineer should discuss with the contractor the labor, equipment, and materials to be used. The resident engineer can avoid misunderstandings and inefficiencies by knowing the resources to be used ahead of time. After the work is performed, Caltrans must pay the contractor for material used and at the appropriate rates for the number of hours that labor and equipment was used.

3-904B (3) Billing for Extra Work at Force Account

The following are the procedures for billing for extra work at force account:

- The contractor must submit Form CEM-4902, "Extra Work Bill (Short Form)," covering extra work under each contract change order each day that extra work is performed. The resident engineer must ensure that the contractor has a supply of the forms. See Section 5-103E, "Preparing Form CEM-4902, Daily Extra Work Report," of this manual for detailed instructions for the use of Form CEM-4902.
- Field construction personnel must do the following when reviewing extra work bills:
  1. Compare extra work bills against daily extra work reports and tentative agreements, if they are used. Make this comparison to verify the correctness of the contractor's billing, and to avoid the possibility of a duplicate payment for the same work. For a discussion of daily extra work reports and tentative agreements, see Section 3-904D, "Extra Work Records" and Section 3-904F, "Tentative Agreements," later in this section.
  2. The contractor must include everything to be paid for on the extra work bill. Do not add any items even though you know them to be legitimate charges. Instead, call the omission to the contractor's attention. The contractor may submit a supplemental extra work bill to include the omitted items.
  3. Delete items for which the contractor is not entitled to payment.
  4. You may correct hours for labor and equipment downward, but not upward.
  5. Do not correct wage rates that the contractor has submitted. Return any extra work bill with incorrect wage rates to the contractor. Note that Caltrans must pay for extra work at the same wage rate paid by the contractor. Do not refuse to pay a particular wage rate because it is above the prevailing wage rate.
  6. Correct equipment rental codes that are obviously in error, or return the reports to the contractor for correction. Ensure the rental codes shown are for the equipment that was actually used.
  7. The person, whether a contractor or Caltrans employee, who makes corrections to an extra work bill must sign (not initial) and date the correction.
  8. Maintain a log of extra work bills received and returned to the contractor.

The resident engineer must sign the extra work bill to authorize payment for extra work. The resident engineer's signature accepting an extra work bill for progress payment certifies that payment is in accordance with contract requirements and established administrative procedures.

3-904B (4) Labor

When work is paid for on a force account basis, Section 9-1.03A, "Work Performed by Contractor," of the *Standard Specifications*, specifies that a 33 percent markup is to be applied to the cost of labor.

A "labor surcharge" is included in the cost of labor. The *Labor Surcharge and Equipment Rental Rates (Cost of Equipment Ownership)* book in effect at the time the work is performed contains the labor surcharge percentage. One general rate applies to most crafts, and the book contains several higher rates for certain crafts. The resident engineer must determine the correct surcharge percentage to be used and verify that the percentage has been entered on the extra work bill.

At times a superintendent or owner acts as a working foreman or an equipment operator or works at some other craft. In such situations, make payment on a "value received" basis. Payment will be made for owners or supervisory personnel at the proper rate for the work performed. For example, pay for a superintendent acting as a foreman on force account work at the normal hourly rate for a foreman. Do not prorate the superintendent's weekly or monthly salary to an hourly rate. In paying for a superintendent on force account work, make the payment on a functional basis and not on a position or classification basis.

On some projects, a superintendent or project manager directs the activities of several foremen or one or more general foremen who directly supervise the foremen. The general foremen are sometimes referred to as superintendents, such as grading superintendents or paving superintendents. This change in nomenclature does not change the functional nature of these positions. They are general foremen or foremen and are not considered to be supervisory or overhead personnel. Make payment at the actual hourly rate paid by the contractor when such personnel function as foremen on force account work.

When paying for salaried personnel, do not authorize force account payment for overtime hours unless the contractor has an established practice of paying overtime to salaried personnel. The usual case is that the weekly or monthly salary covers the number of hours required by the work.

The *Standard Specifications* allow for payment of the actual subsistence and travel allowances paid by the contractor.

Pay per diem and travel allowances on force account only when the contractor is paying these allowances on contract item work.

When seven-day subsistence is included in labor contracts in lieu of per diem and travel time, subsistence will be paid for the entire period involved if the workers are employed full time on force account.

When workers are employed on both force account work and contract item work in the same day, prorate subsistence payments and travel allowances between the contractor and Caltrans. Base the prorated amount on the first eight hours worked. Do not pay per diem for time worked after the first eight hours in any one day.

3-904B (5) Equipment

For the specifications for paying for equipment used for extra work paid for on a force account basis, see Section 9-1.03A(3), "Equipment Rental'" of the *Standard Specifications*. The following are guidelines for paying for equipment rental:

3-904B (5a)Approval of Equipment

The resident engineer must approve equipment for use on force account work. Before giving approval, determine whether available and suitable equipment is already at the job site or whether equipment not presently at the job site is required. For example, a piece of equipment on the job site that can perform a given operation satisfactorily may be larger than necessary. Determine whether it will be economical to use the oversized equipment at its rate or to obtain equipment of the proper size. Obtaining equipment from off-site necessitates payment for move-in and move-out expenses and for minimum rental periods. See Section 9-1.03A(3b), "Equipment not on the Work," of the *Standard Specifications*. The determination may also be based on other factors, such as public safety and the urgency of the work.

Apply these considerations to equipment at the job site when the equipment has accessories or attachments that are not necessary for the extra work. Payment for such equipment is to be made in accordance with the conditions under which it is approved. Pay for equipment as approved by the reisdent engineer, and not necessarily as it is equipped. For short or intermittent periods of use, such as eight hours or less, normally approve equipment with unneeded attachments or accessories and pay for them. For longer operations, allow the contractor the option of furnishing equipment with needed accessories only or of accepting payment without compensation for unnecessary attachments or accessories.

Some equipment includes accessories as an integral part of the basic machine. When accessories are an integral part of the machine, the rates in the *Labor Surcharge and Equipment Rental Rates (Cost of Equipment Ownership)* book indicate that the accessory is included in the quoted rate. Do not make deductions for accessories on such integral equipment. For unusual situations, consult the Division of Construction.

3-904B (5b) Equipment Rental Rates

The *Labor Surcharge and Equipment Rental Rates (Cost of Equipment Ownership)* book contains rates for most of the equipment used on Caltrans projects. However, the Division of Construction has also established rates for some equipment that is not in the Labor Surcharge and Equipment Rental Rates book. These rates are available on the Caltrans Division of Construction web site. To establish rates that are not listed in the *Labor Surcharge and Equipment Rental Rates (Cost of Equipment Ownership)* book or on the web site, use the following procedure:

- Obtain a complete description of the equipment, including the manufacturer, model number, horsepower, size or capacity, and accessory equipment.
- If the equipment is nonstandard or unusual, request the following data from the contractor:
    1. Type of equipment (such as segmented, self-propelled, rubber-tired roller, telescoping hydraulic crane, articulated, or rubber-tired roller)

2. Trade name
3. Model and serial numbers
4. Year manufactured
5. Size, capacity, or both
6. Type and amount of power
7. Whether crawler, rubber-tire, or other
8. Manufacturer or distributor (if local, give address)
9. Initial cost of the basic machine and attachments
10. Operating requirements, costs, or both, if available or unusual
11. Name of owner

- Transmit this information to the Division of Construction. The Division of Construction will establish a rental rate, codes, and effective time period and advise the district by mail, e-mail, or fax. Use this document as the authority to pay the rate established.
- The contractor must be advised of the codes so that its billings can include them.
- For equipment not on the work, and in special circumstances, the *Standard Specifications* permit a rate to be paid that is in excess of the rate listed in the *Labor Surcharge and Equipment Rental Rates (Cost of Equipment Ownership)* book. When the contractor proposes a rental rate in excess of the listed rate, ensure the equipment meets all the conditions listed in Section 9-1.03A(3b), "Equipment not on the Work," of the *Standard Specifications*. The higher rate will constitute a change to the contract and must be established by a contract change order. Use the following procedures to determine the rate:

  1. Obtain a written statement from the contractor. The statement must include the proposed rate and the justification that Section 9-1.03A(3b), "Equipment not on the Work," of the *Standard Specifications* requires.
  2. Decide whether the conditions of use and ownership of the equipment meet all the specified criteria for payment of the higher rate.
  3. Submit a contract change order that provides for the proposed rate. State in the contract change order whether or not the table titled "Hours Equipment is in Operation" is applicable. The table appears in Section 9-1.03A(3b), "Equipment not on the Work," of the *Standard Specifications*. If the equipment is used for contract item work, use the normally established rental rates for the entire time the equipment is used for extra work. Include in the contract change order a clause similar to the following: "In the event this equipment is subsequently used on contract item work, this rate is void."
  4. Include justification for approval in the contract change order memorandum, and attach the contractor's letter.

- Equipment for which the rental rate is not shown in the *Labor Surcharge and Equipment Rental Rates (Cost of Equipment Ownership)* book, but for

which the Division of Construction established a rental rate, is eligible for the higher rate, providing all necessary conditions are met.

