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2. DBE Program Overview and Objectives
3. DBE Program Authorities
4. DBE Program Responsibilities
5. Texas Unified Certification Program
6. Counting DBE Participation
7. Commercially Useful Function
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10 Good Faith Efforts
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DISTRICT DBE COMPLIANCE AND MONITORING GUIDE
District DBE Compliance and Monitoring Guide

- Provides guidance for federal and state requirements of the Disadvantaged Business Enterprise (DBE) program.
- Contains processes and procedures used by the District construction staff to monitor all phases of DBE compliance for a project.
- TxDOT monitors DBE program compliance through District construction staff.
- Includes District responsibilities to comply with federal and state requirements.
DBE PROGRAM
OVERVIEW AND OBJECTIVES
TxDOT’s DBE Program Overview

- Legislatively mandated by the United States Department of Transportation (USDOT).
- Applies to federal-aid highway dollars expended on federally-assisted contracts issued by USDOT.
- Administered by USDOT’s three modal administrations:
  - Federal Highway Administration (FHWA)
  - Federal Transit Administration (FTA)
  - Federal Aviation Administration (FAA)
TxDOT’s DBE Program Objectives

- Ensure nondiscrimination in the award and administration of USDOT-assisted contracts.
- Create a level playing field where DBEs can compete for contracts.
- Ensure that TxDOT’s DBE Program is tailored in accordance with applicable law.
- Ensure only eligible firms participate.
- Remove barriers for DBEs to participate in USDOT-assisted contracts.
- Promote the use of DBEs in all types of federally-assisted contracts.
- Develop DBEs to compete outside the DBE Program.
- Provide recipient flexibility in establishing and providing opportunities for DBEs.
DBE PROGRAM
AUTHORITIES
Regulations and provisions prime contractors must comply with:

- USDOT DBE Regulations (49 CFR, Part 26)
- DBE Special Provision Disadvantaged Business Enterprise in Federal-Aid Contracts (000-007) for projects let prior to February 2017
- DBE Special Provision Disadvantaged Business Enterprise in Federal-Aid Contracts (000-394) for projects let after to February 2017
- Special Provision Measurement and Payment (009-009)
DBE PROGRAM
RESPONSIBILITIES
TxDOT receives federal financial assistance from USDOT through FHWA, FAA, and FTA.

- TxDOT is:
  - Recipient of federal funds.
  - Responsible for administering its DBE Program.
  - Legally accountable for expenditures of USDOT financial assistance.

- TxDOT assures it will comply with 49 CFR, Part 26 within its DBE Program Plan.
- Breach could result in loss of federal funds.
Condition of Award

- Sub recipients include:
  - Prime contractors
  - Subcontractors
  - Suppliers
  - Manufacturers
  - Consultants

- All sub recipients must comply with 49 CFR, Part 26 requirements, and contract provisions.
Civil Rights Division Responsibilities

- TxDOT’s Civil Rights Division (CIV) administers the DBE program.
- CIV responsibilities include:
  - Develop TxDOT’s DBE Program Plan.
  - Set DBE state participation goal.
  - Set specific contract goals.
  - Complete annual reporting requirements to FHWA.
  - Provide contract oversight and program administration.
  - Monitor performance of program participants (primes, subcontractors, sub recipients).
  - Verify project level monitoring at division, district, and local levels.
  - Ensure districts, divisions and local agencies take compliance and enforcement actions as described in 49 CFR, 29.13(b).
Civil Rights Division Responsibilities

– Collect, analyze data, and submit reports to FHWA.
– Provide training on DBE Program requirements.
– Provide support and guidance to districts, divisions, and sub recipients.
– Conduct annual DBE Program compliance reviews on districts, divisions, local governments, and other entities.
– Provide oversight and administration of the Texas Unified Certification Program (TUCP).
Civil Rights Division Responsibilities

Civil Rights Division
Organizational Chart

- Director
- Executive Assistant
- Americans With Disabilities Act
- Operations and Policy Director
- Operations Analysis
- Operations Support
- Statewide Outreach and Reporting
- HUB Reports Outreach
- Contract Management
- Special Projects
- Administrative Support
- Certification
- Diversity
- External EEO
- OJT
- Title VI
- Federal Programs
- Compliance

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District Responsibilities

- Oversee the construction of state highways.
- Initial and primary contact for prime contractors and subcontractors.
- Provide oversight for construction division projects.
- Area offices (under district offices) support district offices during different stages of the project.
- Monitor performance of prime contractors, subcontractors, and sub recipients.
District Responsibilities

