



## FDM 8-10-1 Scoping and Estimating

May 15, 2024

### 1.1 Scoping

Scoping meetings are scheduled once the preferred consultant accepts WisDOT's or local unit of government's invitation to negotiate a contract. A field review of the project prior to or at the first scoping meeting is strongly encouraged. The purpose of the scoping meeting is to establish a shared understanding of the detailed scope and nature of the services, required deliverables by format, scale, number of copies, etc., responsibilities of each party, critical milestones, DBE requirements, etc. before estimating hours and costs. WisDOT or local unit of government will share the CDR, Project Management Plan (PMP) scoping module and all available materials and information regarding the scope of the project with the consultant, as available. **Delivery estimates will not be shared with the consultant or otherwise outside the department. Consultants are required to develop an independent estimate as part of the consultant contracting process.**

Scoping efforts between WisDOT and the consultant should not significantly expand the scope of the contract outside the deliverables advertised in the original solicitation. For example, a contract initially advertised as preliminary design cannot be extended to include final PS&E documents during negotiations.

Scoping for Work Orders on Master Contracts and for amendments should not differ from the process used for a two or three-party contract.

### 1.2 Estimating Hours and Costs

After the initial scoping efforts have been completed for a contract, work order or an amendment, WisDOT staff should review the information from the cost/benefit analysis as described in FDM 8-1-5 and the hours and cost in the PMP for comparison with the current scoping efforts. This initial scoping and an internal estimate of effort and costs for the initial scope must **completed in the Masterworks application and approved by the Consultant Unit Supervisor (CU-Sup)**. The WisDOT Project Manager or local unit of government will then ask the consultant to independently prepare an estimate of hours and costs. WisDOT staff or local unit of government should contact the Region Consultant Unit for guidance on preparing cost estimates for negotiation.

If the consultant or its proposed subconsultant(s) does not have an approved indirect cost rate, **approval** by the WisDOT Division of **Business Management** Audit Unit will be needed prior to completing negotiations. See [FDM 8-25-30](#) for more information.

[Attachment 1.1](#) is the format for estimating and summarizing hours by task and employee classification for construction and design engineering contracts. The basis for hours and cost estimates will be a combination of experience, historical data, contracts for similar projects, etc. [Attachment 1.3](#) must be substituted for [Attachment 1.1](#) on contacts using a specific rate of compensation method of payment. See [FDM 8-10-15](#) for more information on these types of contracts.

[Attachment 1.2](#) is a sample format for estimating and summarizing hours by employee classification and time schedule for construction engineering contracts. This figure is optional and would be in addition to using [Attachment 1.1](#). Cost estimates **created** for construction engineering contracts can be evaluated as a percentage of construction costs based on historical data and contracts for similar projects. This method can be used as a comparison to the costs agreed to through scoping.

The tasks used for estimating construction, planning and design services must equate with those used by WisDOT staff for similar services. The work breakdown structure (WBS or consultant activity task list), positions, and assumptions documents are located on the Masterworks internet support page at:

<https://wisconsindot.gov/Pages/doing-bus/eng-consultants/cnslt-rsrcs/contracts/masterworks.aspx>

For clarity during scoping, additional tasks **that are within the overall advertised project scope**, can be added within any of the categories to better define the project scope and provide estimated hours and costs for negotiations. Task hours and cost within any single category code shall be totaled for each category code when submitting hours and cost estimates in Attachment 1.1 of the contract.

Estimates of efforts for tasks and categories should consider total hours as well as hours for various levels of staffing. Cost analysis should include an evaluation of each element (direct labor, indirect costs, non-labor direct costs, fixed fee, subcontracts), along with total cost.

The consultant shall not commence services or incur costs prior to receiving written authorization. Any services performed and/or costs incurred prior to authorization are not eligible for payment and shall not be added to current contract charges, amendments, or future contracts.

### 1.3 Submitting Contract Cost Estimates

The negotiated versions of [Attachment 1.1](#) and [Attachment 1.2](#) (for construction contracts) must be included with the final contract submitted to Contract Administration Unit (CAU). Substitute [Attachment 1.3](#) for [Attachment 1.1](#) on specific rate of compensation contracts. If there are multiple methods of payment, the contract must include separate staff hours and direct labor cost estimates for each method of payment using the appropriate attachments.

Certain tasks on a contract may be completed by the consultant only if WisDOT provides a written Notice to Proceed. There must be a separate staff hours and direct labor cost estimate form ([Attachment 1.1](#)) that summarizes the hours and dollar estimates for all “if authorized” tasks.

All contracts must have a separate total contract summary version of [Attachment 1.1](#) for all services including any “if authorized” tasks for the prime consultant and each subconsultant. The total staff hours and direct labor costs should equal the total hours and dollars on the contract for the prime consultant and each subconsultant.

Phased contracts must include labor hour estimates by engineering task for each individual phase, as well as a summary of all estimated labor hours for the contract.

### 1.4 Labor Costs for Principals and Management Classifications

Labor costs for principals and other management classifications of a consultant firm may be included as Direct Labor Costs for only the time they are productively engaged in services necessary to accomplish the terms of the contract AND provided this is the consultant's normal practice and the costs are not included in the consultant's indirect cost rate (overhead).

## LIST OF ATTACHMENTS

<a href="#">Attachment 1.1</a>	Summary of Staff Hours & Direct Labor Costs
<a href="#">Attachment 1.2</a>	Staff Work Schedule
<a href="#">Attachment 1.3</a>	Specific Rate Contract Staff Hours and Direct Labor Costs

## **FDM 8-10-5 Contract Negotiation Process**

May 15, 2024

The negotiation process begins after the scoping meeting(s) have been held and an initial scope has been agreed upon. This process shall also apply to Work Orders for Master Contracts and amendments.

