



Illinois Department of Transportation

2300 South Dirksen Parkway / Springfield, Illinois / 62764

October 2, 2017

Mr. Shane E. Schneider
Lake County Engineer
600 W. Winchester Road
Libertyville, IL 60048

Dear Mr. Schneider,

The Illinois Department of Transportation is pleased to inform Lake County Division of Transportation Consultant Selection Process has been approved by the Federal Highway Administration in accordance with our stewardship and oversight agreement. This process meets the requirements of 23 CFR 172.

IDOT would like to review the initial selection parameters LCDOT chooses to use to verify compliance with the BLRS manual. If Lake County decides to make additional changes to the procedure, please coordinate any future changes with us.

If you have any question regarding this matter, please contact Tim Peters by telephone at 217-785-5048 or by email at tim.peters@illinois.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Maureen E. Kastl'.

Maureen E. Kastl, P.E.
Engineer of Local Roads and Streets

Attachment

cc: Scott Mc Guire, FHWA – Illinois Division
Chris Holt, IDOT District 1 Local Roads Engineer
File

LAKE COUNTY DIVISION OF TRANSPORTATION CONSULTANT SELECTION PROCESS

Adopted: 8/30/11

Revised: 9/8/17

Purpose

The Lake County Division of Transportation (LCDOT) utilizes consultant engineering services in addition to in-house design services to accomplish the Preservation, Modernization, and Expansion projects in the 5 Year Program.

Typical consultant services include:

1. Phase I Preliminary Engineering
2. Phase II Design Engineering
3. Phase III Construction Inspection
4. Surveying
5. Feasibility Studies
6. Project Scope Development
7. Program Management
8. Miscellaneous Engineering

To effectively deliver these services, it is critical to select consultant engineering firms that have the necessary qualifications and can provide the specified work at a fair and reasonable cost.

Authority

The Lake County Division of Transportation must procure architectural, engineering, and land surveying services according to the requirements in:

ALL PROJECTS

- IDOT Bureau of Local Roads and Streets Local Agency Qualification Based Selection for Engineering and Professional Services (Attachment A)
- Lake County Purchasing Ordinance
Article 5 -101(3) – Professional Services and Competitive Sealed Proposals (A copy of the ordinance is available on the Purchasing page of the Lake County web site www.lakecountyiil.gov)

MFT OR LOCALLY FUNDED PROJECTS

- (50 ILCS 510/) Local Government Professional Services Selection Act (Attachment B)

FEDERALLY FUNDED PROJECTS

- (40 usc 11) The Brooks Act (Attachment C)
- (23 CFR 172) FHWA Requirements for Procurement, Management, and Administration of Engineering and Design Related Services (Attachment D)

Selection Process

1. The first step in the process is the development of a detailed project scoping report. This report is typically developed in-house, and is a comprehensive document that identifies the purpose and need of the project, the proposed improvement, estimated costs, required permits, estimated right-of-way needs, municipal and public coordination needs, required inter-governmental agreements, potential utility relocations and involvement, and other items. The scoping report document is the result of review and input from all departments at LCDOT, and an internal scoping meeting. This document serves to define the scope of services to be provided by the consultant engineering firm. Portions of the scoping process may be omitted if a Phase I preliminary engineering study will be undertaken for the project.
2. LCDOT maintains a file of consultants that wish to be considered for work. This file contains detailed information on each firm. Periodic inquiries are made to determine which firms wish to remain on the list, and to update contact information.

LCDOT advertises in a local newspaper (the Lake County News-Sun) and sends out notices to all consultants on file requesting Statements of Interest / Statements of Qualifications (SOI/SOQ) from interested consulting firms. The SOI/SOQ consists of:

- A cover letter identifying which project or projects that the firm is interested in providing services for
- The applicable IDOT prequalifications held by the firm
- Summary of key personnel proposed for work on the projects
- Brief description of similar projects completed

The SOI/SOQ is not intended to be a comprehensive submission on the proposed project or the firm, but rather a concise summary of interest and qualifications for use in developing a short-list of interview candidates.

In accordance with the Local Government Professional Services Selection Act, the SOI/SOQ shall not include any information regarding compensation for services.

The advertisement for SOI/SOQ submission must include a listing of the specific selection criteria and associated weightings as described in Section 5.06 (d) of the IDOT Bureau of Local Roads Manual (Att A).

3. The LCDOT County Engineer appoints a Consultant Selection Committee. The Committee typically consists of the County Engineer (manager), the Assistant County Engineer, the Director of Planning and Programming, the Engineer of Design, the Project Manager and the Design Engineer. Additional members may be included on the Selection Committee as applicable. A sample Consultant Selection Committee establishment memo is included as Attachment E.

4. The Consultant Selection Committee reviews the SOI/SOQ submissions and develops a short-list of consultant candidates to be interviewed based on evaluation criteria described in 50 ILCS 510/ (Attachment B).

The first step in the evaluation process is to eliminate from consideration suspended or disbarred firms, non-qualified respondents, and firms that do not have the experience to perform the required work. Respondents shall also be reviewed for conflicts of interest as described in Section 5-6.04 of the IDOT Bureau of Local Roads Manual (Attachment A).

LCDOT maintains a file of consultant performance evaluations from previous projects. This information is used as a resource during the consultant evaluation process.

A minimum of three interview candidates are selected for each project. The results of this short-list process are documented in a memo (Attachment F).

A formal RFP will be issued to the top ranked firms (3 or more). The formal RFP will include a due date based on the complexity of the project. At a minimum, the due date will be set to allow 14 days for preparation of responses.

The RFP shall include:

- Detailed description of the scope of work
- Requirements for any discussions that may be conducted
- Contract type and method of payment anticipated
- Special provisions or contract requirements associated with the services

The RFP shall not solicit any cost information or any elements of cost such as project hours, wage rates, indirect cost rates, or other direct costs.

5. The Consultant Selection Committee will review the RFP responses, interview consultant candidates, and develops a 1st, 2nd, and 3rd ranking based on their qualifications, their RFP response and their interview. Specific requirements for development of the consultant rating criteria are contained in Figure 5-5B in the IDOT Bureau of Local Roads Manual (Attachment A). This Figure addresses permissible criteria, limitations on DBE and local preference criteria, and other information. The project specific ranking criteria are developed by the LCDOT project manager and approved by the County Engineer and are included in the RFP.
6. The results of this interview-based selection process are documented in a memo (Attachment G). The 1st, 2nd, and 3rd ranked firms are published on the LCDOT website at http://lakecountyil.gov/653/consultant_selection.

7. LCDOT and the top-ranked consultant meet and discuss the project scope to ensure a common understanding of the proposed work. LCDOT then requests a draft contract proposal for review.

LCDOT prepares a written description of the scope of the proposed services and an independent estimate to be used as a basis for negotiations.

As part of the Request for Proposal process, LCDOT provides guidance to the consultant regarding the following items:

Contract Type

Typically, project-specific contracts are requested by LCDOT, but other contract types may be permissible. Refer to 23 CFR 172.9 (Att D).

Payment Methods

Cost plus fixed fee are typically requested by LCDOT, but other contract payment methods may be used. Refer to 23 CFR 172.9 (Attachment D), and IDOT Bureau of Local Roads Manual Section 5-5.09 (Attachment A).

Establishing Indirect Overhead rates

Overhead rates applied to a contract are established by the guidance contained in 23 CFR 172.11 (Attachment D). These overhead rates are calculated by IDOT.

Performance Evaluation

Performance evaluations are processed as per 23 CFR 172.9 and Section 5-5.13 of the IDOT Bureau of Local Roads Manual (Att A).

Professional Liability

Consultant shall carry professional liability insurance as per the requirements specified in Section 2.26 of the IDOT Standard Agreement Provisions for Consultant Services.

Boilerplate Contract Language

To address 23 CFR 172 requirements for contract language, LCDOT uses the following standard IDOT contract forms (as appropriate for funding source) for engineering services agreements:

BLR 05510 Preliminary Engineering Services Agreement for Motor Fuel Tax Funds

BLR 05512 Preliminary/Construction Engineering Services Agreement for Motor Fuel Tax Funds

BLR05610 Preliminary Engineering Services Agreement for Federal Participation

BLR05611 Construction Engineering Services Agreement for Federal Participation

Resolving Disputes

Disputes over the interpretation of the provisions of the contract shall be referred to a committee as described in the "It Is Mutually Agreed" section of the IDOT BLR agreement forms.

Oversight of the consultant

LCDOT appoints a project manager to provide consultant oversight and coordination services as per Section 5-6.12(a) of the IDOT Bureau of Local Roads Manual:

- Prepare supplements and letter supplements to existing consultant agreements for additional services or services beyond the scope of the work of the original agreement, and include the LPA's estimate of the costs for the work involved.
 - Perform as liaison between the LPA and the consultant to ensure compliance with the terms of the agreement and with regard to the work performed by the consultant.
 - Monitor the consultant's progress reports to ensure that problem areas are reported and corrective action is taken.
 - Establish controls to monitor time for completion of each agreement to ensure that the time limitations are not exceeded.
 - Ensure the accuracy of bills presented by the consultant and submit the bills to the district for reimbursement.
 - Maintain cumulative cost records for each agreement.
 - Establish controls to prevent payment in excess of contract limitations.
 - Monitor the consultant to ensure compliance with any and all Equal Employment Opportunity provisions of the agreement.
8. Consultant provides a draft contract proposal to LCDOT, and negotiations commence.
 9. If agreement is reached on the scope of services, fee, and schedule, the County Engineer shall present a recommendation to the County Board for consideration and approval. After County Board approval, the consultant will receive a notice to proceed.
 10. If agreement cannot be reached on the scope of services and fee with the top ranked firm, negotiations shall be terminated, and the next ranked firm shall be considered for the contract. If an agreement cannot be reached with the 3rd ranked firm, LCDOT will reevaluate the scope of services, and then compile a second list of three firms and proceed with the negotiation process.
 11. As per 50 ILCS 510/6 (Attachment B), the LCDOT may elect to select consultant engineering services on the basis of having a satisfactory relationship for services in lieu of the above described selection process. The

approval of the County Engineer is required to use this method of selection. Note that this method of procuring consultant services is not allowed when federal funds are used for the project.

12. Per 50 ILCS 510/8 (Attachment B), the LCDOT may pass a resolution proclaiming an emergency situation and waive the above described selection process. Note that if federal funds are used, emergency procurement must be coordinated through IDOT and approved by FHWA.

13. Contracts not exceeding \$25,000 may be procured without using the above selection process. Note that when federal funds are used for the project, the small procurement requirements in 23 CFR 172.7(a)(3) must be met and a minimum of three consulting firms must be contacted and considered.

**BUREAU OF LOCAL ROADS & STREETS
AGREEMENTS**

June 2017

5-5-3

5-5.05 Retainage

The LPA may withhold retainage on state, MFT, or TBP funded engineering services agreements. However, withholding retainage provides no substantial benefits to the LPA. The LPA shall not withhold retainage on federally funded engineering agreements.

5-5.06 Qualification Based Selection for Engineering and Professional Services

5-5.06(a) Introduction

The principal objective of the QBS procedures is to allow a LPA to locate a qualified consultant to undertake the project; then, through negotiations, engage the consultant to provide the creative and technical work required at a fair and reasonable cost. The area and magnitude of responsibility in the process can vary widely according to project type.

5-5.06(b) Applicability

The procurement procedures outlined in Section 5-5.06(c) and (e) apply to the selection of all engineering and professional services based on the following funding type parameters:

1. State, MFT or TBP Funded Engineering and Professional Services. QBS procedures for public notice, evaluation, selection, and contract negotiations shall be used whenever a project requiring architectural, engineering, or land surveying services is proposed for a LPA of fewer than 3,000,000 inhabitants, except home rule units, unless the LPA has a satisfactory relationship for services with one or more firms (50 ILCS 510).

A LPA may also waive the requirements of public notice, evaluation and selection if the LPA determines, by resolution, that an emergency situation exists and a consultant must be selected in an emergency manner, or if the total cost of services from a consultant is estimated to be less than \$25,000 (50 ILCS 510/8). If the LPA estimates the total cost of services within the contract will be less than \$25,000, IDOT will not approve any agreement or supplemental that exceeds the \$25,000 threshold; unless the LPA followed state statutes.

2. Federally Funded Engineering Services. LPAs shall use QBS in accordance with The Brooks Act, (40 USC 11) and the FHWA's requirements for Procurement, Management, and Administration of Engineering and Design related Services (23 CFR 172) to promote open competition by advertising, ranking, selecting, and negotiating contracts based on demonstrated competence and qualifications for the type of engineering and design related services being procured, and at a fair and reasonable price.

If the cost of any individual contract for engineering services (Phase I, II, III, etc.) will be less than \$25,000, then the small purchase procurement method may be used. The following additional requirements shall apply to the small purchase procurement method:

- a. The scope of work, project phases, and contract requirements shall not be broken down into smaller components merely to permit the use of small purchase procedures.
- b. A minimum of three consultants are required to satisfy the adequate number of qualified sources reviewed. In instances where only two qualified consultants

**BUREAU OF LOCAL ROADS & STREETS
AGREEMENTS**

5-5-4

June 2017

respond to the solicitation, the LPA may proceed with evaluation and selection if it is determined that the solicitation did not contain conditions or requirements which arbitrarily limited competition. If only one qualified consultant responds to the solicitation, the LPA shall contact the District LR&Soffice.

