

Project Delivery Directive

Number: **PDD-12R1**

TO Project Delivery Employees

References: Director's Policy 07
Director's Policy 16
Deputy Directive 41-R2
Deputy Directive 93-R1

Effective Date: September 30, 2020

Supersedes: PD-012 of June 17, 2013

Review by: September 30, 2022

Title Capital Outlay Support (COS) Charging Practices

Directive

California Department of Transportation (Caltrans) staff working on a Capital Outlay Support (COS) objective shall only expend necessary time and accrue support charges to authorized, funded capital project components or authorized overhead tasks. Staff time and operating expenses are allowable support charges that may only be made to funded capital project components programmed in a California Transportation Commission approved program, such as STIP or SHOPP¹, or to funded work authorized through any of the following executed agreements:

- Cooperative Agreement
- Interagency Agreement
- Highway Improvement Agreement²
- Utility Agreement

Caltrans staff, including managers and supervisors, who work on a COS objective for one continuous hour or more, shall record the time worked using the codes for that objective. Managers and supervisors may require staff to record time worked in smaller increments.

All capital projects shall be coded in the Caltrans' accounting systems to distribute support costs to the appropriate program and funding source(s). Work on all project activities shall be charged to the project

¹ Minor projects must be authorized by the district director.

² Applies to Highway Improvement Agreements having a capital value greater than \$1 million.

for which the work was performed. All project charges shall be made to the proper phase, component, and work breakdown structure (WBS) code as defined in the most current Workplan Standards Guide (WSG)³. Also reference the Capital Outlay Support Charging Practices Guidelines⁴ and the Division of Accounting Coding Manual⁵.

Background

Director's Policy 7, effective December 30, 1992, informs Caltrans management and staff of their roles and responsibilities relating to the delivery of quality transportation products and services. Director's Policy 16, effective December 1, 1994, establishes a clear role for the program managers in each statewide program area (e.g. COS). Deputy Directive 41-R2, effective October 1, 2012, provides direction to all employees on Caltrans charging practices and importance of accurately recording time and expenses in performing their duties. Deputy Directive 93-R1, effective December 1, 2012, describes Task Management and the role of Task Managers.

As stewards of the public's resources, Caltrans has the fiscal responsibility to keep expenditures within approved budgets and to ensure that project expenditures are charged properly, accurately and in a timely manner. Many Capital projects have multiple funding sources, often with contributions from local partners. Caltrans must be able to provide an accurate accounting of costs to all funding contributors. In addition, Caltrans' annual COS budget is established based upon project workplans. Validation, justification, and acceptance of the workplans relies, to a great extent, on their comparison to historical project expenditures. Accurate charging practices document true project costs and assure the development of better project workplans based on historical norms.

Definitions

Coding refers to the set of identifying indicators (numerical identification, flagging, etc.) that define a project or portion of a project (such as the phase of a project), provide direction on what fund types should be charged, which program (e.g., STIP, SHOPP, etc.) are to be charged, etc.

³ <https://projmgmt.onramp.dot.ca.gov/project-management-application-systems-pmas/workplan-standards>

⁴ https://projmgmt.onramp.dot.ca.gov/pm-resources#quickset-pm_resources_01=5

⁵ <https://accounting.onramp.dot.ca.gov/accounting-coding-manual>

Fund Type refers to the source of funds, such as state, federal, local, measure, bond, etc.

Direct Costs are costs incurred to achieve a specific objective and charged to that specific objective. Direct COS costs are coded in AMS Advantage with Program Element (PE) equal to "2010" in the Funding Line. COS has three groups of objectives:

1. *State Highway Projects*: Applies to work on a state highway project with Project Codes that begin with numbers ranging from 01 through 12 inclusive and sub-object codes ranging from 100 through 300 inclusive⁶. Project managers, supervisors and managers may require charging to lower-level WBS elements which are coded in the activity field. The Project Code activity field shall be used only for WBS codes. This can include work on state projects off the state highway system, as long as it is for another state agency and an executed interagency agreement is in place between Caltrans and that agency.
2. *Non-Project Environmental Mitigation Reviews*: Applies to work relating to the National Pollutant Discharge Elimination System. The Chief, Division of Environmental Analysis, establishes standard coding for these objectives.
3. *Day Labor*: Applies to physical construction on state highways accomplished by state maintenance forces, casual labor, and rental equipment (i.e., not by construction contractors). The Chief, Division of Maintenance, establishes standard coding for these objectives.