During contract negotiations with consultants, a WisDOT Consultant Unit Supervisor (CU-Sup), the Statewide Chief Consultant Engineer must represent the department. The CU-Sup or the Chief Statewide Consultant Engineer may delegate negotiation authority to the WisDOT Project Manager. The CU-Sup, Chief Statewide Consultant Engineer, or delegate shall review and approve the scoping and internal efforts and costs developed by the WisDOT Project Manager before allowing the negotiation process to begin. At that point, the consultant will be requested by the WisDOT Project Manager to prepare a proposal to estimate the hours and costs for the agreed upon scope. The submittal of a proposal by the consultant would contain the following:

1. Detailed description of the services. (See [FDM 8-10-1](#))
2. Special provisions for the appropriate boilerplate including the schedule for completion and Method of payment.
3. Summarized time estimates by task and employee classification (see [Attachment 1.1](#)) including a detailed fee computation showing analysis of direct labor, indirect costs, non-labor direct costs, fixed fee, and subcontracts. (See [FDM 8-25-30](#), Audits for information related to indirect rate and allowable direct costs).

The region's Contract Specialist (CS) will review the consultant's proposal for content and completeness before it is given to the CU-Sup to evaluate the consultant's estimated hours and costs.

Negotiation of contracts on the basis of demonstrated competence and qualifications, at fair and reasonable prices is required for all engineering and design related services using Federal-Aid Highway Program (FAHP) funding. The required participants at negotiation meetings include the WisDOT Consultant Unit Supervisor/Region Management designee or Section Chief and consultant (and a representative of the local unit of government for three-party contracts). The inclusion of other participants should be held to a minimum.

The **Chief** Statewide Consultant Engineer, or a delegate of **their** choosing, must be **involved with** negotiations of region consultant contracts and amendments estimated at \$2,000,000 or more and for local program federally funded consultant contracts and amendments estimated at \$600,000 or more unless a waiver is granted by the **Chief** Statewide Consultant Engineer. The WisDOT Contract Manager must attend negotiations on Division of Transportation Investment Management contracts estimated at \$2,000,000 or more unless a waiver is granted.

WisDOT's goal is to negotiate an amount that is fair and reasonable for both WisDOT and the consultant to complete the proposed effort.

The consultant's cost accounting system shall determine which expenses may be proposed and recovered as direct costs. It is the responsibility of WisDOT staff negotiating consultant contracts to know the expenses that can be charged as direct costs and those that should be included in the indirect cost rate for each firm. Contact the Audit Unit supervisor at [dotexternalaudit@dot.wi.gov](mailto:dotexternalaudit@dot.wi.gov) before allowing any expenses not specified in the consultant's current indirect cost audit report to be listed as direct costs. A summary report of consultant indirect cost rates and cost accounting practices is available for WisDOT staff.

See [FDM 8-25-30](#) for more information.

WisDOT may not initiate discussions about reducing firms' indirect rates. Firms may voluntarily reduce the indirect rate used on a contract in order to lower total costs. If that occurs, a special provision must be written for the contract specifying the new indirect rate. (See [FDM 8-25-30](#))

Determination of **whether the Department will use** fixed fee will be set prior to solicitation and will be included in the published scope of services.

WisDOT considers all other costs negotiable including total direct labor and wage escalation rates. Hence, all of the costs must be considered together to fairly evaluate reasonableness of the bottom line fee.

The consultant should submit a revised proposal reflecting mutual understanding of changes to the scope of services, schedule, estimated efforts and costs resulting from the negotiation meeting(s).

Depending on knowledge of the project, its complexity, and receptiveness of WisDOT and the consultant, negotiations should generally be substantially completed in one or two meetings after the scoping meeting(s) are completed. If agreement does not seem imminent, the WisDOT CU-Sup is required to contact the **Chief** Statewide Consultant Engineer to discuss the recommendation to terminate the negotiations in writing (with copy sent to Contract Administration Unit (CAU)). The WisDOT CU-Sup can then invite the second ranked consultant to negotiate a contract. Negotiations with a consultant may not be re-opened after termination.

The boilerplate is incorporated into the contract by reference. The consultant prepares the special provisions and supporting documents in the appropriate number of copies. See [FDM 8-20-1](#) for more information. After the CU-Supervisor has concluded negotiations with the consultant, WisDOT Project Managers and the region's CS are then required to review the consultant's final version of the contract before it is submitted to Central Office for approval.

The negotiation process for three-party federally funded consultant contracts should not differ from that for two-party contracts except that the WisDOT region local program contact or the consultant local program manager are resources for the local government but are not required to participate in negotiations unless the contract is more than \$600,000 as discussed under [FDM 8-5-20](#). The final agreed upon contract will be approved and signed by the local unit of government(s), then reviewed and approved by the WisDOT Region Local Program Manager prior to submittal to CAU.

Documents and records relevant to contract negotiations must be retained for three years **or for the time determined on the Records Disposition Authorization (RDA), whichever is longer**, after final invoice on the contract or for improvement projects after the last project on the contract is closed, in accordance with 49 CFR 18.42. Documents and records that need to be retained include:

1. Initial WisDOT estimate
2. E-mails with the selected consultant
3. Meeting minutes from negotiation meetings with WisDOT and consultant
4. Phone records/notes related to negotiations

The documents shall be kept with the **region/bureau** project files **in accordance with the RDA**. In the event any litigation, claim, negotiation, audit, or other action involving the records has commenced, the records must be retained until all issues are resolved.

Contract pricing over and above allowable actual costs through a fixed fee is necessary for a firm to stay in business. The department recognizes that a reasonable margin of profit is necessary to sustain a viable consulting industry that is adequately trained, insured, and stable.

The term “fixed fee” refers to the component of the contract price over and above estimated allowable actual cost defined under federal cost principles. The fixed fee percentage is to provide an opportunity for a firm to make a profit as well as to cover costs associated with risks inherent in the services performed for different types of projects that affect the firm’s ability to make that profit.

