




<b>MANUAL CHANGE TRANSMITTAL</b>		NO. 02-1
TITLE: Department of Transportation <i>Construction Manual</i>	APPROVED BY:  Robert Pieplow Chief, Division of Construction	DATE ISSUED:
		Reference: CPB 01-5 Approved: 10/10/01
SUBJECT AREA Index and other areas of the <i>Construction Manual</i>	ISSUING UNIT Division of Construction	
SUPERSEDES  None	DISTRIBUTION  All Requested Manual Holders	

The purpose of this manual change transmittal is to provide updates and corrections to the 2001 edition of the Caltrans *Construction Manual*. Please update your manual in accordance with the table below. The relevant pages are indicated in the table.

Section(s)	Remove Old Page(s)	Insert New/Revised Page(s)
3-910A, Payment Offset	3-9.24 thru 3-9.37	3-9.24 thru 3-9.41
Index	None	I-1 thru I-
Golden Rod Ch. 3, Section 9	3-9.i	3-9.i



If the contractor requests a reduction of retention after 95 percent of the work has been completed, forward the written request to the disbursing officer in the Division of Accounting Services. CAS will reduce the retention when all the requirements specified in Section 9-1.06, "Partial Payments," of the *Standard Specifications*, have been met.

### 3-909A Calculating Progress - Projects with Single Time

Satisfactory or unsatisfactory progress is usually the determining factor for retentions. Such progress is determined by comparing the contractor's actual progress with the curve on Form CEM-2601, "Construction Progress Chart." This requires calculation of the percent of work completed and the percent of time elapsed. If the plot of these percentages falls on or above the curve on Form CEM-2601, progress is considered satisfactory. Otherwise, it is considered unsatisfactory except under extenuating circumstances.

The percent of work completed (except on landscape projects with Type 1 plant establishment) is determined by dividing the amount on the line entitled "Total Work Completed" on the "Project Record Estimate" by the "Authorized Final Cost" on the "Project Status". This percentage is calculated (except on projects with Type 1 plant establishment) by CAS.

CAS computes the percent of contract time elapsed by dividing the number of working days elapsed to the date of the progress estimate, by the original working days specified in the contract plus "Total time extension days approved to date (CCO plus other)," on Form CEM- 2701, "Weekly Statement of Working Days."

Occasionally the resident engineer has information indicating that the percent of time elapsed is different from that which will be calculated by CAS. The usual reason for this is that pending time extensions have not yet been approved and entered into the system. The percent of time elapsed can be calculated using the anticipated time extension in the formula in the preceding paragraph. The resident engineer must document the calculated percent of time elapsed as well as the reasons therefore. Enter the calculated percent of time elapsed in the appropriate place on Form CEM-6001, "Project Record-Estimate Request." CAS will calculate satisfactory or unsatisfactory progress based on this figure.

### 3-909B Calculating Progress for Landscape Projects

See Section 20-4.08, "Plant Establishment Work," of the *Standard Specification*, and Section 4-2003C (8), "Plant Establishment Work," of the *Construction Manual*, for specifications and administrative guidelines for plant establishment time requirements. For projects with Type 2 plant establishment, the percent of time elapsed and percent of work completed is determined in the normal manner as described above. For projects with Type 1 plant establishment, compute the percent of time elapsed and the percent of work completed as follows for the periods prior to the start of plant establishment.

Determine the percent of work completed by dividing the value of work accomplished by the authorized contract amount minus the authorized plant-establishment work.

$$\% \text{ Complete} = \frac{\$ \text{ Value Completed Work}}{(\$ \text{ Total Auth. Contract Amt.} - \$ \text{ Plant-estab. Work})}$$



Determine the percent of time elapsed by dividing the number of working days elapsed to the time of the estimate Form CEM-2701 by the total contract time limit plus “Total time extension days approved to date (CCO plus other)” on Form CEM-2701 and minus the length of the plant-establishment period.

(Working Days Elapsed)

$\% \text{ Time} = \frac{\text{Working Days Elapsed}}{(\text{Orig. Cont. Time} + \text{Time Ext. to date} - \text{Plant-estab. Period})}$

Compare these two percentages to the curve on Form CEM-2601, “Construction Progress Chart”. If progress is satisfactory, check the “Override Unsatisfactory Progress” on Form CEM-6001, “Project Record-Estimate Request.”

After the start of Type 1 plant-establishment, the resident engineer will decide if the progress is satisfactory. In general, consider progress considered satisfactory if the contractor entered the plant-establishment period on time and carries out plant-establishment work on time. Progress will be considered unsatisfactory if there will be an overrun in contract time due to a delayed start of Type 1 plant establishment.

### **3-910 Payment After Acceptance**

#### **3-910 Payment After Acceptance**

Caltrans policy is to make final payment as soon as possible after the contract has been accepted and the contractor has submitted all documents the resident engineer has requested.

Any estimate covering a payment after the contract has been accepted will be identified either as “after acceptance,” “semifinal,” or “final.”

Section 5-4, “Disputes,” of the Construction Manual (manual) lists the timeline for the payment steps to be completed after the acceptance process.

##### 3-910A Payment Offset

A payment offset is a levy against future monies due to the contractor on other contract(s) Caltrans has awarded to the contractor. Offsets occur when a negative pay estimate is generated by the Construction Administration System (CAS). That is, when the total payments to a contractor exceed the total amount authorized by the resident engineer. Authorization for offsets can be found in *Government Code*, Sect. 12419.5 and 17051 and *State Administrative Manual* (SAM), Section 8790.3.

