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DEPARTMENT OF THE ARMY  
Little Rock District, Corps of Engineers  
P.O. Box 867  
Little Rock, Arkansas 72203

LRDR 1175-1-2

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Regulation  
No. 1175-1-2

29 October 1974

Internal Review  
COST-REIMBURSABLE CONTRACTS  
MAINTENANCE OF FIELD RECORDS

1. Purpose. This regulation prescribes and defines responsibilities of project personnel in connection with compiling field work papers for cost-reimbursable contracts. It is applicable to all cost-reimbursable contracts administered by this District.
2. Applicability. This regulation is applicable to all offices having responsibility for administering cost-reimbursable contracts.
3. References.
  - a. OCE Suppl 1 to AR 11-7, Appendix G.
  - b. ER 1180-1-1, Section 73, paragraph 73-501.
4. Objective. To provide for the accumulation of adequate records which are necessary to verify the reimbursable charges of the contractor, to assist in the auditing of invoices and the prompt payment thereof to the contractor, and to furnish factual data upon which the Contracting Officer can base a decision in connection with any claims received from contractors performing work under cost-reimbursable contracts.
5. Responsibilities. The Construction-Operations Division is responsible for the overall coordination and administration of all cost-reimbursable contracts in the District. The Resident Engineer responsible for other construction work on the project to which the work being performed on a cost-reimbursable basis is related will be responsible for the administration of such cost-reimbursable contracts. Each Resident Engineer having such responsibility will be designated as the Contracting Officer's representative. It shall be the Resident Engineer's duty to keep the Contracting Officer advised on matters pertaining to the cost-reimbursable work, and he shall also keep the Little Rock Resident Audit Office currently informed on all matters affecting reimbursement.

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This regulation supersedes LRDR 1175-1-2, 5 May 1966

6. Procedures.

a. Field work papers will be compiled at project level by project personnel, and data will be accumulated therein in a manner consistent with the contractor's procedures and contract provisions as to items to be billed for any given period. These work papers, consisting of field check sheets, recapitulations of same, periodic progress reports, materials test reports, including the determination and/or verification of group indexes in the case of roadway subgrades, etc., should be compiled in a neat and legible manner and in sufficient detail whereby the accountant reviewing the invoice or the employee reviewing a claim will not be subjected to guesswork. Field work papers will be forwarded to the District Office at the end of each month, as outlined below, except for documents such as materials test reports which will not be required in the District Office for audit purposes and should be retained at the Resident Office for use in the administration of the contract.

b. Labor. A record of direct labor charged for employees of the contractor (owner) should be maintained on SWD Form 715-J. The plant description portion of the title should be ruled out when the form is used to record labor costs. The labor classification (Construction Engineer, Foreman, Trackman, Carpenter, Ironworker, etc.) and the total number of hours for each labor classification for each day should be recorded. A separate form should be used for each group of the owner's employees (Engineering Personnel, Extra Gang No. 175, Signal Gang No. 229, etc.).

(1) Direct labor should be verified by a periodic check of employees engaged on the work. This check should be made as often as required to protect the interests of the Government, daily if necessary but not less frequently than weekly, to determine that the labor costs submitted by the owner are reasonable.

(2) The labor check sheet should be reconciled periodically with the time book of the owner's foreman assigned to the job. Complete reconciliation should be made at the end of each month, at which time the report should be signed by the Government Inspector and Resident Engineer in the spaces provided and forwarded to the District Office.

(3) If a copy of the owner's labor reports is available, the data shown thereon can be verified and authenticated by signature of a Government representative at the project and the form forwarded to the District Office in lieu of the SWD Form 715-J described above.

c. Equipment rental. A record of the use of the contractor's (owner's) equipment on the job should be maintained on the same form as that used for labor. The "labor classification" portion of the title should be ruled out when the form is used to record equipment rental usage. Under the column heading "plant description" will be entered sufficient information to identify the piece of equipment with the owner's invoice for reimbursement. The use of equipment engaged in the work should be verified by a periodic check at the worksite and reconciled with the time book of the owner's foreman the same as for labor charges. This check should be performed as often as required to protect the interests of the Government, daily if necessary, to determine that the equipment costs submitted by the owner are reasonable. The form should be signed as indicated and forwarded to the District Office at the end of each month. If a copy of the owner's equipment usage record is available, the data shown thereon can be verified and authenticated by signature of a Government representative at the project and the form forwarded to the District Office in lieu of the SWD Form 715-J described above.

d. Material. Arrangements should be made for the contractor (owner) to furnish the Government representative a copy of all documents covering materials charged to the job, together with a copy of all credit memorandums for materials charged to the job that later become excess and are not used in the work. All such documents should be authenticated by signature of a Government representative at the project and forwarded to the District Office at the end of each month along with the labor and equipment rental reports described above. It will be the responsibility of the Government field forces to insure that all items charged to the job for which reimbursement is to be made are reasonable in quantities and are required for the work covered by the contract.

e. Salvage. When a cost-reimbursable contract contains a salvage clause, controls must be established for all salvageable materials, equipment, and supplies. The record must be complete enough to show whether the items are removed from the jobsite, used in the altered or relocated facility, determined to be more economical to leave in place, or otherwise disposed of. When the value of such salvage is to be as mutually agreed upon between the contractor (owner) and the Contracting Officer, the Resident Engineer will normally be designated in writing as the authorized representative of the Contracting Officer to determine the value of salvage materials for the Government. It will be his responsibility to negotiate with the owner's designated representative for an equitable value of salvage materials for which the Government will be given credit and complete SWD Form 716-J (Salvage Determination), including signatures as indicated,