The fixed fee in a contract does not represent the firm’s margin of profit as measured in accordance with Generally Accepted Accounting Principles. A firm’s profit margin may be higher if a firm completes the services at a cost that is lower than the contract amount. Conversely, a firm’s profit margin may be lower (or even negative) if their costs exceed the contract amount. Additionally, firms recover normal business costs through fixed fees which cannot be allocated as indirect costs in indirect rates for government contracts per the Federal Acquisition Regulations (FAR). These costs include but are not limited to: federal taxes, interest expense for debt, settlements for claims, bad debt - write offs for unpaid bills, charitable contributions, broadcast marketing - advertising, legal fees for organizing/expanding the firm, project costs charged to job and not billed.

### 10.1 Fixed Fee Determination

The fixed fee percentage for WisDOT contracts are determined by a committee selected by the Chief Statewide Consultant Engineer and includes the WisDOT Contracts Manager. The committee will use a matrix including the fixed fee factors (See [FDM 8-10-10.2](#)) to set the fixed fee percentage and it will be published in the solicitation of services. For contracts solicited prior to January 1, 2013, in which the fixed fee percentage was not posted in the solicitation, the fixed fee will be negotiated as a percentage of the consultants’ direct labor and indirect costs.

Effective July 1, 2014, the Chief Statewide Consultant Engineer will determine and approve fixed fee percentage for local program, small purchase, and sole source contracts. The fixed fee factors discussed below (FDM 8-10-10.2) will also be used to determine the fixed fee for these contracts. The approved fixed fee for local program, small purchase, and sole source contracts will be indicated on their respective approval forms (DT1515, DT1516, and DT1517). Staff can download these forms at:

<https://wisconsindot.gov/Pages/doing-bus/eng-consultants/cnsit-rsrcs/contracts/supp-doc.aspx>

The fixed fee percentage for WisDOT contracts will typically be within a range of 6% to 12%, but is not to exceed 15%. The Chief Statewide Consultant Engineer will record the fixed fees set for all types of contracts; and maintain this data on an ongoing basis. This fixed fee data will then be regularly considered by the Statewide Consultant Engineer (and committee) in an effort to maintain unbiased consistency in determining the fixed fee for all future contracts.

The published fixed fee percentage is not open to change by the selected firm during contract negotiations.

Fixed fee on a WisDOT contract is calculated as a percentage of direct labor plus an imputed indirect cost using a standard indirect rate of 150%. For example, to determine the fixed fee dollar amount on a contract with a 6% fixed fee rate take the direct labor costs X 2.5 X 0.06. Direct costs and subcontracts are not included in the base for applying fixed fee percentages. The imputed indirect factor is only applicable to the calculation of fixed fee and is not used to determine allowable indirect costs on the contract. An example calculation is demonstrated in [Attachment 10.1](#).

For contracts using a field indirect rate, the standard indirect rate of 150% is used to calculate the fixed fee.

### 10.2 Fixed Fee Factors

Determination of relative fixed fee percentages on individual contracts should relate to individual contract elements that impact the consultant’s ability to make a profit on the contract. There are several factors considered when evaluating the appropriate level of fixed fee on individual contracts:

1. Level-of-Effort: This factor represents the risk that the level-of-effort needed to complete the scope of services will vary from the estimated level used as the basis for the negotiated contract price. Fixed fee should be higher when the consultant must absorb level-of-effort risk attributed to variables not within the consultant’s control. Fixed fee should be lower for projects with few variables and well-defined scope. It is also important to understand and consider how much of the level-of-effort risk is transferred to the consultant through contract terms and how much is retained by the Department.
  - Lower risk contracts are those involving clearly defined scope a low number of variables and minimal outside agency or public involvement. These contracts have little risk of changes in

effort without amendments.

- Medium risk contracts are those with deliverables based on routine schedules with normal exposure to scope variation and normal outside agency and public involvement.
  - Higher risk contracts are those involving projects with very complex and/or non-traditional scoping requirements or those where the scope may include delivery and/or milestone interpretations.
2. Scheduling Stability: Contracts with stable predictable schedules pose less scheduling risk than contracts where the contract progress is volatile and/or outside of the consultant's control. The ability of the consultant to control and predict when contract services will be performed allows the firm to utilize its staff efficiently. Projects where the timing of the services is subject to factors outside of the consultant's control can result in less efficient utilization of staff along with unanticipated direct costs.
- Lower risk contracts have deliverables which are expected to be used well into the future, progress that is not controlled by outside parties, or long-term staffing on a full time basis.
  - Medium risk contracts are those with a routine schedule; acceleration or delay in the schedule is not anticipated.
  - Higher risk contracts include projects with unusually accelerated schedules, outcomes critical to completion of other services, or those with a higher likelihood of interruptions of progress due to reviews, direction change, or other external factors.
3. Uniqueness of Services/Staff Expertise: Some types of professional services are more unique than others. A higher rate of profit is necessary in order to provide incentives for consultants to retain staff with expertise to provide services for which demand may not be constant as well as those requiring extraordinary investment in research and development or capital investment. Firms with specialized expertise are often required to retain staff through slow business cycles, increasing their costs.
- Lower risk contracts include those that require basic services such as drafting, survey support or administrative services and those services that can be provided by temporary or seasonal employees.
  - Medium risk contracts include those which require a typical mix of production and technically proficient staff.
  - Higher risk contracts are for services that require the application of unique technical expertise, an unusual amount of research and/or large capital investment.
4. Liability/Risk of Claims: This factor is related to the consultant's exposure to claims and lawsuits as the result of services performed under the contract. The type of services and aggressiveness of parties regarding compensation and recovery determine the level of exposure. Risk of errors and omissions may be mitigated by liability insurance required by WisDOT and allocated to contracts through the indirect cost rate. However, the consultant must still absorb the cost of a claim under its deductible or beyond the limits of its insurance policy. The risk associated with the need to subcontract is also a factor; since the prime has the contractual relationship with the department and is the first tier on any claim against the subconsultant's services.
- Lower risk of exposure should be recognized on contracts where claims are unlikely to occur due to the deliverables, such as in staffing assistance and planning projects with little or no subcontracting
  - Medium risk of exposure should be recognized on contracts delivered under normal conditions with moderate subcontracting.
  - Higher risk should be recognized on contracts where errors made by the consultant could result in re-work or construction contract costs that could be attributed to the consultant and significant subcontracting including new or inexperienced firms
5. Inflation Risk: This risk is associated with the duration of the contract services. Contract cost estimates are based on current cost rates representing direct labor, indirect cost rates and other direct cost rates in effect during the period when the contract is negotiated. The risk of inflation may be mitigated through the use of actual cost contracts and/or escalation factors that are negotiated and incorporated into the contract price.
- Lower risk of inflation should be recognized contracts of shorter duration and contracts that allow consultants to pass inflationary costs on to the Department as actual costs.
  - Medium risk of inflation should be recognized on contracts delivered under routine schedules and durations (1-2 years) where escalation factors can be used.
  - Higher risk of inflation should be recognized on contracts of longer duration (3 or more years)

where the consultant is expected to absorb inflationary increases.