The offset can affect not only the contractor but also multiple resident engineers, districts and bonding companies. In accordance with SAM and recent legal determinations, the contractor and the bonding companies are entitled to a due process appeal procedure prior to the execution of the offset.

The following describes the duties and responsibilities of resident engineers and other parties to the contract and its execution:

- Hearing officer – conducts the offset hearing, examines the facts of this specific case, and renders a decision regarding the validity of the accounts receivable and the offset process. The hearing officer may be the district director or delegated to at least a supervising transportation engineer or career executive appointment one manager.



- Resident engineer – shall notify the contractor and bonding companies of their right to request an offset hearing. The offset resident engineer (engineer at time of offset execution) shall be notified of the date and amount of offset. A summary of the facts of the account receivable, minutes of the offset hearing and final determination report shall be prepared by the resident engineer.
- Construction engineer – should investigate the circumstances that lead to the account receivable.
- Division of Construction – shall notify the deputy district division chief for construction of any pay estimate that generates an account receivable and any potential offset contracts, on a monthly basis. In the case of arbitration settlement, Division of Construction will recommend the district execute an offset.
- Division of Accounting – shall execute only those offsets authorized by the Division of Construction. A monthly accounts receivable report, including amount and billing status, shall be submitted to the Division of Construction.

The resident engineer shall send a “Notice of Opportunity for Offset Hearing Pursuant to Governmental Code Section 12419.5” (see example 8) to the contractor, offset resident engineer, bonding company, and offset bonding company (bonding company for the contract that is offset against). The contractor has 20 calendar days to inform the resident engineer that it is requesting an offset hearing. If an offset hearing is requested, the hearing officer should conduct it within 10 calendar days of receipt of the request. The resident engineer will notify the contractor, offset resident engineer, and bonding companies of the final determination of the hearing. If the hearing officer determines the offset is warranted or if the contractor does not request a hearing, the resident engineer shall request that Division of Construction to execute an offset. If the hearing officer determines that offset is not warranted, the resident engineer shall process a progress payment to clear the accounts receivable in CAS. This process is outlined in the offset process flowchart on the following pages.

The offset process should be completed within 90 calendar days of the contract acceptance date. After 90 days, all account receivable debts will automatically be sent to collection. Collection fees are charged to the district’s capital outlay support in either the phase 3 project expense authorization (EA) or to the overhead EA if the phase 3 EA is closed. If the bill is not collectable, this non-recoverable debt will be charged against the district’s capital funding allocation (phase 4) EA.



## ***Considerations***

When choosing a contract to offset against, the following criteria, in preferential order should be considered:

1. Active contract with adequate retention to cover the offset.
2. Both contracts are bonded by the same bonding company.
3. Both contracts are administrated by the same resident engineer in the same district.
4. Offsets may be taken to retain adequate funds for stop notices, labor compliance violations, claims settlements, and determinations made by an arbitrator.

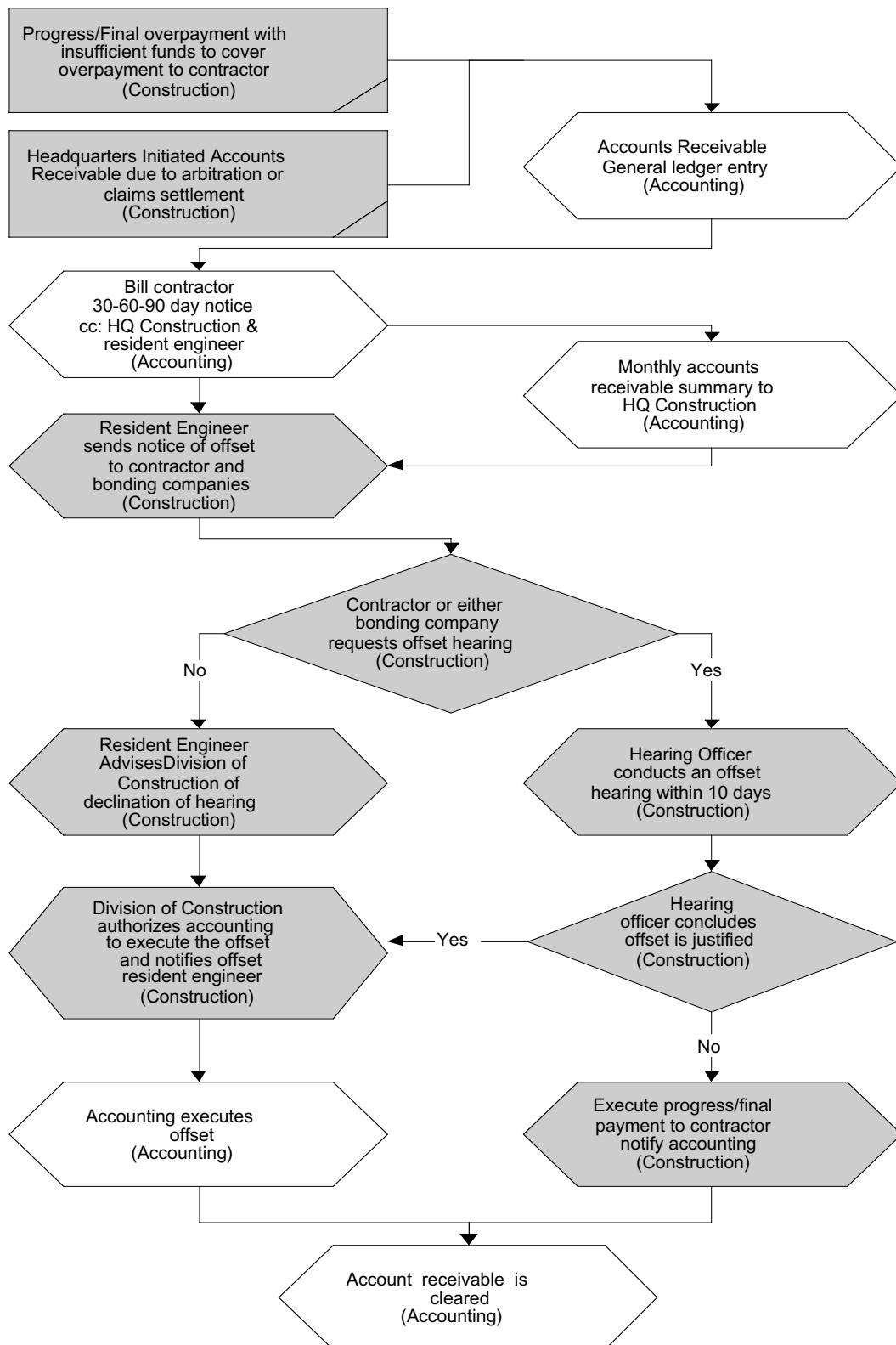
The bonding companies from both contracts and the contractor shall be given the opportunity to request an offset hearing. Any legal arguments presented by the contractor or its bonding companies should be referred to Headquarters Legal for review and advice to the hearing officer.