- c. Contract costs may be negotiated in accordance with State small purchase procedures; however, the allowability of costs shall be determined in accordance with the Federal cost principles.
- d. If the cost of any supplemental changes to the contract for the engineering services exceeds \$25,000 and federal QBS procedures were not followed, federal funds become ineligible above the \$25,000 on engineering services. The LPA may be required to refund any and all federal funds used for the engineering services.

If a consultant is selected to work on multiple phases of a project, the dollar limits apply to the total combined cost of all included phases. If the LPA included an option to perform one or more other phases as part of the original solicitation, the LPA is then not required to conduct another QBS unless the LPA elects to select a different consultant for subsequent phases.

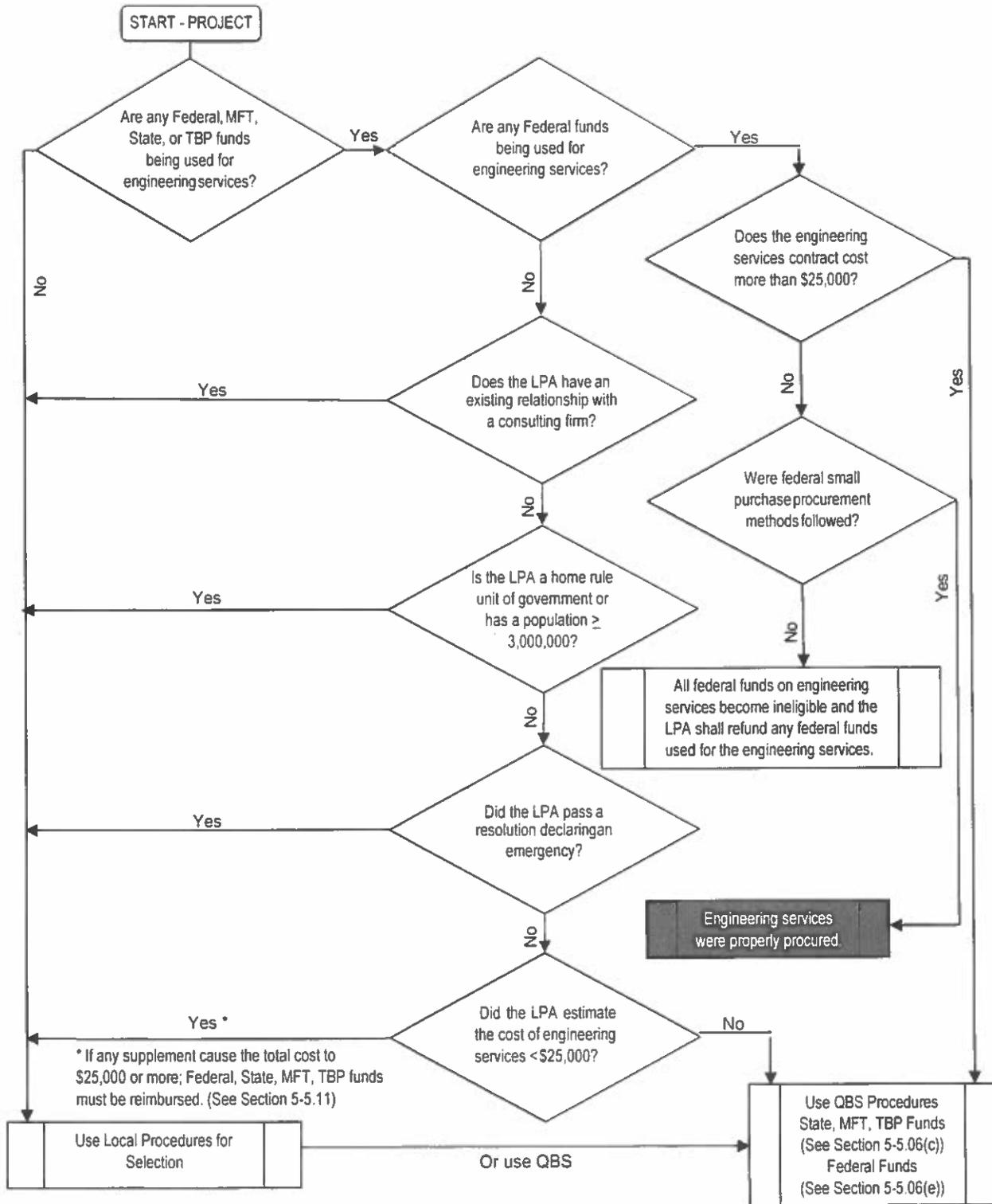
- 3. Locally Funded Engineering Services. The IDOT does not have oversight over contracts for engineering services funded entirely with local funds. However, the LPA is still required to comply with 50 ILCS 510.

The procurement method used for selection of engineering services will not impact funding for the construction of a project.

**BUREAU OF LOCAL ROADS & STREETS
AGREEMENTS**

June 2017

5-5-5



REQUIREMENTS FOR QBS

Figure 5-5A

5-5.06(c) State Required QBS Procedures using State, MFT or TBP Funds

The procedure for State required QBS procurement consists of the following five basic steps:

1. **Define the Project.** Clearly define the scope of the services desired. Depending on the amount of data, this may be on one or more pages. This information should include the following:
 - describe in general terms the need, purpose, and objective of the project;
 - identify the various project components;
 - establish the desired timetable for the effort;
 - identify any expected problems; and
 - determine the total project budget.

A comprehensive evaluation of the problem or need that resulted in the project is essential to the procurement process. The solution, approach, and eventual design for the project will evolve out of the expertise offered by the consultant responding to the request for technical proposals. To ensure that the respondents address the project properly and effectively, clearly articulate all known parameters of the project.

The LPA may skip to Step 5 when both of the following criteria are met.

- The LPA elects to select a consultant that has a satisfactory working relationship with the LPA; and
- The engineering services contract is being paid for using State, MFT, or TBP funds.

2. **Public Notice.** Whenever a project requiring engineering services is proposed, the LPA shall post a public notice requesting a statement of interest along with the qualifications and performance data from consultants. This may be accomplished through an advertisement in a local newspaper, posting on the LPA's website, or through various trade magazines or websites.

Consider the following sources when preparing a list of potential firms:

- identification of consultants from the LPA's or IDOT's file;
- a directory or source list identifying small, minority, and women owned businesses with capabilities relevant to the project;
- discussions with other persons or agencies who have accomplished similar work;
- lists of consultants secured from professional societies; and/or
- lists of consultants secured from the agency's own experience of consultants.

3. **Evaluation.** The LPA shall evaluate the consultant submitting letters of interest, taking into account qualifications, ability of professional personnel, past record and experience, performance data on file, willingness to meet time requirements, location, workload of the consultant, and such other qualifications-based factors.

**BUREAU OF LOCAL ROADS & STREETS
AGREEMENTS**

June 2017

5-5-7

The first objective of evaluation is the elimination of all respondents who are not qualified or who do not have the experience for the required work. The LPA may conduct discussions with and require presentations by consultants deemed to be the most qualified based on their qualifications, approach to the project, and ability to furnish the required services. When conducted, interviews shall occur separately with a minimum of three consultants, or all qualified consultants if less than three qualified consultants respond. If the LPA decides to conduct discussions with and/or require presentations by consultants deemed to be the most qualified, this should be included in the public notice.

In no case shall the LPA, prior to selecting a consultant for negotiation, seek formal or informal submission of verbal, written, or sealed estimates of costs or proposals in terms of dollars, hours required, percentage of construction cost, or any other measure of compensation.

4. Selection. On the basis of evaluations, discussions and presentations, the LPA shall select no less than three consultants which it determines to be the most qualified to provide services for the project and rank them in order of qualifications to provide services regarding the specific project. The LPA shall then contact the consultant ranked most preferred and attempt to negotiate a contract at a fair and reasonable compensation, taking into account the estimated value, scope, complexity, and professional nature of the services to be rendered. Typical criteria for evaluating and ranking consultants are included in Figure 5-5B. If fewer than three qualified consultants submit letters of interest and the LPA determines that one or both are so qualified, the LPA may proceed to negotiate a contract.
5. Contract Negotiation. The LPA shall prepare a written description of the scope of the proposed services to be used as a basis for negotiations and shall negotiate a contract with the highest qualified consultant at compensation that the political subdivision determines in writing to be fair and reasonable. In making this decision, the political subdivision shall take into account the estimated value, scope, complexity and professional nature of the services to be rendered.

An important objective of the negotiation process is to reach a complete and mutual understanding of the scope of professional services to be provided and the degree of performance desired. The general scope of professional services developed in the procurement process should be broad in order to serve as the basis for negotiation. The negotiation process offers the opportunity for refinement, amendment, and complete definition of the services to be rendered, as well as the areas of responsibility and liability for those services. Mutual understanding on these points at the negotiation stage can minimize the possibility of misunderstanding as the project progresses.

Special elements of the engineering portion of the project to be established during negotiation include:

- project schedule,
- manpower requirement and timing,
- level of engineering effort,
- avenues of research, and
- areas of responsibility/liability.

**BUREAU OF LOCAL ROADS & STREETS
AGREEMENTS**

5-5-8

June 2017

Any percentage fee contract should be fully supported by an acceptable estimate of man-hours, anticipated hourly payroll rates by classification of employee for the project, and applicable overhead and burden rates. These rates should be evaluated and, if determined to be acceptable, the percentage fee may be approved by the district.

The consultant's method of dividing the project into work units and calculating related time units are to be such that the estimate can be readily reviewed. The consultant will use its own estimates of man-hours, rates of pay, overhead, profit, and itemized non-salary costs based on the consultant's work force and past job experience.

When the prime consultant requires the services of another consultant to provide expertise, advice, or information to the prime consultant, the prime consultant will complete an analysis of fee for engineering services (including a breakdown of direct salary and direct non-salary costs) or supply specific rate for services (e.g. testing). The consultant is responsible for ensuring that Disadvantage Business Enterprises (DBEs) will have an equitable opportunity to compete for subcontracts. See Chapters 8 and 24 for information on DBEs for LPAs.

Contracts between LPAs and consultants must be set forth in fully executed agreements. If there is an agreement with the consultant, and if the fee is within range of the budget, proceed to finalize an agreement. If problems arise with the scope of the project or the fee, further discussion and clarification may be required.

Selection of a consultant by qualification provides no guarantee that the LPA and the consultant will come to an agreeable fee. For that reason, the ranking process provides, in addition to the first preference, at least two alternative qualified consultant. If agreement cannot be reached on the scope and fee, the LPA may drop negotiations with the top-ranked consultant and continue the process with the second ranked consultant at Step 5.

6. Summary. Ranking and negotiations involve a considerable amount of subjective judgment. Because engineering projects involve a large expenditure of public funds, accountability for decisions and value judgments is most important. To ensure adequate accountability:
- involve more than one knowledgeable person in the evaluation process,
 - be consistent in reviewing each applicant,
 - keep accurate and complete records of all correspondence, memoranda, evaluations, and decisions.

The primary purpose of undertaking the QBS process is to locate the most qualified consultant to do the work and negotiate a fair and equitable agreement. Federal and Illinois law limits the selection of consultant by using cost except for up to \$25,000 contracts. The selection shall be based on the consultant's experience and expertise in projects of the same type as proposed.

5-5.06(d) Development of Selection Criteria and Weighting

LPAs must determine and publish selection criteria and weightings for projects requiring federal QBS. These criteria and weightings are also suggested for all projects. The criteria "must assess the demonstrated competence and qualifications for the type of professional services solicited". The total of all weights must equal 100%. Factors may include (but are not limited to):

**BUREAU OF LOCAL ROADS & STREETS
AGREEMENTS**

June 2017

5-5-9

- Technical Approach (10 - 30%)
 - e.g., project understanding,
 - innovative concepts,
 - quality control procedures, or
 - other items
- Firm Experience (10 - 30%)
- Specialized Expertise (10 - 30%)
- Staff Capabilities (Prime/Sub) (10 - 30%)
- Work Load Capacity (10 - 30%)
- Past performance (10 - 30%)

In addition there are two nominal non-qualifications based criteria for evaluation. They are limited to a weight of 10% combined*:

- In-State or Local Presence (0 - 10%)*
 - not based on political or jurisdictional boundaries and may be applied on a project by project basis,
 - used where a need to provide a local presence has been established, a local presence will add value to quality and efficiency of the contract and application of the criteria leaves an appropriate number of qualified consultants, and/or
 - if the consultant indicates in the proposal that a local project office will be established the criteria is satisfied.
- Participation of Qualified and Certified DBE Sub-consultants (0 - 10%)*

The following shall not be used as a factor in the evaluation, ranking and selection:

- All price and cost related items.
 - This includes: cost proposals, direct salaries/wage rates; indirect costs (overhead), and other direct costs.
- In-State or Local Preference (other than as explained above).

