

INSTRUCTIONS FOR PREPARATION OF FEE PROPOSALS FOR ARCHITECT-ENGINEER SERVICE

1. Fees for services under an architect-engineer control will be paid in the form of a fixed-price, resulting from a negotiated contract between the Architect-Engineer (A/E) and the Project Director. Method and schedule of payment of the fee and all other factors and conditions relating to it are included in the typical A/E Contract and supplementary contract documents and other information in the "A/E Package" given to the A/E(s) at the pre-negotiation conference.
2. The A/E(s) will deliver his fee proposal to reach the Project Director at least ten (10) working days before the negotiation meeting. He shall thoroughly study and evaluate all of the information in the "A/E Package" and apply all resources available to him to make a carefully considered contract. The negotiation will involve a detailed analysis and comparison of the A/E's estimated costs with estimates made by the VA.
3. The A/E(s) shall tabulate his proposal on the format of VA Form 08-6298, "Work Form for A/E Fee Proposal". He will develop fee proposal for three basic categories; the preparation of "Contract Drawings and Specifications", "Construction Period Services" and "Site Visits". Special Provisions (Architect-Engineer Contract), describes the services required under each basic category. Within each category the A/E(s) will break his costs down into those costs to which "Overhead" and "Profit" allowances may be applied and incidental costs not applicable to "Overhead" and "Profit". The A/E(s) will estimate and tabulate the number of man hours required by all employees and consultants who are expected to participate in the project with proper recognition of the relationship and effort each will contribute to the project. Hourly salary rates tabulated on the form shall be the certified hourly salary rates previously submitted to the Project Director any may be subject to verification by reference to the A/E's current payrolls and his consultant's payrolls. Any difference between the tabulated hourly salary rates and those currently being paid shall be fully explained and justified in the submission. When overtime pay is included in the proposal it shall be clearly identified and justified. If principals or partners take active roles in the work under this contract, their rates of compensation that may be allowed as direct costs will be limited to the rates of employees who would otherwise be utilized for such services. Principals or partners shall normally be compensated from the "Overhead" and "Profit" allowances.
4. Reimbursable Items: Items for which the A/E will be reimbursed for "Out-of-pocket" expenses and that may not be included in the fee proposal are professional services such as site survey, sub-surface investigations, etc., reproduction of contract drawings and specifications, mylars for record (as-built) drawings, amendments and shop drawings, and mailing cost of bidding documents and amendments.
5. Overhead: Overhead as used in this form means the allowable indirect costs which cannot be directly allocated to the work although essential to the performance thereof. The method of allocating overhead costs must be in accordance with generally accepted accounting procedures. Detailed criteria for the inclusion or exclusion of components of overhead are contained in FAR 31.205. However, in most instances the following costs are not allowable in determining overhead:

- a. Commissions and bonuses (under whatever name) in connection with obtaining or negotiating for a Government contract.
- b. Contingency reserves.
- c. Contributions and donations.
- d. Dividend payments.
- e. Entertainment.
- f. Interest on borrowings.
- g. Taxes, fees, or charges imposed upon, by reason of, or measured by the firm's fee.
- h. Bad debts, including losses arising from uncollected accounts.
- I. Fines and penalties.
- j. Losses on other contracts.

6. Profit: Appropriate provision has been made for a fair and reasonable profit conforming to the principles set forth in FAR 15.9 -PROFIT. A fair and reasonable profit may not be determined by simply apply a certain predetermined percentage to the total estimated direct cost. Rather profit should be established as a dollar amount after considering

- a. Degree or risk.
- b. Nature of the work to be performed.
- c. Extend of the firm's investment.
- d. Subcontracting.

7. When the negotiation is successful the Project Director will have a final record VA Form 08-6298, "Work Form for A/E Fee Proposal", executed. The individual cost items upon which the total agreed-upon A/E fees are based will be tabulated thereon. The A/E(s) will sign the final record VA Form 08-6298 and the Certificate of Current Cost and Pricing Data thereon to certify his concurrence with agreed-upon costs and the accuracy and validity of the data and information which he applied upon which the agreed-upon fees are based.