


TO:  Director, Preliminary Plan Review Bureau	<h1>ENGINEERING INSTRUCTION</h1> <p>NEW YORK STATE DEPARTMENT OF TRANSPORTATION</p>
Distribution: <input checked="" type="checkbox"/> Main Office <input checked="" type="checkbox"/> Regions <input type="checkbox"/> Special	SUBJECT: NEW CONTRACT ACCOUNTING SYSTEM THE USE OF ADDITIONAL FISCAL SHARES IN LIEU OF EXCEPTION CODING Subject Code: 7.30
APPROVED:  Deputy Chief Engineer (Construction)	Code: <u>  EI 75-61  </u> Date: <u>  9/22/75  </u> Supersedes:

The purpose of this Instruction is to terminate the use of exception codes and to establish the use of appropriate fiscal shares as the only means of assigning contract costs to funding agencies.

Under our present accounting system, work can be included in a fiscal share and exception coded, when such work is ineligible for payment by one or more of the agencies associated with that share. The two most common situations where this occurs are betterments and FHWA non-participating work. (Both are discussed in detail later in this Instruction). Proper billing is maintained by processing an Order-on-Contract which exception codes the ineligible quantity of each contract item. Fiscal share assignment remains unchanged, but the agency associated with the particular exception code used, is billed for the work.

Unfortunately, the specially coded Orders-on-Contract, which are necessary to introduce and modify exception coded quantities, are frequently prepared incorrectly. Also, the computation of fiscal share retainages is complicated to such a degree, that billing errors to share participants occur.

The new highway contract accounting system, which will be operational within the next few months, will not permit the use of exception codes. Instead, separate fiscal shares must be established for each agency and combination of agencies funding the project. The 12 share limit of the present system will be increased to 99 fiscal shares when the new system is introduced.

Since exception coded items cannot be handled by the new system, all those which exist at the time of conversion, must be transferred to newly created fiscal shares (or to an appropriate existing share). These transfers will be handled by the main office, after which, the regions will be notified of the new fiscal share status of each affected contract.

Since the benefits of eliminating exception codes can be realized under our present accounting system, and so as not to add to the number of items which must be transferred prior to conversion, new Orders-on-Contract must place all items in appropriate existing or newly created fiscal shares. New exception coded items will only be permitted on those contracts where an additional fiscal share is not possible because the present 12 share limit would be exceeded.

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The following examples illustrate situations in which exception coding has been used in the past, and which now require the use of appropriate fiscal shares.

A. Betterments

When, as a result of a construction contract, some of a municipality's utility installations must be removed, replacement using similar or "in-kind" materials is required. When the municipality requests improvements in the new installation, which result in the cost exceeding the "in-kind" cost, the municipality pays the additional costs of the "Betterment" installation.

Under our current accounting system, all contract items used in the Betterment work, were placed in the fiscal share of the agency funding the "in-kind" costs. After contract award, an Order-on-Contract was processed, which exception coded the items and portions of items which made up the municipality's portion of the work. As a result, the Betterment requestor was billed for the additional costs, while the remaining "in-kind" costs were charged to the fiscal share participants.

The new accounting system requires that two fiscal shares be established to handle the items in a Betterment installation. One share will contain only the "in-kind" item quantities and the second will contain only the "Betterment" requestor's item quantities. Engineering Instruction 75-13 BETTERMENT DESIGN PROCEDURE, contains guidelines to be used by Regional Design Engineers when setting up Betterment shares and distributing the in-kind and Betterment requestor's costs. These same guidelines are to be used by the Engineer in Charge in the event it becomes necessary to add a Betterment to an existing contract.

Whenever Betterment work has been incorporated into the original design of a project, the Betterment Worksheet (exhibit No. 3 of EI 75-13) must be supplied to the Engineer in Charge. The estimated contract item quantities assigned to "in-kind" and "Betterment" requestor shares, are based on data and calculations contained in the Betterment Worksheet. Without this information, the Engineer in Charge cannot properly apportion final pay quantities or revise the original contract quantities by Order-on-Contract. The Betterment Worksheet will be part of the CONR 20 package sent to the Region after contract award, and a copy should be forwarded to the Engineer in Charge for his use.

B. FHWA Non-participating Work

A participating share is one in which the funding is divided between 2 or more agencies in a fixed ratio. Most participating shares result from FHWA financing of a percentage of the construction costs of certain types of highway contract work. For example, Interstate Highway Construction is funded by the FHWA and NYS in a 90-10 ratio.

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Whenever an item of work is determined to be ineligible for payment by any of the participants in the share to which it is assigned, that work is termed "non-participating." Virtually all non-participating work determinations are the result of ineligibility for FHWA funding. Examples of the type of work normally ineligible for FHWA participation are contained in Engineering Instruction 75-40 NON-PARTICIPATING ITEMS OF WORK. EI 75-40 provides for the identification of FHWA non-participating work during the design stage and incorporating such work into its own fiscal share.

Whenever work which is ineligible for FHWA participation is discovered after letting or is added to an on-going contract such work must be placed in a 100% NYS fiscal share by the Engineer in Charge by use of an Order-on-Contract.

Exhibit No. 1 illustrates the use of an Order-on-Contract to transfer ineligible work out of a FHWA participating share and into a newly created 100% NYS share. Note that when creating a new fiscal share the share title must be written at the top of the CONR 7-1g and the word "new" precedes the fiscal share number.