6. **Administrative Efficiencies:** Some types of contracts require a relatively low level of administrative effort (accounting, marketing, etc.) compared to the contract price than other contracts. While administrative costs are allowed and allocated to projects through indirect cost rates, the proportion of indirect costs incurred versus allocated is not equitable for all contracts. Some recognition of these inequities may be reflected in negotiated profit.
- Lower risk associated with administrative efficiencies should be recognized on contracts that require low level of administrative effort.
  - Medium risk associated with administrative efficiencies should be recognized on contracts that require routine administrative effort.
  - Higher risk associated with administrative efficiencies should be recognized on contracts that require additional unbillable administrative costs that is disproportionate to the contract size.

### 10.3 Fixed Fee for Subcontracts

Fixed fee for subcontractors will be the same as used for services performed by the prime consultant. It will be the same percentage that the department determined for the project when solicited.

## **LIST OF ATTACHMENTS**

[Attachment 10.1](#) Example Fixed Fee Calculation

## **FDM 8-10-15 Methods of Payment**

May 15, 2024

### 15.1 Allowable Methods

The method(s) of payment used for consultant contracts may be one, or a combination, of the following: Lump Sum, Actual Cost Plus Fixed Fee, Cost Per Unit of Work, or Specific Rate of Compensation. These methods of payment are also applicable to subconsultants. The department and consultant should discuss the method of payment at the start of negotiations. **Documentation should be developed and retained that outlines the decision process on the selected method of payment or any changes to the method of payment during the life of the contract.**

When the method of payment is any other than lump sum, the contract must specify an upper limit of compensation.

#### 1. LUMP SUM

The term lump sum contract is often used to generally describe a type of contract. Federal Acquisition Regulation 48 CFR 16.2 uses the Fixed Price Contract rather than lump sum contract. However, it is important to clarify that the term lump sum is actually referring to the method of payment to be used in a contract with a consultant. The lump sum method of payment, once negotiated is then covered under the Basis of Payment section within a contract. The intent of a lump sum method payment is to minimize amendments to a contract that increase costs. Once both parties have agreed to the level of effort in an executed consultant contract, a change in the amount of the lump sum can only be made if the scope of services changes materially.

It is appropriate when the project scope, estimate, risk, scheduling complexity and duration of the services are defined in enough detail to allow determination of fair and reasonable compensation in advance by all parties.

Lump sum contracts need to have contract fee computation sheets in accordance with [FDM 8-10-30](#). Contracts under \$75,000, however, do not require contract fee computation sheets. Detailed cost invoicing is not required.

If the following criteria are met the contract is a good candidate for lump sum payment.

- a. The project scope should initially be well defined by WisDOT. It is important that WisDOT and the consultant agree to the scope of the contract before negotiations continue. A well-defined and agreed upon scope will reduce the likelihood of disputes after the project has commenced.

Because uncertainties in scope are often found during the preliminary design phases of projects they are often better suited to an actual cost method of payment. Final design phases of projects tend to be better candidates for lump sum payment because most scope uncertainties are identified in the preliminary phase.

- b. WisDOT staff need to have a high degree of confidence in the accuracy of internal cost estimate prepared for the project. This will expedite negotiations. Cost information from prior projects may help both WisDOT and the consultant prepare realistic estimates of the probable cost of delivery.
- c. The consultant must be willing to accept the increased risk associated with a lump sum payment. However, the consultant's acceptance of additional risk is also accompanied by the potential for increased profit. Because the consultant assumes full responsibility, in the form of profits or losses, for all the costs under or over the firm negotiated price, it has a maximum profit incentive for effective cost control in contract performance.
- d. Successful past experience negotiating and delivering a lump sum projects by the consultant.

## 2. ACTUAL COST PLUS FIXED FEE

Under this method of payment, a consultant is reimbursed for all allowable costs incurred up to a maximum upper limit plus a fixed fee. Fixed fee is defined as a specific dollar amount, not subject to change except by contract amendment when there is a change in the scope of services required. Actual cost plus fixed fee is appropriate when the scope of services can be well defined but the precise extent, complexity, or duration of the required services is indeterminable at the time of negotiations. It is also appropriate when the services are of a nature that WisDOT does not have the knowledge or experience to evaluate the reasonableness of a lump sum amount. It is commonly used for construction engineering contracts and designs of broadly defined scope.

All actual cost contracts need to have cost-based estimates in accordance with [FDM 8-10-30](#).

## 3. COST PER UNIT OF WORK

Under this method of payment, a specified dollar amount is paid for costs plus fixed fee for each completed unit of work. It is appropriate when the scope of services and unit cost can be determined in advance with reasonable accuracy, but the extent of the effort is indefinite. It may be appropriate for contracts for right-of-way plat sheets and corner restoration or monumentation.

Cost/unit contracts need to have cost-based estimates in accordance with [FDM 8-10-30](#). Contracts under \$75,000 however, do not require those cost-based estimates.

## 4. SPECIFIC RATE OF COMPENSATION

Under this method of payment, a specified hourly or daily rate is paid for each class of employee or type of equipment engaged in providing the required services. It may be used for relatively minor or straightforward scope of services of indeterminable extent of effort over which WisDOT can monitor the time and classification of employee and/or equipment utilized.