During the offset hearing, the contractor should provide convincing factual evidence to refute the account receivable. The hearing officer should consider the size of the offset, progress of the work, percent complete and financial health of the contractor.

When justified by evidence of financial hardship, contractor proposed repayment plans to clear the account receivable may be coordinated with the Division of Accounting. The status of claims and disputes should not have an influence on the decision to execute an offset.



## Offset Process Flowchart





**3-911  
Payment of a  
Progress Estimate  
After Contract  
Acceptance**

**3-911 Payment of a Progress Estimate After Contract Acceptance**

A progress payment after acceptance must adhere to Section 9-1.07A, “Payment Prior to Proposed Final Estimate,” of the *Standard Specifications*. The purpose of this type of progress payment is to release all money due the contractor that exceeds any amounts retained under the contract. When determining amounts to be paid or deducted for this type of estimate, the following applies:

1. Include payment for the following:
  - Any work completed since the previous estimate
  - Any errors that may have been discovered and corrected
  - Any labor compliance deficiencies that have been cleared
2. Include payment for any overbids on maximum value items, including the mobilization item. You do not need to take any additional action for this step.
3. When delinquent or inadequate payrolls exist, make a deduction from the payment. The deduction will be in the same amount as for any progress estimate. See Section 8-1, “Labor Compliance,” of this manual.
4. When the contractor has failed to correct deficiencies in its equal employment opportunity program, make a deduction from the payment. These deficiencies include failure to submit the following:
  - Form CEM-2402S, “Final Report—Utilization of Disabled Veterans Business Enterprises First-Tier Subcontractors,” on state funded projects
  - Form CEM-2402F, “Final Report—Utilization of Disadvantaged Business Enterprises,” on federal funded projects

The deductions will be in the same amount as for any progress estimate. See Section 8-2, “Equal Employment Opportunity,” and Section 8-3, “Disadvantaged Business,” of this manual.

5. To cover any outstanding documents required under this contract, make a deduction from the payment. These outstanding documents include the following:
  - Reduced prints of working drawings
  - Outstanding payrolls that are not yet delinquent
  - Federal Form FHWA-47M, “Statement of Materials and Labor Used by Contractors on Highway Construction Involving Federal Funds”
  - Or any information upon which to base the proposed final estimate, such as adjustments of contract unit prices

The deduction, regardless of the number of outstanding items, will be the lesser of 5 percent of the “Subtotal Amount Earned Without Mobilization” or \$10,000.



In addition to the steps listed above for determining amounts to be paid or deducted for a progress estimate after contract acceptance, the resident engineer must also do the following:

1. Notify the district of what deductions are applicable.
2. Compound the deductions when a combination of the following situations, which were outlined above, occur:
  - The contractor has delinquent or inadequate payrolls.
  - The contractor failed to correct deficiencies in its equal employment opportunity program.
  - The contractor failed to honor requirements related to disadvantaged business enterprises.
3. Also compound permanent deductions. Permanent deductions include items such as material royalties, railroad flagging charges, material testing, out-of-specification material, or restaking charges. Also considered permanent are deductions for anticipated liquidated damages. (When warranted, anticipated liquidated damages can be made on progress estimates. However, anticipated liquidated deductions will need to be made permanent on the after-acceptance estimate. To do so, release anticipated liquidated damages; then take actual liquidated damages under liquidated damages on the after-acceptance estimate.)
4. When you make deductions for outstanding items, advise the contractor in writing of the specific missing items and that they will result in a delay of final payment.
5. Before processing an after-acceptance estimate, run the following two reports, “Status of CCO,” and “CCO master listing.” These reports will show any adjustment of compensation credit or deferred time not yet taken.

