



COLORADO

Department of Transportation

Office of the Chief Engineer

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MEMORANDUM

TO: RTDS AND HQ DIVISION DIRECTORS

FROM: JOSHUA LAIPPLY, CHIEF ENGINEER

DATE: MARCH 3, 2015

SUBJECT: GUIDANCE FOR CHARGING TIME TO ELIGIBLE FEDERAL AID PROJECTS AND INDIRECTS

The purpose of this Memorandum is to provide guidance on charging time to federal aid projects and indirect pools. Accurate time charges will result in establishing true project costs and indirect costs.

KEY TERMS:

Participating - Costs for labor hours that relate to activities that are attributable to the benefit of the federal highway program should be charged as participating, as they are reimbursable by FHWA. Most time charges for CDOT employees, other than Maintenance employees, should be coded as participating, whether charged to a project or cost center. SAP codes entered into "A/A Type" of 011P are directly tied to participating costs. Additionally, the cost of training and education provided for employee development is allowable.

Nonparticipating - Costs for labor hours that are not attributable to the benefit of the federal highway program should be charged as nonparticipating as they are not reimbursable by FHWA, e.g. lobbying, policy making, etc. Also, positions fully funded through MLOS (i.e. Traffic and Maintenance personnel) should always charge as non-participating. SAP codes entered into "A/A Type" of 011N are directly tied to nonparticipating costs.

It is recommended that you entering your time in as 011P for all projects. SAP will notify you of error if projects is fully state funded and then you can enter 011N.

If you have questions regarding whether your hours should be recorded as participating or nonparticipating, please contact your supervisor.

KEY GUIDELINES:

- Staff working on projects should charge their time directly to a project or construction engineering cost center as a participating cost. If staff is working on a Colorado Bridge Enterprise project, all time charges including construction engineering should be direct to project.



- Staff working programs or consultant services related to these items should charge their time to an indirect cost center as participating:
 - local agency project preconstruction oversight/clearances
 - outdoor advertising
 - other federally mandated programs
- Project staff should charge time to an indirect cost center as participating when:
 - attending training
 - working on committees
 - out-of-state travel or attending other statewide functions
 - unit meetings, video conferences, and other regional/statewide meetings
- If working on project-related activities, but the project is not yet set up in SAP, you may charge your time to your regional scoping pool (R# PSP-010) as a participating cost.
- If you receive a system error in SAP when charging your time to a project, contact your Business Office so that the error can be corrected.
- Administrative and support staff should generally charge their time to an indirect cost center as participating unless it can be clearly documented that the time should be charged to a project.
- Maintenance staff should charge their time to the MLOS cost centers.

PART I (PRE-CONSTRUCTION ACTIVITIES DIRECTLY CHARGEABLE TO PROJECTS)

The following phases are sub-classifications of pre-construction: Design (D), Right of Way (R), Environmental (E), Utility (U) and Miscellaneous (M)

Time charges should only be made to D (Project XXXXX.10.30) or E (Project XXXXX.10.40) phases of a project.

Attachment “A” lists the different functional codes that are to be used when coding your time.

Design

All design functions including most specialty groups that work on projects shall charge staff time to the D phase. The specialty groups that should charge time to the D phase included but not limited to Bridge, Traffic, Utilities, Hydraulics, ROW and Surveying.



ROW

All ROW staff time and consultant charges specific to projects including but not limited to surveying, ROW acquisition, ROW plans, appraisal and acquisition shall be charged to the D phase of that specific project. Other ROW activities not related to projects should be charged to the appropriate indirect cost center. The R phase is intended only for actual acquisition costs and should not include any time charges.

Utility

All staff time for Utility work specific to projects should be charged to the D phase of that project. The U phase is intended only for actual costs of relocating utilities and should not include any time charges.

Environmental

All environmental work specific to projects, including all NEPA activities, shall be charged to the specific project as participating. All time charges for work related to Categorical Exclusions should be charged to the D phase. Staff time charges for work related to Environmental Assessments or Environmental Impact Statements should be budgeted and charged to the E phase. Other environmental activities not related to projects or local agency oversight work should be charged to the appropriate indirect cost center as participating.

PART II (CONSTRUCTION ENGINEERING ACTIVITIES DIRECTLY CHARGEABLE TO PROJECTS)

The supervision and inspection of construction activities, are considered necessary for effective control of the construction operations; testing materials incorporated into construction; checking shop drawings; and measurements needed for the preparation of pay estimates. These charges should start after the bids are opened and accepted to proceed to award.

The Base Costs that are eligible for construction engineering are accumulated in the CE cost centers and are subsequently allocated to the projects on a daily basis through the allocation process, consist of the following:

- * Construction Engineering Personal Services Costs
- * Reproduction and Cost per Test allocations, as appropriate
- * CE Bid items such as field offices allocated from the Transport System
- * Payment of consultant billings for construction engineering
- * Advertising cost of Notice of Final Settlement.