3-904B (5c) Equipment Not on the Work

In general, the contractor schedules extra work paid for on a force account basis and uses equipment available on the project. However, circumstances may require use of equipment not at the site that must be brought in especially for the extra work. The resident engineer must make decisions regarding the type of equipment and scheduling its use. Section 9-1.03A(3b), "Equipment not on the Work," of the *Standard specifications*, specifies the requirements for paying for the use of such equipment. This specification does not apply when the contractor uses equipment for any contract item work. Change any previous payment as "equipment not on the work" to payment as "equipment on the work" when such equipment is used for contract item work.

Order the equipment removed from the project, pay move-out and possible subsequent move-in costs, or continue paying for the equipment during a suspension in extra work. Temporary removal of the equipment to the contractor's shop or a storage area off the project is not removal from the project. To end payment for the equipment, the resident engineer must order its removal.

3-904B (5d) Owner-Operated Equipment

Section 9-1.03A(3c), "Owner-Operated Equipment," of the *Standard Specifications*, specifies the method for paying for owner-operated equipment, except dump trucks, on a force account basis. Determine the operator's hourly rate of pay in accordance with Section 9-1.03A(3c). To determine the correct rate, request assistance, if necessary, from the district labor compliance officer.

3-904B (5e)Dump Truck Rental

Section 9-1.03A(3d), "Dump Truck Rental," of the *Standard Specifications*, specifies the method for paying for dump truck rental on a force account basis. Section 9-1.03A(3d) covers both renting owner-operated dump trucks and renting dump trucks from a truck broker.

The resident engineer must establish the hourly rate to be paid for dump truck rental. The actual hourly rate paid by the contractor or the truck broker may be the established rate if it is consistent to rates paid for the same trucks on other work. For help in establishing hourly rates, compare with rates paid for similar equipment on other Caltrans work.

3-904B (5f) Time in Operation

Field engineers must determine the rental time to pay for equipment in accordance with Section 9-1.03A(3a), "Equipment on the Work," of the *Standard Specifications*.

In general, consider equipment to be in operation when all of the following conditions exist:

- The equipment is at the site of the extra work or being used to perform the extra work.
- The equipment is not inoperative due to breakdown.
- The force account work being performed requires the equipment.

Use the following examples as guidelines for determining rental time to be paid for equipment.

- An air compressor is at the site for eight hours on a force account operation. It is actually used for only a few periods during the eight hours, but it is impractical to use it on other work during the standby periods. Pay for the compressor and all accessories used intermittently for the entire period. The engine does not have to be running continuously during the period to qualify for payment. If the air compressor was also used on contract item work intermittently, prorate the eight hours between the extra work and the item work.

- An air compressor is at the site for eight hours. It is used for the first two hours, but after those hours, it is no longer needed. Pay the rental for only two hours whether the contractor chooses to remove it or chooses to leave it at the site of the work. Apply the same reasoning if the time of operation occurred at any other time of the day. In this example, if a pavement breaker was needed intermittently for two hours and a tamper intermittently for two hours, pay two hours for each tool. If the pavement breaker is needed for the first hour and the tamper for a second hour, pay one hour for each. Advise the contractor when equipment is no longer needed at the site. In the daily report, record this notice and the time.

- A skip loader is used to load dump trucks. The operation is not balanced because one of the dump trucks broke down. However, the resident engineer allows the operation to continue because it is critical. The skip loader is used only about one-half time intermittently during the shift. Make payment for the loader for the entire shift. In a situation such as this one, the resident engineer must try to do whatever is necessary to balance the operation. When balancing cannot be achieved, the resident engineer must decide whether suspending an operation is more economically feasible than allowing it to continue.

  Sometimes two pieces of equipment perform extra work at force account, yet the work does not require full-time use of both. In such instances, it is appropriate to approve (but not order) the use of only one operator for both pieces of equipment. Determine the rental time in the same manner as if each piece of equipment had a full-time operator and was used intermittently.

  On extra work at force account, pay the same time for a foreman's pickup truck that you would pay for the foreman.

<u>3-904B (5g) Standby Time</u>
Pay standby charges for commercial delivery at the invoice rate.

3-904B (6) Material

Payment for material purchased for force account work must be supported by a copy of the vendor's invoice whenever possible. If no individual invoice is available, as in the case of materials taken from contractor's stock, a copy of the mass purchase invoice may be used as support. If no invoice is available to support unit purchase prices, submit a statement with the extra work bill. In the statement, explain how the unit prices were verified. Any invoice the contractor submits must represent the material actually used.

3-904B (7) Work Performed by Special Forces

Section 9-1.03B, "Work Performed by Special Forces or Other Special Services," of the *Standard Specifications*, allows specialist billing for extra work paid for on a force account basis. Districts must establish procedures to pre-approve specialist billing. Specialist billing must not be used to circumvent competitive bidding or the normal force account method for determining payment. In general, specialists are to be used only for minor portions of the work. Any major work is to be covered under a change order specifying the method of payment.

Do the following when considering the use of specialists:

- Before work begins, decide whether the work is normally done by any of the contractor's forces. The contractor's forces include any firms or organizations performing contract item work, including subsidiaries of such firms or organizations and subsidiaries of the contractor. Subsidiaries of a subcontractor are considered to be a part of the subcontractor's organization. If you decide that the contractor's forces can perform the work expediently, require billings in accordance with Section 9-1.03A, "Work Performed by Contractor," of the *Standard Specifications*, or negotiate an agreed price to establish a payment basis.
- Allow the contractor to hire a specialist only if an established firm with established rates would do the work.
- Decide whether force account work requiring a fabricating or machining process off the project should be billed as specialist work. Such work may qualify as specialist work even though a project contractor or subcontractor performs the work.
- Pay for the transportation of fabricated or manufactured items and all work at the job site in accordance with Section 9-1.03A.

3-904C Five Percent Markup for Subcontracted Work

Section 9-1.03A, includes an extra work markup of 5 percent for the prime contractor when a subcontractor performs the work.

When an engineer's cost analysis is based on force account, using rates as specified in the contract, include a 5 percent markup within the calculation of the work performed by a subcontractor in the following situations:

- Extra work at the agreed price in accordance with Section 4-1.03D, "Extra Work," of the *Standard Specifications*.
- Work performed before item elimination in accordance with Section 4-1.03B(3), "Eliminated Items," of the *Standard Specifications*.
- Contract item adjustment due to increased or decreased quantities in accordance with Section 4-1.03B(1), "Increases of More Than 25 percent," and Section 4-1.03B(2), "Decreases of More Than 25 Percent," of the *Standard Specifications*.
- Change in character adjustment in accordance with Section 4-1.03C, "Changes in Character of Work," of the *Standard Specifications*.

3-904D Extra Work Records

On daily reports, record observations and inspections of extra work in progress in sufficient detail to provide a reasonable basis for agreement on payment. Records must be original, not a copy from other documents.

Include the following information when appropriate to the method of payment for the work:

- Description of work performed. This description must be consistent with the description of extra work authorized by the contract change order.
- Time and date of inspection.
- The change order number.
- Location of work.
- Types of labor, equipment, and materials used.
- Estimated hours worked.
- General measurement or amount of work accomplished.

Make entries on the day of observation. If clarifying reports are necessary to cover work not previously reported, state the facts as known and date the clarifying report as of the day it is written.

3-904E Force Account Records

When extra work is performed at force account, decide whether the magnitude of the work warrants the full-time presence of an assistant resident engineer. An assistant resident engineer assigned full time must include in the daily report the number of hours actually worked at the site. The daily report must also contain a reference to any known off-site work.

When an assistant resident engineer is assigned only part time, daily reports must present only known facts. On the daily report, record that inspection was "intermittent." A typical entry might read as follows:

> 6/26/00-10:15 a.m.-CCO No. 17-Placing Riprap Lt. of Sta. 500.
>
> Crew of two laborers and foreman with a D-6 crawler tractor with sideboom and operator laid about 50 sq. m of salvaged rubble riprap. Estimate crew and tractor worked about 4 hours.

Include notations concerning decisions to allow or deny payment for work that may be in dispute or not considered a legitimate part of extra work. Similarly, prepare a supplemental daily report if it is later found that the number of hours or labor and equipment was substantially different than recorded on the original daily report. Such a supplemental daily report might read as follows:

> Hours reported on report dated 6/26/00 entry based on one inspection during the day. Later found out that crew and equipment worked whole shift instead of half shift. (Add the date of the supplemental entry and sign the entry.)

3-904F Tentative Agreements

Do not give copies of daily reports to the contractor's personnel. Do not permit the contractor's personnel to sign or initial daily reports. However, at the earliest possible

time, reach tentative agreement on extra work details. With the contractor's foreman, discuss labor, equipment, and materials at the end of each day or no later than the morning following the day that extra work was performed. Good communication at this time will help to prevent misunderstanding and arguments over details at a later date.

Use a district "tentative agreement" form if the form complies with district policy. On this form, tentatively agree to and list hours of labor and equipment used in extra work at force account for each contract change order each day. The form must state that the labor, equipment, and time worked are "acceptable for progress payment purposes." In this way, use of the form does not preclude subsequent audit and adjustment.

3-904G Interest on Payments

The specifications provide for interest to be paid on late progress payments, payments after acceptance, extra work payments, and claim payments.

Keep a log of the dates when extra work bills are received, returned for correction, and resubmitted. In a timely manner, process all extra work bills, and fully document reasons for returning or not paying extra work bills.