**BUREAU OF LOCAL ROADS & STREETS
AGREEMENTS**

5-5-10

June 2017

The weight given to each evaluation criterion in the ranking process may vary from project to project, with more weight towards the criteria that are critical to the success of the project. Typical technical criteria for both evaluating and ranking entities should include but not be limited to the following:

- (1) The education, experience, and expertise of the entity's principals and key employees.
- (2) The entity's general experience, stability, and history of performance on projects similar to the one under consideration.
- (3) Availability of adequate personnel, equipment, and facilities to do the required work expeditiously.
- (4) The name, or names, of individuals in the entity who will be assigned key project responsibilities, with particular attention to their qualification, competence, and past performance.
- (5) The entity's approach to the planning, organizing, and management of a project effort, including communication procedures, approach to problem solving, data gathering methods, evaluation techniques, and similar factors.
- (6) Facilities and equipment owned by the entity, including computer capability, reproduction and communication equipment, laboratory and testing equipment, or other specialized equipment applicable to the project under consideration.
- (7) Present workload with attention to current and future commitments of available personnel, particularly those key persons expected to be assigned to your project.
- (8) Financial stability, with particular attention to avoiding a situation in which the entity is solely dependent on income from the project at hand for its existence.
- (9) Recommendations and opinions of each entity's previous clients as to its ability to meet deadlines and remain within budget. Prior clients may also be able to advise you as to each entity's sense of responsibility; attitudes of key personnel; concern for economy, efficiency, and environment; and quality of service.
- (10) If practical, observation of each entity's facility and the sites of current and/or completed projects.
- (11) The reputation and integrity of the engineering entity within the professional field and the community.
- (12) Awards received by the entity and technical papers authored by employees.
- (13) Special considerations for some projects might include staff conversant in foreign languages.

Non-technical criteria may not exceed 10% of the total evaluation and rank weighting. Typical non-technical criteria for both evaluating and ranking entities may include but not be limited to the following:

1. Proximity of the engineering entity to the proposed project site and/or the agency's office.
2. Qualified minority representation.
3. How DBE goals are addressed.

CONSULTANT RANKING CRITERIA

Figure 5-5B

5-5.06(e) Federal QBS Requirements

For engineering agreements \$25,000 or greater which include federal funds, LPAs are required to use QBS which is fully compliant with Federal requirements of 23 CFR 172 and the Brooks Act. As sub-grantees LPAs must use competitive negotiation based on qualifications based selection procedures and is the primary method of procurement for engineering and design related services using federal funding. See Figure 5-5C for specific requirements.

The procedure for federal QBS procurement consists of the following steps:

**BUREAU OF LOCAL ROADS & STREETS
AGREEMENTS**

June 2017

5-5-11

1. Initial Administration. LPAs shall develop and sustain organizational capacity and provide the resources necessary for the procurement, management, and administration of engineering and design related consultant services.
2. Written Policies and Procedures. The LPA shall prepare and maintain written policies and procedures for the procurement, management, and administration of engineering and design related consultant services. If the LPA follows the policies and procedures in Section 5-5, this will be sufficient, however; if the LPA decides to develop their own QBS procedures then FHWA approval is required, see Section 5-5.06(g).
3. Define the Project. Clearly define the scope of the services desired. Depending on the amount of data, this may be on one or more pages. This information should include the following:
 - describe in general terms the need, purpose, and objective of the project;
 - identify the various project components;
 - establish the desired timetable for the effort;
 - identify any expected problems; and
 - determine the total project budget.

A comprehensive evaluation of the problem or need that resulted in the project is essential to the procurement process. The solution, approach, and eventual design for the project will evolve out of the expertise offered by the consultant responding to the request for technical proposals. To ensure that the respondents address the project properly and effectively, clearly articulate all known parameters of the project.
4. Public Notice. Whenever a project requiring engineering services is proposed, the LPA shall post a public notice requesting a statement of interest along with the qualifications and performance data from consultants. This may be accomplished through an advertisement in a local newspaper, posting on the LPA's website, or through various trade magazines or websites.

Consider the following sources when preparing a list of potential firms:

 - identification of consultants from the LPA's or IDOT's file;
 - a directory or source list identifying small, minority, and women owned businesses with capabilities relevant to the project;
 - discussions with other persons or agencies who have accomplished similar work;
 - lists of consultants secured from professional societies; and/or
 - lists of consultants secured from the agency's own experience of consultants.
5. Conflicts of Interest. See Section 5-5.04.
6. Suspension And Debarment. Verify any suspension and debarment actions and eligibility of consultants.
7. Evaluation. The LPA shall evaluate the consultant submitting letters of interest, taking into account qualifications, ability of professional personnel, past record and experience, performance data on file, willingness to meet time requirements, workload of the consultant, and other qualifications-based factors.

BUREAU OF LOCAL ROADS & STREETS
AGREEMENTS

5-5-12

June 2017

The first objective of evaluation is the elimination of all respondents who are not qualified or who do not have the experience for the required work. The LPA may conduct discussions with and require presentations by consultants deemed to be the most qualified based on their qualifications, approach to the project, and ability to furnish the required services. When conducted, interviews shall occur separately with a minimum of three consultants, or all qualified consultants if less than three qualified consultants respond. If the LPA decides to conduct discussions with and/or require presentations by consultants deemed to be the most qualified, this must be included in the public notice.

In no case shall the LPA, prior to selecting a consultant for negotiation, seek formal or informal submission of verbal, written, or sealed estimates of costs or proposals in terms of dollars, hours required, percentage of construction cost, or any other measure of compensation.

8. Selection. On the basis of evaluations, discussions and presentations, the LPA shall select no less than three consultants which it determines to be the most qualified to provide services for the project and rank them in order of qualifications to provide services regarding the specific project. The LPA shall then contact the consultant ranked most preferred and attempt to negotiate a contract at a fair and reasonable compensation, taking into account the estimated value, scope, complexity, and professional nature of the services to be rendered. Typical criteria for evaluating and ranking consultants are included in Figure 5-5B. If fewer than three qualified consultants submit letters of interest and the LPA determines that one or both are so qualified, the LPA may proceed to negotiate a contract.
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Special elements of the engineering portion of the project to be established during negotiation include:

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- manpower requirement and timing,
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- avenues of research, and
- areas of responsibility/liability.

**BUREAU OF LOCAL ROADS & STREETS
AGREEMENTS**

June 2017

5-5-13

Any percentage fee contract should be fully supported by an acceptable estimate of man-hours, anticipated hourly payroll rates by classification of employee for the project, and applicable overhead and burden rates. These rates should be evaluated and, if determined to be acceptable, the percentage fee may be approved by the district.

The consultant's method of dividing the project into work units and calculating related time units are to be such that the estimate can be readily reviewed. The consultant will use its own estimates of man-hours, rates of pay, overhead, profit, and itemized non-salary costs based on the consultant's work force and past job experience.

When the prime consultant requires the services of another consultant to provide expertise, advice, or information to the prime consultant, the prime consultant will complete an analysis of fee for engineering services (including a breakdown of direct salary and direct non-salary costs) or supply specific rate for services (e.g. testing). The consultant is responsible for ensuring that DBEs will have an equitable opportunity to compete for subcontracts. See Chapters 8 and 24 for information on DBEs for LPAs.

Contracts between LPAs and consultants must be set forth in fully executed agreements. If there is an agreement with the consultant, and if the fee is within range of the budget, proceed to finalize an agreement. If problems arise with the scope of the project or the fee, further discussion and clarification may be required.

Selection of a consultant by qualification provides no guarantee that the LPA and the consultant will come to an agreeable fee. For that reason, the ranking process provides, in addition to the first preference, at least two alternative qualified consultants. If agreement cannot be reached on the scope and fee, the LPA may drop negotiations with the top-ranked consultant and continue the process with the second ranked consultant at Step 9. The LPA shall develop procedures for proper disposal of concealed cost proposals of unsuccessful bidders.

10. Acceptable Costs. IDOT will review and approve the engineering agreement to verify elements of contract costs, acceptable indirect cost rate(s) for application to contracts, and assuring consultant compliance with the Federal cost principles.

11. Invoice Processing. See Section 5-10.

12. Ongoing and Finalizing Administration. The following are ongoing and finalizing requirements:

Monitoring the consultant's work and compliance with the terms, conditions, and specifications of the contract;

Preparing a consultant's performance evaluation when services are completed and using such performance data in future evaluation and ranking of consultant to provide similar services;

Closing-out a contract;

Retaining supporting programmatic and contract records;

Determining the extent to which the consultant, which is responsible for the professional quality, technical accuracy, and coordination of services, may be reasonably liable for costs resulting from errors and omissions in the work furnished under its contract;

Assessing administrative, contractual, or legal remedies in instances where consultants violate or breach contract terms and conditions, and providing for such sanctions and penalties as may be appropriate; and

BUREAU OF LOCAL ROADS & STREETS
AGREEMENTS

5-5-14

June 2017

- Resolving disputes in the procurement, management, and administration of engineering and design related consultant services.
13. Summary. Ranking and negotiations involve a considerable amount of subjective judgment. Because engineering projects involve a large expenditure of public funds, accountability for decisions and value judgments is most important. To ensure adequate accountability:
- involve more than one knowledgeable person in the evaluation process,
 - be consistent in reviewing each applicant,
 - keep accurate and complete records of all correspondence, memoranda, evaluations, and decisions.

The primary purpose of undertaking the QBS process is to locate the most qualified consultant to do the work and negotiate a fair and equitable agreement. Current federal regulations limit the amount to the lesser of \$150,000 or state limits (50 ILCS 510/8), which is currently up to \$25,000 contracts without following federal QBS requirements in the selection of a consultant. The selection shall be based on the consultant's experience and expertise in projects of the same type as proposed.

BUREAU OF LOCAL ROADS & STREETS
AGREEMENTS

June 2017

5-5-15

Per 23 CFR 172.5 - Program management and oversight.

- (a) **STA responsibilities.** STAs or other recipients ... (i.e. STA State Transportation Agency - IDOT)
- (b) **Subrecipient responsibilities.** Subrecipients shall develop and sustain organizational capacity and provide the resources necessary for the procurement, management, and administration of engineering and design related consultant services, reimbursed in whole or in part with FAHP funding as specified in 23 U.S.C. 106(g)(4)(A). Responsibilities shall include the following:
- (1) Adopting written policies and procedures prescribed by the awarding STA or other recipient for the procurement, management, and administration of engineering and design related consultant services in accordance with applicable Federal and State laws and regulations; or when not prescribed, shall include:
 - (i) Preparing and maintaining its own written policies and procedures in accordance with paragraph (c) of this section; or
 - (i) Submitting documentation associated with each procurement and subsequent contract to the awarding STA or other grantee for review to assess compliance with applicable Federal and State laws, regulations, and the requirements of this part;
 - (2) Procuring, managing, and administering engineering and design related consultant services in accordance with applicable Federal and State laws, regulations, and approved policies and procedures, as specified in 23 CFR 1.9(a).
- (c) Written policies and procedures. The contracting agency shall prepare and maintain written policies and procedures for the procurement, management, and administration of engineering and design related consultant services. The FHWA shall approve the written policies and procedures, including all revisions to such policies and procedures, of the STA or recipient to assess compliance with applicable requirements. The STA or other recipient shall approve the written policies and procedures, including all revisions to such policies and procedures, of a subrecipient to assess compliance with applicable requirements. These policies and procedures shall address, as appropriate for each method of procurement a contracting agency proposes to use, the following items to ensure compliance with Federal and State laws, regulations, and the requirements of this part:
- (1) Preparing a scope of work and evaluation factors for the ranking/selection of a consultant;
 - (2) Soliciting interests, qualifications, or proposals from prospective consultants;
 - (3) Preventing, identifying, and mitigating conflicts of interest for employees of both the contracting agency and consultants and promptly disclosing in writing any potential conflict to the STA and FHWA, as specified in 2 CFR 200.112 and 23 CFR 1.33, and the requirements of this part.
 - (4) Verifying suspension and debarment actions and eligibility of consultants, as specified in 2 CFR part 1200 and 2 CFR part 180;
 - (5) Evaluating interests, qualifications, or proposals and the ranking/selection of a consultant;
 - (6) Determining, based upon State procedures and the size and complexity of a project, the need for additional discussions following RFP submission and evaluation;
 - (7) Preparing an independent agency estimate for use in negotiation with the selected consultant.

