ARIZONA DEPARTMENT OF TRANSPORTATION
INTERMODAL TRANSPORTATION DIVISION
ENGINEERING CONSULTANTS SECTION
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Arizona Governor's Award for Quality
1995 Pioneer Award Recipient

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Engineering Consultants Section

INFORMATION BULLETIN 98-08

TO: Consultants

FROM: Engineering Consultants Section

SUBJECT: Subconsultant(s) Cost Negotiation Guidelines (Supersedes Information Bulletin 97-02)

In order to expedite cost negotiations, the following subconsultant guidelines are provided for preparing your cost proposal:

The combined total dollar value of all subconsultant contracts must be less than 50% of the total dollar value of the contract.

Project Principal participation by the subconsultant is not allowed unless justified.

Subconsultants are to follow the same guidelines as the prime regarding Direct Labor, Overhead, Direct Expenses and Fixed Fee.

The Department will perform a prenegotation audit review of Subconsultants per the following:

- Subconsultants proposing more than $200,000 in costs must submit Section 3, Parts 1, 2, 3 of the three-part audit questionnaire and comply with the Contract Cost Allowability Guidelines & Policies (CCAGP) and Advance Agreement Check List (AACL).

- Subconsultants proposing more than $50,000 but less than $200,000 in costs must submit in accordance with the Contract Cost Allowability Guidelines & Policies (CCAGP) and Advance Agreement Checklist (AACL), two (2) fiscal years of Financial Statements and overhead schedule(s) prepared in accordance with General Accepted Accounting Principles (GAAP) and two (2) years of Tax Returns. Schedules must be modified in accordance with the CCAGP and be reconciled to the financial statements.

- Subconsultants proposing less that $50,000 in costs will not be required to submit overhead information, unless otherwise determined by Engineering Consultants Section.

- In instances where specialized expertise is needed from an individual, the prime will submit and justify an hourly rate that is determined to be reasonable.

- Subconsultants providing Geotechnical Service that generate more than 50% of their revenue from the commercial market place will only be required to submit commercial item pricing. The Department shall not pay any amount in excess of the Consultants most favored customer price or the price of other suppliers for like quantities of the same or substantially the same items, whichever is lower.

- Other Subconsultants that may provide Costs per Unit of Work such as aerial mapping, traffic counts, utility locating and public relations. The prime will submit and justify a rate that is reasonable.

- Once negotiated, subconsultants costs that are less than $50,000 may be designated as lump sum.

- The Prime is responsible for securing the subconsultants support documentation.

- Subconsultants overhead rates should be firm, or negotiated for the term of the contract and not adjusted or flexible rates. However, pending interpretation of the 1995 National Highway System Act, Section 307, Quality Through Competition, an overhead adjustment may be allowed. A final audit may be performed on subconsultants as well.