Make any necessary interest payments by contract change order as adjustment in compensation at lump sum.

3-905 Adjustment of Overhead Costs

3-905 Adjustment of Overhead Costs

Section 9-1.08, "Adjustment of Overhead Costs," of the *Standard Specifications*, provides for an adjustment in compensation. Make the adjustment when the final estimate is less than 90 percent of the original total bid price. Prepare a contract change order to be unilaterally approved in the district. Make the payment for the adjustment in the same manner as for any other adjustment in compensation.

The following is an example of a calculation to determine an overhead adjustment:

Example:	
Contractor's original bid (including mobilization)	$100,000
Ninety percent of Contractor's bid	$ 90,000
Final Estimate of total work	
(including mobilization, extra work,	
and less permanent deductions)	$ 85,000
Difference	$ 5,000
Adjustment of Overhead Costs	$ 500
(10 percent of difference)	

3-906 Stop Notice

3-906 Stop Notice

Refer to the Division of Accounting Services Disbursing Office all inquiries regarding bills for labor, material, or equipment rental not paid by Caltrans' contractor. Detailed information for payments and stop notice contacts can be found on the Division of Accounting Services "Contractor Payments and Information" web page at

http://www.dot.ca.gov/hq/asc/oap/payments/

3-907 Partial Payments

3-907 Partial Payments

Section 9-1.06, "Partial Payments," of the *Standard Specifications* requires Caltrans to make an estimate of work completed each month. Such estimates are designated as progress pay estimates. Each progress pay estimate must include payment for work completed up to and including the 20th day of the month. Include force account work, for which timely submittal of extra work bills has been made, and include other extra work or adjustment of compensation billings for which work has been performed. Billings for extra work at agreed price and adjustments of compensation are completed by the resident engineer by filling out Form CEM 4902, "Extra Work Bill (Short Form)," and submitting them for processing.

Resident engineers must transmit to the district construction office the documents and information required to prepare progress payment vouchers. The last documents must be in the district office no later than the date established by the district (usually no later than the end of the first working day after the 20th of each month).

District construction must arrange a schedule with the Division of Construction that will accommodate the Division of Accounting Services.

A monthly estimate and payment must be made if any amount of money is due the contractor.

Show all quantities submitted for payment on source documents. Typically Form CEM-4801, "Quantity Calculations," is used for this purpose. The estimate must reflect the totals on the source documents. A source document is defined as the basic document executed to record or calculate quantities, percentages of lump sums, or extra work for payment. See Section 3-903C, "Source Documents," for a discussion of source documents. An example of a source document (quantity calculation sheet) is shownon the next page.

STATE OF CALIFORNIA • DEPARTMENT OF TRANSPORTATION

QUANTITY CALCULATIONS

CEM-4801 (REV 11/1992) CT# 7541-3520-0

SHEET OF

JOB STAMP	ITEM	FILE NO.
07-1381U4 07-LA-210-47.5/57.3 Fed. No.: None	8 Temp. Railing (Type K)	48-8-2
	LOCATION: Ramp 3	SEGREGATION: YES ☐ NO ☐
	CALC. BY: I.M. Engineer	DATE
	CHK. BY: U.R. Wright	DATE

Field Measurement: √
Field Counted:
Final Pay Item:

Estimated Quantity: 450
Unit of Measure: meter
Unit Price: $20.00
75%= 337.5
125%= 562.5

Remarks or Other Calculations:

152.4 meters placed on 5-03-01 at Maple St. onramp √

Material Inspection/Release: Certificates of compliance obtained on 4-29-01.

PAY THIS ESTIMATE: 152.4 √

PREVIOUSLY PAID: 140.2 √

TOTAL TO DATE: 292.6 √

POSTED BY	DATE	POSTED TO
Office Engineer	05/19/01	CEM-6004, page 4, line 5

CEM4801

The quantity shown on the estimate for a contract item must agree with the sum of the quantities on all of the source documents to date for that item.

The resident engineer is responsible for the accuracy of a progress pay estimate. By approval, the resident engineer verifies correctness of the quantities and that the data submitted conforms to the policies of Caltrans. All entries on Form CEM 6004, "Contract Transactions Input," must be checked by other construction personnel for errors such as transposition and wrong numbers.

The resident engineer must review and approve each monthly estimate before district construction office staff can process it for payment. To expedite handling, the resident engineer need not sign the estimate itself to indicate approval. Approval may be by telephone. Confirm telephone approval by sending a memo or a "pre-verification of pay estimate" form letter to the district construction office.

See Section 5-103, "The Contract Administration System (CAS)," of this manual for technical details on the production of estimates.

3-907A Contract Items

Include all contract item work that is completed satisfactorily in accordance with the contract in partial payments.

Do not include for partial payment preparatory or organizational work such as assembling equipment, shop work, falsework, forming, or crushing or stockpiling of aggregate (unless provided for in the special provisions). Do not pay for material placed or installed for which the required evidence of acceptability (Form TL-0029, "Report of Inspection of Material," Form TL-0624, "Inspection Release Tag," Certificate of Compliance, or acceptance tests) has not been obtained.

For items bid on a unit basis, include in progress payments work that is substantially complete. Withhold a sufficient number of units to cover the value of the incomplete incidental work. In each case, a source document must be on file showing the details of the quantity's determination.

Reference to intermediate source documents items bid on a unit basis with a fixed final pay quantity, such as Structure Concrete (bridge) and Bar Reinforcing Steel (bridge), to show how partial payment was estimated. Withhold units of work to cover the value of incomplete incidental work. Base withheld amount on a force account analysis of the remaining incidental work.

The following examples are listed to illustrate the procedure:

1. Mobilization item

   The Contract Administrative System (CAS) will automatically calculate and enter partial payments for the item, "Mobilization."

2. Maximum Value Items

   Handle items for which maximum payment is limited until after a time fixed in the contract as follows:

   a. Include on the estimate the quantities completed in the same manner as for any other contract item. The quantity will be extended at the bid price and added to the total of work done.

   b. The system will make a deduction for any overbid.

   c. The system will return the deduction at the time set forth in the contract.

3. Roadway Excavation

   In normal situations material is excavated, hauled, placed in final position in embankment and compacted, but slope finishing is not done. This is considered incidental work and a quantity may be withheld to cover the value of the work remaining.

4. Aggregate for Subbase and Base

   Material may be produced, hauled, placed, and compacted, but final trimming to tolerance has not been performed. This is incidental work and a quantity may be withheld to cover the value.

5. Portland Cement Concrete Pavement

   Concrete may be in place and cured but not ground to meet surface tolerance. Grinding is incidental work and units may be withheld to cover the estimated cost.

6. Sewers and Irrigation Systems

   Pipe may be placed and backfilled but not tested. Withhold units to cover this work.

7. Fence

   Posts and wire or mesh may be in place and securely fastened but bracing wires not completed. Withhold units to cover this incidental work.

8. Structure Concrete (Final Pay Quantity)

   Base payment on the estimated proportionate number of units of the final pay quantity, which are in place. When structure concrete has been placed but items such as removing forms and falsework, curing, finishing, and other similar items have not been completed, withhold a number of units sufficient to cover the cost of this work.

9. Bar Reinforcing Steel

   Pay for bar reinforcing steel that is complete in place in the forms. It does not have to be encased in concrete before payment is made.

10. Structural Steel (Final Pay Quantity)

    Steel placed is paid by units erected and in place. Withhold units to cover incidental work such as additional bolting and welding.

For work that includes an item for “furnishing”, make no payment for “furnishing” until all contract requirements have been met, including acceptability of the material and delivery to the project. However, payment may be made for materials on hand, as covered below, for items that qualify and are listed in the special provisions. See the *Bridge Construction Records and Procedures Manual* for additional instructions.

For lump sum items, pay a percentage of the lump sum bid price as work progresses toward completion. The ratio of the number of working days an item of work has been in progress divided by the estimated total number of working days required to complete the item work may be used for this calculation. However, the resident engineer should be aware that such a simplified method might not actually reflect the value of the work completed. Reach an equitable agreement with the contractor for the basis of determining progress payments on lump sum items.

If any work or material on hand paid for on a previous monthly estimate loses value through loss, damage, or failure to function, deduct units representing the lost value from the following monthly estimate. Another example is storm damage requiring repair or replacement in accordance with Section 7-1.16, "Contractor's Responsibility for the Work and Materials," of the *Standard Specifications*.

Do not pay for item work added by change order until the change order is approved. However, payment for contract item overruns that are not the result of a change in the contract may be included in the monthly estimate.

3-907B Adjustments in Compensation

Do not pay for adjustments in compensation until change orders authorizing the adjustments have been approved.

If you anticipate that adjustments in compensation in accordance with Sections 4-1.03B, "Increased or Decreased Quantities," or Section 4-1.03C, "Changes in Character of Work," of the *Standard Specifications* will result in decreases in final payment, withhold an amount sufficient to cover the value of the decrease.

3-907C Extra Work

Do not pay for extra work until the contract change order is approved.