FEDERAL QBS REQUIREMENTS
(Sheet 1 of 2)

Figure 5-5C

Attachment A

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**BUREAU OF LOCAL ROADS & STREETS
AGREEMENTS**

5-5-16

June 2017

- (8) Selecting appropriate contract type, payment method, and terms and incorporating required contract provisions, assurances, and certifications in accordance with § 172.9;
- (9) Negotiating a contract with the selected consultant including instructions for proper disposal of concealed cost proposals of unsuccessful bidders;
- (10) Establishing elements of contract costs, accepting indirect cost rate(s) for application to contracts, and assuring consultant compliance with the Federal cost principles in accordance with §172.11;
- (11) Ensuring consultant costs billed are allowable in accordance with the Federal cost principles and consistent with the contract terms as well as the acceptability and progress of the consultant's work;
- (12) Monitoring the consultant's work and compliance with the terms, conditions, and specifications of the contract;
- (13) Preparing a consultant's performance evaluation when services are completed and using such performance data in future evaluation and ranking of consultant to provide similar services;
- (14) Closing-out a contract;
- (15) Retaining supporting programmatic and contract records, as specified in 2 CFR 200.333 and the requirements of this part;
- (16) Determining the extent to which the consultant, which is responsible for the professional quality, technical accuracy, and coordination of services, may be reasonably liable for costs resulting from errors and omissions in the work furnished under its contract;
- (17) Assessing administrative, contractual, or legal remedies in instances where consultants violate or breach contract terms and conditions, and providing for such sanctions and penalties as may be appropriate; and
- (18) Resolving disputes in the procurement, management, and administration of engineering and design related consultant services.

FEDERAL QBS REQUIREMENTS

(Sheet 2 of 2)

Figure 5-5C

5-5.06(f) Major Differences between Federal and State Requirements

The major differences between federal and state requirements are:

- The existing relationship and home rule requirements permitted with state, MFT, and TBP QBS are not allowed for federal QBS.
- IDIQ contracts are limited to a maximum term length of five years for federal QBS.
- A maximum of 10% of the evaluation criteria can be assigned to local presence and DBE participation for federal QBS.
- Notification must be provided to responding applicants of the final ranking of the three most highly qualified applicants for federal QBS.

- Preparing a consultant's performance evaluation when services are completed and using such performance data and ranking of the consultant with regard to providing similar services in the future is required for federal QBS.
- Additional work which was not included in the scope of services and evaluation criteria may not be allowed to be added to contracts for federal QBS.
- Retention of contract records is required.
- If non-competitive procurement is used; it must be approved by IDOT in advance for federal QBS.
- LPAs are responsible for ensuring a consultant's costs billed are allowable in accordance with the federal cost principles and consistent with the contract terms for federal QBS.

5-5.06(g) IDOT Approval of LPA's QBS Procedures

When federal funds are used to fund a portion of engineering and design related services, LPAs must submit their QBS procedures to IDOT, unless the LPA follows the QBS requirements in Section 5-5.06(e). CBLRS shall review the LPA's QBS procedures for compliance with state and federal regulations. CBLRS will coordinate approval of the LPA's QBS procedures with FHWA.

The LPA's QBS procedures should address items discussed in Section 5-5.06, along with:

- Purpose and applicability.
- Definitions.
- Program management and oversight.
- Procurement methods and procedures.
- Contracts and administration.
- Allowable costs and oversight.

The above topics are expanded in 23 CFR 172 – *Procurement, Management, And Administration of Engineering and Design Related Services*.

5-5.07 Standard Engineering Services Agreements

While use of standard engineering agreement forms is not required, the LPA should use the standard engineering agreements developed by the department in order to ensure compliance with all federal and state requirements. If a standard engineering agreement form is modified, the department logo, form number, and any other department identifier shall be removed. Separate engineering agreements are required for preliminary and construction engineering services.

The following standard agreement forms are provided by CBLRS:

- Form BLR 05510 – Engineering Services Agreement
- Form BLR 05520 – Maintenance Engineering to Be Performed by a Consulting Engineer

LOCAL GOVERNMENT
(50 ILCS 510/) Local Government Professional Services Selection Act.

(50 ILCS 510/0.01) (from Ch. 85, par. 6400)

Sec. 0.01. Short title. This Act may be cited as the Local Government Professional Services Selection Act.

(Source: P.A. 86-1324.)

(50 ILCS 510/1) (from Ch. 85, par. 6401)

Sec. 1. Policy. It shall be the policy of the political subdivisions of the State of Illinois to negotiate and enter into contracts for architectural, engineering and land surveying services on the basis of demonstrated competence and qualifications for the type of services required and at fair and reasonable compensation.

(Source: P.A. 85-854.)

(50 ILCS 510/2) (from Ch. 85, par. 6402)

Sec. 2. Federal Requirements. In the procurement of architectural, engineering and land surveying services and in the awarding of contracts, a political subdivision of the State of Illinois may comply with federal law and regulations and take all necessary steps to adapt its rules, specifications, policies and procedures accordingly to remain eligible for federal aid.

(Source: P.A. 85-854.)

(50 ILCS 510/3) (from Ch. 85, par. 6403)

Sec. 3. Definitions. As used in this Act unless the context specifically requires otherwise:

(1) "Firm" means any individual, firm, partnership, corporation, association or other legal entity permitted by law to practice the profession of architecture, engineering or land surveying and provide architectural, engineering or land surveying services.

(2) "Architectural services" means any professional service as defined in Section 5 of the Illinois Architecture Practice Act of 1989.

(3) "Engineering services" means any professional service as defined in Section 4 of the Professional Engineering Practice Act of 1989 or Section 5 of the Structural Engineering Practice Act of 1989.

(4) "Land surveying services" means any professional service as defined in Section 5 of the Illinois Professional Land Surveyor Act of 1989.

(5) "Political subdivision" means any school district and any unit of local government of fewer than 3,000,000 inhabitants, except home rule units.

(6) "Project" means any capital improvement project or any study, plan, survey or new or existing program activity of a political subdivision, including development of new or existing programs which require architectural, engineering or land surveying services.

(Source: P.A. 91-91, eff. 1-1-00.)

(50 ILCS 510/4) (from Ch. 85, par. 6404)

Sec. 4. Public notice. Present provisions of law notwithstanding, in the procurement of architectural, engineering or land surveying services, each political subdivision which utilizes architectural, engineering or land surveying services shall permit firms engaged in the lawful practice of their professions to annually file a statement of qualifications and performance data with the political subdivision. Whenever a project requiring architectural, engineering or land surveying services is proposed for a

political subdivision, the political subdivision shall, unless it has a satisfactory relationship for services with one or more firms:

(1) mail or e-mail a notice requesting a statement of interest in the specific project to all firms who have a current statement of qualifications and performance data on file with the political subdivision;

(2) place an advertisement in a secular English language daily newspaper of general circulation throughout such political subdivision, requesting a statement of interest in the specific project and further requesting statements of qualifications and performance data from those firms which do not have such a statement on file with the political subdivision. Such advertisement shall state the day, hour and place the statement of interest and the statements of qualifications and performance data shall be due; or

(3) place an advertisement for professional services on the political subdivision's website requesting a statement of interest in the specific project. The professional services advertisement shall include a description of each project and state the time and place for interested firms to submit its letter of interest, statement of qualifications, and performance data, as required.

(Source: P.A. 98-420, eff. 8-16-13.)

(50 ILCS 510/5) (from Ch. 85, par. 6405)

Sec. 5. Evaluation Procedure. A political subdivision shall, unless it has a satisfactory relationship for services with one or more firms, evaluate the firms submitting letters of interest, taking into account qualifications, ability of professional personnel, past record and experience, performance data on file, willingness to meet time requirements, location, workload of the firm, and such other qualifications-based factors as the political subdivision may determine in writing are applicable. The political subdivision may conduct discussions with and require public presentations by firms deemed to be the most qualified regarding their qualifications, approach to the project, and ability to furnish the required services. In no case shall a political subdivision, prior to selecting a firm for negotiation under Section 7, seek formal or informal submission of verbal or written estimates of costs or proposals in terms of dollars, hours required, percentage of construction cost, or any other measure of compensation.

(Source: P.A. 94-1097, eff. 2-2-07.)

(50 ILCS 510/6) (from Ch. 85, par. 6406)

Sec. 6. Selection procedure. On the basis of evaluations, discussions and presentations, the political subdivision shall, unless it has a satisfactory relationship for services with one or more firms, select no less than 3 firms which it determines to be the most qualified to provide services for the project and rank them in order of qualifications to provide services regarding the specific project. The political subdivision shall then contact the firm ranked most preferred and attempt to negotiate a contract at a fair and reasonable compensation, taking into account the estimated value, scope, complexity, and professional nature of the services to be rendered. If fewer than 3 firms submit letters of interest and the political subdivision determines that one or both of those firms are so qualified, the political subdivision may proceed to negotiate a contract pursuant to this Section and Section 7.

(Source: P.A. 85-854.)

(50 ILCS 510/7) (from Ch. 85, par. 6407)

Sec. 7. Contract negotiation. (1) The political subdivision shall prepare a written description of the scope of the proposed services to be used as a basis for negotiations and shall negotiate a contract with the highest qualified firm at compensation that the political subdivision determines in writing to be fair and reasonable. In making this decision the political subdivision shall take into account the estimated value, scope, complexity and professional nature of the services to be rendered.

(2) If the political subdivision is unable to negotiate a satisfactory contract with the firm which is most preferred, negotiations with that firm shall be terminated. The political subdivision shall then begin negotiations with the firm which is next preferred. If the political subdivision is unable to negotiate a satisfactory contract with that firm, negotiations with that firm shall be terminated. The political subdivision shall then begin negotiations with the firm which is next preferred.

(3) If the political subdivision is unable to negotiate a satisfactory contract with any of the selected firms, the political subdivision shall re-evaluate the architectural, engineering or land surveying services requested, including the estimated value, scope, complexity and fee requirements. The political subdivision shall then compile a second list of not less than three qualified firms and proceed in accordance with the provisions of this Act.

(Source: P.A. 85-854.)

(50 ILCS 510/8) (from Ch. 85, par. 6408)

Sec. 8. Waiver of competition. A political subdivision may waive the requirements of Sections 4, 5, and 6 if it determines, by resolution, that an emergency situation exists and a firm must be selected in an expeditious manner, or the cost of architectural, engineering, and land surveying services for the project is expected to be less than \$25,000.

(Source: P.A. 87-1034.)

40 USC Ch. 11: SELECTION OF ARCHITECTS AND ENGINEERS
From Title 40—PUBLIC BUILDINGS, PROPERTY, AND WORKS
SUBTITLE I—FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES

CHAPTER 11—SELECTION OF ARCHITECTS AND ENGINEERS

- Sec.
 1101. Policy.
 1102. Definitions.
 1103. Selection procedure.
 1104. Negotiation of contract.

§1101. Policy

The policy of the Federal Government is to publicly announce all requirements for architectural and engineering services and to negotiate contracts for architectural and engineering services on the basis of demonstrated competence and qualification for the type of professional services required and at fair and reasonable prices.

(Pub. L. 107–217, Aug. 21, 2002, 116 Stat. 1129.)

Historical and Revision Notes

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
1101	0:542.	June 30, 1949, ch. 288, title IX, §902, as added Pub. L. 92–582, Oct. 27, 1972, 86 Stat. 1279.

The words "The Congress hereby declares" are omitted as unnecessary.

§1102. Definitions

In this chapter, the following definitions apply:

- (1) Agency head.—The term "agency head" means the head of a department, agency, or bureau of the Federal Government.
- (2) Architectural and engineering services.—The term "architectural and engineering services" means—
 - (A) professional services of an architectural or engineering nature, as defined by state law, if applicable, that are required to be performed or approved by a person licensed, registered, or certified to provide the services described in this paragraph;
 - (B) professional services of an architectural or engineering nature performed by contract that are associated with research, planning, development, design, construction, alteration, or repair of real property; and
 - (C) other professional services of an architectural or engineering nature, or incidental services, which members of the architectural and engineering professions (and individuals in their employ) may logically or justifiably perform, including studies, investigations, surveying and mapping, tests, evaluations, consultations, comprehensive planning, program management, conceptual designs, plans and specifications, value engineering, construction phase services, soils engineering, drawing reviews, preparation of operating and maintenance manuals, and other related services.
- (3) Firm.—The term "firm" means an individual, firm, partnership, corporation, association, or other legal entity permitted by law to practice the profession of architecture or engineering.

(Pub. L. 107–217, Aug. 21, 2002, 116 Stat. 1129.)

Historical and Revision Notes

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
------------------------	---------------------------	-----------------------------------

1102

0:541.

une 30, 1949, ch. 288, title IX, §901, as
added Pub. L. 92-582, Oct. 27, 1972, 86

stat. 1278; Pub. L. 100-656, title VII, §742, Nov. 15, 1988, 102 Stat. 3897; Pub. L. 100-679, §8, Nov. 17, 1988, 102 Stat. 4068.

In clause (1), the words "Secretary, Administrator, or" are omitted as unnecessary.

§1103. Selection procedure

(a) In General.—These procedures apply to the procurement of architectural and engineering services by an agency head.

(b) Annual Statements.—The agency head shall encourage firms to submit annually a statement of qualifications and performance data.

(c) Evaluation.—For each proposed project, the agency head shall evaluate current statements of qualifications and performance data on file with the agency, together with statements submitted by other firms regarding the proposed project. The agency head shall conduct discussions with at least 3 firms to consider anticipated concepts and compare alternative methods for furnishing services.

