

SECTION 01 26 01
CONTRACT MODIFICATION PROCEDURES

PART 1 GENERAL

1.1 SUMMARY

- A. Section consists of administrative and procedural requirements for Contract modifications.

1.2 DEFINITIONS AND ALLOWANCES

A. Home Office Overhead:

- 1. Costs incurred in support of all of a contractor's projects and not attributable to a specific job. The cost for home office overhead is only allowed as a percentage of all direct work excluding profit. The following items represent allowable home office overhead costs identified in Part 31 of the Federal Acquisition Regulation (FAR):
 - a. Rent.
 - b. Utilities.
 - c. Furnishings.
 - d. Office equipment.
 - e. Executive and management staff not exclusively assigned to the Project.
 - f. Support, accounting, and administrative staff.
 - g. Preparation of cost proposals, estimating, and schedule analyses connected with Modifications.
 - h. Estimating and preconstruction services.
 - i. Mortgage costs.
 - j. Real estate and corporate taxes.
 - k. Automobile maintenance and travel costs for home office personnel.
 - l. Home office insurances i.e., structure, automotive, umbrella, flood, etc.
 - m. Depreciation of equipment and other assets.
 - n. Home office supplies (paper, staples, etc.).
 - o. Legal services.
 - p. Accounting and data processing.
 - q. Professional fees/registration.

B. General Conditions (Field Office Overhead):

- 1. Management and administrative costs incurred onsite for the designated project. Costs associated with preparation of modifications will not be allowed. Costs for these items are to be included only in the General Conditions of the modification estimate. Only in the case of a Contract Time extension are

additional general conditions included in modifications. The following items, if applicable, are considered allowable costs for calculating General Conditions:

- a. Project Manager (PM), Assistant Project Manager.
- b. Superintendent, Assistant Superintendent.
- c. Quality Control, Safety Officer, Environmental Manager, etc.
- d. Engineers.
- e. Travel, lodging, and per diem (as established by Federal Travel Regulations).
- f. Scheduling.
- g. Field Office Trailers and associated temporary utilities.
- h. Field Office Supplies:
 - 1) Mailing and couriers.
 - 2) Reproduction costs.
 - 3) Storage.
 - 4) Phones.
 - 5) Computers.
 - 6) Copiers.
- i. Personal vehicles i.e., Superintendent pickup trucks.

C. General Requirements:

- 1. Costs directly associated with the Project and are necessary to perform the actual work of the modification. These costs shall be shown as direct costs in the estimate. The following items, if applicable, are considered allowable costs for calculating General Requirements:
 - a. Hoisting.
 - b. Material handling.
 - c. Temporary fencing.
 - d. Port-a-lets.
 - e. Trash removal, dumpsters.
 - f. Barricades.
 - g. Small tools.
 - h. Safety supplies.
 - i. Scaffolding.
 - j. Daily cleaning.
 - k. Traffic control.
 - l. Temporary signage.
 - m. Temporary heating and power.

- D. Personnel Costs: Costs included in the modification must only be for General Conditions staff and workers actually present and working on Project Site. Modification costs for salaried workers are only allowed within the structure of a 40-hour week and no overtime or holiday pay will be allowed.
1. Worker Hourly Rates are costs directly associated with the individual worker and consist of the following:
 - a. Base Rate: The hourly rate paid directly to the worker.
 - b. Labor Burden:
 - 1) Employer payments of all applicable burdens; includes insurance and taxes the business must pay on behalf of the worker to government entities and educational forums, such as:
 - a) Social Security.
 - b) Medicare.
 - c) Workers Compensation: Policy and company calculation to be made available.
 - d) Federal Unemployment Tax Act (FUTA): Cap Rate and percentage to be proportionally allocated over 1 year.
 - e) State Unemployment Tax Act (SUTA): Cap Rate and percentage to be proportionally allocated over 1 year.
 - f) Union Agreement Costs: Other costs required under an enforceable collective bargaining agreement.
 - c. Fringe Benefits:
 - 1) Various non-wage compensations provided to employees such as:
 - a) Health Care insurance premiums.
 - b) Cell phone.
 - c) Clothing.
 - d) 401K and pensions.
 - e) Vehicle allowances.
 - f) Gas allowance.
 - g) Life insurance premiums.
 - h) Disability insurance.
 - i) Other fringe benefits required under an enforceable collective bargaining agreement.
- E. Bonuses or Deferred Compensation: No Bonus or Deferred Compensation will be allowed within any components of pricing including Home Office Overhead, General Conditions, General Requirements, Hourly Worker Rates, or the direct costs of work.

- F. General Liability Insurance: An insurance policy that protects Contractor from claims resulting from bodily injury or property damage to a third party. Include as a separate line item within all modification proposals and provide a current insurance quote upon request.
- G. Performance and Payment Bonds: A performance bond is a surety bond issued by an insurance company or bank to guarantee satisfactory completion of a project. The Payment Bond guarantees the Contractor will pay the labor and material costs incurred. Banks and Insurance companies charge a premium for individual project based on a sliding scale related to the size of the Project. Include as a separate line item in modification proposals and provide current company bonding rates upon request.
- H. Builder's Risk Insurance: Covers the Contractor's loss due to fire, high winds, or other natural forces. Not reimbursed by the National Park Service (NPS) and shall not be included in modification proposals.