Types of contracts where specific rates of compensation are most commonly used are plan review, construction finals, consultants working in WisDOT offices, construction engineering contracts where WisDOT supplies the project manager, local program management and surveying (or use cost per unit).

Specific rate contracts need to have cost-based estimates in accordance with [FDM 8-10-30](#). Contracts under \$75,000, however, do not require those cost-based estimates.

### 15.2 Prohibited Methods

Cost-plus-percentage-of-cost contracts, under which a consultant's fee is based on a predetermined percentage of the final cost of completed services, are prohibited.

Methods of payment based on a percentage of construction cost are also prohibited.

## FDM 8-10-20 Cost Accounting Requirements and Principles

March 4, 2013

### 20.1 Cost Accounting Requirements

All consultants contracting with WisDOT must maintain accounting and estimating systems in accordance with the requirements of Cost Accounting Standard (CAS) 401-Consistency in Estimating, Accumulating, and Reporting Costs; and Cost Accounting Standard 402-Consistency in Allocating Costs Incurred for the Same Purpose. Cost Accounting Standards are published in Title 48 CFR Subparts 9904.401 and 9904.402.

Consultant contracts with WisDOT which would qualify for either modified or full CAS coverage in accordance with 48 CFR 9903.201 if they were direct Federal contracts are subject to the appropriate CAS coverage regardless of funding source. Upon request, consultants shall provide WisDOT with a copy of their CAS

disclosure statement.

## 20.2 Cost Principles

Allowable actual costs on WisDOT consultant contracts will not exceed those costs allowed under 48 CFR Chapter 1, Part 31 - Contract Cost Principles and Procedures. For contracts with commercial organizations, a factor for facilities capital cost of money, as defined in 48 CFR 1-31.205-10, may be included as a component of indirect costs without specific reference in the contracts<sup>1</sup>.

## 20.3 Field Rate Accounting

### 20.3.1 Construction Contract Administration Accounting

Per 48 CFR Part 31.203(f): "Separate cost groupings for costs allocable to offsite locations may be necessary to permit equitable distribution of costs on the basis of the benefits accruing to the several cost objectives." In some cases projects involve consultants working in the Department's provided office(s) for an extended period of time over consecutive months. WisDOT will require the application of field rate accounting, in accordance with FAR, to individual positions when all of the following conditions apply:

1. Contracts are advertised and solicited as requiring field rate accounting.
2. Contracts for construction contract administration more than eighteen consecutive months in duration.
3. Contracts involving one or more full time assigned consultant staff. Assigned is defined as working on the project full time. Field rate accounting does not apply to consultant staff working less than full time on the project.

If the firm's cost accounting policy requires field rate accounting that is more restrictive than WisDOT policy (items 1-3 above), WisDOT will require the use of that company's policy related to field rate accounting practices for these contracts. This applies whether or not the project was advertised requiring field rate accounting. If the selected consultant does not currently have field office accounting in place, the consultant will have the option of negotiating a field office rate that will act as an indirect cost ceiling for the contract in lieu of implementing field office accounting.

Subconsultants are required to use field rate accounting if all of the above conditions in the WisDOT policy (items 1-3 above) apply to the subconsultant's contract with the prime consultant. If the subconsultant's cost accounting policy requires field rate accounting that is more restrictive than WisDOT policy (items 1-3 above), WisDOT will require the use of that company's policy related to field rate accounting practices for these contracts. This applies whether or not the project was advertised requiring field rate accounting. If the subconsultant does not currently have field office accounting in place, the consultant will have the option of negotiating a field office rate that will act as an indirect cost ceiling for the contract in lieu of implementing field office accounting.

### 20.3.2 Project Office Accounting

Per 48 CFR Part 31.203(f): "Separate cost groupings for costs allocable to offsite locations may be necessary to permit equitable distribution of costs on the basis of the benefits accruing to the several cost objectives." In some cases, contracts involve consultants assigned to Department's Office(s) for an extended period of time over 12 consecutive months. WisDOT will require the application of project office accounting, in accordance with FAR, to individual positions when all of the following conditions apply:

1. Contracts are advertised and solicited as requiring project office accounting.
2. Contracts for services (for example: design, real estate, utilities, STOC, administrative) where consultant staff is assigned to a contracted position(s) in a WisDOT provided office(s), full time, for twelve (12) or more consecutive months. Project office accounting does not apply to consultant staff working less than full time in the Department office(s).
3. Contracts involving one or more full time assigned consultant staff. Assigned is defined as assigned to Department's Office full time for the length of the contract.

If the firm's cost accounting policy requires field rate accounting that is more restrictive than WisDOT policy (items 1-3 above), WisDOT will require the use of that company's policy related to field rate accounting practices for these contracts. This applies whether or not the project was advertised requiring field rate accounting. If the selected consultant does not currently have field office accounting in place, the consultant will have the option of

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<sup>1</sup> For more information on facilities capital cost of money refer to:  
<http://www.dot.wisconsin.gov/business/engrserv/caucostmoney.htm>



negotiating a field office rate that will act as an indirect cost ceiling for the contract in lieu of implementing field office accounting.

Subconsultants are required to use field rate accounting if all of the above conditions in the WisDOT policy (items 1-3 above) apply to the subconsultant's contract with the prime consultant. If the subconsultant's cost accounting policy requires field rate accounting that is more restrictive than WisDOT policy (items 1-3 above), WisDOT will require the use of that company's policy related to field rate accounting practices for these contracts. This applies whether or not the project was advertised requiring field rate accounting. If the subconsultant does not currently have field office accounting in place, the consultant will have the option of negotiating a field office rate that will act as an indirect cost ceiling for the contract in lieu of implementing field office accounting.

## **FDM 8-10-25 Subconsultants**

May 15, 2024

A subconsultant is the individual not classified as an employee of the consultant, firm, or entity the higher tier consultant contracts to perform a portion of the contract services.