(d) Selection.—From the firms with which discussions have been conducted, the agency head shall select, in order of preference, at least 3 firms that the agency head considers most highly qualified to provide the services required. Selection shall be based on criteria established and published by the agency head.

(Pub. L. 107-217, Aug. 21, 2002, 116 Stat. 1130.)

Historical and Revision Notes

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
1103	0:543.	June 30, 1949, ch. 288, title IX, §903, as added Pub. L. 92-582, Oct. 27, 1972, 86 Stat. 1279.

In subsection (b), the words "engaged in the lawful practice of their profession" are omitted as unnecessary because of the definition of "firm" in section 1102 of the revised title.

In subsection (c), the words "compare alternative methods for furnishing services" are substituted for "the relative utility of alternative methods of approach for furnishing the required services" to eliminate unnecessary words.

ARCHITECTURAL AND ENGINEERING SERVICES

Pub. L. 108-136, div. A, title XIV, §1427(b), Nov. 24, 2003, 117 Stat. 1670, provided that: "Architectural and engineering services (as defined in section 1102 of title 40, United States Code) shall not be offered under multiple-award schedule contracts entered into by the Administrator of General Services or under Governmentwide task and delivery order contracts entered into under sections 2304a and 2304b of title 10, United States Code, or sections 303H and 303I of the Federal Property and Administrative Services Act of 1949 ([former] 41 U.S.C. 253h and 253i) [now 41 U.S.C. 4103, 4105(a) to (c)(1), (d) to (i)] unless such services—

"(1) are performed under the direct supervision of a professional architect or engineer licensed, registered, or certified in the State, territory (including the Commonwealth of Puerto Rico), possession, or Federal District in which the services are to be performed; and

"(2) are awarded in accordance with the selection procedures set forth in chapter 11 of title 40, United StatesCode."

§1104. Negotiation of contract

(a) In General.—The agency head shall negotiate a contract for architectural and engineering services at compensation which the agency head determines is fair and reasonable to the Federal Government. In determining fair and reasonable compensation, the agency head shall consider the scope, complexity, professional nature, and estimated value of the services to be rendered.

(b) Order of Negotiation.—The agency head shall attempt to negotiate a contract, as provided in subsection (a), with the most highly qualified firm selected under section 1103 of this title. If the agency head is unable to negotiate a satisfactory contract with the firm, the agency head shall formally terminate negotiations and then undertake negotiations with the next most qualified of the selected firms, continuing the process until an

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Title 23 → Chapter I → Subchapter B → Part 172

Title 23: Highways

PART 172—PROCUREMENT, MANAGEMENT, AND ADMINISTRATION OF ENGINEERING AND DESIGN RELATED SERVICES

Contents

- §172.1 Purpose and applicability.
§172.3 Definitions.
§172.5 Program management and oversight.
§172.7 Procurement methods and procedures.
§172.9 Contracts and administration.
§172.11 Allowable costs and oversight.

AUTHORITY: 23 U.S.C. 106, 112, 114(a), 302, 315, and 402; 40 U.S.C. 1101 et seq.; 48 CFR part 31; 49 CFR 1.48(b); and 2 CFR part 200.

SOURCE: 80 FR 29927, May 22, 2015, unless otherwise noted.

↑ Back to Top

§172.1 Purpose and applicability.

This part prescribes the requirements for the procurement, management, and administration of engineering and design related services under 23 U.S.C. 112 and as supplemented by the Uniform Administrative Requirements For Federal Awards rule. The Uniform Administrative Requirements, Cost Principles and Audit Requirements For Federal Awards rule (2 CFR part 200) shall apply except where inconsistent with the requirements of this part and other laws and regulations applicable to the Federal-aid highway program (FAHP). The requirements herein apply to federally funded contracts for engineering and design related services for projects subject to the provisions of 23 U.S.C. 112(a) (related to construction) and are issued to ensure that a qualified consultant is obtained through an equitable qualifications-based selection procurement process, that prescribed work is properly accomplished in a timely manner, and at fair and reasonable cost. State transportation agencies (STA) (or other recipients) shall ensure that subrecipients comply with the requirements of this part and the Uniform Administrative Requirements, Cost Principles and Audit Requirements For Federal Awards rule. Federally funded contracts for services not defined as engineering and design related, or for services not in furtherance of a highway construction project or activity subject to the provisions of 23 U.S.C. 112(a), are not subject to the requirements of this part and shall be procured and administered under the requirements of the Uniform Administrative Requirements, Cost Principles and Audit Requirements For Federal Awards rule and procedures applicable to such activities.

↑ Back to Top

§172.3 Definitions.

As used in this part:

Audit means a formal examination, in accordance with professional standards, of a consultant's accounting systems, incurred cost records, and other cost presentations to test the reasonableness, allowability, and allocability of costs in accordance with the Federal cost principles (as specified in 48 CFR part 31).

Cognizant agency means any governmental agency that has performed an audit in accordance with generally accepted government auditing standards to test compliance with the requirements of the Federal cost principles (as specified in 48 CFR part 31) and issued an audit report of the consultant's indirect cost rate, or any described agency that has conducted a review of an audit report and related workpapers prepared by a certified public accountant and issued a letter of concurrence with the audited indirect cost rate(s). A cognizant agency may be any of the following:

- (1) A Federal agency;
(2) A State transportation agency of the State where the consultant's accounting and financial records are located; or

(3) A State transportation agency to which cognizance for the particular indirect cost rate(s) of a consulting firm has been delegated or transferred in writing by the State transportation agency identified in paragraph (2) of this definition.

Competitive negotiation means qualifications-based selection procurement procedures complying with 40 U.S.C. 1101-1104, commonly referred to as the Brooks Act.

Consultant means the individual or firm providing engineering and design related services as a party to a contract with a recipient or subrecipient of Federal assistance (as defined in 2 CFR 200.86 or 2 CFR 200.93, respectively).

Contract means a written procurement contract or agreement between a contracting agency and consultant reimbursed under a FAHP grant or subgrant and includes any procurement subcontract under a contract.

Contracting agencies means a State transportation agency or a procuring agency of the State acting in conjunction with and at the direction of the State transportation agency, other recipients, and all subrecipients that are responsible for the procurement, management, and administration of engineering and design related services.

Contract modification means an agreement modifying the terms or conditions of an original or existing contract.

Engineering and design related services means:

(1) Program management, construction management, feasibility studies, preliminary engineering, design engineering, surveying, mapping, or architectural related services with respect to a highway construction project subject to 23 U.S.C. 112(a) as defined in 23 U.S.C. 112(b)(2)(A); and

(2) Professional services of an architectural or engineering nature, as defined by State law, which are required to or may logically or justifiably be performed or approved by a person licensed, registered, or certified to provide the services with respect to a highway construction project subject to 23 U.S.C. 112(a) and as defined in 40 U.S.C. 1102(2).

Federal cost principles means the cost principles contained in 48 CFR part 31 of the Federal Acquisition Regulation for determination of allowable costs of commercial, for-profit entities.

Fixed fee means a sum expressed in U.S. dollars established to cover the consultant's profit and other business expenses not allowable or otherwise included as a direct or indirect cost.

Management support role means performing engineering management services or other services acting on the contracting agency's behalf, which are subject to review and oversight by agency officials, such as a program or project administration role typically performed by the contracting agency and necessary to fulfill the duties imposed by title 23 of the United States Code, other Federal and State laws, and applicable regulations.

Noncompetitive means the method of procurement of engineering and design related services when it is not feasible to award the contract using competitive negotiation or small purchase procurement methods.

One-year applicable accounting period means the annual accounting period for which financial statements are regularly prepared by the consultant.

Scope of work means all services, work activities, and actions required of the consultant by the obligations of the contract.

Small purchases means the method of procurement of engineering and design related services where an adequate number of qualified sources are reviewed and the total contract costs do not exceed an established simplified acquisition threshold.

State transportation agency (STA) means that department or agency maintained in conformity with 23 U.S.C. 302 and charged under State law with the responsibility for highway construction (as defined in 23 U.S.C. 101); and that is authorized by the laws of the State to make final decisions in all matters relating to, and to enter into, all contracts and agreements for projects and activities to fulfill the duties imposed by title 23 United States Code, title 23 Code of Federal Regulations, and other applicable Federal laws and regulations.

Subconsultant means the individual or firm contracted by a consultant to provide engineering and design related or other types of services that are part of the services which the consultant is under contract to provide to a recipient (as defined in 23 CFR 200.86) or subrecipient (as defined in 2 CFR 200.93) of Federal assistance.

[↑ Back to Top](#)

§172.5 Program management and oversight.

(a) *STA responsibilities.* STAs or other recipients shall develop and sustain organizational capacity and provide the resources necessary for the procurement, management, and administration of engineering and design related consultant services, reimbursed in whole or in part with FAHP funding, as specified in 23 U.S.C. 302(a). Responsibilities shall include the following:

(1) Preparing and maintaining written policies and procedures for the procurement, management, and administration of engineering and design related consultant services in accordance with paragraph (c) of this section;

(2) Establishing a procedure for estimating the level of effort, schedule, and costs of needed consultant services and associated agency staffing and resources for management and oversight in support of project authorization requests submitted to FHWA for approval, as specified in 23 CFR 630.106;

(3) Procuring, managing, and administering engineering and design related consultant services in accordance with applicable Federal and State laws, regulations, and approved policies and procedures, as specified in 23 CFR 1.9(a); and

(4) Administering subawards in accordance with State laws and procedures as specified in 2 CFR part 1201, and the requirements of 23 U.S.C. 106(g)(4), and 2 CFR 200.331. Administering subawards includes providing oversight of the procurement, management, and administration of engineering and design related consultant services by subrecipients to ensure compliance with applicable Federal and State laws and regulations. Nothing in this part shall be taken as relieving the STA (or other recipient) of its responsibility under laws and regulations applicable to the FAHP for the work performed under any consultant agreement or contract entered into by a subrecipient.

(b) *Subrecipient responsibilities.* Subrecipients shall develop and sustain organizational capacity and provide the resources necessary for the procurement, management, and administration of engineering and design related consultant services, reimbursed in whole or in part with FAHP funding as specified in 23 U.S.C. 106(g)(4)(A). Responsibilities shall include the following:

(1) Adopting written policies and procedures prescribed by the awarding STA or other recipient for the procurement, management, and administration of engineering and design related consultant services in accordance with applicable Federal and State laws and regulations; or when not prescribed, shall include:

(i) Preparing and maintaining its own written policies and procedures in accordance with paragraph (c) of this section; or

(ii) Submitting documentation associated with each procurement and subsequent contract to the awarding STA or other grantee for review to assess compliance with applicable Federal and State laws, regulations, and the requirements of this part;

(2) Procuring, managing, and administering engineering and design related consultant services in accordance with applicable Federal and State laws, regulations, and approved policies and procedures, as specified in 23 CFR 1.9(a).

(c) *Written policies and procedures.* The contracting agency shall prepare and maintain written policies and procedures for the procurement, management, and administration of engineering and design related consultant services. The FHWA shall approve the written policies and procedures, including all revisions to such policies and procedures, of the STA or recipient to assess compliance with applicable requirements. The STA or other recipient shall approve the written policies and procedures, including all revisions to such policies and procedures, of a subrecipient to assess compliance with applicable requirements. These policies and procedures shall address, as appropriate for each method of procurement a contracting agency proposes to use, the following items to ensure compliance with Federal and State laws, regulations, and the requirements of this part:

(1) Preparing a scope of work and evaluation factors for the ranking/selection of a consultant;

(2) Soliciting interests, qualifications, or proposals from prospective consultants;

(3) Preventing, identifying, and mitigating conflicts of interest for employees of both the contracting agency and consultants and promptly disclosing in writing any potential conflict to the STA and FHWA, as specified in 2 CFR 200.112 and 23 CFR 1.33, and the requirements of this part.

(4) Verifying suspension and debarment actions and eligibility of consultants, as specified in 2 CFR part 1200 and 2 CFR part 180;

(5) Evaluating interests, qualifications, or proposals and the ranking/selection of a consultant;

(6) Determining, based upon State procedures and the size and complexity of a project, the need for additional discussions following RFP submission and evaluation;

(7) Preparing an independent agency estimate for use in negotiation with the selected consultant;

(8) Selecting appropriate contract type, payment method, and terms and incorporating required contract provisions, assurances, and certifications in accordance with §172.9;

(9) Negotiating a contract with the selected consultant including instructions for proper disposal of concealed cost proposals of unsuccessful bidders;

- (10) Establishing elements of contract costs, accepting indirect cost rate(s) for application to contracts, and assuring consultant compliance with the Federal cost principles in accordance with §172.11;
 - (11) Ensuring consultant costs billed are allowable in accordance with the Federal cost principles and consistent with the contract terms as well as the acceptability and progress of the consultant's work;
 - (12) Monitoring the consultant's work and compliance with the terms, conditions, and specifications of the contract;
 - (13) Preparing a consultant's performance evaluation when services are completed and using such performance data in future evaluation and ranking of consultant to provide similar services;
 - (14) Closing-out a contract;
 - (15) Retaining supporting programmatic and contract records, as specified in 2 CFR 200.333 and the requirements of this part;
 - (16) Determining the extent to which the consultant, which is responsible for the professional quality, technical accuracy, and coordination of services, may be reasonably liable for costs resulting from errors and omissions in the work furnished under its contract;
 - (17) Assessing administrative, contractual, or legal remedies in instances where consultants violate or breach contract terms and conditions, and providing for such sanctions and penalties as may be appropriate; and
 - (18) Resolving disputes in the procurement, management, and administration of engineering and design related consultant services.
- (d) A contracting agency may formally adopt, by statute or within approved written policies and procedures as specified in paragraph (c) of this section, any direct Federal Government or other contracting regulation, standard, or procedure provided its application does not conflict with the provisions of 23 U.S.C. 112, the requirements of this part, and other laws and regulations applicable to the FAHP.
- (e) Notwithstanding paragraph (d) of this section, a contracting agency shall have a reasonable period of time, not to exceed 12 months from the effective date of this rule unless an extension is granted for unique or extenuating circumstances, to issue or update current written policies and procedures for review and approval in accordance with paragraph (c) of this section and consistent with the requirements of this part.

