

## Award Procedure

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Since the advertising of projects and other award procedures are a part of the routine operation of the Division of Contract Controls in the Department of Highways, it would seem proper that I relate briefly the overall objectives of this Division.



The Division of Contract Controls was established by Commissioner Henry Ward in March 1962 for the purpose of relieving technical engineering groups of certain administrative functions and to co-ordinate into a single unit matters relating to the qualifying of contractors, advertising of projects, awarding of contracts, issuing work orders and expediting contract payments.

The Division advertised and processed award of contracts on 538 projects during the year 1962 in the sum of \$157,000,000 and 488 projects totaling \$93,000,000 during the year 1963. Projects sponsored by the Department of Highways can be classified into the following categories:

- Interstate
- Mountain Parkway
- West Kentucky Turnpike
- Kentucky Turnpike
- Central Kentucky Turnpike
- Rural Highways
- Barkley Dam Projects  
(Corps of Engineers)
- State Projects
- Accelerated Public Works Projects
- Appalachian Emergency Projects
- Federal-aid Urban
- Federal-aid Primary
- Federal-aid Secondary
- Forest Highways
- Miscellaneous Federal-aid
- Emergency Relief

The advertising and awarding of contracts is expedited on all of the foregoing types of projects by the Division of Contract Controls.

The Director of the Division of Highway Information has very capably outlined the procedure followed in the advertising of projects sponsored all or in-part

by the Department of Highways. Therefore, I will review other factors which are a part of the award procedure.

To adequately describe this procedure, it is necessary that I comment in some detail on these phases of the operation of the Division.

- Prequalification of Contractors
- Issuance of Proposals
- Receipt of Proposals
- Opening of Bids
- Review of Bids
- Review by the Awards Committee
- Final Action by the Commissioner of Highways
- Concurrence of Award or Rejection of Bids by the U. S. Bureau of Public Roads or the U. S. Army Corps of Engineers
- Preparation and Signing of Contract Documents
- Encumbrance of Contract
- Issuance of Work Order

#### *Prequalification of Contractors*

Contractors desiring to submit a bid proposal on a project sponsored and advertised by the Department of Highways must obtain a Certificate of Eligibility in order to become a qualified bidder.

The amount of eligibility is determined after a review of the contractor's financial status and upon receipt of information relating to the contractor's organization, plant and/or equipment, construction experience and performance. The certificate designates eligibility as to the type or types of work upon which a contractor may submit a bid proposal and is effective until the close of the contractor's fiscal year with an extension period of 120 days permitted during which time the contractor is required to apply for a new certificate.

A landscape contractor or nurseryman may not bid upon a grade and drain project and the same is usually true to the contrary, since it is required that a contractor have the ability, experience and equipment to satisfactorily complete the type of project being advertised.

The State of Kentucky has received nationwide recognition of its rules and regulations relating to the prequalification of contractors which were revised August 1, 1962. Highway officials from many other states have visited the Department to review our procedure and others have utilized this State's experience in modernizing their prequalification requirements.

Anyone interested in learning more about this procedure should request a copy of our brochure containing the law, rules and regulations relating to the qualification of Highway contractors and material suppliers doing or desiring to do business with the Department of Highways.

Performance on current contracts both in and out of the state are carefully checked before a certificate is issued. These performance ratings prepared by an official familiar with each project furnishes the Department with an evaluation of the contractor's organization, equipment, ability to meet schedules and general contract compliance.

#### *Receipt of Proposals*

Bid proposals are received in the Division of Contract Controls until 10:00 A.M., EST on the date of the letting.

Proposals received after this deadline are time stamped and returned to the contractor unopened. Proposals received from prospective bidders who are not

eligible to bid on a project or from joint bidders when one of the bidders has not obtained a bid proposal are also returned unopened to the contractor.

Information required on the outside of the envelope containing the proposal enables Departmental employees to determine if the bidder has met two requirements:

- (1) Has prequalified to bid upon the project advertised by the Department of Highways,
- (2) Has obtained a bid proposal.

Unfortunately, the eligibility of a contractor to receive an award cannot be fully determined until after the bid is opened. This results from the fact that a contractor may list subcontractors in the bid proposal and take credit for their qualifications. It is also necessary to determine the status of incomplete contracts and pending bids as of the letting date in order to make an accurate appraisal of the contractor's eligibility.

#### *Issuance of Proposals*

Proposals contain all of the special provisions relating to a project, references, listing of the quantities and the items which constitute the project. Two types of proposals are issued. A specimen proposal may be obtained by any organization or individual desiring a proposal, with its details and special provisions, for informational purposes.

Bid proposals are sold only to contractors prequalified to bid fifty per cent of the type of work advertised. Under existing specifications, not over fifty per cent of the contract may be subcontracted. A bidder may obtain credit for qualified subcontractors if they are named in a bid proposal.

The cost of a proposal is a nominal \$2.06. Proposals are available until 9:00 A.M., EST on the letting date at the Division of Contract Controls, 915 State Office Building, Frankfort.

Contractors submitting a joint venture bid, must each obtain a bid proposal although the submission of only one proposal is required.

This procedure enables Departmental personnel to discuss with prospective bidders their ability to bid upon a project, as occasionally a contractor seeks a bid proposal involving work not included in his Certificate of Eligibility.

#### *Opening and Reading of Bids*

The bids are counted and logged in order to have a control over the bids received and delivered to the official charged with the process of publicly opening and reading each bid.

Lettings are scheduled every other Friday at 10:00 A.M., EST during the construction season and less frequently during the winter months.