3-907D Materials on Hand

Pay for acceptable materials on hand provided that all specified conditions have been met. Follow the procedure described below:

- Give the contractor Form CEM-5101, "Request for Payment for Materials on Hand."
- The contractor must initiate payment by submitting a properly completed Form CEM-5101 in duplicate. Make no payment for any material if the contractor has not requested payment on the state-furnished form. The contractor must submit a request one week before the end of the estimate period for each estimate. Each request must represent the current status of materials on hand at the time the request is made. Do not honor a request if it does not represent the actual amount on hand.
- Upon receipt of a request for payment for materials on hand, the resident engineer must check it to determine that it is filled out properly, includes only eligible material listed in the special provisions, and that the contractor attached evidence of purchase. When the contractor's supporting evidence of purchase shows that a discount has been allowed, reduce the payment for materials on hand by the amount of the discount.
- Before processing a materials on hand request, inspect all materials for acceptability. Materials must have a Certificate of Compliance or Form TL-0029, "Report of Inspection of Material." The TL-0029 is evidence that the material was inspected at the source. In general, accept only completely fabricated units, ready for installation on the project with the following exceptions:

  1. Structural Steel. Structural steel that is used in steel structures as described in Section 55, "Structural Steel," of the *Standard Specifications* may be considered acceptable as raw material. However, pay for such material as raw material only until shop fabrication of a usable member (such as a girder or other shape ready for shipment to the jobsite) is 100 percent complete. After shop fabrication is complete, the estimated fabricated value may be paid, subject to other specified restrictions and administrative guidelines.

2. Sign Structures. Structural steel that is used in overhead sign structures as described in Section 56, "Signs," of the *Standard Specifications* may be considered acceptable as raw material. However, pay for such material as raw material only, until shop fabrication of a usable member (such as a sign frame or other member) is 100 percent complete. After shop fabrication is complete, pay for the estimated fabricated value, subject to other specified restrictions and administrative guidelines.

- Verify proper storage of materials listed on Form CEM-5101 in accordance with the following procedures:

3-907D (1) Materials at the Project

For all valid requests for material located at or near the project, determine whether the materials are stored in conformance with the contract. To conform to this requirement, the contractor may have to store materials in fenced areas with locked gates, in locked warehouses or in areas where it is improbable that materials would be lost from any cause. In addition to having controlled storage, the contractor is required by the *Standard Specifications* to provide proper storage and handling so that the materials do not become damaged. Call any indication of improper storage to the contractor's attention. Withhold payment for materials on hand until the materials are properly stored.

Do not pay for material accepted on the basis of certificates of compliance until such certificates have been received.

The resident engineer or an assistant resident engineer must review Form CEM-5101 to verify that the request is acceptable.

3-907D (2) Materials Not at the Project

For materials not delivered to the jobsite, obtain evidence and establish the fact of purchase, proper storage, acceptability, accessibility and other factors. The Office of Materials Engineering and Testing Services (METS) maintains representatives in the major industrial areas and provides inspection in all other areas for this purpose. The following is the procedure:

- If it is not practical for the resident engineer or assistant resident engineers to verify quantity, quality, location and proper storage, send the duplicate copy of the Form CEM-5101 to METS.

- Upon receipt of Form CEM-5101, METS will notify the appropriate inspection office or offices immediately. The METS representative will notify the resident engineer directly by use of Form TL-0649, "Inspector's Report of Material on Hand," or TL-6037, "Fabrication Progress Report," that the material has been inspected and that it is in acceptable condition and properly stored. METS will use Form TL-6037, for structural steel, precast prestressed concrete members, or sign structures. For other products, METS will use Form TL-0649.

METS may also indicate on its correspondence, the percent complete of shop fabrication on various structural components. This figure is given for the purpose of reporting progress on the affected items. Do not use it to increase payment for materials on hand during fabrication.

- Upon receipt of the CEM-5101 and the above verification, the resident engineer can approve the partial payment. The contractor must submit a new CEM-5101

for each estimate, and the above procedure must be followed. However, it is possible METS may not be able to respond in time for payment on the estimate. METS gives priority to new or changed requests. Therefore, for requests that have not changed since a previous submittal, resident engineers may approve subsequent payments in the absence of any METS reports to the contrary.

On the monthly progress pay estimate, enter the total value of acceptable material as material on site regardless of storage location.

The maximum payment for materials on hand should be such that, when the estimated placing and other remaining costs of the work are added, the contract price is not exceeded. The purpose of this is to prevent payment of more than the contract price for the materials and to leave sufficient funds in the item to complete the work.

3-908 Deductions

3-908 Deductions

Deductions (as opposed to retentions) are those amounts held back for specific purposes. The resident engineer must identify, initiate, and control all deductions.

Make a deduction from payment to the contractor as soon as the liability for the event requiring a deduction has been determined. It is preferable to base deductions on known amounts resulting from agreements or actual billings, but, if necessary, they can be estimated.

Resident engineers must keep source documents and summary sheets in the appropriate contract records to cover all deductions. In the absence of any information to the contrary, the Contract Administrative System (CAS) will carry deductions forward from the previous month.

Whenever the contractor's progress is unsatisfactory, and the project has progressed to a point where a reasonably accurate estimate of possible liquidated damages can be made, the resident engineer must deduct an amount sufficient to cover probable liquidated damages. Make the deduction in lieu of any retention for unsatisfactory progress. To prevent the retention, check "Override Unsatisfactory Progress" on the CEM-6001. Enter the amount and description of deductions on Form CEM-6001, "Project Record-Estimate Request."

3-909 Retentions

3-909 Retentions

Retentions are made in accordance with the terms of the contract. The Contract Administrative System (CAS) will calculate and make the retention, including any retention for unsatisfactory progress, without any specific action by construction personnel. On any estimate that shows satisfactory progress, the system will release all retentions previously made for unsatisfactory progress.

Occasionally a contract will contain a nonstandard format for contract time or other circumstance resulting in satisfactory progress even though it is mathematically unsatisfactory. When this situation occurs, the resident engineer must waive the retention for unsatisfactory progress and document the reason for doing so. To waive the retention, check "Override Unsatisfactory Progress" on Form CEM-6001, "Project Record-Estimate Request."

In general, the retention for unsatisfactory progress should be waived only for landscape projects or on other projects only after a corrected entry has been made for "percent time elapsed" as covered below.

If the contractor requests a reduction of retention after 95 percent of the work has been completed, forward the written request to the disbursing officer in the Division of Accounting. CAS will reduce the retention when all the requirements specified in Section 9-1.06, "Partial Payments," of the *Standard Specifications,* have been met.

3-909A Calculating Progress - Projects with Single Time

Satisfactory or unsatisfactory progress is usually the determining factor for retentions. On projects without any federal funding, such progress is determined by comparing the contractor's actual progress with the curve on Form CEM-2601, "Construction Progress Chart." This requires calculation of the percent of work completed and the percent of time elapsed. If the plot of these percentages falls on or above the curve on Form CEM-2601, progress is considered satisfactory. Otherwise, it is considered unsatisfactory except under extenuating circumstances. For contracts with federal funding, the calculation of both the percent of work complete and the percent of time elapsed is defined in the special provisions.

The percent of work completed (except on landscape projects with Type 1 plant establishment) is determined by dividing the amount on the line entitled "Total Work Completed" on the "Project Record Estimate" by the "Authorized Final Cost" on the "Project Status." CAS calculates this percentage (except on projects with Type 1 plant establishment).

CAS computes the percent of contract time elapsed by dividing the number of working days elapsed to the date of the progress estimate, by the original working days specified in the contract plus "Total time extension days approved to date (contract change order plus other)," on Form CEM- 2701, "Weekly Statement of Working Days."

Occasionally the resident engineer has information indicating that the percent of time elapsed is different from that which CAS will calculate. The usual reason for this is that pending time extensions have not yet been approved and entered into the system. The percent of time elapsed can be calculated using the anticipated time extension in the formula in the preceding paragraph. The resident engineer must document the calculated percent of time elapsed as well as the reasons therefore. Enter the calculated percent of time elapsed in the appropriate place on Form CEM-6001, "Project Record-Estimate Request." CAS will calculate satisfactory or unsatisfactory progress based on this figure.

3-909B Calculating Progress for Landscape Projects

See Section 20-4.08, "Plant Establishment Work," of the *Standard Specification,* and Section 4-2003C (8), "Plant Establishment Work," of the *Construction Manual,* for specifications and administrative guidelines for plant establishment time requirements. For projects with Type 2 plant establishment, the percent of time elapsed and percent of work completed is determined in the normal manner as described above. For projects with Type 1 plant establishment, compute the percent of time elapsed and the percent of work completed as follows for the periods prior to the start of plant establishment.

Determine the percent of work completed by dividing the value of work accomplished by the authorized contract amount minus the authorized plant establishment work.

$$\% \text{ Complete} = \frac{\$ \text{ Value Completed Work}}{(\$ \text{ Total Auth. Contract Amt.} - \$ \text{ Plant Estab. Work})}$$

Determine the percent of time elapsed by dividing the number of working days elapsed to the time of the estimate on Form CEM-2701 by the total contract time limit plus "Total time extension days approved to date (contract change order plus other)" on Form CEM-2701 and minus the length of the plant establishment period.

$$\% \text{ Time} = \frac{\text{(Working Days Elapsed)}}{\text{(Orig. Cont. Time + Time Ext. to date - Plant Estab. Period)}}$$

On projects without federal funding, compare these two percentages to the curve on Form CEM-2601, "Construction Progress Chart." On projects with federal funding, compare these two percentages to the requirements specified in the special provisions. If progress is satisfactory, check the "Override Unsatisfactory Progress" on Form CEM-6001, "Project Record-Estimate Request."