↑ Back to Top

§172.7 Procurement methods and procedures.

- (a) *Procurement methods.* The procurement of engineering and design related services funded by FAHP funds and related to a highway construction project subject to the provisions of 23 U.S.C. 112(a) shall be conducted in accordance with one of three methods: Competitive negotiation (qualifications-based selection) procurement, small purchases procurement for small dollar value contracts, and noncompetitive procurement where specific conditions exist allowing solicitation and negotiation to take place with a single consultant.
- (1) *Competitive negotiation (qualifications-based selection).* Except as provided in paragraphs (a)(2) and (3) of this section, contracting agencies shall use the competitive negotiation method for the procurement of engineering and design related services when FAHP funds are involved in the contract, as specified in 23 U.S.C. 112(b)(2)(A). The solicitation, evaluation, ranking, selection, and negotiation shall comply with the qualifications-based selection procurement procedures for architectural and engineering services codified under 40 U.S.C. 1101-1104, commonly referred to as the Brooks Act. In accordance with the requirements of the Brooks Act, the following procedures shall apply to the competitive negotiation procurement method:
- (i) *Solicitation.* The solicitation process shall be by public announcement, public advertisement, or any other public forum or method that assures qualified in-State and out-of-State consultants are given a fair opportunity to be considered for award of the contract. Procurement procedures may involve a single step process with issuance of a request for proposal (RFP) to all interested consultants or a multiphase process with issuance of a request for statements or letters of interest or qualifications (RFQ) whereby responding consultants are ranked based on qualifications and a RFP is then provided to three or more of the most highly qualified consultants. Minimum qualifications of consultants to perform services under general work categories or areas of expertise may also be assessed through a prequalification process whereby annual statements of qualifications and performance data are encouraged. Regardless of any process utilized for prequalification of consultants or for an initial assessment of a consultant's qualifications under a RFQ, a RFP specific to the project, task, or service is required for evaluation of a consultant's specific technical approach and qualifications.
- (ii) *Request for proposal (RFP).* The RFP shall provide all information and requirements necessary for interested consultants to provide a response to the RFP and compete for the solicited services. The RFP shall:
- (A) Provide a clear, accurate, and detailed description of the scope of work, technical requirements, and qualifications of consultants necessary for the services to be rendered. To the extent practicable, the scope of work should detail the

purpose and description of the project, services to be performed, deliverables to be provided, estimated schedule for performance of the work, and applicable standards, specifications, and policies;

(B) Identify the requirements for any discussions that may be conducted with three or more of the most highly qualified consultants following submission and evaluation of proposals;

(C) Identify evaluation factors including their relative weight of importance in accordance with paragraph (a)(1)(iii) of this section;

(D) Specify the contract type and method(s) of payment anticipated to contract for the solicited services in accordance with §172.9;

(E) Identify any special provisions or contract requirements associated with the solicited services;

(F) Require that submission of any requested cost proposals or elements of cost be in a concealed format and separate from technical/qualifications proposals, since these shall not be considered in the evaluation, ranking, and selection phase; and

(G) Provide an estimated schedule for the procurement process and establish a submittal deadline for responses to the RFP that provides sufficient time for interested consultants to receive notice, prepare, and submit a proposal, which except in unusual circumstances shall be not less than 14 calendar days from the date of issuance of the RFP.

(iii) *Evaluation factors.* (A) Criteria used for evaluation, ranking, and selection of consultants to perform engineering and design related services must assess the demonstrated competence and qualifications for the type of professional services solicited. These qualifications-based factors may include, but are not limited to, technical approach (e.g., project understanding, innovative concepts or alternatives, quality control procedures), work experience, specialized expertise, professional licensure, staff capabilities, workload capacity, and past performance.

(B) Price shall not be used as a factor in the evaluation, ranking, and selection phase. All price or cost related items which include, but are not limited to, cost proposals, direct salaries/wage rates, indirect cost rates, and other direct costs are prohibited from being used as evaluation criteria.

(C) In-State or local preference shall not be used as a factor in the evaluation, ranking, and selection phase. State licensing laws are not preempted by this provision and professional licensure within a jurisdiction may be established as a requirement for the minimum qualifications and competence of a consultant to perform the solicited services.

(D) The following nonqualifications-based evaluation criteria are permitted under the specified conditions and provided the combined total of these criteria do not exceed a nominal value of 10 percent of the total evaluation criteria to maintain the integrity of a qualifications-based selection:

(1) A local presence may be used as a nominal evaluation factor where appropriate. This criteria shall not be based on political or jurisdictional boundaries and may be applied on a project-by-project basis for contracts where a need has been established for a consultant to provide a local presence, a local presence will add value to the quality and efficiency of the project, and application of this criteria leaves an appropriate number of qualified consultants, given the nature and size of the project. If a consultant from outside of the locality area indicates as part of a proposal that it will satisfy the criteria in some manner, such as establishing a local project office, that commitment shall be considered to have satisfied the local presence criteria.

(2) The participation of qualified and certified Disadvantaged Business Enterprise (DBE) subconsultants may be used as a nominal evaluation criterion where appropriate in accordance with 49 CFR part 26 and a contracting agency's FHWA-approved DBE program.

(iv) *Evaluation, ranking, and selection.* (A) The contracting agency shall evaluate consultant proposals based on the criteria established and published within the public solicitation.

(B) Although the contract will be with the consultant, proposal evaluations shall consider the qualifications of the consultant and any subconsultants identified within the proposal with respect to the scope of work and established criteria.

(C) The contracting agency shall specify in the RFP discussion requirements that shall follow submission and evaluation of proposals and based on the size and complexity of the project or as defined in contracting agency written policies and procedures, as specified in §172.5(c). Discussions, as required by the RFP, may be written, by telephone, video conference, or by oral presentation/interview and shall be with at least three of the most highly qualified consultants to clarify the technical approach, qualifications, and capabilities provided in response to the RFP.

(D) From the proposal evaluation and any subsequent discussions which may have been conducted, the contracting agency shall rank, in order of preference, at least three consultants determined most highly qualified to perform the solicited services based on the established and published criteria. In instances where only two qualified consultants respond to the solicitation, the contracting agency may proceed with evaluation and selection if it is determined that the solicitation did not contain conditions or requirements that arbitrarily limited competition. Alternatively, a contracting agency may pursue procurement following the noncompetitive method when competition is determined to be inadequate

and it is determined to not be feasible or practical to re-compete under a new solicitation as specified in paragraph (a)(3)(iii)(C) of this section.

(E) Notification must be provided to responding consultants of the final ranking of the three most highly qualified consultants.

(F) The contracting agency shall retain supporting documentation of the solicitation, proposal, evaluation, and selection of the consultant in accordance with this section and the provisions of 2 CFR 200.333.

(v) *Negotiation.* (A) The process for negotiation of the contract shall comply with the requirements codified in 40 U.S.C. 1104(b) for the order of negotiation.

(B) *Independent estimate.* Prior to receipt or review of the most highly qualified consultant's cost proposal, the contracting agency shall prepare a detailed independent estimate with an appropriate breakdown of the work or labor hours, types or classifications of labor required, other direct costs, and consultant's fixed fee for the defined scope of work. The independent estimate shall serve as the basis for negotiation.

(C) The contracting agency shall establish elements of contract costs (e.g., indirect cost rates, direct salary or wage rates, fixed fee, and other direct costs) separately in accordance with §172.11. The use of the independent estimate and determination of cost allowance in accordance with §172.11 shall ensure contracts for the consultant services are obtained at a fair and reasonable cost, as specified in 40 U.S.C. 1104(a).

(D) If concealed cost proposals were submitted in conjunction with technical/qualifications proposals, the contracting agency may consider only the cost proposal of the consultant with which negotiations are initiated. Due to the confidential nature of this data, as specified in 23 U.S.C. 112(b)(2)(E), concealed cost proposals of unsuccessful consultants may be disposed of in accordance with written policies and procedures established under §172.5(c).

(E) The contracting agency shall retain documentation of negotiation activities and resources used in the analysis of costs to establish elements of the contract in accordance with the provisions of 2 CFR 200.333. This documentation shall include the consultant cost certification and documentation supporting the acceptance of the indirect cost rate to be applied to the contract, as specified in §172.11(c).

(2) *Small purchases.* The contracting agency may use the State's small purchase procedures that reflect applicable State laws and regulations for the procurement of engineering and design related services provided the total contract costs do not exceed the Federal simplified acquisition threshold (as defined in 48 CFR 2.101). When a lower threshold for use of small purchase procedures is established in State law, regulation, or policy, the lower threshold shall apply to the use of FAHP funds. The following additional requirements shall apply to the small purchase procurement method:

(i) The scope of work, project phases, and contract requirements shall not be broken down into smaller components merely to permit the use of small purchase procedures.

(ii) A minimum of three consultants are required to satisfy the adequate number of qualified sources reviewed. In instances where only two qualified consultants respond to the solicitation, the contracting agency may proceed with evaluation and selection if it is determined that the solicitation did not contain conditions or requirements which arbitrarily limited competition. Alternatively, a contracting agency may pursue procurement following the noncompetitive method when competition is determined to be inadequate and it is determined to not be feasible or practical to re-compete under a new solicitation as specified in §172.7(a)(3)(iii)(C).

(iii) Contract costs may be negotiated in accordance with State small purchase procedures; however, the allowability of costs shall be determined in accordance with the Federal cost principles.

(iv) The full amount of any contract modification or amendment that would cause the total contract amount to exceed the established simplified acquisition threshold is ineligible for Federal-aid funding. The FHWA may withdraw all Federal-aid from a contract if it is modified or amended above the applicable established simplified acquisition threshold.

(3) *Noncompetitive.* The following requirements shall apply to the noncompetitive procurement method:

(i) A contracting agency may use its own noncompetitive procedures that reflect applicable State and local laws and regulations and conform to applicable Federal requirements.

(ii) A contracting agency shall establish a process to determine when noncompetitive procedures will be used and shall submit justification to, and receive approval from FHWA before using this form of contracting.

(iii) A contracting agency may award a contract by noncompetitive procedures under the following limited circumstances:

(A) The service is available only from a single source;

(B) There is an emergency which will not permit the time necessary to conduct competitive negotiations; or

(C) After solicitation of a number of sources, competition is determined to be inadequate.

(iv) Contract costs may be negotiated in accordance with contracting agency noncompetitive procedures; however, the allowability of costs shall be determined in accordance with the Federal cost principles.

(b) *Additional procurement requirements*—(1) *Uniform administrative requirements, cost principles and audit requirements for Federal awards.* (i) STAs or other recipients and their subrecipients shall comply with procurement requirements established in State and local laws, regulations, policies, and procedures that are not addressed by or are not in conflict with applicable Federal laws and regulations, as specified in 2 CFR part 1201.

(ii) When State and local procurement laws, regulations, policies, or procedures are in conflict with applicable Federal laws and regulations, a contracting agency shall comply with Federal requirements to be eligible for Federal-aid reimbursement of the associated costs of the services incurred following FHWA authorization, as specified in 2 CFR 200.102(c).

(2) *Disadvantaged Business Enterprise (DBE) program.* (i) A contracting agency shall give consideration to DBE consultants in the procurement of engineering and design related service contracts subject to 23 U.S.C. 112(b)(2) in accordance with 49 CFR part 26. When DBE program participation goals cannot be met through race-neutral measures, additional DBE participation on engineering and design related services contracts may be achieved in accordance with a contracting agency's FHWA approved DBE program through either:

(A) Use of an evaluation criterion in the qualifications-based selection of consultants, as specified in §172.7(a)(1)(iii) (D); or

(B) Establishment of a contract participation goal.

(ii) The use of quotas or exclusive set-asides for DBE consultants is prohibited, as specified in 49 CFR 26.43.

(3) *Suspension and debarment.* A contracting agency shall verify suspension and debarment actions and eligibility status of consultants and subconsultants prior to entering into an agreement or contract in accordance with 2 CFR part 1200 and 2 CFR part 180.