1.3 MODIFICATION PROPOSAL PRICING REQUIREMENTS

A. General:

1. Proposal must be received in the format and within the time frame specified in the Request for Proposal (RFP) letter. Costs or delays resulting from failure of Contractor to submit within the time frame specified will not be compensable.
2. Proposal shall be detailed with itemized lists of equipment, materials, labor, production rates, overhead, profit, and bond markup for each item. Labor costs must be itemized by craft and hourly rate, including Fringe Benefits and Labor Burden. If the costs of Fringe Benefits and Labor Burden are not itemized, it is assumed they are included in the hourly rate shown, or Contractor is not requesting reimbursement. Contractor may utilize the government provided Contractor Estimate Form, or their own form, provided that it contains the same information and level of detail as the Government's form.
3. Requests for extensions of Contract Time as a result of change must be justified with a Time Impact Analysis (TIA). Refer to Section 01 32 16, Construction Schedule, for time impact analysis requirements. TIA and associated costs shall be received with the proposal by the date shown within the Request for Proposal letter. Contractor's failure to submit within the specified time frame will be construed as the Contractor waiving right for additional time and no time extension will be allowed.
4. All supporting documentation used to justify the proposed modification will be made available to the Contracting Officer (CO) upon request.
5. Contractor shall review and approve all subcontractor/supplier pricing in detail for proper format, scope, production rates, and pricing prior to submission to NPS. All delay costs associated with not reviewing and approving subcontractor/supplier pricing will be borne by the Contractor.

6. All pricing and production rates within the estimate must be based on fair and reasonable pricing and cannot include built-in contingency.

B. Labor:

1. Contractor shall estimate cost of labor by itemizing each craft involved, indicating worker hourly rate (base rate + labor burden + fringe benefits) for each and itemizing hours required for each craft directly engaged in modification work. Any work proposed requiring overtime work or premium pay shall be itemized separately. Rates shall be in accordance with the Davis-Bacon Act as incorporated herein. Labor Burden may include payroll taxes, Social Security, unemployment insurances, workers compensation insurance, Federal Insurance Contributions Act (FICA), FUTA, and other direct costs resulting from Federal, State or local laws.
2. Itemize labor costs for equipment operators separate from equipment costs.
3. Labor cost for foremen shall only be costs for related work required for the modification.

C. Materials:

1. Estimated cost for materials shall include quotes from multiple sources. Material prices shall include applicable fees and credits, including but not limited to, sales tax, freight and delivery charges, and tax rebates.
2. No markup shall be applied to any material provided by NPS.

D. Equipment:

1. Equipment used for the Project must be appropriately sized for work being performed.
2. Do not include costs for "miscellaneous tools and equipment," in any proposal for a replacement value of \$500 or less. Costs shown in excess of \$500 shall be broken out separately.
3. Regardless of ownership, rates to be used in determining equipment rental costs shall be the lowest cost from one of the following sources:
 - a. United States (U.S.) Army Corps of Engineers, Ownership and Operating Expense Schedule (use latest edition and applicable region).
 - b. Construction Blue Book.
 - c. Local equipment rental rates, documented by actual invoice charges, or itemized vendor quotes.
4. Estimated equipment rates shall include operating costs of all fuel, oil, lubrication, supplies, small tools, necessary attachments, ground engaging components, tires and tracks, routine repairs and maintenance (cost of major repair and overhaul is not allowed per Federal Acquisition Regulation (FAR) 31.105(d)(2)), depreciation, storage, insurance, and all incidentals.

Mobilization, if applicable, may be included for equipment solely used on the modification work but must be listed separately.

5. Estimate full rate for equipment only for duration that equipment will be utilized to accomplish work of the modification.
6. Standby unit rates used in accordance with Paragraph Equipment, above. If the U.S. Army Corp of Engineers is utilized then their standby rates prevail. If Bluebook or local equipment pricing is accepted, then half of equipment costs minus any operating costs, major repair and overhaul will be accepted.
7. If equipment is in standby mode due solely to a documented NPS delay, established standby rate shall apply from the first day of the delay.
8. Equipment not used and on Job Site for up to 5 consecutive days may be classified at standby rates, provided the equipment is or has been used solely to perform work on the modification and will be necessary to complete additional modification work. Equipment still on the Job Site but not in use after 5 consecutive days will not be considered in the modification pricing.
9. Requests for compensation for equipment stand by time must be justified, documented and itemized separately.
10. The estimated timeframe (daily, weekly, monthly) for use of the equipment must reflect the lowest cost to the Government.

E. Establishment and Application of Overhead and Profit Percentages:

1. Home Office Overhead and Profit (OH&P) shall be applied to direct costs only. Profit shall not be applied to overhead amounts; and overhead shall not be applied to profit. Home office overhead shall contain only allowable, allocable, and reasonable costs per the Contract Documents and FAR Part 31. Profit percentages are based on risk factors found in FAR Part 31 which have been applied to the specific type of work included in this Project. Negotiated rates shall not exceed the following percentages for OH&P for contractor self-performed work:

Overhead.....8.00%
Profit.....8.40%

2. Total aggregate limit of markup (OH&P) for Contractor and Subcontractors on modification work shall not exceed 25 percent. The NPS will not be responsible for allocation of percentages between contractor and subcontractors at any tier.
3. If Contractors form a partnership, partnership may only receive home office overhead and profit in same amount as an individual Contractor (refer to Paragraph Equipment above). It is the responsibility of the partners to decide on division of revenue.
4. Combined Increases and Decreases: On proposals involving both increases and decreases in the Contract Price, overhead and profit mark-ups are required on net increases and deducted on net decreases.
5. At no time can profit be calculated on Overhead or itself, it must be calculated on direct costs of work only.

PART 2 PRODUCTS (NOT USED)

PART 3 EXECUTION (NOT USED)

END OF SECTION

