STATE OF CALIFORNIA - DEPARTMENT OF TRANSPORTATION
RESIDENT ENGINEER'S DAILY REPORT
FORM HC-10

REPORT NO. 304-310
DATE: 1/16/05-1/22/05
RECEIVED S M T W T F S

04-0120E4 (E2/T1 Foundations) 008429 JUL 18 05

04-SF-80-13.4, 13.8
ACBRIM-080-1(094)N

#304 Jan 16, 2005 Sun.

#305 Jan 17, 2005 Mon.

Holiday.

#306 Jan 18, 2005 Tue.

Owners' meeting 10 a.m. The following items were discussed:

Rental rates – KFM needs to submit information for equipment that does not have a rental rate.
Steel plates – KFM wants to know what to do with material. Is it to be reused or disposed of?

See agenda for more detail.
I received audit procedure information from Pedro Sanchez. This information is from Phil Kiefer of Audits and Investigations branch (see attached).

#307 Jan 19, 2005 Wed.

Worked on other projects.

#308 Jan 20, 2005 Thu.

Safety Meeting 0830.
Owners' meeting 10 a.m. The following items were discussed:

Steel – Possibility that Caltrans may want to have Transbay complete fabrication of piles.
Audit – KFM was given a copy of Caltrans accounting guide. This information is from Caltrans website. They indicated that this is not what they are looking for, yet in previous meetings they said that their fabricators have no idea what is needed for an audit.
Partnering – KFM wants to continue partnering without a facilitator though the end of the contract. Next partnering meeting will be on February 8, 2005 for January.

#309 Jan 21, 2005 Fri.

Worked on other projects.

#310 Jan 22, 2005 Sat.

Richard Duncan, P.E. Resident Engineer

Pedro Sanchez
01/18/05 03:02 PM

To: Richard Duncan/D04/Caltrans/CAGov@DOT
cc:
Subject: Re: Termination of Project 04-0120E4

Per your request

Pedro

----- Forwarded by Pedro Sanchez/D04/Caltrans/CAGov on 01/18/2005 03:01 PM -----

Phil Kiefer
01/14/2005 12:30 PM

To: Vijendra Prasad/D04/Caltrans/CAGov@DOT
cc: Pedro Sanchez/D04/Caltrans/CAGov@DOT, Robert Kobal/HQ/Caltrans/CAGov@DOT, Jon Tapping/HQ/Caltrans/CAGov@DOT
Subject: Re: Termination of Project 04-0120E4

Hi VJ:

First off, you people and the contractor need to fully understand Section 8-1.11 of the Standard Specifications - I have performed audits in accordance with this section for many years - an average of about 3 per year - and with this contractor - Kiewit on 03-1A80U4 - a project on I-80 called Gold Run. So I am very familiar with their project cost accounting system.

Here are the answers to your questions from the word document:

1. Who drafts letter for requesting audit?

A letter needs to come from the RE to Deputy Director of D04 Construction to Robert Kobal or Jon Tapping - It is a simple letter just describing the project, the date the contractor was told to cease all work and a request for a State Auditor for an audit to be conducted per Section 8-1.11.

2. How soon the auditors start the audit process once a request for audit has been submitted and received by the audit department.

I already have made arrangements witrh my Audit Management to have an auditor available for two months starting immediately after the contractor has stated their claims (more on this later) in accordance with 8-1.11 and made their records available. I believe the contractor's office is in the Walnut Creek area, unless all records are still at the jobsite. Either way this will work out well as the auditor we have in mind will come from Sacramento. I will be the lead auditor and will be at the audit site probably once a week.

3. Is there a time frame where the auditors have to complete "draft findings"?

I believe will have draft audit findings within 60 days after the commencement of the field audit

4. If acceptance is expected in ± 3 weeks from the termination letter from chief engineer, the After Acceptance Estimate should be processed ± 4 weeks after termination letter, would this 4 week period be sufficient for the audit "draft findings?