### **3-912 Proposed Final Estimate**

The purpose of the proposed final estimate is to obtain formal agreement regarding final payment. For this type of estimate, follow these guidelines:

- Submit the proposed final estimate to the contractor within the time frame outlined in Section 5-4, “Disputes,” of this manual.
- Soon after the contract is accepted, meet with the contractor to discuss submitting the required information to complete the contract. If the contractor does not submit the required data within four weeks after acceptance, you must notify the contractor in writing that Caltrans will issue the proposed final estimate and deduct the appropriate amount.
- Before the processing of the proposed final estimate, ensure all extra work bills submitted by the contractor are processed and ready for payment. Ensure the estimate’s issuance is not delayed for force account billings that remain outstanding.

### **3-912 Proposed Final Estimate**



- If the contractor has not submitted required information in a timely manner, Section 5-4, of this manual dictates that the proposed final estimate must still be issued. In this situation, the following guidelines apply:
  1. Any time before a proposed final estimate is issued, the district may exercise an option described in Section 9-1.03C, “Records,” of the *Standard Specifications*. This section identifies the conditions under which Caltrans may establish the cost of materials when valid copies of vendors’ invoices are not forthcoming. When the district decides to establish such costs, use the following procedure:
    - a. If the established cost is necessary to determine compensation, complete the pending contract change order, and have it unilaterally approved. To determine compensation, refer to Section 4-1.03B, “Work Performed by Special Forces or Other Special Services,” or Section 4-1.03C, “Changes in Character of Work,” of the *Standard Specifications*.
    - b. If the established cost is necessary to make force account payment on an existing contract change order, include this established cost as a lump sum payment on a supplemental contract change order. Also, unilaterally approve this supplemental contract change order.
  2. On the proposed final estimate, you may list (in the amount the district determines to be payable) any force account billings that have not been paid because of a dispute. Upon return of the proposed final estimate, the contractor must reiterate the disputed extra work, which must be handled like any other claim. Do not list in the proposed final estimate any force account billings the contractor has not yet submitted. It is the contractor’s responsibility to either submit these bills before the proposed final estimate or list them as exceptions to the proposed final estimate.
  3. The district will show the required deduction on the proposed final estimate in the same manner as for any other deduction when the contractor has the following outstanding items:
    - a. Delinquent or inadequate payrolls
    - b. Deficiencies in its equal employment opportunity program
    - c. Violations of requirements related to disadvantaged business enterprises

(These items are also described under the heading “Payment of a Progress Estimate After Contract Acceptance” in this section.) When such deductions are shown, include a statement similar to the following on the letter that accompanies the proposed final estimate: “The amount of \$\_\_\_\_\_, which has been deducted for nonsubmittal of documents required by the contract, will be paid when all such documents have been received.”
- Submit Form CEM-6001, “Project Record-Estimate Request,” to the district office with the proposed final estimate box checked to initiate the proposed final estimate.



- The proposed final estimate is to be prepared and sent to the contractor by the district construction office. It should include the following:
  1. A letter transmitting the proposed final estimate to the contractor. This letter should include the statements shown in Example 1, at the end of this section.
  2. A form for the contractor's acceptance of the amounts listed in this estimate. Ensure the form contains wording similar to the wording in Example 2, at the end of this section.
  3. The proposed final estimate report showing the status of item payments generated by the Contract Administration System (CAS) along with the "schedule of extra work" and "schedule of deductions" reports. Samples of these reports are shown in Examples 3 through 7, at the end of this section.
  4. If deductions for items such as staking charges, laboratory charges, railroad flagging charges, and overruns of contract time are not finalized and shown on the reports, a list of their estimated maximum amounts must be attached.
- Use separate correspondence, not the proposed final estimate, for funds withheld for labor violations and wage restitution (as opposed to outstanding or inadequate payrolls).
- When money is due on the proposed final estimate, ensure the semifinal estimate processed immediately after reflects the same "totals" as the proposed final estimate. If you follow this approach, the contractor will submit claims based on our "statement of total amount earned," rather than some "revised" number.
- To establish the beginning of the 30 days during which the contractor may submit written claims, send the proposed final estimate by certified mail, "return receipt requested," or overnight delivery.
- From the issuance of the proposed final estimate to the receipt of the contractor's response, do not enter into any negotiations, written or verbal, concerning the proposed final estimate or potential claims, except as described in the next bullet. During this time, negotiating or communicating with the contractor (or issuing contract change orders) may negate the finality of the proposed final estimate. If the finality is negated, the contractor may have 30 days from the most recent communication to respond.
- If you discover an error that requires a decrease in a quantity, send a letter to the contractor stating the discovery of an error, and specify the item and amount of the change. Also, state that the error will be addressed after the contractor returns the proposed final estimate. If the contractor discovers and brings to your attention any errors or discrepancies, handle this situation through separate correspondence covering only the affected items. For example, if the contractor disputes the quantity of an item, send a letter to the contractor stating that the item must be listed as an exception to the proposed final estimate. In the letter, also state that the item will be analyzed after the return of the proposed final estimate and exceptions, also known as the "Acceptance Statement."
- When the contractor returns the "Acceptance Statement," proceed as follows:
  1. If the returned Acceptance Statement has no exceptions (claims) and all documents required under the contract have been received, prepare and process the final estimate.
  2. If the returned Acceptance Statement has no exceptions, but some documents are still outstanding, continue pressing the contractor, in writing, for the



missing documents. If amounts due the contractor exceed the deductions by more than \$300, prepare and process a semifinal estimate.

