

CHAPTER 2
SUPERVISION AND ADMINISTRATION ACTIVITIES AND COSTS

2-1. **Introduction.**

a. This chapter presents a detailed list of Supervision and Administration (S&A) activities, which are generally performed by construction division personnel, and costs which are incurred during the performance of S&A for construction. This is presented to ensure uniform charging procedures throughout the Corps.

b. Some activities which are not S&A are also listed to indicate that they are not to be charged to S&A accounts. However, it is not the purpose of this chapter to identify the accounts to which these non-S&A activities should be charged - refer to ERs 37-2-10 and 37-345-10 for detailed information. See also Chapters 5, 8, and 9 of this ER for discussions of other costs.

c. For this chapter the activities and costs will be categorized as follows: (See the applicable Resource Management guidance for the appropriate cost account to charge to.)

SUPERVISION AND ADMINISTRATION OF CONSTRUCTION (S&A)

Preaward Activities
Postaward Activities
Field Office Operation
Construction Phase Project Management, Project Manager
Construction Phase Project Management, By Technical Manager
Overhead
Departmental Overhead
General and Administrative Overhead
Labor Burden
Damages Assessed to Contractors
Contract Liquidated Damages
Other Damages

2-2. **Preaward Activities.** These include activities which are performed before award of a construction contract, are considered as a function of Construction Division, and are generally performed by construction personnel. Many of these activities will be charged to other than S&A cost accounts, generally to P&D for military, E&D for Civil Works. Note that not all preaward activities are listed - only those performed by construction personnel. See Table 2-1 for this list.

2-3. **Postaward Activities.**

a. These include managerial, technical and administrative activities and costs which are performed/incurred after the award of a construction contract; and which are considered a function of Construction Division, and are generally performed by construction personnel. See Table 2-2 for this list.

b. Construction related postaward activities which should not be charged to S&A include extraordinary costs (i.e., expenses such as expert witnesses, subsurface exploration, etc.,) related to defending against contract claims, management of government furnished equipment/materials when installation is not included in the construction contract, and activities which represent engineering and design during construction (EDC). These costs should generally be charged directly to the project.

c. EDC includes extensions of design, preparation of plans, specifications and cost estimates for change orders, review of contractor submittals by the designer when required to verify design assumptions, postaward value engineering costs which are not offset by savings, design-related visits to the construction site by design personnel during construction, and review of as-built drawings by government personnel. (For military projects, preparation of as-builts by government personnel or separate contract is not classified as EDC, to conform with DD Form 1391 calculations.)

d. Safety and occupational health. These costs are generally charged to the district G&A overhead account. However technical services readily identifiable with a specific project may be charged to the S&A account provided that technical support is (1) mandated by USACE requirement; and (2) has been requested and coordinated with the functional chief. ER 37-2-10, Chapter 24 provides detailed information.

2-4. **Field Office Operations.** This consists of all activities and costs for the operation of construction field offices. See Chapter 8 for information concerning the rental or acquisition of field offices. Field office operations include:

a. Building maintenance and operations, including rent and utilities.

b. Motor Pool/Vehicles lease/rental, maintenance and repairs.

c. Administrative or "overhead" labor expenses which can not be identified with a specific project and must be distributed to the projects managed by an office.

d. Office equipment and supplies: Expendable items under \$5,000; items over \$5,000 may not be purchased with S&A funds.

e. Transportation of things, communications, printing and reproduction, equipment maintenance, ADP and other contractual services.

2-5. Construction Phase Project Management.

a. By Project Manager. This includes various activities during the construction phase, but only when directly related to a specific project. Other labor by the Project Manager (PM) is charged to other appropriate district accounts.

b. By Technical Manager. This includes various activities during the construction phase, when performing duties as a member of the project management team. These include:

(1) Coordination of construction projects with the PM and other Corps elements;

(2) participation in preparation of the baseline cost estimate and Project Management Plan (PMP), including revisions;

(3) periodic progress meetings with the PM;

(4) participation in Project Review Board meetings.

2-6. Construction Division Overhead.

a. Indirect costs. These include all activities and costs at the district level, which are distributed to projects or to the flat-rate S&A accounts, but which can not be directly charged to a specific project/contract. The main indirect costs which apply to Construction Divisions are Departmental Overhead, District General and Administrative (G&A) Overhead apportioned to Construction Division, and Labor Burden. Indirect construction-related costs are first accumulated in appropriate accounts established by the Resource Management Division. The costs are then distributed as additions to direct labor charges. The method of cost distribution is explained in ERs 37-2-10, 37-345-10 and EP 37-1-4, which deal with accounting procedures, and by policies established by each MSC.

