

## Memorandum

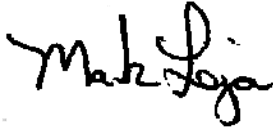
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**To:** DEPUTY DISTRICT DIRECTORS, Construction  
DEPUTY DIVISION CHIEF, Structure Construction  
CONSTRUCTION MANAGERS  
SENIOR CONSTRUCTION ENGINEERS  
RESIDENT ENGINEERS

**Date:** April 19, 2013

**File:** Division of Construction  
CPD 13-1

**From:** MARK LEJA  
Chief  
Division of Construction



**Subject:** Salvaged or Surplus Materials

In response to a recent California State Auditor's review of the California Department of Transportation (Caltrans), resident engineers are reminded of their responsibility for ensuring that surplus department-furnished materials and materials salvaged from the project are documented and properly tracked through their storage for future use. Proper tracking includes quantification of materials used, damaged, replaced, and stored. In addition, resident engineers are reminded to consider those instances where there are surplus contractor-furnished materials for which Caltrans may be partially responsible.

This directive is to remind resident engineers of the policies and procedures in Sections 3-904A(4)\*, "Surplus and Salvaged Material," 3-602, "Department-Furnished Material," and 4-1503D, "Salvaging Materials," of the *Construction Manual* which provide guidance for documenting and properly tracking these materials including change order requirements when this work was not addressed in the original contract. Key elements of these procedures are as follows:

### Materials to be Salvaged

- Keep accurate records of inventory to ensure that all materials to be salvaged are delivered in suitable condition to the specified location.
- Ensure salvaged material is properly bundled, packaged, identified, and delivered as specified.
- Contractors must replace, at their expense, salvaged materials that are damaged or lost by them prior to stockpiling at the specified location.
- In the event the contractor fails to replace damaged or lost salvaged materials, deduct the cost of replacement from payments to the contractor.
- Retain documentation in the project records supporting salvaged material transactions.

#### Department-Furnished Surplus Materials

- Ensure that the quantity of material furnished is checked and quantified at the time it is made available to the contractor. Ensure the contractor signs a receipt for the quantity of material furnished to them.
- The contractor is responsible for the cost of replacing department-furnished materials that are damaged or lost once furnished to them.
- Unused department-furnished materials remain the property of Caltrans.
- Returning or disposing of unused material is paid as change order work.
- Coordinate any return of unused materials with the district recycle coordinator.
- Retain documentation in the project records supporting department-furnished material transactions.

#### Contractor-Furnished Surplus Materials

- Generally, Caltrans is not liable for contractor-furnished surplus materials when there are normal operating differences between the quantity of material required to complete the planned work and quantities shown in the bid item list or quantity summaries shown on the contract plans.
- When the final quantity of an item is less than 75 percent of the bid item list quantity and there is not an approved change order addressing payment for the quantity less than 75 percent, the contractor may request a unit price adjustment in conformance with Section 9-1.06C, "Decreases of More Than 25 Percent," of the *Standard Specifications*.
- When elimination of a contract item has resulted in costs for materials ordered prior to the engineer's notification, cover the disposition of surplus material in the change order. When materials cannot be returned to the vendor, refer to Section 3-904A(4)\*, "Surplus and Salvaged Material," of the *Construction Manual* for guidance.
- Where certain materials or manufactured items required for the planned construction are unique and not useable by the contractor, supplier, or for other projects or customers, and become surplus by reason of an ordered change, any direct and unavoidable loss to the contractor must be compensated. Refer to Section 3-904A(4)\*, "Surplus and Salvaged Material," of the *Construction Manual* for guidance.
- Retain documentation in the project records supporting any compensation for contractor-furnished surplus materials.

When writing change orders concerning surplus materials identified above, accurately complete the federal participation and federal segregation portions of the change order memorandum to ensure funding sources are credited or charged accordingly by the Division of Accounting. Refer to Section 5-309, "Fund Segregation Determination," of the *Construction Manual* for guidance. Note

that the Federal Highway Administration will not generally participate in material costs of surplus materials, including transportation costs off the project site.

Resident engineers must verify the accurate completion of the change order memorandum and ensure that support documentation, such as the change order and material receipts, are filed within the project records prior to contract acceptance.

If you have any questions about salvaged or surplus materials, please contact Ken Darby, Division of Construction, at [ken\\_darby@dot.ca.gov](mailto:ken_darby@dot.ca.gov) or (916) 227-5705.

Attachment: Draft Section 3-904A (4), “Surplus and Salvaged Material”

\*Note: This subsection is currently being moved from the *Construction Manual*, Section 3-403B (4), “Surplus and Salvaged Material to ” Section 3-9, “Payment” of the Construction Manual and is scheduled to be posted for stakeholder review and comment very soon at: <http://www.dot.ca.gov/hq/construc/constmanual/>