(4) *Conflicts of interest.* (i) A contracting agency shall maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of engineering and design related services contracts under this part and governing the conduct and roles of consultants in the performance of services under such contracts to prevent, identify, and mitigate conflicts of interest in accordance with 2 CFR 200.112, 23 CFR 1.33 and the provisions of this paragraph (b)(4).

(ii) No employee, officer, or agent of the contracting agency shall participate in selection, or in the award or administration of a contract supported by Federal-aid funds if a conflict of interest, real or apparent, would be involved. Such a conflict arises when there is a financial or other interest in the consultant selected for award by:

(A) The employee, officer, or agent;

(B) Any member of his or her immediate family;

(C) His or her partner; or

(D) An organization that employs or is about to employ any of the above.

(iii) The contracting agency's officers, employees, or agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from consultants, potential consultants, or parties to subagreements. A contracting agency may establish dollar thresholds where the financial interest is not substantial or the gift is an unsolicited item of nominal value.

(iv) A contracting agency may provide additional prohibitions relative to real, apparent, or potential conflicts of interest.

(v) To the extent permitted by State or local law or regulations, the standards of conduct required by this paragraph shall provide for penalties, sanctions, or other disciplinary actions for violations of such standards by the contracting agency's officers, employees, or agents, or by consultants or their agents.

(vi) A contracting agency shall promptly disclose in writing any potential conflict of interest to FHWA.

(5) *Consultant services in management support roles.* (i) When FAHP funds participate in a consultant services contract, the contracting agency shall receive approval from FHWA, or the recipient as appropriate, before utilizing a consultant to act in a management support role for the contracting agency; unless an alternate approval procedure has been approved. Use of consultants in management support roles does not relieve the contracting agency of responsibilities associated with the use of FAHP funds, as specified in 23 U.S.C. 302(a) and 23 U.S.C. 106(g)(4) and should be limited to large projects or circumstances where unusual cost or time constraints exist, unique technical or managerial expertise is required, and/or an increase in contracting agency staff is not a viable option.

(ii) Management support roles may include, but are not limited to, providing oversight of an element of a highway program, function, or service on behalf of the contracting agency or may involve managing or providing oversight of a project, series of projects, or the work of other consultants and contractors on behalf of the contracting agency. Contracting agency written policies and procedures as specified in §172.5(c) may further define allowable management roles and services a consultant may provide, specific approval responsibilities, and associated controls necessary to ensure compliance with Federal requirements.

(iii) Use of consultants or subconsultants in management support roles requires appropriate conflicts of interest standards as specified in paragraph (b)(4) of this section and adequate contracting agency staffing to administer and monitor the management consultant contract, as specified in §172.9(d). A consultant serving in a management support role may be precluded from providing additional services on projects, activities, or contracts under its oversight due to potential conflicts of interest.

(iv) FAHP funds shall not participate in the costs of a consultant serving in a management support role where the consultant was not procured in accordance with Federal and State requirements, as specified in 23 CFR 1.9(a).

(v) Where benefiting more than a single Federal-aid project, allocability of consultant contract costs for services related to a management support role shall be distributed consistent with the cost principles applicable to the contracting agency, as specified in 2 CFR part 200, subpart E—Cost Principles.

↑ Back to Top

§172.9 Contracts and administration.

(a) *Contract types.* The contracting agency shall use the following types of contracts:

(1) *Project-specific.* A contract between the contracting agency and consultant for the performance of services and defined scope of work related to a specific project or projects.

(2) *Multiphase.* A project-specific contract where the solicited services are divided into phases whereby the specific scope of work and associated costs may be negotiated and authorized by phase as the project progresses.

(3) *On-call or indefinite delivery/indefinite quantity (IDIQ).* A contract for the performance of services for a number of projects, under task or work orders issued on an as-needed or on-call basis, for an established contract period. The procurement of services to be performed under on-call or IDIQ contracts shall follow either competitive negotiation or small purchase procurement procedures, as specified in §172.7. The solicitation and contract provisions shall address the following requirements:

(i) Specify a reasonable maximum length of contract period, including the number and period of any allowable contract extensions, which shall not exceed 5 years;

(ii) Specify a maximum total contract dollar amount that may be awarded under a contract;

(iii) Include a statement of work, requirements, specifications, or other description to define the general scope, complexity, and professional nature of the services; and

(iv) If multiple consultants are to be selected and multiple on-call or IDIQ contracts awarded through a single solicitation for specific services:

(A) Identify the number of consultants that may be selected or contracts that may be awarded from the solicitation; and

(B) Specify the procedures the contracting agency will use in competing and awarding task or work orders among the selected, qualified consultants. Task or work orders shall not be competed and awarded among the selected, qualified consultants on the basis of costs under on-call or IDIQ contracts for services procured with competitive negotiation procedures. Under competitive negotiation procurement, each specific task or work order shall be awarded to the selected, qualified consultants:

(1) Through an additional qualifications-based selection procedure, which may include, but does not require, a formal RFP in accordance with §172.5(a)(1)(ii); or

(2) On a regional basis whereby the State is divided into regions and consultants are selected to provide on-call or IDIQ services for an assigned region(s) identified within the solicitation.

(b) *Payment methods.* (1) The method of payment to the consultant shall be set forth in the original solicitation, contract, and in any contract modification thereto. The methods of payment shall be: Lump sum, cost plus fixed fee, cost per unit of work, or specific rates of compensation. A single contract may contain different payment methods as appropriate for compensation of different elements of work.

(2) The cost plus a percentage of cost and percentage of construction cost methods of payment shall not be used.

(3) The lump sum payment method shall only be used when the contracting agency has established the extent, scope, complexity, character, and duration of the work to be required to a degree that fair and reasonable compensation, including a fixed fee, can be determined at the time of negotiation.

(4) When the method of payment is other than lump sum, the contract shall specify a maximum amount payable which shall not be exceeded unless adjusted by a contract modification.

(5) The specific rates of compensation payment method provides for reimbursement on the basis of direct labor hours at specified fixed hourly rates, including direct labor costs, indirect costs, and fee or profit, plus any other direct expenses or costs, subject to an agreement maximum amount. This payment method shall only be used when it is not possible at the time of procurement to estimate the extent or duration of the work or to estimate costs with any reasonable degree of accuracy. This specific rates of compensation payment method should be limited to contracts or components of contracts for specialized or support type services where the consultant is not in direct control of the number of hours worked, such as construction engineering and inspection. When using this payment method, the contracting agency shall manage and monitor the consultant's level of effort and classification of employees used to perform the contracted services.

(6) A contracting agency may withhold retainage from payments in accordance with prompt pay requirements, as specified in 49 CFR 26.29. When retainage is used, the terms and conditions of the contract shall clearly define agency requirements, including periodic reduction in retention and the conditions for release of retention.

(c) *Contract provisions.* (1) All contracts and subcontracts shall include the following provisions, either by reference or by physical incorporation into the language of each contract or subcontract, as applicable:

(i) Administrative, contractual, or legal remedies in instances where consultants violate or breach contract terms and conditions, and provide for such sanctions and penalties as may be appropriate;

(ii) Notice of contracting agency requirements and regulations pertaining to reporting;

(iii) Contracting agency requirements and regulations pertaining to copyrights and rights in data;

(iv) Access by recipient, the subrecipient, FHWA, the U.S. Department of Transportation's Inspector General, the Comptroller General of the United States, or any of their duly authorized representatives to any books, documents, papers, and records of the consultant which are directly pertinent to that specific contract for the purpose of making audit, examination, excerpts, and transcriptions;

(v) Retention of all required records for not less than 3 years after the contracting agency makes final payment and all other pending matters are closed;

(vi) Standard DOT Title VI Assurances (DOT Order 1050.2);

(vii) Disadvantaged Business Enterprise (DBE) assurance, as specified in 49 CFR 26.13(b);

(viii) Prompt pay requirements, as specified in 49 CFR 26.29;

(ix) Determination of allowable costs in accordance with the Federal cost principles;

(x) Contracting agency requirements pertaining to consultant errors and omissions;

(xi) Contracting agency requirements pertaining to conflicts of interest, as specified in 23 CFR 1.33 and the requirements of this part; and

(xii) A provision for termination for cause and termination for convenience by the contracting agency including the manner by which it will be effected and the basis for settlement.

(2) All contracts and subcontracts exceeding \$100,000 shall contain, either by reference or by physical incorporation into the language of each contract, a provision for lobbying certification and disclosure, as specified in 49 CFR part 20.

(d) *Contract administration and monitoring—(1) Responsible charge.* A full-time, public employee of the contracting agency qualified to ensure that the work delivered under contract is complete, accurate, and consistent with the terms, conditions, and specifications of the contract shall be in responsible charge of each contract or project. While an independent consultant may be procured to serve in a program or project management support role, as specified in §172.7(b)(5), or to provide technical assistance in review and acceptance of engineering and design related services performed and products developed by other consultants, the contracting agency shall designate a public employee as being in responsible charge. A public employee may serve in responsible charge of multiple projects and contracting agencies may use multiple public employees to fulfill monitoring responsibilities. The term responsible charge is intended to be applied only in the context defined within this regulation. It may or may not correspond to its usage in State laws regulating the licensure and/or conduct of professional engineers. The public employee's responsibilities shall include:

(i) Administering inherently governmental activities including, but not limited to, contract negotiation, contract payment, and evaluation of compliance, performance, and quality of services provided by consultant;

- (ii) Being familiar with the contract requirements, scope of services to be performed, and products to be produced by the consultant;
- (iii) Being familiar with the qualifications and responsibilities of the consultant's staff and evaluating any requested changes in key personnel;
- (iv) Scheduling and attending progress and project review meetings, commensurate with the magnitude, complexity, and type of work, to ensure the work is progressing in accordance with established scope of work and schedule milestones;
- (v) Ensuring consultant costs billed are allowable in accordance with the Federal cost principles and consistent with the contract terms as well as the acceptability and progress of the consultant's work;
- (vi) Evaluating and participating in decisions for contract modifications; and
- (vii) Documenting contract monitoring activities and maintaining supporting contract records, as specified in 2 CFR 200.333.

(2) *Performance evaluation.* The contracting agency shall prepare an evaluation summarizing the consultant's performance on a contract. The performance evaluation should include, but not be limited to, an assessment of the timely completion of work, adherence to contract scope and budget, and quality of the work conducted. The contracting agency shall provide the consultant a copy of the performance evaluation and an opportunity to provide written comments to be attached to the evaluation. The contracting agency should prepare additional interim performance evaluations based on the scope, complexity, and size of the contract as a means to provide feedback, foster communication, and achieve desired changes or improvements. Completed performance evaluations should be archived for consideration as an element of past performance in the future evaluation of the consultant to provide similar services.

(e) *Contract modification.* (1) Contract modifications are required for any amendments to the terms of the existing contract that change the cost of the contract, significantly change the character, scope, complexity, or duration of the work, or significantly change the conditions under which the work is required to be performed.

(2) A contract modification shall clearly define and document the changes made to the contract, establish the method of payment for any adjustments in contract costs, and be in compliance with the terms and conditions of the contract and original procurement.

(3) A contracting agency shall negotiate contract modifications following the same procedures as the negotiation of the original contract.

(4) A contracting agency may add to a contract only the type of services and work included within the scope of services of the original solicitation from which a qualifications-based selection was made.

(5) For any additional engineering and design related services outside of the scope of work established in the original request for proposal, a contracting agency shall:

- (i) Procure the services under a new solicitation;
- (ii) Perform the work itself using contracting agency staff; or
- (iii) Use a different, existing contract under which the services would be within the scope of work.

(6) Overruns in the costs of the work shall not automatically warrant an increase in the fixed fee portion of a cost plus fixed fee reimbursed contract. Permitted changes to the scope of work or duration may warrant consideration for adjustment of the fixed fee portion of cost plus fixed fee or lump sum reimbursed contracts.

[↑ Back to Top](#)

§172.11 Allowable costs and oversight.

(a) *Allowable costs.* (1) Costs or prices based on estimated costs for contracts shall be eligible for Federal-aid reimbursement only to the extent that costs incurred or cost estimates included in negotiated prices are allowable in accordance with the Federal cost principles.

(2) Consultants shall be responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with Federal cost principles.

(b) *Elements of contract costs.* The following requirements shall apply to the establishment of the specified elements of contract costs:

(1) *Indirect cost rates.* (i) Indirect cost rates shall be updated on an annual basis in accordance with the consultant's annual accounting period and in compliance with the Federal cost principles.

(ii) Contracting agencies shall accept a consultant's or subconsultant's indirect cost rate(s) established for a 1-year applicable accounting period by a cognizant agency that has:

(A) Performed an audit in accordance with generally accepted government auditing standards to test compliance with the requirements of the Federal cost principles and issued an audit report of the consultant's indirect cost rate(s); or

(B) Conducted a review of an audit report and related workpapers prepared by a certified public accountant and issued a letter of concurrence with the related audited indirect cost rate(s).