30 Sep 93

b. Departmental Overhead (DOH) (formerly "Technical Indirect Overhead"). These are expenses of the Construction Division not charged directly to projects. DOH costs are distributed to each project using direct labor as the distribution method, i.e., for each project a percentage is added to the direct labor costs to recover the technical division's costs. This percentage is in addition to Labor Burden. Personnel normally charge their labor to DOH if -

(1) the time worked on a specific project is less than one hour; or

(2) they are part of the technical division's executive or administrative staff, or they are performing supervision and administration or general secretarial support activities; or

(3) the employee is performing other work, not chargeable to a specific project. Typical specific, non-project charges to DOH include:

(a) administrative personnel and support;

(b) permanent change of station travel;

(c) various personnel-related actions and costs performed by construction division, e.g., incentives, awards performance plans and evaluations, SKAPS, contractor commendations/awards;

(d) training and attendance at professional seminars;

(e) attendance at staff meetings, conferences and hearings, staff visits; travel for temporary duty;

(f) equipment ownership, vehicle, equipment maintenance costs;

(g) expendable and minor equipment under \$5,000 not directly attributable to a project;

(h) preparation of AMPRS and other upward reports not prepared by field offices, and other construction-related reports and briefings, which include multiple projects, or are not project specific;

(i) management and man-power surveys, preparation of pamphlets, and revision of regulations;

(j) responding to congressional inquiries of a general construction nature (charge those related to a specific project as Technical Management);

(k) supplies, materials and expendable items for the "department", (charge those from central "free issue" supply rooms to G&A Overhead);

(l) transportation/shipping charges;

(m) charges for printing, communications, visual information;

(n) centralized activities benefiting a single organizational element;

(o) support contracts and Revolving Fund facility account charges.

c. District General and Administrative (G&A) overhead. District G&A costs are distributed to all technical divisions, including construction division. Construction division then distributes the costs to direct labor hours, similar to departmental overhead costs. G&A offices provide support to the technical divisions and perform other required functions not directly chargeable to specific projects. G&A offices are not generally permitted to charge directly to projects or S&A flat rate accounts.

d. Labor burden. These are expenses for various employee related costs, and for the government's contributions for various fringe benefits. These contributions are toward employee civil service retirement, leave, life insurance, Social Security tax, Medicare, severance pay entitlement, traumatic job-related injuries, and employee health benefits. This burden increases the labor costs charged to each project. The dollar values for the above burdens are accumulated in special accounts in the Corps Revolving Fund, and then distributed as expenses are incurred.

2-7. **Damages Assessed to Contractor.** These are generally liquidated damages assessed during construction contracts, which usually result in a credit to project construction funds and/or S&A account(s). This category is used primarily as an accounting element, rather than as an activity. Liquidated damages for delayed performance attributable to increased S&A expenses may be credited to the appropriate S&A account under certain circumstances. Liquidated damages attributable to other expenses incurred by USACE activities or our customers will be credited to the appropriation that funded the other expenses. "Other damages"

ER 415-1-16

30 Sep 93

include actual damages which may be assessed against a construction contractor or Architect-Engineer (A-E). See ER 715-1-10 for a discussion of recoverable damages which may result from deficiencies in A-E performance. Actual damages cannot normally be collected when liquidated damages have been specified. The balance of damages in excess of increased expenses must be deposited into the General Fund of the U.S. Treasury as Miscellaneous Receipts.

2-8. **Level of Detail of Cost Accounting.** The minimum level of cost accounting is that required by ERs 37-2-10 and 37-345-10; however, each organization must keep records to a level of detail which will allow it to meet management objectives. Those projects funded by a flat rate S&A account need not be broken down beyond the level for which it is productive to maintain actual cost records. However, it may be necessary for districts to utilize a lower level breakdown for those projects where S&A costs are charged on an "at-cost" basis, e.g., to meet sponsor/customer requirements.

**TABLE 2-1
PREAWARD ACTIVITIES PERFORMED BY CONSTRUCTION PERSONNEL**

1. Preaward S&A activities which should be charged to the S&A account.

- Conferences of construction staffs to establish construction sequence, etc., with design personnel, and for familiarization with design requirements.

- Conducting of site visits for bidders.

- Performance of technical portion of Preaward Survey.

2. Preaward activities which should be charged to the military flat rate S&A accounts and to other than S&A for Civil Works.