In more detail, the following sub-classifications of construction engineering costs are to be allocated to projects through the Construction Engineering Pool process:

- o Any work related to the construction project after bids are opened and appear to meet the requirements for award.
- o Field Engineering and Inspection: Salaries, salary additives, expenses, materials, supplies and other costs incurred for work performed on the job site or at the plant by the resident engineer and party assigned to the project. This includes checking of evaluations, dimensions, and quantities, staking, computation of quantities and periodic reports.



- Consultant (third party) CE Payment - Consultant CE encumbrances and payments are coded to the appropriate regional external CE Cost Center if the project is eligible for CE allocation.
- Office Engineering: Salaries, salary additives, expenses, materials, supplies and other costs incurred for work performed in checking shop drawings, checking pay items, making plan revisions, checking change orders, performing project reviews, authorizing contract payments and other district and central office efforts, including that of clerical staff, relative to specific project determination.
- Material Testing and Inspection: Salaries, salary additives, expenses, materials, supplies and other costs incurred in making tests and inspections of materials incorporated in highway construction projects. (Costs are prorated to PE projects and the CE Pool as cost per test.)

CE Pool Eligible Projects have an encumbrance for CE Costs established based upon the project Financial Statement. This encumbrance is the equivalent of the participating and non-participating CE costs shown on the Project Financial Statement. The CE encumbrance is liquidated based on the CE Construction Engineering cost center allocations as they occur. Transport System Contractor Estimates - Charges for CE Bid Items are always coded directly to the project through the Transport Contractor Pay Estimate System. After the Contractor Pay Estimate is electronically approved by the region, items coded to function 3200 are automatically changed from the project to the region's CE Cost Center. CE Bid Items are encumbered under the region CE Cost Center, based on the project financial statements. This applies only to projects eligible for CE Pool allocation (not bridge enterprise projects).

PART III (INDIRECT COSTS - ACTIVITIES NOT CHARGEABLE TO A PROJECT)

Operations Administration: Salary, salary additives, expenses, materials, supplies and other costs of the Chief Engineer; Division, Branch, and Regional Transportation Directors (policy making level) and their clerical staffs charge 100% of their time to the applicable State Administrative cost centers. All other support staff charge their time as applicable to the indirect costs centers.

Costs incurred for the benefit of a project that are not project specific and are not eligible for participation in the Construction Engineering (CE) Pool are classified as project indirect costs. Indirect costs include salaries, supplies, utilities, building rents, telephone, etc. These costs must be coded to the individual's home cost center to be systematically distributed.

Administrative and support staff (non-legislatively funded) should generally charge their time to an indirect cost center as participating, unless it can be clearly documented that the time should be charged to a project. Maintenance staff should charge their time to the MLOS cost centers.

The following organizational units are eligible to classify their costs as indirect: regional program engineering offices including region program management staff, and central office organizations, such as Project Support, Accounting and Finance, Human Resources, Procurement, and Audit.

Indirect costs, including office supplies, telephone, utilities, and labor in increments of less than one hour or related multi-project meetings incurred by Resident Engineers and their staff are eligible for federal participation and shall be allocated as part of the normal indirect cost allocation process. Leave, training, etc., will be coded according to established procedures, which is to charge to the home cost center.

Other indirect costs, such as training and audit fees, are deemed eligible for federal participation. Such costs will be accumulated and allocated accordingly as participating.



Supervision: Project Chargeable vs. Administrative

Supervisory positions are to be differentiated as to whether or not they involve the:

- a). Supervision of operations - policy making level (Cost Center Chargeable)
- b). Supervision of project activities as described in Part I (Project Chargeable)

Policy making is primarily accomplished at higher management levels. Persons at and above the level of Professional Engineer III should generally charge their time to an indirect cost center or CE cost center. Otherwise they may charge to a project provided that the activity being performed is eligible for federal participation according to the previously stated definitions. These individuals, however, must document (in a diary, calendar or other acceptable method) the activity performed, hours chargeable to the project, and the project subaccount with the identification number. It is also recommended that the supervisors charge their time in increments of not less than one hour. The time documentation records must be retained by the employee for a minimum of three years after submittal of the final voucher.

Professional Engineer IIs and below will generally be involved with first-hand coordination, direction, and inspection of project activities; therefore, their costs will general be charged directly to a project or CE pool except for supervisor responsibilities, training, unit meetings, etc.

Additional Guidance

Attached are some documents that provide additional background and reference to the federal cost principles related to this topic.

Please contact Sam Pappas, Projects Accounting Manager, or Jon Caldwell, Projects Bid and Awards Supervisor, with any questions.