3. If the documents have not been received in approximately 60 days, request advice from the construction field coordinator about further action.
  4. If the Acceptance Statement is returned with exceptions, initiate the claims procedure as outlined in Section 5-4, "Disputes," of this manual.
- When the Acceptance Statement is not returned within the specified 30 days, ensure it has not been lost in transit and then proceed as follows:
    1. If all documents have been received, prepare and process the final estimate.
    2. If some documents are still outstanding, request advice from the construction field coordinator about further action.
    3. If the contractor includes in the Acceptance Statement any claim that is postmarked or hand-delivered more than 30 days after the date the contractor received the proposed final estimate, the claim is considered untimely and *will not* be processed. On a hand-delivered claim, record the date the claim arrived, who delivered it, and who received it. Retain the envelope for a claim that arrived through the mail to establish the date the claim was sent. Inform the contractor of the late filing by using a letter worded in a similar way to the letter below. This notification will constitute the final administrative action on a late claim.

**Notification to Inform the Contractor of a Late Filing:**

Contractor \_\_\_\_\_,

The statement of claim included in your letter dated \_\_\_\_\_, was submitted to us more than 30 days after you received copies of the proposed final estimate for Contract No. \_\_\_\_\_, (County Route and kilopost).

A final estimate is, therefore, being processed for issuance to you as provided in Section 9-1.07B, "Final Payment and Claims," of the *Standard Specifications*.

Sincerely,

District Construction Office

4. If the contractor includes claims with the return of the proposed final estimate, the district should immediately acknowledge the receipt of the claims by sending a written statement similar to the following:

**Acknowledgement of the Receipt of Claims:**

Your written statement of claims has been received. The engineer will base the determination of your claims upon the investigation of your statement.

The investigation of your claim statement will begin immediately. If it is determined that additional information is required, you must furnish it within 15 days of the request in accordance with Section 9-1.07B, "Final Payment and Claims," of the *Standard Specifications*. You may request in writing an extension of time to a specific date. Our purpose is to provide you with the engineer's final determination on claims in the minimum possible time, consistent with the assurance that all the facts are available for consideration.



5. If the initially submitted claim statement is obviously deficient in information, use a paragraph similar to the following in lieu of the second paragraph above :

**Notification of Deficiency of Information:**

Your initial submission appears to be deficient as to the following: [Select appropriate item or items.]

1. Statement of contractual basis for claim
2. Information as to compliance with Section 4-1.03A, Section 9-1.04 of the *Standard Specifications*, or both
3. Breakdown of amount claimed due
4. Other, as applicable

Please submit any further information you wish to have considered by [date, approximately 15 days after the contractor will receive the letter]. If you will require additional time to prepare your supplementary statement, please request an extension in writing specifying the date to which the extension is requested. The engineer intends to make the final determination on claim matters in the minimum possible time, consistent with the assurance that all the facts are available for consideration.

6. Examine claims expeditiously. For detailed instructions, refer to Section 5-4, "Disputes," of this manual.

### 3-913 Semifinal Estimate

A semifinal estimate is any estimate prepared after issuing the proposed final estimate and before preparing the final estimate. The primary purpose of a semifinal estimate is to make timely payment for all nondisputed items that have not been paid on a previous estimate. However, semifinal estimates can also be issued to make payment if some, but not all claims, have been resolved.

The proposed final estimate need not show a zero balance for money owed to the contractor. If the proposed final estimate does identify money owed to the contractor, immediately run a semifinal estimate after the proposed final estimate. Do not wait for any response from the contractor to the proposed final estimate. Do not issue any other estimates until 30 days after issuing the proposed final estimate.

Normally, use the same procedures to issue a semifinal estimate as those to issue a progress estimate.

### 3-914 Final Estimate

Submit a final estimate only after one of the following conditions has been met:

- The contractor has submitted all required documents and complete agreement on payment has been reached.
- The district directors' determination of claim has been issued.
- The contractor does not respond to the proposed final estimate in the specified time but has submitted all required documents.
- Or, the district has been advised by the construction field coordinator to proceed.

### 3-913

#### Semifinal Estimate

### 3-914

#### Final Estimate



As soon as the district approves the final estimate, it must use a transmittal letter to send it to the contractor. The letter must state the following: “Submitted herewith in accordance with Section 9-1.07B of the *Standard Specifications* is a copy of the final estimate for your Contract No. .”

A copy of the transmittal letter is to be sent to the resident engineer to be retained in the project files.

The district transmits only the final estimate because the disbursing office of the Division of Accounting Services will mail to the contractor the corresponding copy of the progress payment voucher.