- Discuss DBE provision requirements at the pre-construction conference.
- Monitor requests to substitute DBE subcontractors and suppliers during the life of the contract. Provide responses to requests within five business days of receipt.
- Verify DBE payments can be counted towards DBE goal.
- Review joint check requests.
- Perform a Commercially Useful Function (CUF) review.
- Verify final DBE participation dollar amounts or determine adequate good faith efforts.
- Take compliance and enforcement actions when a contractor does not fulfill its DBE obligations.
- Maintain records in accordance with FHWA records retention requirements.
Prime Contractor Responsibilities

- Report monthly payments to DBE subcontractors and suppliers.
- Ensure DBE subcontractors perform a CUF on the project.
- Monitor change orders and impacts to DBE goals.
- Make prompt payments to DBE and non-DBE subcontractors.
- Submit termination and substitution requests.
- Submit DBE joint check approval requests.
- Communicate with District personnel to seek guidance regarding DBE compliance.
TEXAS UNIFIED CERTIFICATION PROGRAM
Texas Unified Certification Program

TUCP Directory

- Lists firms that meet the DBE certification requirements to perform specific work codes granted.
- Is available online at: https://txdot.txdotcms.com/FrontEnd/VendorsearchPublic.asp.
- Provides primary source for DBE firm solicitation and commitment.
- Requests for additional work codes must be approved prior to the execution of any contract the DBE wishes to perform.
Texas Unified Certification Program

- Six certifying agencies make all certification decisions.
  - City of Austin, Office of Business Opportunity
  - City of Houston, Small Business Development
  - Corpus Christi Regional Transportation Authority
  - North Central Texas Certification Agency
  - South Central Texas Certification Agency
  - Texas Department of Transportation

- Agencies require DBE firms to annually submit affidavit of no change form.

- A business’ DBE certification from any TUCP agency is valid for any Texas entity that receives USDOT funds.
COUNTING DBE PARTICIPATION
Counting DBE Participation

Counting Overview

- Counting participation for goal credit depends on the work type:
  - Subcontractors – 100%
  - Manufacturers – 100%
  - Regular Dealers (i.e. suppliers) – 60%
  - Trucking Firms/Haulers – Varies
  - Brokers, Distributors, Manufacturer’s Representatives – Reasonable fees and commissions
  - Joint Ventures – Varies
DBE Subcontractor

- Performs specific work items with own forces pursuant to a contract agreement with prime contractor.
- Must perform at least 30% of the work.
- Furnish and install.
- Count 100% of prime contractor’s payment to DBE toward contract goal (labor and materials)
Counting DBE Participation

Trucking Firm/Hauling

- DBEs must own and operate at least 1 truck (licensed, insured, operational on the contract).
- Must manage and supervise the entire portion of the work it is committed to perform and use at least one of its own trucks.
- Limited DBE credit for non-DBE trucks, but it cannot exceed the value of transportation services provided by DBE trucks.
Counting DBE Participation

Manufacturer

- Prime contractor purchases materials from a DBE manufacturer.
- DBE operates a factory that produces materials on the premises to meet contract specifications.
- Or, takes product and alters it to meet contract specifications.
- Count 100%.
Counting DBE Participation

DBE Regular Dealer

- Prime contracts with a regular dealer to supply and deliver products.
- Regular dealer owns, operates a store or warehouse that contains products it sells to public.
- Regular dealer in bulk items as petroleum product, steel, cement, gravel, stone, or asphalt without owning, operating, or maintaining a place of business.
- For bulk items, must own and operate distribution equipment
- 60% Credit - if the DBE is performing as a regular dealer and determined on a contract-by-contract basis.
Broker, Distributor, Manufacturer’s Representative

- Prime hires a DBE to facilitate the procurement of materials and supplies.
- Count reasonable fees and commissions.
Counting DBE Participation

Joint Venture

- An association of a DBE firm and one or more other firms to carry out single, for-profit business enterprise.

- TxDOT will count a portion of the total dollar value of the contract equal to the distinct, clearly defined portion of the work of the contract that the DBE performs with its own forces toward the DBE goal.
COMMERCIAL USEFUL FUNCTION
A DBE performs a CUF when it is responsible for execution of the contract and is carrying out its responsibilities by actually performing, managing, and supervising the work involved.

The DBE must also be responsible, with respect to materials and supplies used on the contract, for negotiating price, determining quality, quantity, ordering the material and installing (where applicable) and paying for the material itself.
DBE should:

- Possess required equipment.
- Be financially independent.
- Employ its own laborers.
- Own or rent its own equipment.
- Handle its own payroll, invoicing, and negotiations.
District staff perform CUF reviews to ensure DBE is actually performing, managing, and supervising the work.