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for transmittal to the District Office at the end of each month. If the owner uses his own form to record salvage items, a copy of the form showing salvage values to which the Resident Engineer has agreed by signature thereon will suffice in lieu of SWD Form 716-J.

f. Betterments. When work is performed which comes under the betterments clause of the contract, it is the Resident Engineer's responsibility to see that field work papers are maintained in such a manner that the labor, equipment rental, and materials applicable to the betterments portion, which is required to be performed by the owner at his own cost and expense, are kept separate from other costs which are reimbursable by the Government.

g. Subcontract work. When the contractor (owner) performs the work, or a portion thereof, by subcontracts approved by the Contracting Officer, payment by the Government to the owner will be based on fixed amounts as set out in the approved subcontract. Changes to approved subcontracts must also have the prior approval of the Contracting Officer. Inspection of subcontractor activities by Resident Office personnel should be performed as often as required to protect the interests of the Government.

(1) The owner will be required to furnish the District Office copies of all subcontractor progress payment estimates along with the owner's invoice on which those costs are billed to the Government. Copies of the owner's invoices, together with copies of all subcontractor progress payment estimates, will be forwarded by the Audit Office to the Resident Engineer for verification and return. The Resident Engineer will determine whether the quantities on progress payments to subcontractors are commensurate with the actual physical progress of the work and will so indicate by return indorsement to the Audit Office.

(2) This regulation is not intended to preclude Resident Engineers from preparing summary-type reports covering inspections of cost-reimbursable jobs. When such reports are prepared, copies should be furnished the Audit Office in addition to other field work papers outlined herein.

h. Claims. If a request is received from a contractor performing work under a cost-reimbursable contract for additional money for work allegedly in excess of that required under the contract, or for other reasons such as accidents, damage to the property of others by the contractor in the performance of work under the contract, etc., the

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claim should be completely analyzed in the Resident Office by the person who will be the Government's witness in any appeal or litigation on the matter. The analysis should be complete in every detail, including contractual provisions considered relative thereto and his recommendation as to whether the claim should be allowed. The original request, together with the analysis, should be forwarded to the Construction-Operations Division of the District Office for further action.

i. Completion reports.

(1) When all work under a cost-reimbursable contract is completed and the final inspection made, the Resident Engineer should make a written report thereof to the District Engineer. The report should show the date completed; number of days the contract completion date was exceeded, if any, and the reasons for the delay; the amount of any additional Government costs resulting from the delay; date of final inspection; names of Government and contractor representatives present; the results of the inspection; and any other pertinent data. In the event deficiencies are noted at the time of the inspection, a supplemental report should then be furnished when all deficiencies have been corrected.

(2) The Resident Engineer is also responsible for notifying the Real Estate Division immediately upon completion of the work to initiate action required in the transfer of real estate interests if such transfer is required by the contract.

7. Preconstruction conferences. Resident Engineers will be responsible for notifying the Audit Office in advance of preconstruction conferences under cost-reimbursable contracts in order that an auditor may attend. The auditor attending the conference will prepare a written report of such meetings.

8. Real estate requirements. ER 1180-1-1, section 73, paragraph 73-501, states that if the contractor (owner) acquires, on a reimbursable basis, real estate interests outside of the project limits, which acquisition is the responsibility of the Government, the consideration paid for such real estate interest must have prior approval of the Contracting Officer. In compliance therewith, the contract clause in cost-reimbursable contracts authorizing the contractor (owner) to acquire real estate interests will be amended prior to award of the contract to add a provision similar to the following:

Prior to any negotiations for acquisition of rights-of-way outside the limits of Government ownership, detailed appraisals of each individual tract to be acquired will be furnished for review and approval by the

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Contracting Officer. No negotiations for acquisition of said rights-of-way will be initiated prior to the approval by the Contracting Officer of the appraised value to be used as a basis for such negotiations. In the event any of the said rights-of-way cannot be acquired by negotiation at a sum approved by the Contracting Officer, the contractor (owner) shall acquire the rights-of-way by condemnation.

9. Government appraisals. Upon receipt of detailed appraisals from the contractor (owner) for review and prior approval by the Contracting Officer, the Real Estate Division will take necessary action to review the appraisal report for each tract, with related supporting documents, and prepare comments of the reviewing appraiser as to concurrence or nonconcurrence with the estimated value contained therein.

10. Difference in appraisals. If the contractor's (owner's) appraisal of a tract is in excess of an amount considered fair and reasonable, the Real Estate Division will attempt to reconcile the appraisal difference with the contractor (owner) as a basis for negotiating with the property owner after approval of the reconciled amount by the Contracting Officer.

11. Condemnation. In those instances where an equitable agreement between the Contracting Officer and the contractor (owner) cannot be reached, the Real Estate Division will coordinate with the contractor (owner) for acquisition of the real estate interests by condemnation action to be initiated by the contractor (owner).

12. Negotiations. The Engineering Division employee in charge of negotiations with a contractor (owner) will be responsible for notifying the Real Estate Division in advance of negotiations under cost-reimbursable contracts in order that a Real Estate Division employee may attend and discuss real estate requirements with the contractor (owner). All contract negotiations shall be reduced to writing and the original copy, signed by the negotiator, shall be furnished to the Procurement and Supply Division for inclusion in the official contract files.

13. Real estate work papers. All actions taken by the Real Estate Division will be fully documented and copies thereof will be furnished the Procurement and Supply Division for inclusion in the official contract files.

FOR THE DISTRICT ENGINEER:



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