#### 3-914A Material to Submit

Before payment of a final estimate, the Division of Construction’s progress pay staff must ensure that administrative details have been completed. For this purpose, the district must forward the following data before or with all final estimates:

- Submit the proposed final estimate as originally submitted to the contractor, including transmittal letters.
- Submit the Acceptance Statement as returned by the contractor. If the contractor has refused to sign the statement, submit it with an explanation of the contractor’s refusal.
- When required by the special provisions, submit the original and two copies of Federal Form FHWA-47M, “Statement of Materials and Labor Used by Contractors on Highway Construction Involving Federal Funds”.
- Submit a transmittal letter containing (but not limited to) the following:
  1. A list of the forms and attachments being transmitted or an explanation as to why a form or attachment is missing. Include letters from the Division of Construction authorizing the submittal of the final estimate without certain documents and stating the action taken or to be taken as a result of the missing documents.
  2. A statement about the use of materials agreements. If there are no materials agreements, state this.
  3. A statement that reduced prints of all shop drawings for highway bridges and railroad bridges have been received from the contractor. If such drawings are not required, please state so.
  4. Correspondence or documents explaining or authorizing the differences between the proposed final estimate and the final estimate.
  5. The original and two copies of Form CEM-2402S, “Final Report—Utilization of Disabled Veterans Business Enterprises (DVBE) State Funded Projects”, or Form CEM-2402F, “Final Report—Utilization of Disadvantaged Business Enterprises (DBE), First-Tier Subcontractors” (federally funded projects).



## Example 1: Form letter to Use When Submitting Proposed Final Estimate to the Contractor

Subject: Proposed Final Estimate

In accordance with the provisions of Section 9-1.07B, “Final Payment and Claims,” of the *Standard Specifications*, attached (in triplicate) is a

proposed final estimate for \_\_\_\_\_  
(Contract) (Dist. Co. Rte. K.P.)

Please review the proposed final estimate and, if satisfactory, indicate your approval in the space provided on the attached Acceptance Statement. Return three copies of the Acceptance Statement to this office. One copy is for your files.

Please note the following portion of Section 9-1.07B of the *Standard Specifications*, which states:

“The contractor shall submit written approval of the proposed final estimate or a written statement of all claims arising under or by virtue of the contract so that the engineer receives the written approval or statement of claims no later than close of business of the thirtieth day after receiving the proposed final estimate. If the thirtieth day falls on a Saturday, Sunday or legal holiday, then receipt of the written approval or statement of claims by the engineer shall not be later than close of business of the next business day. No claim will be considered that was not included in the written statement of claims, nor will any claim be allowed as to which a notice or protest is required under the provisions in Sections 4-1.03, ‘Changes,’ 8-1.06, ‘Time of Completion,’ 8-1.07, ‘Liquidated Damages,’ 5-1.116, ‘Differing Site Conditions,’ 8-1.10, ‘Utility and Non-Highway Facilities,’ and 9-1.04, ‘Notice of Potential Claim,’ unless the contractor has complied with the notice or protest requirements in those sections.”

Your promptness in returning the signed copies, indicating your approval, will expedite payment of the final estimate. Alternatively, a signed qualified approval by reason of a written statement of claims will expedite payment of a semifinal estimate. A statement of claims must include a notarized certificate containing the language required in Section 9-1.07B of the *Standard Specifications*.

If claims are submitted in connection with this contract, you will be expected to comply fully with the fourth paragraph of Section 9-1.07B of the *Standard Specifications*. The engineer will base the determination of claims upon the investigation of your statement, in which you will be expected to present your position fully as to the contractual basis of the claim, compliance with contract requirements such as Section 4-1.03A, “Procedure and Protest,” or Section 9-1.04, “Notice of Potential Claims” of the *Standard Specifications*, if applicable, a breakdown of the total amount claimed, and all other information you consider to be in support of your claim.

As further provided in Section 9-1.07B of the *Standard Specifications*, in case neither approval nor a statement of claims is received within 30 days, a final estimate in the amount of this proposed final estimate will be issued. Your date of receipt of this proposed final estimate establishes the beginning of the specified 30 days.

Sincerely,

District Construction Office



## Example 2: Acceptance Statement Form

Subject: Acceptance Statement

Attachment to transmittal letter

dated \_\_\_\_\_

Contract  
Identification:

I have examined the quantities of contract items and amounts indicated as payment for extra work and the deductions on the proposed final estimated dated \_\_\_\_\_. I agree to accept the total of \$\_\_\_\_\_ as indicated, as the total amount earned for all work performed on the above contract, except as may be indicated below.

Exceptions (check one)

- ☐ None  
☐ As indicated per  
attached letter  
dated\_\_\_\_\_.

\_\_\_\_\_  
Contractor

\_\_\_\_\_  
By

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date



### Example 3: Sample of the Proposed Final Estimate

PROGRAM CAS145	STATE OF CALIFORNIA - DEPARTMENT OF TRANSPORTATION	PAGE 1
DATE 01/02/01		03-441804
TIME 02:40 PM		ESTIMATE NO. 06
BID OPENING 02/08/00		WORK PERFORMED THROUGH 11/17/00
R.E. NAME: ZINK, PHIL		DATE OF THIS ESTIMATE 01/02/01
LOCATION		
03-PLA-65-13.4/14.7	PROPOSED FINAL ESTIMATE	
	-----	
	M & M ELECTRIC	
	1600 AUBURN BLVD	
	SACRAMENTO, CA 95815	
	IN PLACER COUNTY IN LINCOLN FROM	
	0.1 KM NORTH OF SIXTH STREET TO	
	0.2 KM NORTH OF SEVENTH STREET	