The use of subconsultants is subject to approval by WisDOT. The prime consultant must perform the greatest share, as a percent of total dollar value, of contract services. The prime consultant should perform more than 50% of contract services. The prime consultant may perform as little as 30% of contract services with WisDOT approval. Additional justification may be required when the prime consultant performs less than 50% of the work order services. Traffic control subconsultants may perform the greatest share of services with approval of the Chief Statewide Consultant Engineer.

The prime consultant retains full responsibility for the fulfillment of the contract.

Higher tier consultants may select subconsultants using a qualification-based selection process as outlined in [FDM 8-5-1](#), or using cost proposals from a minimum of two qualified firms. WisDOT may ask for documentation of cost proposals.

Contracts must state both the method of payment from WisDOT to the prime consultant and the method of payment from higher to lower tier consultants.

Subconsultants, except railroad companies, may not be included as direct costs to higher tier consultants.

Subconsultants must provide the same detailed time and cost estimates as prime consultants in accordance with [FDM 8-20-1](#).

Subcontracts must have cost-based estimates in accordance with [FDM 8-10-30](#). Subconsultants submitting cost-based estimates must submit a Consultant Financial Report in accordance with [FDM 8-5-47](#).

Subcontracts with entities that do infrequent business with WisDOT, do not use the actual cost-plus fixed fee basis of payment, and are less than \$75,000 may use market rates, but the estimate must have enough detail for WisDOT to determine the estimate is reasonable.

Subcontracts with national experts for specialty services, geotechnical exploration, and traffic control; that do not use the actual cost-plus fixed fee basis of payment; and are greater than \$75,000 may use market rates, but the estimate must have enough detail for WisDOT to determine the estimate is reasonable.

WisDOT does not pay fixed fee to higher tier consultants for services performed by subconsultants.

Any substitution of subconsultants, changes in the scope of services performed by subconsultants, and/or changes in fees requires an approved contract amendment. Amendments must be approved before new services can begin including money transferred between higher and lower tier consultants.

### **25.1 Contract Requirements**

Consultants are required for assuring the following provisions are included in subconsultant contracts:

1. Access to Records - Subconsultants agree to maintain all books, documents, papers, accounting records, and other evidence pertaining to all costs incurred under contract for three years from the date of final payment.
2. Nondiscrimination - The prime consultant must include provisions for nondiscrimination in every subcontract including procurements of materials and leases of equipment.
3. Equal Employment Opportunity - Provisions of EEO must be included in every subcontract in excess of \$10,000.

4. Implementation of the Clean Air Act and Clean Water Act (Contracts exceeding \$100,000) - The consultant must include the requirements of the Clean Air Act and Clean Water Act boilerplate section of the contract.
5. Certification of Debarment/Suspension - It is the responsibility of the prime consultant to assure WisDOT that the subcontractor has not been debarred or suspended. The consultant may rely upon a certification unless it knows it is erroneous. Check the Disapproval List at (608) 266-1631.
6. Certification Regarding Lobbying - The consultant shall require language of this certification be included in the documents for subcontractors. Subconsultants must certify and disclose accordingly.

## 25.2 Post Contract Execution

Higher tier consultants must pay subconsultants for contract services performed within 10 business days of receiving payment from either WisDOT or a higher tier consultant.

Subconsultants are responsible for performance of services and to the same standards as the prime consultant.

Performance of subconsultants does not limit the legal liability of either the higher tier(s) or the subconsultant.

The performance of the subconsultant will be included in the prime consultant's performance evaluation.

## FDM 8-10-30 Contract Fee Computation

May 15, 2024

Contract proposals must be cost-based and include determination of eligible costs and profit to derive and justify a total contract amount. Costs must be directly attributable to and properly allocable to the project(s) covered by the contract. Firms with cost-based contracts/subcontracts must submit a Consultant Financial Report per [FDM 8-5-47](#).

Contracts selected on the basis of priced proposals do not require a cost-based fee computation. Contracts/subcontracts that are not actual cost plus fixed fee and are less than \$75,000 also do not require cost-based fee computations, but still requires enough detail for WisDOT to determine the estimate is reasonable.

All of the following must be clearly identified and supported in a detailed fee computation as defined in [Attachments 30.1](#) through [30.4](#).

### 30.1 Direct Labor Costs

Allowable direct labor costs are those costs related to actual wages paid to employees for time they are productively engaged in services necessary to fulfill the terms of the contract. Some consultants may charge direct labor costs for administrative personnel (principals and clerical) directly to projects. Others recover such labor costs through their indirect cost rate. The consultant's accounting policy and practices for directly charging labor to projects is evaluated for consistency and reasonableness during their indirect cost rate audit. See [FDM 8-25-30](#).

All consultant labor costs must be estimated based on current consultant pay rates whether those rates are based on specific individuals, averages of groups of individuals, or company-wide average rates based on classification. Provisions for future pay raises (commonly referred to as escalation) must be shown separately in supporting fee computation worksheets and are subject to negotiation. Department negotiators may evaluate and negotiate escalation rates based on guidance from Department management.

Key Personnel - Employee name, classification, and hourly rate must be stated at the actual rates paid to the employees by the consultant.

Estimates for key personnel must be based on individual pay rates of specific employees and may not be based on company-wide averages by classification. Employee name or number, classification and rate must be shown in the estimate along with the employee's actual pay rate. Key personnel may include the Project Manager and selected Senior Engineer positions for design and planning projects, based on their unique technical qualifications and the need for those skill sets on the project(s) in question.

Some projects may require key technical specialists. For the technical specialist to qualify as key personnel, they must be critical to the project requirements. Typically, that key technical person would have technical training or experience such that the individual's contribution is considered an essential component of the consultant's firm's qualifications to complete services under the contract.

For construction engineering contacts, staff assigned to work on a construction contract on a full time basis during the project construction period are considered key personnel.

Non-key Personnel - For staff not considered to be key personnel, firms may estimate costs using company-wide average rates by classification or they use the average rates of specific employees they anticipate using

the on the project.