In summary, the New Contract Accounting System requires that all contract item quantities be assigned to appropriately funded fiscal shares and will not allow exception coding to properly bill for work which is assigned to an inappropriate fiscal share. As a result, no new exception coded items will be introduced and those which exist will be eliminated prior to system changeover. The implementation of these procedures will result in:

- elimination of the Orders-on-Contract which were necessary to introduce and amend exception coded quantities
- simplified fiscal share retainage calculations
- grouping of fiscally related items within their own fiscal share instead of having them scattered through the contract item file



REGION NO. \_\_\_\_\_ PROJECT IDENT. NO. \_\_\_\_\_  
COUNTY \_\_\_\_\_ MAJOR \_\_\_\_\_

TYPE CODE: \_\_\_\_\_ OTHER CODE: \_\_\_\_\_  
B - BID PRICE C - CHANGE OF PURSUANT TO THE DETERMINATION OF THE COMMISSIONER OF TRANSPORTATION TO ALTER THE ABOVE IDENTIFIED  
A - AGREED PRICE EXISTING ITEM CONTRACT, THE CONTRACTOR IS HEREBY ORDERED AND DIRECTED TO PERFORM THE FOLLOWING WORK AND  
FE - FORCE ACCT. EST. PRICE TO FURNISH THE NECESSARY MATERIALS AND EQUIPMENT, IN ACCORDANCE WITH THE SPECIFICATIONS THEREFOR.  
FA - FORCE ACCT. ACTUAL PRICE N - NEW ITEMS (SUBD. 9, SEC. 38, HWY. LAW).

D.O.T. CONTR. NO. \_\_\_\_\_ CONTRACTOR \_\_\_\_\_  
TOTAL \_\_\_\_\_  
PAGE 1 OF 3 (LAST)

SEQ. NO.	ITEM SPEC. NO.	QTY	UNIT	PRICE	PRIOR APPROVED QUANTITY	CHANGE IN QUANTITY	IF DEC	UNIT PRICE	CHANGE IN FUNDS (\$)	
									INCREASE	DECREASE
13	16 17 21122	27 24 52 53 54	17	76	31	38 29 (66-78) 38	58 (41-91) 46			
0140	403 02		Tons	18.00	7500.00	0.00				
Explanation: This contract calls for the resurfacing of a portion of I-88 with Federal-aid Interstate funds. Included within the area to be resurfaced are 2 maintenance turnarounds in the median. Since this work is not eligible for Federal participation, 400 tons of Item 403.02 is being transferred from Fiscal Share #1 to newly created Fiscal Share #2 with 100% NYS funding.										
Top (High Friction)										

CONTRACT #	SUP. AG #	AMEND #	ORDER #	REV. COMPL. DATE	REV. CONTR. AMOUNT	CONTRACT OBLIGATION CHANGE DATA (FOR M.O. USE ONLY)									
A&C APPROPRIATION TITLE	CC#	FIS. SH#	PART. #	ALLOT. #	DOT ALLOT. CODE	DEPT. DIV.	FUND	YEAR BILL NO.	PROG LINE	MO. SEG	CH	OB	AMOUNT OBLIGATED	A&C D/C	NET CHANGE
34													\$ 0		
													\$ 1,550,000.00		REVISED CONT. TOTAL
ORDERED BY _____ ENGINEER IN CHARGE _____ REGIONAL CONSTRUCTION ENGINEER _____ ASST. DEPUTY CHIEF ENGINEER FOR COMMISSIONER OF TRANSPORTATION _____ APPROVED BY _____ FEDERAL HIGHWAY ADMINISTRATION (SUBJECT TO FINAL AUDIT) _____															
TOT. FEDERAL FUNDS	TOT. STATE MATCHING	TOT. 100% STATE	TOTAL OTHER	TOTAL ALLOTTED	TOTAL OBLIGATED										



ORDER ON CONTRACT

H.C. NO. (3-8)

REGION NO. \_\_\_\_\_

PROJECT IDENT. NO. MAJOR SUB

100% NYS Share

ORDER NO. (39-40)

COUNTY \_\_\_\_\_

D.O.T. CONTR. NO. \_\_\_\_\_

CONTRACTOR \_\_\_\_\_

FISCAL SHARE NO. **New #2** (1A57)

TYPE CODE:  
B - BID PRICE  
A - AGREED PRICE  
FE - FORCE ACCT. EST. PRICE  
FA - FORCE ACCT. ACTUAL PRICE

OTHER CODE:  
C - CHANGE OF EXISTING ITEM  
N - NEW ITEMS

PURSUANT TO THE DETERMINATION OF THE COMMISSIONER OF TRANSPORTATION TO ALTER THE ABOVE IDENTIFIED CONTRACT, THE CONTRACTOR IS HEREBY ORDERED AND DIRECTED TO PERFORM THE FOLLOWING WORK AND TO FURNISH THE NECESSARY MATERIALS AND EQUIPMENT, IN ACCORDANCE WITH THE SPECIFICATIONS THEREFOR. (SUBD. 9, SEC. 38, HWY. LAW.)

I.A.S. OBJ. CODE (11-12)  
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SEQ. NO.	ITEM SPEC. NO.	23 24 25 26 27	28 29 30 31	32 33 34	35 36 37	ITEM DESCRIPTION	PRIOR APPROVED QUANTITY	UNIT	CHANGE IN QUANTITY	IF dec.	UNIT PRICE	CHANGE IN FUNDS (\$)	
												INCREASE	DECREASE
0140	403   02			B	N	Asphalt Concrete-Type 1AF Top (High Friction)	0.00	Tons	400.00		18.00	7200.00	
13	1617 2122	27							35 29 (66-75) 38		36 (41-51) 46		

Sub-Totals \$ 7200.00  
 Net Change \$ 7200.00  
 Revised Cont. Total \$