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# OFFICE MEMORANDUM

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**DATE:** January 9, 2009

**TO:** Region Engineers  
Region Delivery Engineers  
TSC Managers  
Resident/Project Engineers  
Region Construction Engineers

**FROM:** Larry E. Tibbits  
Chief Operations Officer

John C. Friend  
Engineer of Delivery

John S. Polasek  
Engineer of Development

**SUBJECT:** Bureau of Highway Instructional Memorandum 2009-01  
Liquidated Damages and Quality Adjustments on Contract Modifications

This memorandum is to describe the pay items to utilize and the criteria for processing liquidated damages (LDs) and quality adjustments on projects let by MDOT.

Use the following coding on contract modifications for MDOT-let projects to more efficiently document LDs and quality adjustments (negative amounts only), as determined by project specifications and assessed by project staff. These pay items are included in the most recent reference file in FieldManager.

<u>Pay Item Code</u>	<u>Unit of Measure</u>	<u>Pay Item Description</u>
1080001	Dlr	Liquidated Damages
5040010	Dlr	HMA Quality Adjustment
6050090	Dlr	Conc Quality Adjustment
8120300	Dlr	Traf Control Quality and Compliance Adjustment
2080050	Dlr	Soil Erosion and Sedimentation Control Adjustment

Use the following criteria when establishing the negative adjustment pay items on contract modifications.

**For MDOT Projects**

- Allocate all negative adjustment pay items appropriately and accurately to the proper project and category numbers on the contract. Project staff is to review the projects and categories within the contract for applicability of quality adjustments, excluding categories funded 100 percent by utility, railroad or private companies. In the case of LDs, the specific items that ultimately caused the delay in the entire project should factor into the decision on which project number to place the LDs. The category to use for LDs within that project number should be the category with the largest dollar amount, excluding categories funded 100 percent by utility, railroad or private companies. It is acceptable to split the items into different projects or categories, as long as you follow the above.
- Negative adjustment pay items must not create a negative category within a project number. Verify a positive category status in FieldManager prior to processing the contract modification. If you discover a negative category status, place the portion of negative funding in other appropriate categories and/or project numbers.

**For MDOT-Let Local Agency Projects**

- As per BOH IM 2006-10, *Region Oversight of Local Agency Construction Projects*, the following definitions apply:
  - LPE The local agency project engineer
  - DR MDOT's designated representative
- Allocate all negative adjustment pay items appropriately and accurately to the proper project and category numbers on the contract. LPE staff is to review the projects and categories within the contract for applicability of quality adjustments, excluding categories funded 100 percent by utility, railroad or private companies. In the case of LDs, the specific items that ultimately caused the delay in the entire project should factor into the decision on which project number to place the LDs. The category to use for LDs within that project number should be the category with the largest dollar amount, excluding categories funded 100 percent by utility, railroad or private companies. It is acceptable to split the items into different projects or categories, as long as you follow the above.
- Negative adjustment pay items must not create a negative category within a project number. Verify a positive category status in FieldManager prior to processing of the contract modification. If you discover a negative category status, place the portion of negative funding in other appropriate categories and/or project numbers.

Delivery/project engineers are requested to share this instructional memorandum with local government and consultant engineers within their jurisdiction.

If you have any questions, please contact the Construction and Technology Division's Construction Contracts Engineer at 517-322-6630.

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Chief Operations Officer

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Engineer of Delivery

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Engineer of Development

BOHD:C/T:KB:kab

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