SIGNALS AND LIGHTING								
ITEM NO.	ITEM DESCRIPTION	UNIT	CONTRACT PRICES	ORIGINAL AUTH. AMT	THIS ESTIMATE QUANTITY	THIS ESTIMATE \$ AMOUNT	TOTAL ESTIMATE QUANTITY	TOTAL ESTIMATE \$ AMOUNT
001	CONSTRUCTION AREA SIGNS (S)	LS	1,050.0000	1,050.00			1.000	1,050.00
002	TRAFFIC CONTROL SYSTEM (S)	LS	2,500.0000	2,500.00			1.000	2,500.00
003	PORTABLE CHANGEABLE MESSAGE SIGN (S)	EA	3,000.0000	6,000.00			2.000	6,000.00
004	REMOVE ROADSIDE SIGN	EA	75.0000	225.00			3.000	225.00
005	COLD PLANE ASPHALT CONCRETE PAVEMENT (S)	M2	5.0000	8,400.00			1,683.000	8,415.00
006	REMOVE CONCRETE SIDEWALK AND DRIVEWAY	M3	1,500.0000	750.00			3.060	4,590.00
007	REMOVE CONCRETE (CURB AND GUTTER)	M3	1,500.0000	1,200.00			1.570	2,355.00
008	ROADWAY EXCAVATION (S)	M3	1,000.0000	6,000.00			5.500	5,500.00
009	ASPHALT CONCRETE (TYPE A) (S)	TONN	125.0000	875.00			4.580	572.50
010	ASPHALT CONCRETE (OPEN GRADED) (S)	TONN	135.0000	8,235.00			79.240	10,697.40
011	PLACE ASPHALT CONCRETE (MISCELLANEOUS) (S) AREA)	M2	150.0000	2,100.00			13.520	2,028.00
012	CLASS 4 CONCRETE (BACKFILL) (S)	M3	250.0000	650.00			0.900	225.00
013	ROADSIDE SIGN - ONE POST	EA	230.0000	230.00			1.000	230.00



## Example 4: Sample of Project Record Estimate, Summary of Payment

STATE OF CALIFORNIA - DEPARTMENT OF TRANSPORTATION										PAGE 2
P R O J E C T R E C O R D - E S T I M A T E										03-441804
DATE 01/02/01										ESTIMATE NO. 06
TIME 02:40 PM										WORK PERFORMED THROUGH 11/17/00
BID OPENING 02/08/00										DATE OF THIS ESTIMATE 01/02/01
R.E. NAME: ZINK, PHIL										
ITEM NO.	ITEM DESCRIPTION	UNIT	CONTRACT PRICES	ORIGINAL AUTH. AMT	THIS ESTIMATE QUANTITY	\$ AMOUNT	QUANTITY	\$ AMOUNT	TOTAL ESTIMATE	
SUBTOTAL CONTRACT ITEMS										
ADJUSTMENT OF COMPENSATION										
EXTRA WORK										
SUBTOTAL AMOUNT EARNED										
ORIGINAL CONTRACT AMOUNT										
TOTAL WORK COMPLETED										
MATERIALS ON HAND ON SITE										
MATERIALS ON HAND ELSEWHERE										
DEDUCTIONS										
TOTAL										
ITEMS FOR WHICH CONTRACT PRICE EXCEEDS MAXIMUM VALUE										
N O N E										
DATE CONTR	CONTRACT DATE	WORK BEGIN	JOB COM-	WEATHER NON-	C.C.O.	OTHER	PERCENT	PERCENT	TIME	
APPROVED	DAYS	STARTED	PLETED ON	WORKING DAYS	DAYS	DAYS	COMPLETED	ELAPSED		
03/29/00	30	07/17/00	11/17/00	76	24	0	100%	100%		
ZINK, PHIL										
RESIDENT ENGINEER										



### Example 5: Schedule B - Extra Work and Adjustment of Compensation

PROGRAM CAS145				E X T R A W O R K A N D A D J U S T M E N T C O M P E N S A T I O N			
DATE 01/02/01				SCHEDULE B 01/02/01			
TIME 02:40 PM							
ZINK, PHIL							
-----							
CCO BRIEF		ITEMS					
NO. DESCRIPTION		AFFECTED		WORK TYPE		AMOUNT AUTHORIZED	
						AMOUNT EXPENDED	
-----		-----		-----		-----	
001	TRAFFIC CONTROL (FLAGGING)			E.W. @ F.A. (+)	\$500.00		
				E.W. @ U.P. (+)	\$5,995.00		\$940.80
002	REPLACE B-3 CURB/REPLACE PCC		6,15,16		\$4,513.75		
	ELEC FOUND						
003	REPLACE VEHICLE SIGNAL			E.W. @ F.A. (+)	\$700.00		
004	REPL SIGNAL POLE & ARM			E.W. @ L.S. (+)	\$2,830.00		\$2,122.50
005	REPLACE PED PUSH BUTTONS &			E.W. @ L.S. (+)	\$1,550.00		\$1,550.00
				----> TOTAL AC =			
				----> TOTAL EW =			\$4,613.30