After the start of Type 1 plant establishment, the resident engineer will decide if the progress is satisfactory. In general, consider progress considered satisfactory if the contractor entered the plant establishment period on time and carries out plant-establishment work on time. Progress will be considered unsatisfactory if there will be an overrun in contract time due to a delayed start of Type 1 plant establishment.

3-910 Payment After Acceptance

3-910 Payment After Acceptance

Caltrans makes final payment as soon as possible after the contract is accepted and the contractor submits the required documents requested by the resident engineer. Any estimate covering a payment after contract acceptance is identified either as "after acceptance," "semifinal," or "final." Section 5-4, "Disputes," of the *Construction Manual* lists the timeline for completing payment steps after the acceptance process.

3-910A Negative Estimates

Negative estimates reflect an overpayment made to the contractor, and should be avoided whenever possible. To reduce the processing time associated with negative estimates; contact the Division of Construction's progress pay coordinator to begin the process of generating a negative estimate.

The resident engineer is responsible for the accuracy of all payment estimates, including progress payment, after acceptance, semifinal, and final estimates. Verify the correctness of the contract item quantities and ensure the data submitted conforms to Caltrans policies. The district progress pay coordinator should hold the negative payment estimate for processing until approved by the deputy district director of construction, or delegate, and the Division of Construction field coordinator. The Division of Construction field coordinator discusses and resolves negative payment estimates with district construction to determine the best course of action. The Division of Construction progress pay coordinator processes only those negative estimates approved by the Division of Construction field coordinator.

When a negative payment estimate is approved for processing, the Division of Accounting creates an accounts receivable and directly bills the contractor for the amount due. The Division of Accounting provides a monthly listing of all pending accounts receivable and their status to the progress pay coordinators and expects that further action is taken as directed by district construction and the Division of Construction. Accounts receivable debts are automatically sent to collections after 90 calendar days. A collection fee is charged to the district's capital outlay support in either a phase 3 project expenditure authorization (EA), or an overhead EA. If the bill is not collectable, the nonrecoverable debt is charged against the district's capital funding allocation (phase 4) EA. If, for any reason, you believe that the accounts receivable should not go to collections, notify the district progress pay coordinator and the Division of Construction's progress pay coordinator. Once notified, the Division of Construction's progress pay coordinator, with the Division of Construction field coordinator's concurrence, will notify the Division of Accounting to hold the accounts receivable from going to collections.

Section 3-910B, "Payment Offset," describes another method available to the resident engineer and the Division of Accounting to resolve overpayment to the contractor.

3-910B Payment Offset

A payment offset is a levy against future monies due to the contractor on other contracts Caltrans has awarded to the contractor. Offsets may be taken to retain adequate funds for stop notices, labor compliance violations, claim settlements, and determinations made by an arbitrator. The offset process is outlined in the flowchart on the following page, and should be completed within 90 calendar days of contract acceptance.

Send a "Notice of Opportunity for Offset Hearing" pursuant to Government Code Section 12419.5 (see Example 8) to the contractor, offset resident engineer, bonding company, and offset bonding company. The contractor has 20 calendar days to inform the resident engineer that an offset hearing was requested. If an offset hearing is requested, the hearing officer should conduct the offset hearing within 10 calendar days of receipt of the request. The hearing officer should examine the facts of the specific case, and validate the offset process. The hearing officer is the district director or designee. The designee must be at least a supervising transportation engineer or career executive appointment one manager. A summary of the facts of the account receivable, minutes of the offset hearing, and final determination report are prepared by the resident engineer. Notify the contractor, offset resident engineer, and bonding companies of the final determination of the hearing, including the date and amount of the offset. If the hearing officer determines the offset is warranted, or if the contractor does not request a hearing, request that the Division of Construction execute an offset. If the hearing officer determines that offset is not warranted, process a progress payment to clear the accounts receivable in the Construction Administration System. In the case of an arbitration settlement, the Division of Construction will recommend the district execute an offset. The Division of Accounting executes only those offsets authorized by the Division of Construction.

A payment offset may affect not only the contractor, but also multiple resident engineers, districts, and bonding companies.When choosing a contract to offset against, the following criteria, in preferential order should be considered:

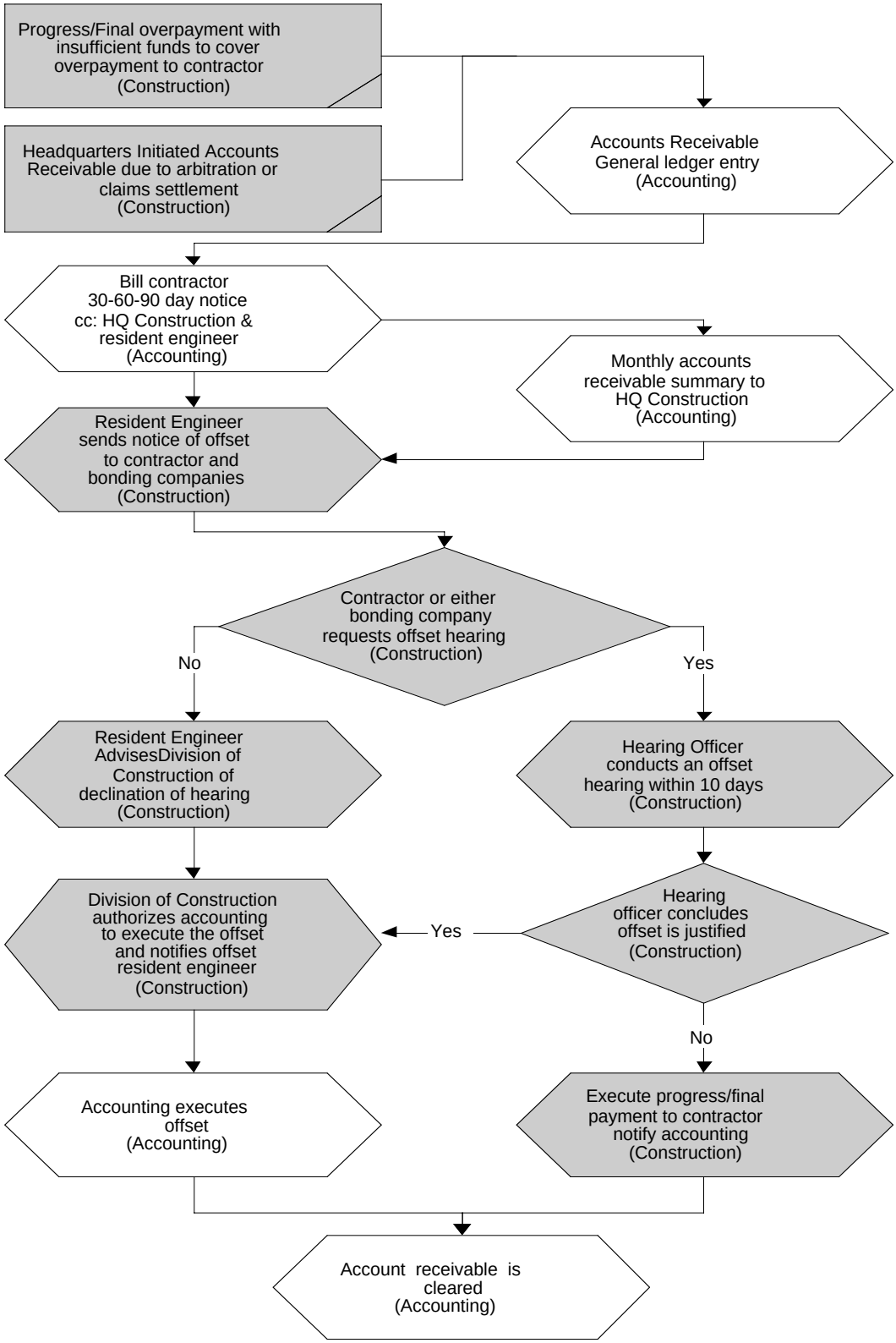
1. Active contract with adequate retention to cover the offset.
2. Both contracts are bonded by the same bonding company.
3. Both contracts are administrated by the same resident engineer in the same district.

The bonding companies from both contracts and the contractor are given the opportunity to request an offset hearing. Any legal arguments presented by the contractor or its bonding companies should be referred to the Legal Division for review and advice to the hearing officer

During the offset hearing, the contractor should provide convincing factual evidence to refute the account receivable. The hearing officer should consider the size of the offset, progress of the work, percent complete and financial health of the contractor.

When justified by evidence of financial hardship, contractor proposed repayment plans to clear the account receivable may be coordinated with the Division of Accounting. The status of claims and disputes should not have an influence on the decision to execute an offset.