Consultants may develop direct labor rates based on company-wide averages for each classification based on standard classifications. Average rates by classification may be developed for an entire organization or subsets of the organization such as a region or division when applicable. The company-wide average rates are computed by the sum of all wage rates of each staff person in that classification divided by the number of staff in that classification. Computation and documentation of company-wide average rates are the responsibility of the consulting firm and documentation shall be made available to the Department upon request. If a consultant uses company-wide average rates, company-wide average rates shall be used for estimating costs of non-key personnel when negotiating all contracts.

Consultants that do not calculate company-wide average rates by classification must estimate labor for non-key personnel using averages of specific employee pay rates developed on a project-by project basis. Pay rates of specific consultant staff within a classification who may be reasonably expected to work on the contract should be used to develop an average weighted rate for that classification based on their percentage of participation in that classification. The names or numbers, classifications and individual pay rates must be shown in the worksheets supporting the consultant's estimate. The consultant shall not use a specific employee in more than one classification. If one employee fills multiple roles on a project, a discussion with the Department is required to ensure that an understanding of effort by that particular staff person in the contract hours is understood and agreed upon by both parties.

Use of Employee Numbers - In lieu of providing consultant names on contract proposal documents, consultants may list employee numbers. If numbers are listed rather than names, the consultant shall provide the Department with a listing showing employee numbers, classifications and names. This list of employee numbers, classifications and names can be provided outside of the contract document. Consultants may submit this document to the Region or Statewide Bureaus consultant supervisor and DTIM Audit staff on periodic basis or individual contract basis. Consultant firm's lists of employee names, classifications, and numbers will be maintained by the Consultant Unit Supervisors within each region and Bureau as well as in audit files in DTIM. The lists will be available for the viewing of Department negotiators and contracts specialists for use in reviewing specific contract proposals and will not be made readily accessible to other Department staff. Requests for copies of lists of consultant names and employee numbers will be evaluated in accordance with applicable laws and regulations governing public information requests.

Anticipated Pay Increases - Actual labor rates of employees may take into account reasonable anticipated pay increases if it is known that the duration of the contract will involve an actual pay increase. The Department will determine the reasonableness of the proposed pay increases. The consultant must provide an estimate of the amount of services to be completed prior to and subsequent to the anticipated increase on [Attachment 30.1](#).

Total direct labor is determined by multiplying labor rates by the estimated number of hours for each task or services element. The tasks used to estimate labor hours on the contract equate to those used by DOT engineering staff. See [FDM 8-10-1](#) for more information on preparing labor cost estimates.

### **30.2 Indirect Costs**

Indirect costs are those costs (indirect labor, fringe benefits, and general and administrative expenses) that cannot be identified specifically with a particular project. Consultants must have an indirect cost rate approved by WisDOT's Division of **Business** Management, Audit Unit prior to contract approval. See [FDM 8-25-30](#).

### **30.3 Fixed Fee**

**Fixed Fee is calculated in accordance with [FDM 8-10-10.1](#).**

### **30.4 Non-Labor Direct Costs**

Non-labor direct costs are those costs not included in the consultant's indirect cost rate that are specifically incurred for the purpose of fulfilling the terms of the contract. They will vary depending on the accounting policies and practices of different consultant firms, but generally may include such things as travel expenses, reproductions, and equipment. They are allowable to the extent they are properly and consistently accounted for as direct costs by the consultant. Costs that are obviously attributed to a project will not be allowed as a direct cost on a contract if the consultant does not consistently exclude similar costs from indirect costs when they are incurred on other projects.

Reimbursement of costs associated with commuting labor, mileage and travel expenses should be limited to costs allowed under the consultant's company policy and further limited by WisDOT policy including contract provisions and the Federal Acquisition Regulation (FAR). The costs of commuting between the project site and the home base on consecutive days will be limited to the cost that would be incurred if the consultant stayed overnight. Home Base is the consultant's nearest office or, the consultant employee's home unless negotiated

differently with WisDOT. WisDOT will pay the consultant the lesser of:

- commuting from the consultant’s home base to the project office each day, or
- the cost of staying overnight at nearby lodging.

This applies to all contracts in which a consultant performs services not in the consultant’s base office including construction oversight and contracts where a consultant will be working in WisDOT offices. It is the consultant’s responsibility to insure that estimated and incurred costs are limited in accordance with these principles.

When commuting costs will be charged to a contract, the consultant should provide WisDOT negotiators with an analysis showing that the cost of commuting vs staying overnight including the consultant’s direct wage, indirect cost, fixed fee, cost of mileage, meals, lodging and per diem. A workbook is available to aid in this calculation.

When a contract requires a consultant employee to work full time at a project WisDOT office on a long-term basis, the consultant’s home base is the location of the office where the services are being performed. Therefore, commuting or overnight travel costs will not be reimbursed under the contract. The period for determining “long-term basis” will be consistent with the period used to determine the application of Project Office Accounting rates published in [FDM 8-10-20.3](#). This paragraph does not apply to Construction Contract Administration Accounting. Relocation expense in accordance with the FAR cost principles will be allowed unless specifically excluded in the solicitation of interest for the contract.

Nothing in the above policy precludes the consultant from making his/her own decisions about when to commute or Stay-Out. The amount invoiced to WisDOT should be based on the most cost-effective alternative even when the consultant chooses the less cost-effective alternative. When a consultant chooses the less cost-effective alternative, the consultant must implement invoicing controls to ensure WisDOT is not invoiced for costs in excess of those that would have been incurred following the more cost-effective alternative. Consultant accounting records supporting costs invoiced to the project must show total costs incurred, costs billed to WisDOT and unbilled direct costs.