(iii) When the indirect cost rate has not been established by a cognizant agency in accordance with paragraph (b)(1)(ii) of this section, a STA or other recipient shall perform an evaluation of a consultant's or subconsultant's indirect cost rate prior to acceptance and application of the rate to contracts administered by the recipient or its subrecipients. The evaluation performed by STAs or other recipients to establish or accept an indirect cost rate shall provide assurance of compliance with the Federal cost principles and may consist of one or more of the following:

(A) Performing an audit in accordance with generally accepted government auditing standards and issuing an audit report;

(B) Reviewing and accepting an audit report and related workpapers prepared by a certified public accountant or another STA;

(C) Establishing a provisional indirect cost rate for the specific contract and adjusting contract costs based upon an audited final rate at the completion of the contract; or

(D) Conducting other evaluations in accordance with a risk-based oversight process as specified in paragraph (c)(2) of this section and within the agency's approved written policies and procedures, as specified in §172.5(c).

(iv) A lower indirect cost rate may be accepted for use on a contract if submitted voluntarily by a consultant; however, the consultant's offer of a lower indirect cost rate shall not be a condition or qualification to be considered for the work or contract award.

(v) Once accepted in accordance with paragraphs (b)(1)(ii) through (iv) of this section, contracting agencies shall apply such indirect cost rate for the purposes of contract estimation, negotiation, administration, reporting, and contract payment and the indirect cost rate shall not be limited by administrative or de facto ceilings of any kind.

(vi) A consultant's accepted indirect cost rate for its 1-year applicable accounting period shall be applied to contracts; however, once an indirect cost rate is established for a contract, it may be extended beyond the 1-year applicable period, through the duration of the specific contract, provided all concerned parties agree. Agreement to the extension of the 1-year applicable period shall not be a condition or qualification to be considered for the work or contract award.

(vii) *Disputed rates.* If an indirect cost rate established by a cognizant agency in paragraph (b)(1)(ii) of this section is in dispute, the contracting agency does not have to accept the rate. A contracting agency may perform its own audit or other evaluation of the consultant's indirect cost rate for application to the specific contract, until or unless the dispute is resolved. A contracting agency may alternatively negotiate a provisional indirect cost rate for the specific contract and adjust contract costs based upon an audited final rate. Only the consultant and the parties involved in performing the indirect cost audit may dispute the established indirect cost rate. If an error is discovered in the established indirect cost rate, the rate may be disputed by any prospective contracting agency.

(2) *Direct salary or wage rates.* (i) Compensation for each employee or classification of employee must be reasonable for the work performed in accordance with the Federal cost principles.

(ii) To provide for fair and reasonable compensation, considering the classification, experience, and responsibility of employees necessary to provide the desired engineering and design related services, contracting agencies may establish consultant direct salary or wage rate limitations or "benchmarks" based upon an objective assessment of the reasonableness of proposed rates performed in accordance with the reasonableness provisions of the Federal cost principles.

(iii) When an assessment of reasonableness in accordance with the Federal cost principles has not been performed, contracting agencies shall use and apply the consultant's actual direct salary or wage rates for estimation, negotiation, administration, and payment of contracts and contract modifications.

(3) *Fixed fee.* (i) The determination of the amount of fixed fee shall consider the scope, complexity, contract duration, degree of risk borne by the consultant, amount of subcontracting, and professional nature of the services as well as the size and type of contract.

(ii) The establishment of fixed fee shall be contract or task order specific.

(iii) Fixed fees in excess of 15 percent of the total direct labor and indirect costs of the contract may be justified only when exceptional circumstances exist.

(4) *Other direct costs.* A contracting agency shall use the Federal cost principles in determining the reasonableness, allowability, and allocability of other direct contract costs.

(c) *Oversight—(1) Agency controls.* Contracting agencies shall provide reasonable assurance that consultant costs on contracts reimbursed in whole or in part with FAHP funding are allowable in accordance with the Federal cost principles and consistent with the contract terms considering the contract type and payment method. Contracting agency written policies, procedures, contract documents, and other controls, as specified in §§172.5(c) and 172.9 shall address the establishment, acceptance, and administration of contract costs to assure compliance with the Federal cost principles and requirements of this section.

(2) *Risk-based analysis.* The STAs or other recipient may employ a risk-based oversight process to provide reasonable assurance of consultant compliance with Federal cost principles on FAHP funded contracts administered by the recipient or its subrecipients. If employed, this risk-based oversight process shall be incorporated into STA or other recipient written policies and procedures, as specified in §172.5(c). In addition to ensuring allowability of direct contract costs, the risk-based oversight process shall address the evaluation and acceptance of consultant and subconsultant indirect cost rates for application to contracts. A risk-based oversight process shall consist of the following:

(i) *Risk assessments.* Conducting and documenting an annual assessment of risks of noncompliance with the Federal cost principles per consultant doing business with the agency, considering the following factors:

- (A) Consultant's contract volume within the State;
- (B) Number of States in which the consultant operates;
- (C) Experience of consultant with FAHP contracts;
- (D) History and professional reputation of consultant;
- (E) Audit history of consultant;
- (F) Type and complexity of consultant accounting system;
- (G) Size (number of employees or annual revenues) of consultant;
- (H) Relevant experience of certified public accountant performing audit of consultant;
- (I) Assessment of consultant's internal controls;
- (J) Changes in consultant organizational structure; and
- (K) Other factors as appropriate.

(ii) *Risk mitigation and evaluation procedures.* Allocating resources, as considered necessary based on the results of the annual risk assessment, to provide reasonable assurance of compliance with the Federal cost principles through application of the following types of risk mitigation and evaluation procedures appropriate to the consultant and circumstances:

- (A) Audits performed in accordance with generally accepted government audit standards to test compliance with the requirements of the Federal cost principles;
- (B) Certified public accountant or other STA workpaper reviews;
- (C) Other analytical procedures;
- (D) Consultant cost certifications in accordance with paragraph (c)(3) of this section; and
- (E) Consultant and certified public accountant training on the Federal cost principles.

(iii) *Documentation.* Maintaining supporting documentation of the risk-based analysis procedures performed to support the allowability and acceptance of consultant costs on FAHP funded contracts.

(3) *Consultant cost certification.* (i) Indirect cost rate proposals for the consultant's 1-year applicable accounting period shall not be accepted and no agreement shall be made by a contracting agency to establish final indirect cost rates, unless the costs have been certified by an official of the consultant as being allowable in accordance with the Federal cost principles. The certification requirement shall apply to all indirect cost rate proposals submitted by consultants and subconsultants for acceptance by a STA or other recipient. Each consultant or subconsultant is responsible for certification of its own indirect cost rate and may not certify the rate of another firm.

(ii) The certifying official shall be an individual executive or financial officer of the consultant's organization at a level no lower than a Vice President or Chief Financial Officer, or equivalent, who has the authority to represent the financial information utilized to establish the indirect cost rate proposal submitted for acceptance.

(iii) The certification of final indirect costs shall read as follows:

Certificate of Final Indirect Costs

This is to certify that I have reviewed this proposal to establish final indirect cost rates and to the best of my knowledge and belief:

1. All costs included in this proposal (identify proposal and date) to establish final indirect cost rates for (identify period covered by rate) are allowable in accordance with the cost principles of the Federal Acquisition Regulation (FAR) of title 48, Code of Federal Regulations (CFR), part 31; and

2. This proposal does not include any costs which are expressly unallowable under applicable cost principles of the FAR of 48 CFR part 31.

Firm: _____

Signature: _____

Name of Certifying Official: _____

Title: _____

Date of Execution: _____

(4) *Sanctions and penalties.* Contracting agency written policies, procedures, and contract documents, as specified in §§172.5(c) and 172.9(c), shall address the range of administrative, contractual, or legal remedies that may be assessed in accordance with Federal and State laws and regulations where consultants violate or breach contract terms and conditions. Where consultants knowingly charge unallowable costs to a FAHP funded contract:

(i) Contracting agencies shall pursue administrative, contractual, or legal remedies and provide for such sanctions and penalties as may be appropriate; and

(ii) Consultants are subject to suspension and debarment actions as specified in 2 CFR part 1200 and 2 CFR part 180, potential cause of action under the False Claims Act as specified in 32 U.S.C. 3729-3733, and prosecution for making a false statement as specified in 18 U.S.C. 1020.

(d) *Prenotification; confidentiality of data.* FHWA, recipients, and subrecipients of FAHP funds may share audit information in complying with the recipient's or subrecipient's acceptance of a consultant's indirect cost rates pursuant to 23 U.S.C. 112 and this part provided that the consultant is given notice of each use and transfer. Audit information shall not be provided to other consultants or any other government agency not sharing the cost data, or to any firm or government agency for purposes other than complying with the recipient's or subrecipient's acceptance of a consultant's indirect cost rates pursuant to 23 U.S.C. 112 and this part without the written permission of the affected consultants. If prohibited by law, such cost and rate data shall not be disclosed under any circumstance; however, should a release be required by law or court order, such release shall make note of the confidential nature of the data.

[↑ Back to Top](#)

Need assistance?

**Lake County Division of Transportation
600 West Winchester Road
Libertyville, Illinois 60048**

Date:

From: Shane E. Schneider, P.E.

To: File, Section ()
File, Section ()
File, Section ()

Subject: Consultant Selection Committee

The following individuals are named to the Consultant Selection Committee for the purpose of selecting firms to perform design and engineering work on the above project(s).

Shane E. Schneider, P.E., Manager

- , Member

Notice of the prospective selection to be published _____ and _____, in the Waukegan News Sun
(attachment 1)

The requirements of IDOT BLR Manual, Section 5-5.07 "Local Agency Procurement Procedures for Consulting Engineering Services", (attachment 2), will be followed in this selection procedure.

The committee will also follow "Act 510. Local Government Professional Services Selection Act", (attachment 3).

The design department has a file of all submissions from consultants and surveyors. This file is available from the Engineer of Design. Memos from the construction department regarding the performance of previously employed firms on plans constructed are also kept on file.

For these project(s), () firms will be selected in order of preference. The project engineer will then proceed in contacting the first (and successive firms if necessary) "...and attempt to negotiate a contract at a fair and reasonable compensation..."

Shane E. Schneider, P.E.
County Engineer

cc Shane E. Schneider
Each Committee Member

Lake County Division of
Transportation 600 West
Winchester Road Libertyville,
Illinois 60048

Date:

From:

Shane E. Schneider, P.E., _____ Manager
, Member _____
, Member _____
, Member _____
, Member _____
, Member _____

To: File, Section ()
File, Section ()
File, Section ()

Subject: Consultant Selection Short List for Interviews.

The selection committee met on _____, to review the statements of interest submitted by various firms for the above project(s). Based on our review the following firms are placed on the committee's short list and will be invited to prepare formal responses to the RFP for this project and interview for the designated design project.

_____ () _____

- 1.
- 2.
- 3.
- 4.

RFP responses are due _____ (not less than 14 days from date of issue)

The interviews will be conducted on _____ from _____ to _____.

_____ will contact the firms to invite them to the interviews and send them copies of the RFP and the project scoping reports _____ (_____) _____

- 1.
- 2.
- 3.
- 4.

The interviews will be conducted on _____ from _____ to _____ .

_____ will contact the firms to invite them to the interviews and send them copies of the RFP and the project scoping reports.

_____ (_____) _____

- 1.
- 2.
- 3.
- 4.

The interviews will be conducted on _____ from _____ to _____ .

_____ will contact the firms to invite them to the interviews and send them copies of the RFP and the project scoping reports.



Division of Transportation

Shane E Schneider, P.E.
Director of Transportation/ County
Engineer

600 W. Winchester Road
Libertyville, Illinois 60048-1381
Phone 847 377 7400
Fax 847 984-5888

Memo

To: File **File:** See Below
From: Consultant Selection Committee **Sect:** See Below
Subj: Consultant Selection **Date:**

- For Your Info/Files Review and Comment Please Reply for my Signature Please Report on Current Status
 Per Your Request Investigate and Report Please Call/See Me For Your Approval and Signature
 Please Process Note and Return OK'd by _____ Date _____

This memo records the results of the XX/XX/XXXX Consultant Selection Committee meeting in selecting consultants for furnishing professional engineering services on the following projects:

XX-XXXXX-XX-XX

XX-XXXXX-XX-XX

Previously, on _____, the Short List Selection Committee picked four firms from a list of responding consultants with whom the Lake County Division of Transportation maintains a satisfactory working relationship. The four firms selected were not ordered by preference. The list of consultants selected (and not prioritized) was:

1. _____
2. _____
3. _____
4. _____

These firms gave presentations to the Committee on XX/XX/XXXX. After those presentations, the Committee selected three firms, ordered by preference, for each of the two projects as follows:

XX-XXXXX-XX-XX

XX-XXXXX-XX-XX

1. _____
2. _____
3. _____

1. _____
2. _____
3. _____

Signatures of the members of the Committee:

- 1. Shane E. Schneider, P.E.,
Manager _____
- 2. _____, Member _____
- 3. _____, Member _____
- 4. _____, Member _____
- 5. _____, Member _____
- 6. _____, Member _____