Offset Process Flowchart



3-911 Payment of a Progress Estimate After Contract Acceptance

A progress payment after acceptance must adhere to Section 9-1.07A, "Payment Prior to Proposed Final Estimate," of the *Standard Specifications*. The purpose of this type of progress payment is to release all money due the contractor that exceeds any amounts retained under the contract. When determining amounts to be paid or deducted for this type of estimate, the following applies:

1. Include payment for the following:
   - Any work completed since the previous estimate
   - Any errors that may have been discovered and corrected
   - Any labor compliance deficiencies that have been cleared
2. Include payment for any overbids on maximum value items, including the mobilization item. You do not need to take any additional action for this step.
3. When delinquent or inadequate payrolls exist, make a deduction from the payment. The deduction will be in the same amount as for any progress estimate. See Section 8-1, "Labor Compliance," of this manual.
4. When the contractor has failed to correct deficiencies in its equal employment opportunity program, make a deduction from the payment. These deficiencies include failure to submit the following:
   - Form CEM-2402S, "Final Report—Utilization of Disabled Veterans Business Enterprises First-Tier Subcontractors," on state funded projects
   - Form CEM-2402F, "Final Report—Utilization of Disadvantaged Business Enterprises," on federal funded projects

   The deductions will be in the same amount as for any progress estimate. See Section 8-2, "Equal Employment Opportunity," and Section 8-3, "Disadvantaged Business," of this manual.
5. To cover any outstanding documents required under this contract, make a deduction from the payment. These outstanding documents include the following:
   - Reduced prints of working drawings
   - Outstanding payrolls that are not yet delinquent
   - Federal Form FHWA-47M, "Statement of Materials and Labor Used by Contractors on Highway Construction Involving Federal Funds"
   - Or any information upon which to base the proposed final estimate, such as adjustments of contract unit prices

     The deduction, regardless of the number of outstanding items, will be the lesser of 5 percent of the "Subtotal Amount Earned Without Mobilization" or $10,000.

In addition to the steps listed above for determining amounts to be paid or deducted for a progress estimate after contract acceptance, the resident engineer must also do the following:

1. Notify the district of what deductions are applicable.
2. Compound the deductions when a combination of the following situations, which were outlined above, occur:

- The contractor has delinquent or inadequate payrolls.
- The contractor failed to correct deficiencies in its equal employment opportunity program.
- The contractor failed to honor requirements related to disadvantaged business enterprises.

3. Also compound permanent deductions. Permanent deductions include items such as material royalties, railroad flagging charges, material testing, out-of-specification material, or restaking charges. Also considered permanent are deductions for anticipated liquidated damages. (When warranted, anticipated liquidated damages can be made on progress estimates. However, anticipated liquidated deductions will need to be made permanent on the after-acceptance estimate. To do so, release anticipated liquidated damages; then take actual liquidated damages under liquidated damages on the after-acceptance estimate.)
4. When you make deductions for outstanding items, advise the contractor in writing of the specific missing items and that they will result in a delay of final payment.
5. Before processing an after-acceptance estimate, run the following two reports, "Status of CCO," and "CCO master listing." These reports will show any adjustment of compensation credit or deferred time not yet taken.

3-912 Proposed Final Estimate

3-912 Proposed Final Estimate

The purpose of the proposed final estimate is to obtain formal agreement regarding final payment. For this type of estimate, follow these guidelines:

- Submit the proposed final estimate to the contractor within the time frame outlined in Section 5-4, "Disputes," of this manual.
- Soon after the contract is accepted, meet with the contractor to discuss submitting the required information to complete the contract. If the contractor does not submit the required data within four weeks after acceptance, you must notify the contractor in writing that Caltrans will issue the proposed final estimate and deduct the appropriate amount.
- Before the processing of the proposed final estimate, ensure all extra work bills submitted by the contractor are processed and ready for payment. Ensure the estimate's issuance is not delayed for force account billings that remain outstanding.

- If the contractor has not submitted required information in a timely manner, Section 5-4, of this manual dictates that the proposed final estimate must still be issued. In this situation, the following guidelines apply:

  1. Any time before a proposed final estimate is issued, the district may exercise an option described in Section 9-1.03C, "Records," of the *Standard Specifications*. This section identifies the conditions under which Caltrans may establish the cost of materials when valid copies of vendors' invoices are not forthcoming. When the district decides to establish such costs, use the following procedure:

     a. If the established cost is necessary to determine compensation, complete the pending contract change order, and have it unilaterally approved. To determine compensation, refer to Section 4-1.03B, "Work Performed by Special Forces or Other Special Services," or Section 4-1.03C, "Changes in Character of Work," of the *Standard Specifications*.

     b. If the established cost is necessary to make force account payment on an existing contract change order, include this established cost as a lump sum payment on a supplemental contract change order. Also, unilaterally approve this supplemental contract change order.

  2. On the proposed final estimate, you may list (in the amount the district determines to be payable) any force account billings that have not been paid because of a dispute. Upon return of the proposed final estimate, the contractor must reiterate the disputed extra work, which must be handled like any other claim. Do not list in the proposed final estimate any force account billings the contractor has not yet submitted. It is the contractor's responsibility to either submit these bills before the proposed final estimate or list them as exceptions to the proposed final estimate.

  3. The district will show the required deduction on the proposed final estimate in the same manner as for any other deduction when the contractor has the following outstanding items:

     a. Delinquent or inadequate payrolls

     b. Deficiencies in its equal employment opportunity program

     c. Violations of requirements related to disadvantaged business enterprises

     (These items are also described under the heading "Payment of a Progress Estimate After Contract Acceptance" in this section.) When such deductions are shown, include a statement similar to the following on the letter that accompanies the proposed final estimate: "The amount of $_____, which has been deducted for nonsubmittal of documents required by the contract, will be paid when all such documents have been received."

- Submit Form CEM-6001, "Project Record-Estimate Request," to the district office with the proposed final estimate box checked to initiate the proposed final estimate.

- The proposed final estimate is to be prepared and sent to the contractor by the district construction office. It should include the following:

  1. A letter transmitting the proposed final estimate to the contractor. This letter should include the statements shown in Example 1, at the end of this section.

  2. A form for the contractor's acceptance of the amounts listed in this estimate. Ensure the form contains wording similar to the wording in Example 2, at the end of this section.

  3. The proposed final estimate report showing the status of item payments generated by the Contract Administration System (CAS) along with the "schedule of extra work" and "schedule of deductions" reports. Samples of these reports are shown in Examples 3 through 7, at the end of this section.

  4. If deductions for items such as staking charges, laboratory charges, railroad flagging charges, and overruns of contract time are not finalized and shown on the reports, a list of their estimated maximum amounts must be attached.

- Use separate correspondence, not the proposed final estimate, for funds withheld for labor violations and wage restitution (as opposed to outstanding or inadequate payrolls).

- When money is due on the proposed final estimate, ensure the semifinal estimate processed immediately after reflects the same "totals" as the proposed final estimate. If you follow this approach, the contractor will submit claims based on our "statement of total amount earned," rather than some "revised" number.

- To establish the beginning of the 30 days during which the contractor may submit written claims, send the proposed final estimate by certified mail, "return receipt requested," or overnight delivery.

- From the issuance of the proposed final estimate to the receipt of the contractor's response, do not enter into any negotiations, written or verbal, concerning the proposed final estimate or potential claims, except as described in the next bullet. During this time, negotiating or communicating with the contractor (or issuing contract change orders) may negate the finality of the proposed final estimate. If the finality is negated, the contractor may have 30 days from the most recent communication to respond.

- If you discover an error that requires a decrease in a quantity, send a letter to the contractor stating the discovery of an error, and specify the item and amount of the change. Also, state that the error will be addressed after the contractor returns the proposed final estimate. If the contractor discovers and brings to your attention any errors or discrepancies, handle this situation through separate correspondence covering only the affected items. For example, if the contractor disputes the quantity of an item, send a letter to the contractor stating that the item must be listed as an exception to the proposed final estimate. In the letter, also state that the item will be analyzed after the return of the proposed final estimate and exceptions, also known as the "Acceptance Statement."

- When the contractor returns the "Acceptance Statement," proceed as follows:

  1. If the returned Acceptance Statement has no exceptions (claims) and all documents required under the contract have been received, prepare and process the final estimate.

  2. If the returned Acceptance Statement has no exceptions, but some documents are still outstanding, continue pressing the contractor, in writing, for the

missing documents. If amounts due the contractor exceed the deductions by more than $300, prepare and process a semifinal estimate.

3. If the documents have not been received in approximately 60 days, request advice from the construction field coordinator about further action.

4. If the Acceptance Statement is returned with exceptions, initiate the claims procedure as outlined in Section 5-4, "Disputes," of this manual.

- When the Acceptance Statement is not returned within the specified 30 days, ensure it has not been lost in transit and then proceed as follows:

  1. If all documents have been received, prepare and process the final estimate.

  2. If some documents are still outstanding, request advice from the construction field coordinator about further action.

  3. If the contractor includes in the Acceptance Statement any claim that is postmarked or hand-delivered more than 30 days after the date the contractor received the proposed final estimate, the claim is considered untimely and *will not* be processed. On a hand-delivered claim, record the date the claim arrived, who delivered it, and who received it. Retain the envelope for a claim that arrived through the mail to establish the date the claim was sent. Inform the contractor of the late filing by using a letter worded in a similar way to the letter below. This notification will constitute the final administrative action on a late claim.

Notification to Inform the Contractor of a Late Filing:

Contractor _____,

The statement of claim included in your letter dated _____, was submitted to us more than 30 days after you received copies of the proposed final estimate for Contract No. _____, (County Route and kilopost).