Field staff review project related documents:
- Executed subcontracts
- Certified payrolls
- Invoices
- Purchase orders
- Delivery tickets and equipment title of ownership or lease agreements

Complete the DBE Program CUF review questionnaire.
CUF Review

- If a DBE is presumed not to be providing a CUF:
  - DBE allowed to provide rebuttal information.
  - If presumption prevails, no work performed is counted towards DBE goal.
  - If denial of goal credit results in a goal short fall, the prime contractor is required to provide DBE substitute or adequate good faith effort.
  - CUF determinations are not subject to administrative appeal to USDOT.
TxDOT will report any false, fraudulent, or dishonest conduct in connection with the DBE program to the USDOT Office of the Inspector General (OIG) for appropriate action. Some fraud indicators are:

- Employees are shuffling between prime contractor and DBE firm payrolls.
- Business names on equipment covered with paint or magnetic signs.
- Orders and payments made by individuals or not employed by the DBE firm.
- Financial agreements between prime and DBE contractors.
- Joint bank account with prime and DBE.
- Absence of written contracts.
Reporting Fraud

- TxDOT hotline established for employees, contractors, and others to report suspected fraud or abuse:
  - Report incidents by visiting www.txdotwatch.com
  - Call toll-free (877) 769-8936
CONTRACT LETTING
Contract Letting

- TxDOT determines the DBE project goal prior to letting a construction project.
- Prime contractors make a commitment to meet the goal by signing the proposal and submitting a bid.
- Bidders are required to submit a DBE Utilization Plan or GFE documentation no later than 5 days after bid opening.
- Prior planning will help to ensure the prime contractor is prepared to attain the DBE goal if awarded the contract.
GOOD FAITH EFFORTS
Good Faith Efforts (GFE)

The prime contractor:

- Must make a good faith effort to meet the DBE contract goal by:
  - Meeting the goal.
  - Documenting GFE to meet the goal.

- If a prime contractor does not meet the DBE goal, it must provide TxDOT with documentation to show that it used GFE to do so.

- Should document steps taken to satisfy GFE requirements and meet DBE goal.

- Should understand the types of GFE found in 49 CFR, Part 26, Appendix A.

- Attempting to obtain a contract on the basis of documented GFE should be a contractor’s last resort.

TxDOT will not penalize contractors if they fail to meet contract DBE goals as long as they follow the GFE guidelines in Appendix A.
Good Faith Efforts (GFE)

TxDOT will evaluate Prime Contractor’s Good Faith Efforts:

- TxDOT will consider the quality, quantity, and intensity of the different efforts the prime contractor made.
- TxDOT will evaluate the overall effort of the prime contractor’s documented good faith efforts (holistic).
Evaluation of GFE - Factors

- Did prime contractor make enough work items available to meet the goal?
- Did prime contractor solicit available DBEs for work items?
- Did prime contractor follow up with specific DBEs?
- Did the prime contractor give the DBE adequate time to respond?

TxDOT will evaluate pursuant to 49 CFR, Part 26, Appendix A.
Good Faith Efforts

Administrative Reconsideration

- If bidder good faith efforts are deemed inadequate, TxDOT will provide the bidder an opportunity for administrative reconsideration.
  - The bidder will have the opportunity to provide written documentation or argument.
- The bidder will have the opportunity to meet in person with TxDOT’s reconsideration official.
- Reconsideration official cannot take part in the original determination.
- TxDOT will send the bidder a written decision on reconsideration.
- Not administratively appealable to USDOT.
Good Faith Efforts

Utilization Plan (UP)

- TxDOT creates a UP record in DMS and assigns it to the apparent low bidder.
- Prime contractor’s main contact in DMS is notified when the UP record has been released.
- Prime contractor is required to submit the UP through DMS within five calendar days of notification that they are the apparent low bidder, unless the fifth day is a weekend or holiday, in which case the deadline moves to the next business day.
- CIV will either:
  - Return the plan.
  - Conditionally approve the plan.
  - Approve the plan.
  - Deny the plan.
Submitting a UP in DMS

Overview

The following steps are used to submit a UP in DMS:

<table>
<thead>
<tr>
<th>Step</th>
<th>Party</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>TxDOT CIV</td>
<td>Releases UP to prime contractor</td>
</tr>
<tr>
<td>2</td>
<td>Prime Contractor</td>
<td>Adds subcontractor(s) to the UP</td>
</tr>
<tr>
<td>3</td>
<td>DBE Subcontractor</td>
<td>Confirms participation</td>
</tr>
<tr>
<td>4</td>
<td>TxDOT CIV</td>
<td>Reviews and approves the UP</td>
</tr>
</tbody>
</table>
DMS
SUBCONTRACTORS
During the course of a project, a prime contractor may want to add additional DBE subcontractors. This includes race-neutral participation on projects with or without DBE goals.

The prime contractor must request approval by adding the subcontractor in DMS.