Daily Commute Cost (Wage + Mileage + Meals)		Stay-Out Cost (Wage + Mileage + Per Diem)	
\$ 25.00	Employee Wage Rate	\$ 25.00	Employee Wage Rate
1.3362	Indirect Cost Rate (Audit Summary Report)	1.3362	Indirect Cost Rate
6.75%	Fixed Fee (7.50% Consultant Led, 6.75% Support)	6.75%	Fixed Fee
120	Miles from office location to project, round trip	20	Estimated miles round trip from hotel to work site
\$ 0.535	IRS Business Mileage Rate. No Standard Mileage Rate	\$ 0.535	IRS Business Mileage Rate
\$ 62.62	Calculated Wage Rate ((Wage Rate)+(Wage Rate*Indirect Cost Rate)+(Wage Rate*2.5*Fixed Fee)	\$ 62.62	Calculated Wage Rate ((Wage Rate)+(Wage Rate*Indirect Cost Rate)+(Wage Rate*2.5*Fixed Fee)
2.67	* Commute Time (hrs) (Office To Work Site Round Trip/ 45mph)	\$ 0.44	Drive Time From Hotel To Work Site, Round Trip (miles/45 mph)
\$ 12.00	** Meals	\$ 142.00	Per Diem (Standard Rate For Wisconsin \$142, Dane County \$174, Wisc. Dells June-Sept. \$186, OR Company Specific P
\$ 167.00	Total Travel Time Cost To Work Site (Calculated Wage Rate*Commute Hours)	\$ 27.83	Total Travel Time Cost To Work Site (Calculated Wage Rate*Drive Time)
\$ 64.20	Total Mileage Expense (Round trip miles*IRS Business Mileage Rate)	\$ 10.70	Total Mileage Expense (Round trip from hotel*IRS Business Mileage Rate)
\$ 243.20	Total Commuting Cost	\$ 180.53	Total Overnight Stay

\* Commute time can be adjusted based on route and driving speed  
 \*\* Meals Breakdown Chart From Federal Per Diem Rates

The example above shows a sample calculation. In this case, the amount paid will be based on Stay-Out cost

Regardless of their amount, non-labor direct costs must be itemized in the contract fee computation. Consultants must propose direct cost categories that are consistent with the information submitted on their last Consultant Financial Report (CFR) Part 3C - Direct Cost Summary. Consultant direct costs that aren’t consistent with direct cost listed on the CFR will be rejected during negotiation unless exceptions are explained and approved in advance by WisDOT Audit.

"Miscellaneous" or "Other" is not an appropriate categorization. [Attachment 30.3](#) shows how the direct costs are to be outlined within the contract.

Direct costs for meals and lodging are subject to the limits published in 48 CFR 31.205-46. The regulation allows reimbursement based on per diem or actual costs. However, per diems for meals and lodging are allowable only if they represent the consultant's normal company policy for reimbursing its employees and the consultant is consistent in carrying out the policy. Costs incurred under less restrictive consultant polices because they are reimbursable under government contracts will be considered unreasonable and disallowed.

Subconsultants, including lower-tier subconsultants, should not be shown in the contract basis of payment or supporting fee computations as non-labor direct costs.

### 30.5 Subcontracts

Any contract services intended to be subcontracted must be so designated. Subcontracts must be supported by a copy of the original cost proposal from the subcontractor. All subcontracts should be supported by fee computations that are applicable based on the subcontract basis of payment and amount of the subcontract.

### 30.6 Fee Computation by Basis of Payment

If there is a combination of Lump Sum and Actual Cost services on the contract, the contract submittal must include separate fee computations ([Attachment 30.2](#)) for all tasks done on a Lump Sum basis and all tasks to be completed on an Actual Cost basis.

Certain tasks on a contract may be completed by the vendor only if WisDOT authorizes them to complete the services. There must be one separate fee computation ([Attachment 30.2](#)) that summarizes the hours and dollars estimate for all "if authorized" tasks.

Phased contracts must use [Attachment 30.5](#) to show the detailed fee computation for each phase of the contract.

*All contracts must have a total contract summary version of [Attachment 30.2](#) that includes all services, including Lump Sum, Actual Cost, and any "if authorized" tasks. The total direct labor, indirect costs, profit and non-direct labor costs should add up to the total contract cost for the prime vendor.*

The total contract amount is the total of the five cost elements applicable to the contract. It is the maximum amount of compensation that will be allowed unless a modification is approved by contract amendment. The total contract amount must be clearly stated in the contract document. A Consultant Contract Total Fee Computation form ([Attachment 30.4](#)) must be included with all contracts.

Specific rate contract estimates are negotiated based upon a specified hourly rate for each employee or employee classification. The specified rate includes the employee's salary, as well as the firm's indirect costs and the advertised fixed fee (see [FDM 8-10-10](#)) on the contract. [Attachment 30.6](#) shall be used for contracts solicited prior to January 2013 and [Attachment 30.7](#) shall be used for specific rate contracts starting with the January 2013 solicitation.

[Attachments 30.6](#), [30.7](#), [30.8](#) and [30.9](#) allow for this method of contract cost calculation so they are to be used in place of [Attachments 30.1](#), [30.2](#) and [30.4](#) for contracts using a specific rate basis of payment. All contracts must include [Attachment 30.3](#) to detail direct costs by item.

The specified rates per employee or employee classification can be negotiated to be lower than the firm's actual cost. [Attachments 30.6](#) and [30.7](#) displays both the actual cost per employee and the negotiated rate. The negotiated rate is used in all other contract supporting documents.

For more information on specific rate contracts refer to [FDM 8-10-15](#).

#### **LIST OF ATTACHMENTS**

<a href="#">Attachment 30.1</a>	Consultant Contract Direct Labor Detail
<a href="#">Attachment 30.2</a>	Fee Computation Summary by Engineer Task
<a href="#">Attachment 30.3</a>	Direct Costs by Item
<a href="#">Attachment 30.4</a>	Consultant Contract Total Fee Computation
<a href="#">Attachment 30.5</a>	Phased Contract
<a href="#">Attachment 30.6</a>	Specific Rate Contract Direct Labor Detail for Contracts Solicited Prior to January 2013
<a href="#">Attachment 30.7</a>	Specific Rate Contract Direct Labor Detail for Contracts Solicited after January 1, 2013
<a href="#">Attachment 30.8</a>	Specific Rate Fee Computation Summary by Engineering Task
<a href="#">Attachment 30.9</a>	Specific Rate Contract Total Fee Computation