Section 4-4: PROJECT COST MONITORING & COST CONTROL

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4-4-00 POLICY

The purpose of this section is to provide guidance to the OPDIVS for monitoring project cost on federally-owned real property assets. When constructing funding is submitted to the Office of Management and Budget (OMB) as part of the Department's budget, the maximum project budget is considered to be fixed and linked to project scope. Reducing scope to maintain budget limits is considered similar to a cost overrun.

A. Pre-Project Planning - The OPDIV shall ensure that the cost and scope of the project is locked into the budget and linked to the Pre-Project Planning and the Facilities Project Approval Agreement (FPAA). Pre-Project Planning must be completed prior to a construction budget submission to OMB and Congress. Once the construction budget is submitted to OMB and Congress, the OPDIV/HHS is committed to that budget and scope. Adequate Pre-Project-Planning must be done for assurance that the project can be delivered at full scope within the submitted budget.

B. Programmatic Requirements - Once submitted to HHS and under A/E design, programmatic changes and other requirements (i.e. growth) must be held to an absolute minimum. The OPDIV must maintain control of its programmatic requirements.

4-4-10 PROCEDURES

The OPDIVs shall certify that the project is within scope, schedule and budget per the approved FPAA at each submittal. The A/E contract "Design within Funding" clause must be consistent with the approved FPAA. At a minimum the A/E should submit a broad order of magnitude estimate (square meter cost) at the schematic level, a systems estimate at design development level, and detailed quantity takeoff estimate at the contract document level.

If a subsequent submittal is found to be over the budget the Government will reject the submittal. The A/E shall resubmit the submittal and bring it within the budget in accordance with the "Design within Funding" clause of his/her contract. The exceeded budget portion of the construction cost shall not be a basis for the A/E to claim against the Government for additional fee.

4-4-20 GUIDANCE AND INFORMATION

A. A/E - The A/E shall design the project within the budget and shall provide a construction cost estimate at each scheduled design submission. The A/E shall provide a narrative description of the methodology used in the development of the estimate. If estimating software is used to produce the estimate, provide summary details of the software.

B. OPDIV Cost Consultant - The OPDIVS are encouraged to utilize a highly qualified cost engineer or estimator (in-house staff or through contract) to assist the Project Officer in monitoring A/E cost estimates for major capital projects. The Cost Consultant should be fair, impartial, objective, and effective in evaluating the cost reasonableness of the A/E's estimate.

C. The Government Estimate - The final estimate will be considered the "Government Estimate" after it has been reviewed and accepted by the OPDIV Contracting Officer. The final estimate shall be detailed including material, labor, and significant equipment costs for each line item. The final estimate shall not exceed the construction budget.

D. Cost Estimate Format - It is recommended that detailed cost estimates be broken down in accordance with the OPDIV's construction-estimating format. The following indirect cost items shall be shown as separate line items in detailed estimates:

1. Sub-Contractor overhead and profit
2. Prime Contractor markup on subs
3. Prime Contractor overhead and profit
4. Sales tax, State tax, Tribal fees (or tax), bonds and insurance
5. Escalation cost per year

4-4-30 REPORTING REQUIREMENTS

With adequate level of Pre-Project-Planning prior to budget submission, scope changes and cost overruns should be rare occurrences. However, it is recognized that unexpected mission changes do occur that could not have been anticipated during the budget development, and that these mission changes can drive unexpected changes in the scope or budget of facility projects. OPDIVs are encouraged to avoid custom design and develop generic designs that are flexible and adaptable to deal with unexpected mission changes. In the event that an unexpected change in mission results in a change in scope or budget of the project, the OPDIV will immediately report these changes to OFMP and submit a revised FPAA per the requirements outlined in Section 2-3.