



Oregon

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Contract Administration

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To: Resident Engineers
Resident Engineers - Consultant Projects
Transportation Project Managers / Local Agency Liaisons
Region Assurance Specialist

From: Greg Stellmach
Contract Administration Engineer

Subject: Determining Advance Allowance Amounts for Materials on Hand

The purpose of this memo is to clarify the practices used in determining payment of the advance allowance for Materials on Hand ("MOH") according to the requirements of 00195.60.

To avoid overpayment of advance allowances for MOH, and to improve consistency of interpretation and administration of 00195.60, the Contract Administration Unit is asking that Resident Engineers and Resident Engineers – Consultant Projects (RE) use the following guidance in determining appropriate advance allowance for payment of MOH:

- Ensure that all requirements of 00195.60(a) and 00195.60(b) have been satisfied.
- When approving a request for an advance allowance for MOH, the RE must ensure that the Pay Item contains adequate amounts to cover the cost of completing the Pay Item Work after the advance has been paid. The amount of the advance allowance can be determined by one of the following methods, as applicable:
 - Net cost to the Contractor for the Materials, including delivery
 - Net cost must be supported by invoices from the Material Supplier
 - The cost of delivering the Materials to an approved location may be included, if costs are supported by invoices from the Material Supplier or transport service.
 - If the net cost of MOH is greater than 50% of the Pay Item, do not pay net cost. Instead, use the alternative method below.
 - Pay Item Price, less the cost of incorporating the Materials (labor, Equipment, Incidentals, etc.) and completing the Pay Item Work, as estimated by the Engineer
 - This method will ensure that payment of MOH does not deplete the Pay Item to the point that adequate amounts to complete the Pay Item Work are not available.
 - If the Engineer is not able to generate a reasonable estimate of the cost of the Pay Item Work less the cost of the MOH, the Contractor is obligated to provide bidding records according to 00170.07 and to furnish the Engineer all data necessary to determine the actual cost of all, or any part, of the Work (00150.40)
- The amount of the advance allowance determined by the Engineer should not be (nor limited to) a pre-determined percentage of the pay item amount. The estimate of the advance allowance by the Engineer must be specific to the pay item. The advance allowance must account for additional costs that ODOT

needs to retain, and only make payment for the remainder of the Material additional costs when the Material is incorporated into the project.

- The quantity of Material for which an advance allowance is made must not exceed the quantity that the RE anticipates will be needed for the Project.
- When an advance allowance is paid for stockpiled steel plates and shapes, additional advances may be paid over time as off-site fabrication Work is performed to get the Material ready for incorporation. The RE must ensure that adequate amounts remain in the Pay Item(s) to complete the Work included in the Pay Item(s) (labor, Equipment, Incidentals, etc.).

Transportation Project Managers and RE/CP's, please forward this information to the Local Agencies and Consultants administering ODOT projects. Thank you for your assistance.