## Example 7: Schedule of Deductions

PROGRAM CAS145	SCHEDULE OF DEDUCTIONS	PAGE NO. 1
DATE 01/02/01		EST. NO.06
TIME 02:40 PM		
R.E. NAME: ZINK, PHIL		03-441804
-----		
DEDUCTION DESCRIPTION	AMOUNT	EST NO.
-----		
EQUAL EMPLOYMENT OPPORTUNITY		
MISSING PR-1391	-7,622.53	02
RECEIVED FORM PR1391	7,622.53	03
MISSING CEM 2402	-10,000.00	05
CEM 2402	10,000.00	06
		10,000.00
		0.00
LABOR COMPLIANCE VIOLATION		
MISS P/R - RIOLO,O/O	-7,622.53	02
MISSING PAYROLLS	-4,327.59	03
MISSING PAYROLLS	-5,000.00	05
RETURN EST #2, EST#3	11,950.12	05
PAYROLLS	5,000.00	06
		5,000.00
		15,000.00
		0.00
		0.00
TOTAL DEDUCTIONS		



## Example 8: Sample Notice of Opportunity for Offset Hearing

STATE OF CALIFORNIA—BUSINESS, TRANSPORTATION AND HOUSING AGENCY

GRAY DAVIS, Governor

### DEPARTMENT OF TRANSPORTATION

#### DIVISION OF CONSTRUCTION

1120 N STREET

P. O. BOX 942873

SACRAMENTO, CA 94273-0001

PHONE (916) xxx-xxxx

FAX (916) xxx-xxxx



October 1, 2001

Prime Contractor

Address

City, State Zip

Bonding Company

Address

City, State Zip

Offset Bonding Company

Address

City, State Zip

Dear Sirs:

This notice is to advise you of your rights upon determination of offset by the resident engineer in the amount of \$XX,YYY.SS to clear an accounts receivable billing for contract number PP-RRRRRR, awarded to you by the California Department of Transportation, for highway construction on Route XX, YYY County, near ZZZZZ.

You have the right to request an offset hearing pursuant to this offset, as provided for by *Government Code*, Section 12419.5.

Unless your written request for an offset hearing is received within 20 calendar days of the date of this notice, this offset will be taken against contract number SS-VVVVVV, effective DD-MM-YY. Contract number SS-VVVVVV was awarded to you by the California Department of Transportation, for highway construction on Route XX, YYY County, near ZZZZZ.

If you request an offset hearing, one will be scheduled within approximately ten working days upon receipt of your written request. Under the procedures outlined under Section 8790.3 of the *State Administrative Manual*, you are entitled to an opportunity to present any valid objection you may have to the use of the offset procedure. At the hearing, you will be provided opportunity to present facts that discredit the accounts receivable, the appropriateness of this offset action, or other evidence you believe is relevant to the determination of the appropriateness of this offset action.

If you have questions regarding this notice, you may contact me at (BBB) ZZZ-RRRR.

Sincerely,

NAME

Resident Engineer

Attachment / Enclosure

bc: Division of Construction  
District Division Chief Construction  
Offset District Division Chief Construction  
Headquarters Construction Coordinator  
Offset Resident Engineer  
Headquarters Accounting Division

initials (author's name / typist)







### Section 9 Measurement and Payment

#### 3-901 General

#### 3-902 Payment Methods

#### 3-903 Measurement and Payment of Contract Item Quantities

3-903A Method of Measurement

3-903B Accuracy

3-903C Source Documents

3-903D Audit Trail

3-903E Weighing and Metering Procedures

*3-903E (1) Personnel*

*3-903E (2) Responsibilities*

3-903E (2a) Resident Engineers

3-903E (2b) District Weights And Measures Coordinator

3-903E (2c) Assistant Resident Engineers

3-903E (2d) Contractors

3-903E (2e) Division of Construction Weights and Measures Coordinator

3-903F Adjustments in Compensation

3-903G Final Pay Items

#### 3-904 Payment for Extra Work

3-904A Agreed Price

3-904B Force Account

*3-904B (1) Authorization for Force Account Payment*

*3-904B (2) Approval of Labor, Equipment, and Material*

*3-904B (3) Billing for Extra Work at Force Account*

*3-904B (4) Labor*

*3-904B (5) Equipment*

*3-904B (6) Material*

*3-904B (7) Work Performed by Special Forces*

3-904C Five Percent Markup for Subcontracted Work

3-904D Extra Work Records

3-904E Force Account Records

3-904F Tentative Agreements

3-904G Interest on Payments



### **3-905 Adjustment of Overhead Costs**

### **3-906 Stop Notice**

### **3-907 Partial Payments**

Example of source document

3-907A Contract Items

3-907B Adjustments in Compensation

3-907C Extra Work

3-907D Materials on Hand

*3-907D (1) Materials at the Project*

*3-907D (2) Materials Not at the Project*

### **3-908 Deductions**

### **3-909 Retentions**

3-909A Calculating Progress - Projects with Single Time

3-909B Calculating Progress for Landscape Projects

### **3-910 Payment After Acceptance**

3-910A Payment Offset

### **3-911 Payment of a Progress Estimate After Contract Acceptance**

### **3-912 Proposed Final Estimate**

### **3-913 Semifinal Estimate**

### **3-914 Final Estimate**

3-914A Material to Submit

Example 1: Form letter to Use When Submitting Proposed Final Estimate to the Contractor

Example 2: Acceptance Statement Form

Example 3: Sample of the Proposed final Estimate

Example 4: Sample of Project Record Estimate, Summary of Payment

Example 5: Schedule B - Extra Work and Adjustment of Compensation

Example 6: Schedule of Extra Work

Example 7: Schedule of Deductions

Example 8: Sample Notice of Opportunity for Offset Hearing