A final estimate is, therefore, being processed for issuance to you as provided in Section 9-1.07B, "Final Payment and Claims," of the *Standard Specifications.*

Sincerely,

District Construction Office

4. If the contractor includes claims with the return of the proposed final estimate, the district should immediately acknowledge the receipt of the claims by sending a written statement similar to the following:

Acknowledgement of the Receipt of Claims:

Your written statement of claims has been received. The engineer will base the determination of your claims upon the investigation of your statement.

The investigation of your claim statement will begin immediately. If it is determined that additional information is required, you must furnish it within 15 days of the request in accordance with Section 9-1.07B, "Final Payment and Claims," of the *Standard Specifications*. You may request in writing an extension of time to a specific date. Our purpose is to provide you with the engineer's final determination on claims in the minimum possible time, consistent with the assurance that all the facts are available for consideration.

5. If the initially submitted claim statement is obviously deficient in information, use a paragraph similar to the following in lieu of the second paragraph above :

Notification of Deficiency of Information:
Your initial submission appears to be deficient as to the following: [Select appropriate item or items.]

1. Statement of contractual basis for claim

2. Information as to compliance with Section 4-1.03A, Section 9-1.04 of the *Standard Specifications*, or both

3. Breakdown of amount claimed due

4. Other, as applicable

Please submit any further information you wish to have considered by [date, approximately 15 days after the contractor will receive the letter]. If you will require additional time to prepare your supplementary statement, please request an extension in writing specifying the date to which the extension is requested. The engineer intends to make the final determination on claim matters in the minimum possible time, consistent with the assurance that all the facts are available for consideration.

6. Examine claims expeditiously. For detailed instructions, refer to Section 5-4, "Disputes," of this manual.

3-913 Semifinal Estimate

3-913
Semifinal Estimate

A semifinal estimate is any estimate prepared after issuing the proposed final estimate and before preparing the final estimate. The primary purpose of a semifinal estimate is to make timely payment for all nondisputed items that have not been paid on a previous estimate. However, semifinal estimates can also be issued to make payment if some, but not all claims, have been resolved.

The proposed final estimate need not show a zero balance for money owed to the contractor. If the proposed final estimate does identify money owed to the contractor, immediately run a semifinal estimate after the proposed final estimate. Do not wait for any response from the contractor to the proposed final estimate. Do not issue any other estimates until 30 days after issuing the proposed final estimate.

Normally, use the same procedures to issue a semifinal estimate as those to issue a progress estimate.

3-914 Final Estimate

3-914
Final Estimate

Submit a final estimate only after one of the following conditions has been met:

- The contractor has submitted all required documents and complete agreement on payment has been reached.
- The district directors' determination of claim has been issued.
- The contractor does not respond to the proposed final estimate in the specified time but has submitted all required documents.
- Or, the district has been advised by the construction field coordinator to proceed.

As soon as the district approves the final estimate, it must use a transmittal letter to send it to the contractor. The letter must state the following: "Submitted herewith in accordance with Section 9-1.07B of the *Standard Specifications* is a copy of the final estimate for your Contract No. ."

A copy of the transmittal letter is to be sent to the resident engineer to be retained in the project files.

The district transmits only the final estimate because the disbursing office of the Division of Accounting Services will mail to the contractor the corresponding copy of the progress payment voucher.

3-914A Material to Submit

Before payment of a final estimate, the Division of Construction's progress pay staff must ensure that administrative details have been completed. For this purpose, the district must forward the following data before or with all final estimates:

- Submit the proposed final estimate as originally submitted to the contractor, including transmittal letters.
- Submit the Acceptance Statement as returned by the contractor. If the contractor has refused to sign the statement, submit it with an explanation of the contractor's refusal.
- When required by the special provisions, submit the original and two copies of Federal Form FHWA-47M, "Statement of Materials and Labor Used by Contractors on Highway Construction Involving Federal Funds".
- Submit a transmittal letter containing (but not limited to) the following:

  1. A list of the forms and attachments being transmitted or an explanation as to why a form or attachment is missing. Include letters from the Division of Construction authorizing the submittal of the final estimate without certain documents and stating the action taken or to be taken as a result of the missing documents.
  2. A statement about the use of materials agreements. If there are no materials agreements, state this.
  3. A statement that reduced prints of all shop drawings for highway bridges and railroad bridges have been received from the contractor. If such drawings are not required, please state so.
  4. Correspondence or documents explaining or authorizing the differences between the proposed final estimate and the final estimate.
  5. The original and two copies of Form CEM-2402S, "Final Report—Utilization of Disabled Veterans Business Enterprises (DVBE) State Funded Projects", or Form CEM-2402F, "Final Report—Utilization of Disadvantaged Business Enterprises (DBE), First-Tier Subcontractors" (federally funded projects).

Example 1: Form letter to Use When Submitting Proposed Final Estimate to the Contractor

Subject: Proposed Final Estimate

In accordance with the provisions of Section 9-1.07B, "Final Payment and Claims," of the *Standard Specifications*, attached (in triplicate) is a

proposed final estimate for _____ _____
(Contract) (Dist. Co. Rte. K.P.)

Please review the proposed final estimate and, if satisfactory, indicate your approval in the space provided on the attached Acceptance Statement. Return three copies of the Acceptance Statement to this office. One copy is for your files.

Please note the following portion of Section 9-1.07B of the *Standard Specifications*, which states:

"The contractor shall submit written approval of the proposed final estimate or a written statement of all claims arising under or by virtue of the contract so that the engineer receives the written approval or statement of claims no later than close of business of the thirtieth day after receiving the proposed final estimate. If the thirtieth day falls on a Saturday, Sunday or legal holiday, then receipt of the written approval or statement of claims by the engineer shall not be later than close of business of the next business day. No claim will be considered that was not included in the written statement of claims, nor will any claim be allowed as to which a notice or protest is required under the provisions in Sections 4-1.03, 'Changes,' 8-1.06, 'Time of Completion,' 8-1.07, 'Liquidated Damages,' 5-1.116, 'Differing Site Conditions,' 8-1.10, 'Utility and Non-Highway Facilities,' and 9-1.04, 'Notice of Potential Claim,' unless the contractor has complied with the notice or protest requirements in those sections."

Your promptness in returning the signed copies, indicating your approval, will expedite payment of the final estimate. Alternatively, a signed qualified approval by reason of a written statement of claims will expedite payment of a semifinal estimate. A statement of claims must include a notarized certificate containing the language required in Section 9-1.07B of the *Standard Specifications*.

If claims are submitted in connection with this contract, you will be expected to comply fully with the fourth paragraph of Section 9-1.07B of the *Standard Specifications*. The engineer will base the determination of claims upon the investigation of your statement, in which you will be expected to present your position fully as to the contractual basis of the claim, compliance with contract requirements such as Section 4-1.03A, "Procedure and Protest," or Section 9-1.04, "Notice of Potential Claims" of the *Standard Specifications*, if applicable, a breakdown of the total amount claimed, and all other information you consider to be in support of your claim.

As further provided in Section 9-1.07B of the *Standard Specifications*, in case neither approval nor a statement of claims is received within 30 days, a final estimate in the amount of this proposed final estimate will be issued. Your date of receipt of this proposed final estimate establishes the beginning of the specified 30 days.

Sincerely,

District Construction Office

Example 2: Acceptance Statement Form

Subject: Acceptance Statement

Attachment to transmittal letter

dated_____ Contract Identification:

I have examined the quantities of contract items and amounts indicated as payment for extra work and the deductions on the proposed final estimated dated _____. I agree to accept the total of $_____ as indicated, as the total amount earned for all work performed on the above contract, except as may be indicated below.

_____
Contractor

Exceptions (check one)

_____
By

[ ] None
[ ] As indicated per attached letter dated_____.

_____
Title

_____
Date

Example 3: Sample of the Proposed Final Estimate

PROGRAM CAS145 PAGE 1
DATE 01/02/01 STATE OF CALIFORNIA - DEPARTMENT OF TRANSPORTATION 03-441804
TIME 02:40 PM ESTIMATE NO. 06
BID OPENING 02/08/00 P R O J E C T R E C O R D - E S T I M A T E WORK PERFORMED THROUGH 11/17/00
R.E. NAME: ZINK, PHIL DATE OF THIS ESTIMATE 01/02/01
LOCATION PROPOSED FINAL ESTIMATE
03-PLA-65-13.4/14.7