Indirect Costs are (a) costs incurred for a common or joint purpose benefiting more than one cost objective, and (b) costs "that cannot be readily assigned to a particular cost objective without effort disproportionate to the benefits received"⁷. COS indirect costs are coded in AMS Advantage with a Program Element Component equal to "2010900" in the Funding Line. The most widely used indirect cost Project Codes in COS are:

- 0000000805 Management of Consultant Services.

⁶ There are four Sub-object Code exceptions: 063 Legal Services; 036 Maintenance; 038 Non-Highway Maintenance, and; 005 Auditing Services.

⁷ Office of Management and Budget Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments."

- 0000000808 Management of Project Delivery.
- 0000000810 Capital Project Skill Development.
- 0000000812 Project Development Indirect Costs.
- 0000000835 Right of Way Indirect Costs.
- 0000000853 Construction Indirect Costs.
- 0000000902 through 0000000913 Administrative Chargeback.

Labor refers to activities performed by staff that provide goods or services. These activities can be either direct or indirect, as defined above.

Operating Expense refers to non-labor costs, such as leased space, utilities, per diem, activities performed by non-Department staff, etc. These costs can be either direct or indirect, as defined above.

Work Breakdown Structure (WBS) is a hierarchical decomposition of the total scope of work to be carried out by the project team to accomplish the project objectives and create the required deliverables. The WBS allows functional units to work in collaboration, during the same phase, depending on scope of work.

Responsibilities

District Directors:

- Ensure implementation of this directive.
- Ensure appropriate support resources for the activities outlined in this directive.
- Ensure this directive is shared with functional units responsible for delivering products and services related to capital projects.

Chief, Division of Project Management:

- Provide statewide direction to ensure compliance with this directive.
- Develop and implement procedures, guidance, charging practices training and tools, as needed, to assist with proper project coding, and proper staff time and operating expense charging.

Chief, Divisions of Design, Engineering Services, Environmental Analysis, Construction, and Right of Way and Land Surveys:

- Provide statewide direction to ensure compliance with this directive.

Deputy District Directors, Project Delivery Functions and Engineering Service Deputy Division Chiefs:

- Ensure policy and standards are met.
- Ensure functional managers providing products or services on capital projects, including non-Project Delivery functions, are aware of this directive.
- Ensure functional managers receive charging practices training and the proper staff time and operating expense charge code information for non-project direct activities.

Project Managers:

- Ensure project coding in project related databases, used as the source of such data, is complete and accurate.
- In consultation with the project development team, determine the minimum level of WBS detail to which each portion of a project will be planned.
- Provide functional managers with the proper project-specific staff time and operating expense charge code information (e.g. Project ID), as well as a copy of this directive.
- Ensure the project and project phase(s) are opened in the relevant charging systems when appropriate to allow staff to charge correctly, and are closed when appropriate to prevent incorrect charging.
- Verify that all project-related expenditures are correctly distributed amongst the project funding contributors as intended.
- When incorrect charges are identified, request the employee and his/her supervisor make necessary corrections.
- Provide expenditure reports to transportation funding partners that request this information.

Project Delivery Managers, Functional Managers, and Task Managers:

- Communicate to the project managers, supervisors, and others as applicable the intent of this directive, and the issues and problems related to improper COS charging practices.
- Provide all project team members with the proper staff time and operating expense charge code information.
- Provide all project team members with charging practices training, and the proper staff time and operating expense charge code information.
- Verify that all functional project-related expenditures are correct.

Supervisors:

- Provide your staff with charging practices training, and the proper staff time and operating expense charge code information for the work assigned to them.
- Reject timesheets wherein staff time is charged to overhead (indirect) while the work performed was on project activities.
- Reject timesheets wherein staff time is charged to projects when the activities performed were for overhead (indirect) activities (e.g. training, stand-by time, incidental project work, etc.).
- Reject timesheets wherein staff time is charged to Capital Outlay Support (Program Element equal to "2010"), while the work performed was under a different program.
- Verify that all functional project-related expenditures are correct.
- Approve staff timesheets only after validating that the time charged to capital projects is equivalent to the actual time spent performing work on those projects.
- Approve or reject timesheets at the required time each week.
- When unavailable, assign alternative supervisor to ensure timely approval of timesheets.

Employees:

- Maintain your Staff Central profile using your current supervisor and AMS Advantage unit code number, etc.
- Charge time appropriately, and only to projects on which you performed work.

- Code timesheets correctly with the lowest level of the planned WBS tasks.
- Charge overhead only when working on overhead activities.
- Submit or correct and resubmit timesheets at the required time each week.

Applicability

All Caltrans employees.

Michael D. Keever

MICHAEL KEEVER
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September 2, 2020

Date Signed