It is my understanding after talking to Robert Kobal that the contractor was notified on 1/5/05 to cease all contract work on the project except for items the RE deems necessary to secure the project in a safe manner. In fact, the RE should issue another letter NOW covering all the requirements of 8-1.11(A),(B)(C), if he has not done so. The termination

letter from the Chief Engineer and the AA can happen within a day or two or maybe simultaneously. As far as draft findings within 4 weeks after the AA, not possible as we need to have the contractor's statement of costs in accordance with 8-1.11(D).

5. The contractor's concern is that what they can do in order to assist the auditors in completing the audit process. Is there any particular process which the contractor has to follow?

The RE needs to send a letter NOW, requesting a ***summary statement*** of amounts due in accordance with 8-1.11. Advise the contractor that the amounts should be cut off as of 1/5/05 and costs incurred after that date need to be tracked separately. Or the contractor can call me @ 714-680-7840 for advice on what their summary statements should include.

5. **"Reasonable costs without profit"**

a) How do we calculate reasonable costs?

There is no calculation. The audit will determine what costs from their ***statement*** are allowable.

b) Is the reasonable cost is at Force Account with or without markups?

Force account markups are not used in a termination for convenience. Neither the ones in the Standards or the Specials.

Per Section 8-1.11(D) provides "The reasonable cost to the Contractor, without profit, for all work performed under the contract, including mobilization, demobilization, and work done to secure the project for termination". Per my Departmental Audit Guidelines, reasonable costs include field overhead and a reasonable allocation of home office overhead. The contractor will have to provide for audit, their monthly job cost records that include field overhead costs normally (The contractors' ***summary statement*** of amounts should be supported by the last monthly job costs "todate" report), and financial statements through 12/31/04 to support the reasonable allocation of home office overhead, if any. This is the reason that force account markups used to cover all overhead are not used in a termination for convenience, as all reasonable and support overhead for this project should be paid based on the audit.

c) Is there allowance for administrative costs?

Yes, the Department has paid for the cost of administrative personnel that assist in the audit. The contractor should be advised, that their administrative personnel need to keep track of their time while assisting RE or the auditors. This is covered by 8-1.11(D)(4).

I see from the last progress pay estimate - that there is over $12 million in materials on hand - you people and the contractor can be working on resolving these amounts NOW. You have to make some decisions ASAP

- Material that the State wants and to be incorporated in the replacement contract, need to be paid at invoice costs and the actual costs to move them to a State Facility can be paid.
- Material to be return to vendors can be paid - but only the handling and restocking costs, per 8-1.11(D)(3). There will be some salvage value issues that you people will have to deal with. Normally the quickest and easiest way to handle the material issues is to have them moved to a State Facility and secured so they are not rendered useless when the replacement contract work starts.

And the last item, which normally is a biggey - subcontractors - all of 8-1.11 applies to them. The subcontractors need to be advised by the contractor that they need to suggest disposition of materials and they also need to submit a summary statement of their claims under 8-1.11. It should not take more than a week per subcontractor for the field audit of their reasonable costs claimed, depending on size of the

claim. If need be, I will get another auditor to handle these claims. Normally I can handle these in a one day field audit for each subcontractor if the claims are few - I will make a decision once I see all the claims. Normally, subcontractors that have not been at the jobsite and started work, ordered and staocked material are the only issues.

I think I have covered everything - if you have any questions, please feel free to contact me.

Phil Kiefer
Construction Claim Audit Specialist
Caltrans Audits and Investigations
tele - 714-680-7840
fax - 714-680-7836

Vijendra Prasad

Vijendra Prasad
01/13/2005 12:11 PM

To: Phil Kiefer/HQ/Caltrans/CAGov@DOT
cc: Pedro Sanchez/D04/Caltrans/CAGov@DOT
Subject: Termination of Project 04-0120E4

Phil,
I was referred to you by resident engineer, John Muench in response to the above project termination. I would really appreciate if you could assist us by answering the following questions:

termination2005.doc

If you have any questions please feel free to contact me (510) 622-5186

Thanks
vj