M & M ELECTRIC
1600 AUBURN BLVD
SACRAMENTO, CA 95815

IN PLACER COUNTY IN LINCOLN FROM
0.1 KM NORTH OF SIXTH STREET TO
0.2 KM NORTH OF SEVENTH STREET

FED. AID NO. ACST-P065(60)E ,P-P065(60)E

SIGNALS AND LIGHTING

ITEM NO.	ITEM DESCRIPTION	UNIT	CONTRACT PRICES	ORIGINAL AUTH. AMT	THIS ESTIMATE QUANTITY	THIS ESTIMATE $ AMOUNT	TOTAL ESTIMATE QUANTITY	TOTAL ESTIMATE $ AMOUNT
001 (S)	CONSTRUCTION AREA SIGNS	LS	1,050.0000	1,050.00			1.000	1,050.00
002 (S)	TRAFFIC CONTROL SYSTEM	LS	2,500.0000	2,500.00			1.000	2,500.00
003 (S)	PORTABLE CHANGEABLE MESSAGE SIGN	EA	3,000.0000	6,000.00			2.000	6,000.00
004	REMOVE ROADSIDE SIGN	EA	75.0000	225.00			3.000	225.00
005 (S)	COLD PLANE ASPHALT CONCRETE PAVEMENT	M2	5.0000	8,400.00			1,683.000	8,415.00
006	REMOVE CONCRETE SIDEWALK AND DRIVEWAY	M3	1,500.0000	750.00			3.060	4,590.00
007	REMOVE CONCRETE (CURB AND GUTTER)	M3	1,500.0000	1,200.00			1.570	2,355.00
008 (S)	ROADWAY EXCAVATION	M3	1,000.0000	6,000.00			5.500	5,500.00
009 (S)	ASPHALT CONCRETE (TYPE A)	TONN	125.0000	875.00			4.580	572.50
010 (S)	ASPHALT CONCRETE (OPEN GRADED)	TONN	135.0000	8,235.00			79.240	10,697.40
011 (S)	PLACE ASPHALT CONCRETE (MISCELLANEOUS AREA)	M2	150.0000	2,100.00			13.520	2,028.00
012 (S)	CLASS 4 CONCRETE (BACKFILL)	M3	250.0000	650.00			0.900	225.00
013	ROADSIDE SIGN - ONE POST	EA	230.0000	230.00			1.000	230.00

Example 4: Sample of Project Record Estimate, Summary of Payment

```
PROGRAM CAS145                                                                                                                  PAGE  2
DATE 01/02/01                          STATE OF CALIFORNIA  -  DEPARTMENT OF TRANSPORTATION                                  03-441804
TIME 02:40 PM                                                                                                            ESTIMATE NO. 06
BID OPENING 02/08/00                     P R O J E C T   R E C O R D  -  E S T I M A T E          WORK PERFORMED THROUGH 11/17/00
R.E. NAME:  ZINK, PHIL                                                                            DATE OF THIS ESTIMATE  01/02/01
-------------------------------------------------------------------------------------------------------------------------------------
ITEM                                                   CONTRACT     ORIGINAL          THIS ESTIMATE              TOTAL ESTIMATE
NO.            ITEM DESCRIPTION            UNIT         PRICES     AUTH. AMT       QUANTITY     $ AMOUNT       QUANTITY     $ AMOUNT
-------------------------------------------------------------------------------------------------------------------------------------
    SUBTOTAL CONTRACT ITEMS                                                                          0.00                   124,938.82
         ADJUSTMENT OF COMPENSATION                                                                  0.00                         0.00
         EXTRA WORK                                                                                  0.00                     4,613.30
    SUBTOTAL AMOUNT EARNED                                                                           0.00                   129,552.12
         ORIGINAL CONTRACT AMOUNT                                   120,019.00
    TOTAL WORK COMPLETED                                                                             0.00                   129,552.12
         MATERIALS ON HAND ON SITE                                                                                                0.00
         MATERIALS ON HAND ELSEWHERE                                                                                              0.00
         DEDUCTIONS                                                                         15,000.00                              0.00
    TOTAL                                                                                   15,000.00                   129,552.12
             ITEMS FOR WHICH CONTRACT PRICE EXCEEDS MAXIMUM VALUE
                                N O N E
DATE CONTR CONTRACT DATE WORK   BEGIN    JOB COM-    WORKING   WEATHER NON-   C.C.O.       OTHER        PERCENT     PERCENT TIME
 APPROVED    DAYS    STARTED   CONSTR   PLETED ON     DAYS     WORKING DAYS    DAYS        DAYS        COMPLETED       ELAPSED
  03/29/00      30   07/17/00  06/27/00  11/17/00        76         24            0           0           100%           100%
                                                                                 ZINK, PHIL
                                                                                 RESIDENT ENGINEER
```

Example 5: Schedule B - Extra Work and Adjustment of Compensation

```
PROGRAM CAS145     E X T R A  W O R K  A N D  A D J U S T M E N T  C O M P E N S A T I O N
DATE 01/02/01            SCHEDULE B 01/02/01                                    PAGE NUMBER   1
TIME 02:40 PM                                                              CONTRACT NO.  03-441804
ZINK, PHIL                                                                      ESTIMATE NO:  6
-------------------------------------------------------------------------------------------------
 CCO  BRIEF                          ITEMS                              AMOUNT            AMOUNT
 NO.  DESCRIPTION                    AFFECTED            WORK TYPE      AUTHORIZED        EXPENDED
-------------------------------------------------------------------------------------------------

001  TRAFFIC CONTROL (FLAGGING)                   E.W. @ F.A.(+)        $500.00
                                                  E.W. @ U.P (+)      $5,995.00          $940.80
002  REPLACE B-3 CURB/REPLACE PCC  6,15,16                            $4,513.75
      ELEC FOUND
003  REPLACE VIHICLE SIGNAL                       E.W. @ F.A.(+)        $700.00
004  REPL SIGNAL POLE & ARM                       E.W. @ L.S.(+)      $2,830.00        $2,122.50
005  REPLACE PED PUSH BUTTONS &                   E.W. @ L.S.(+)      $1,550.00        $1,550.00
                                                                 ---> TOTAL AC =
                                                                 ---> TOTAL EW =        $4,613.30
```

Example 6: Schedule of Extra Work

```
PROGRAM CAS145   S C H E D U L E   O F   E X T R A   W O R K    PAGE NO.  1
DATE 01/02/01                                                    EST. NO.06
TIME 02:40 PM
R.E. NAME: ZINK, PHIL                                             03-441804
-------------------------------------------------------------------------
CCO REPORT       REPORT TYPE OF WORK(+) WORK  BR CONTR
NO. NUMBER       AMOUNT PERFORMED   (-) DATE  WK RPT.NO C O M M E N T S
-------------------------------------------------------------------------
*** THERE ARE NO EXTRA WORK PAYMENTS THIS ESTIMATE ***
```

Example 7: Schedule of Deductions

```
PROGRAM CAS145   S C H E D U L E   O F   D E D U C T I O N S    PAGE NO.  1
DATE 01/02/01                                                    EST. NO.06
TIME 02:40 PM
R.E. NAME: ZINK, PHIL                                             03-441804
-------------------------------------------------------------------------
DEDUCTION DESCRIPTION          AMOUNT  EST          THIS          TOTAL
                                       NO.        ESTIMATE       ESTIMATE
-------------------------------------------------------------------------
EQUAL EMPLOYMENT OPPORTUNITY
MISSING PR-1391             -7,622.53   02
RECEIVED FORM PR1391         7,622.53   03
MISSING CEM 2402           -10,000.00   05
CEM 2402                    10,000.00   06
                                                 10,000.00           0.00
LABOR COMPLIANCE VIOLATION
MISS P/R - RIOLO,O/O        -7,622.53   02
MISSING PAYROLLS            -4,327.59   03
MISSING PAYROLLS            -5,000.00   05
RETURN EST #2, EST#3        11,950.12   05
PAYROLLS                     5,000.00   06
                                                  5,000.00           0.00
                          TOTAL DEDUCTIONS        15,000.00           0.00
```

Example 8: Sample Notice of Opportunity for Offset Hearing

STATE OF CALIFORNIA—BUSINESS, TRANSPORTATION AND HOUSING AGENCY GRAY DAVIS, Governor

DEPARTMENT OF TRANSPORTATION
DIVISION OF CONSTRUCTION
1120 N STREET
P. O. BOX 942873
SACRAMENTO, CA 94273-0001
PHONE (916) xxx-xxxx
FAX (916) xxx-xxxx

October 1, 2001

Prime Contractor
Address
City, State Zip

Bonding Company
Address
City, State Zip

Offset Bonding Company
Address
City, State Zip

Dear Sirs:

This notice is to advise you of your rights upon determination of offset by the resident engineer in the amount of $XX,YYY.SS to clear an accounts receivable billing for contract number PP-RRRRRR, awarded to you by the California Department of Transportation, for highway construction on Route XX, YYY County, near ZZZZZ.

You have the right to request an offset hearing pursuant to this offset, as provided for by *Government Code,* Section 12419.5.

Unless your written request for an offset hearing is received within 20 calendar days of the date of this notice, this offset will be taken against contract number SS-VVVVVV, effective DD-MM-YY. Contract number SS-VVVVVV was awarded to you by the California Department of Transportation, for highway construction on Route XX, YYY County, near ZZZZZ.

If you request an offset hearing, one will be scheduled within approximately ten working days upon receipt of your written request. Under the procedures outlined under Section 8790.3 of the *State Administrative Manual*, you are entitled to an opportunity to present any valid objection you may have to the use of the offset procedure. At the hearing, you will be provided opportunity to present facts that discredit the accounts receivable, the appropriateness of this offset action, or other evidence you believe is relevant to the determination of the appropriateness of this offset action.

If you have questions regarding this notice, you may contact me at (BBB) ZZZ-RRRR.

Sincerely,

NAME
Resident Engineer

Attachment / Enclosure

bc: Division of Construction
District Division Chief Construction
Offset District Division Chief Construction
Headquarters Construction Coordinator
Offset Resident Engineer
Headquarters Accounting Division

initials (author's name / typist)