- Determination of Liquidated Damages to include in the contract.

- Estimation of contract durations, including determination of adverse weather days.

3. Preaward activities which should be charged to accounts other than S&A.

- Construction Division input into the Project Management Plan (PMP).

- Reviews and analyses of plans and specifications, starting during project planning or concept design; to include biddability, constructibility, and operability (BCO) reviews of design documents, BCO backchecks, and certifications.

- Participation on Architect-Engineer (A-E) Pre-Selection Board.

- Assistance with orientation of designer(s) for large projects.

- Assistance with preparation of contract clauses.

- Obtaining of necessary leases, permits and similar project-related actions before contract award.

- Activities having to do with bid openings.

ER 415-1-16

30 Sep 93

- Construction Division assistance with negotiations for award of construction contracts.
- Design-Build Projects: During the design phase, construction personnel involved in technical support of design of these projects should be paid from design funds. After notice to proceed for construction, S&A activities by construction personnel will be paid by S&A funds.
- Request for Proposal: Preparation/Evaluation/Source Selection.
- Prequalification of bidders for construction contracts.

TABLE 2-2
POSTAWARD ACTIVITIES PERFORMED BY CONSTRUCTION PERSONNEL

Postaward activities which should be charged to the S&A account consist mainly of Contract Administration, including Quality Assurance (QA) activities, and include but are not limited to:

- Reviews of insurance certification and bonding.
- Preparation of, and execution of Quality Assurance plans.
- QA sampling and testing during construction of materials to determine suitability and compliance with plans and specifications; estimation of material/work quantities, including any required measurements or calculations by government personnel.
- QA/Quality Control (QC) coordination meetings.
- Review of QC three-phase inspections, and tracking of deficiencies. Quality verification/surveillance of contractor's QC system. Review of contractor QC reports; preparation of QA reports. Inspections and surveys - ensuring that construction is performed in compliance with plans and specifications; includes verification of layouts, benchmarks, etc.
- Preconstruction conferences.
- Oversight of relocation of residents, temporary or permanent.
- Review, approval and enforcement of contractor submittals required by contract clauses, e.g., health and safety plan, demolition plan, submittal register, warranties, plan for environmental safeguards, etc., not including submittals concerning extensions of design.
- Review and approval of construction schedules and progress charts/NAS prepared by construction contractors. Conferences with contractors to coordinate project features; enforcement of compliance with schedules.
- Review and monitoring of SF 1413 Sub-Contractor agreements.
- Review/Enforcement of contractor laboratory certifications.
- Contract administration in association with modifications to contracts.

30 Sep 93

- Resolution of contract disputes and claims, to include the cost of government personnel, expert witnesses and other administrative costs.

- Labor-related items: Ensure Davis-Bacon Act compliance, conduct labor interviews and reports, other labor-related activities.

- Management of contract funds, preparation of funds request.

- Management of contract schedules, progress charts/reports.

- Reviewing and processing of periodic progress pay estimates, verification of bid item quantities.

- Processing of routine document transmittals.

- Preparation of Construction Contractor and final Architect-Engineer performance evaluations.

- Management of contracted S&A services, e.g., third-party supervision and quality assurance of construction. This includes health and safety personnel for HTRW projects,

- Performance of actions related to default or termination of a contract.

- Supervision and/or QA of systems start-up, maintenance and operations; primarily for environmental restoration projects.

- Obtaining or provision of necessary technical guidance (i.e., technical manuals, standards, circulars, expert services, etc.)

- Specification clarifications requested by contractors.

- Routine coordination among Corps personnel, project sponsor and user(s); when extraordinary effort is necessary, charges should be to accounts other than S&A.

- Preparation and review of the daily log of construction, including routine safety inspections and comments.

- Prefinal and final inspections, and transfer of facilities to owner, with proper documentation. Verification of complete correction of final deficiency list (punch list).

- Review of operations and maintenance manuals.

- Photography/videotapes for progress reports.
- Review of "as-built" drawings prepared by the contractor.
- Warranty enforcement, including four- and nine-month inspections.
- QA of site closure and post-construction maintenance, especially at environmental restoration projects.
- HTRW construction documentation reports, including chemical and geotechnical data management, well logs, embankment criteria.
- Financial close-out of contracts.
- Review and management of potential Architect-Engineer responsibility action cases by construction personnel. Once determined to involve A-E responsibility, the S&A account may no longer be charged; EDC generally is the proper funding source.