Project Management Procedure

SUBJECT: CONSTRUCTION BUDGET DEVELOPMENT AND MANAGEMENT	NUMBER: PMO-10.2
RESPONSIBILITY: PROJECT MANAGER	EFFECTIVE DATE: July 1, 2011
	SUPERSEDES: PMO-10.1

STATE LOCATION AND DESIGN ENGINEER APPROVAL: Original with signature on file in Project Management Office

State Location and Design Engineer

TASK:	**Monitor and Update Construction Budget and Expenditures.**
PURPOSE:	This procedure outlines the actions required to maintain and monitor construction-phase estimates, budgets and expenditures. The Project Manager is responsible for overall management of the construction budget with support from the Team Members. Complete and up to date construction budgets are required on all projects.
STEPS:	**Update Construction Budget and Projected Expenditures** **1. Verify CERS** update (Construction Expenditure Report System) on a monthly basis. Updates are required on the items below. A. Projected Expenditures (Contract, Contingency and Requirements) Calculate as Contract Value + Work Orders + Projected Over-runs/Under-runs + Contract Requirements. B. Projected Expenditures for CE Cost C. Projected Expenditures for State Police D. Projected Expenditures for Railroad E. Projected Expenditures for State Forces **2. Compare Total Projected Expenditures** to the Project Budget. **3. Determine if additional funds are needed.** If the project budget is

sufficient, take no further action until the next expenditures update.

4. **Complete the** Request for Approval to Increase the Contract Budget Form (C-11) if additional funds are needed.

5. **Submit** Request for Approval to Increase the Contract Budget Form to Scheduling and Contract Division for processing.

6. **Obtain Chief Engineer's approval** of Request for Approval to Increase the Contract Budget.

7. **Update PCES** with the new value. Enter the new estimate into the column titled "CN" on the row titled "Award" on the Project PCES page. A PD-1 Form and Revision Request generates automatically in the Project Pool if the updated project estimate results in a 10% increase or decrease or a difference of $50,000. Submit and monitor the progress of the Revision Request in the Project Pool.

8. **Complete and submit Work Orders** exceeding the current approved total contract budget to the State Construction Engineer for review. If recommended for approval, the work order is forwarded to the Chief Engineer for approval. If the project budget has already been increased through the Request for Approval to Increase the Contract Budget (C-11) process or is sufficient to cover the Work Order, the Chief Engineer's signature is not necessary for the Work Order.

Monitor Construction Budget and Expenditures

1. **Monitor budget and expenditures** using CERS, Site Manager, FMSII Query Report, *Project Detail Expenditures*, along with an nVision report for Activity.

2. **Verify Contractor payments** are correct for the work performed.

3. **Notify the Area Construction Engineer** when the actual contract expenditures plus construction engineering costs exceeds the original estimated cost by more than 25% for any federally funded projects on the National Highway System with an original estimated cost of $10 million or more. The ACE notifies the State Construction Engineer who then notifies FHWA of the overrun. The original estimated cost is calculated by taking the FHWA-approved Engineer's Estimate of contract expenditures at Plans, Specifications & Estimates (PS&E) subtracting out any contingency amounts, and then adding in the estimated construction engineering costs.

TOOLS AND RESOURCES:	Construction Directive Memorandum – Work Orders, Force Accounts, Contract Expenditures #CD-2010-1 Construction Expenditure Report System CERS Fund Distribution Sheet Request for Approval to Increase the Contract Budget Form (C-11) PCES and User's Guide iPM and User's Guide Project Pool and User's Guide Work Order Check List, CD-2010-1, page 14 of 30 Project Management Body of Knowledge (PMBOK) - Chapter 7, Project Cost Management. Project Change Control Form (PM-102) Risk Management Form (PM-103)
DELIVERABLES:	**1.** Monthly update of Projected Estimate in CERS **2.** Current estimate in PCES
DELIVERABLE SAMPLES:	Project in CERS Project in PCES
DESCRIPTION:	The Construction Budget and Expenditures must be monitored closely during the Project Delivery Phase. The expectation is to complete the contract work within the established total contract budget which is defined as the awarded contract amount plus any amounts budgeted for contingencies, construction engineering, State Forces, railroad work, state police work zone patrol and contract requirements. Work orders, quantity overruns, changed conditions, schedule delays; potential claims and increases in administration costs to the contract all have the potential to increase the projected final costs. The total contract budget is shown on the Fund Distribution Sheet, the Contract Budget Letter to the District Administrator and in the Construction Expenditure Report System. Monitoring the Construction Budget and Expenditures includes entering projections for all contract expenditures on a monthly basis. If the projected expenditures exceed the total contract budget, a formal request for additional funding must be submitted to Scheduling and Contract Division using the Request for Approval to Increase the Contract Budget Form (C-11). The estimate in PCES must be updated as necessary or otherwise needed for programming activities. A PD-1 Form is automatically generated and the Project Manager will submit via the Project Pool Revision Request to the Programming Division for approval

	when the estimate results in a 10% increase or decrease or a difference of $50,000. Refer to Construction Directive Memorandum- Work Orders, Force Accounts, Contract Expenditures #CD-2010-1