The bids are unsealed in public and each bid quickly checked to ascertain if it is complete and the proper bid deposit enclosed. The amount of the bid deposit is stated in the proposal and must be in the form of a cashier's check, certified check or money order.

The bid is identified by reading the project number and the total bid. If there appears to be an omission or an obvious error in a bid, this is noted during the public opening and reading of bids. Bids on alternates are identified when read. All bids read are subject to review and to correction of mathematical errors. In accordance with the Department of Highways Standard Specifications, corrections can only be made in the extension of quantities and unit prices in the proposal and by correcting errors in addition.

When only one unit price has been omitted and the *item is included in the bid total*, it is possible to determine the unit price and extension of the item omitted and



bids have been considered when only this type of error appeared in the bid proposal. Otherwise, when a bid is incomplete, it is not considered, as a bidder is not permitted to amend a bid proposal after it has been read in any manner.

#### *Review of Bids*

Immediately after the opening of the bids, a listing is made of the names of the bidders and bid amounts and the bid proposals are sent to the Data Processing Center where the bids are tabulated. The tabulations are returned to the Division of Contract Controls for a reconciliation of the obvious errors. Corrections are noted in red crayon and initialed so that the Awards Committee and Commissioner of Highways can determine the significance of the errors.

The eligibility of the two lower bidders is checked to determine if they are qualified to be awarded a contract if their bids are acceptable.

The plan estimate submitted to the Bureau of Public Roads, and the estimate received from the Highway District Office is compared with the lowest bid and the percentage of variance determined and the information furnished the Awards Committee.

#### *Review by Awards Committee*

The Awards Committee, composed of five Departmental staff engineers and directors is appointed by the Commissioner of Highways, meets the first working day after each letting to review the bid proposals received and to make appropriate recommendations to the Commissioner of Highways.

Single bids and bids which exceed an established tolerance are not reviewed until the Division of Design analyzes the estimates for these projects and investigates unusual factors which may have influenced the estimate or the bid. The Awards Committee is subject to the call of its chairman and meets as often as necessary to review all bids received in a letting.

Each unit price bid upon the low bid proposal is read in the Awards Committee meeting and compared with other bids for the same item. If there are unbalanced unit prices in a bid, this procedure alerts the Committee to the situation. On unusual projects, the Committee refers to plans, the completion date, special provisions and other factors in an effort to determine if the bid should be accepted. A contractor may be requested to appear before the Committee and furnish information as to his ability to meet established completion dates and to discuss unusual conditions which may have influenced a bid if circumstances warrant.

The Awards Committee after this review submits a recommendation to the Commissioner of Highways for final action. Whenever the Awards Committee recommends that a bid be rejected, the recommendation to the Commissioner is documented with the information constituting the basis for the recommendation to reject all bids. The Commissioner of Highways may request the Awards Committee to substantiate in detail its recommendation for an award of contract.

The bid opening and the Awards Committee meetings are attended by a representative of the U. S. Bureau of Public Roads whenever Federal-aid projects are involved.

#### *Commissioner of Highway's Approval or Disapproval of Action by the Awards Committee*

The Commissioner of Highways is the final State authority for approving or rejecting a bid proposal. Action is taken after considering the recommendation of the Awards Committee and after considering other factors including the public's interest and inconvenience and the disadvantages of delay and readvertisement of the projects.

The action of the Commissioner of Highways is reflected through the issuance of an official order to accept or reject a bid proposal.

*Concurrence in Award*

When the Commissioner of Highways has approved an award order or the rejection of low bid, it is necessary to obtain the concurrence of the co-sponsoring agency such as the Bureau of Public Roads, U. S. Corps of Engineers, etc., if the expenditure of other than state funds are involved.

A letter of recommendation and request for concurrence with a copy of the official order is forwarded to the appropriate agency and their concurrence or exception is obtained in writing.

*Preparation and Execution of Contract Documents*

After an award has been approved and concurrence, if required, has been obtained from the co-sponsoring agency, the contract document is prepared. Also prepared are related notices such as Notice of Award, Notice to Begin Work, etc. The contract, of which the performance and surety bond is a part, is mailed to the successful bidder for signatures of the contractor, the bonding agent and the countersignature of a bona fide Kentucky agent, if the agent is not a resident of Kentucky. The contractor is requested to furnish a schedule showing the approximate amount of work which is planned for each month during the construction period. The contractor is required to return the contract duly executed within ten days with the work schedule. The contract when returned to the Division of Contract Controls is checked carefully for signatures and bonding seal. The contract document is then referred to the Division of Law for approval as to form and legality and to the State Highway Engineer who is authorized by the Commissioner of Highways to approve the document.

*Encumbrance of Contract*

When the contract has received its final approval in the Department of Highways, a confirmation of contract is prepared on an official CH contract form. The CH contract form, with the executed contract document, is recorded in the Division of Accounts of the Department of Highways and forwarded to the Department of Finance for the approval and the encumbrance of funds. One copy of the document is retained in the Department of Finance, the others are returned to the Department of Highways for proper distribution.

*Issuance of Work Order*

The contractor's departmental records are checked to determine if there is proper insurance coverage such as, workmen's compensation, public liability and property damage. If the project involves construction affecting railroad property, special railroad insurance is required as provided in the Special Provisions of the proposal and the contract document. Special insurance, workmen's compensation, public liability and property damage coverage is required of the contractor during the entire construction period.

An executed copy of the contract document is returned to the contractor with a Notice to Begin Work. This notice instructs the contractor to begin work on the project not later than ten days after the notice date. Copies of the work order are furnished the District Engineer, the surety company and the co-sponsoring agency if other than state funds are involved.