Requests must include the subcontracting firm name and contact information, a description of the work to be performed, bid items, and the total dollar amount of the subcontract.
When the Prime Contractor is a DBE

If a prime contractor is a DBE, the contract must be updated to reflect this status. The system tracks payments of DBE prime contractors using the following method.

Payments to the DBE prime contractor are calculated as the remaining amount after payments are made to all DBE and non-DBE subcontractors. This method requires that all subcontractors are tracked. For example:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>TxDOT total payments to prime contractor</td>
<td>$1,000,000.00</td>
</tr>
<tr>
<td>Prime payments to DBE certified subs</td>
<td>$(100,000.00)</td>
</tr>
<tr>
<td>Prime payments to non-DBE certified subs</td>
<td>$(150,000.00)</td>
</tr>
<tr>
<td>Goal credit of DBE prime contractor</td>
<td>$750,000.00</td>
</tr>
<tr>
<td>Total DBE goal credit on the Project</td>
<td>$850,000.00</td>
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</tbody>
</table>
Transferring Subcontractors from an Approved UP

- When a UP has been approved, the Transfer Subcontractors to Contract button appears below the UP Summary section.
- Click this button to initiate the transfer subcontractor process.
Transferring Subcontractors from an Approved UP

- DMS allows the user to:
  - Search for and select a contract.
  - Select one or more approved subcontractors to be included in a transfer.
  - Select attachments and/or work codes for each sub.
  - Select if the transferred subcontract records are to be flagged on the contact sub list for further review and update.

- After the transfer is complete, a link to contract will appear in the UP summary section.

Note: If a prime contractor is a DBE, a UP is not required. Proceed to lock in procedures in section 3 for DBE prime contractor.
Reviewing and Approving the DBE Trucking Utilization Form

If trucking firms are included in the UP, the prime contractors will provide to the District a completed DBE Trucking Utilization Form 2260. District staff are required to review and approve the form prior to any hauling services being performed for DBE credit.

Disadvantaged Business Enterprise (DBE) Trucking Utilization

The prime contractor must submit this form to the project Area Office prior to any hauling services being performed for DBE credit. This form is intended to support the DBE Trucking Utilization entered in the Diversity Management System (DMS).

**THIS SECTION TO BE COMPLETED BY THE PRIME CONTRACTOR**

<table>
<thead>
<tr>
<th>Project #:</th>
<th>County:</th>
<th>Contract-CSJ:</th>
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<table>
<thead>
<tr>
<th>Name of DBE Trucking Company</th>
<th>Total Committed Dollar Amount of the Utilization Plan</th>
<th>Number of Dump Trucks, Tractors/Trailers (specify)</th>
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**THIS SECTION TO BE COMPLETED BY THE DBE TRUCKING FIRM**

1. Number of hours contracted or quantities to be hauled?
2. Number of fully operational trucks owned by DBE?
   - Dump trucks:
   - Tractors/Trailers:
3. Number of leased trucks to be used?
   - Provide copies of lease agreement(s).
RACE-NEUTRAL PARTICIPATION
Race-Neutral Participation

Federal DBE Program requires TxDOT to meet the maximum feasible portion of the overall DBE goal by using race-neutral measures.

- TxDOT uses a combination of race-neutral and race-conscious measures to meet its overall DBE goals.

- TxDOT uses DMS to track race-conscious and race-neutral participation on federal-aid projects.

- Prime contractors must report race-neutral participation on federal-aid contracts with and without a DBE goal.

- Any work done by a race-neutral DBE regardless of NAICS codes may be counted provided they are performing a CUF.

- Termination and substitution policy and procedures do not apply.

- CUF reviews must be performed on projects with and without DBE goals.
CONTRACT AWARD AND SUBCONTRACT EXECUTION
The prime contractor must submit a copy of the executed subcontract agreements or purchase orders for all DBE subcontracts, including all tiered DBE subcontractors.

**Subcontract Agreement**

- Must incorporate the following TxDOT provisions in all subcontract agreements or material purchase agreements:
  - Disadvantaged Business Enterprise in Federal-Aid Contracts (000-394)
  - Measurement and Payment (009-009)
  - Contract Assurances (49 CFR, Part 26.13)
Multiple Tier Subcontracts

- The prime contractor is responsible for all subcontractors and second tier DBE subcontractors.
  - Ensure that any subcontract between a first tier subcontractor and a DBE subcontractor contains language that the DBE goals are to be met and that the DBE performs a CUF.
  - Inform the first tier subcontractors of the process of terminating a DBE subcontractor.
Reviewing DBE Subcontracts for Compliance

The prime contractor is required to submit a copy of the executed subcontract agreements to the District or area staff for all DBE subcontracts, including all tiered DBE subcontracts.

District Responsibilities:

Ensure the following Contractor’s Assurance and DBE program requirements are satisfied:

- Are the following provisions incorporated in contracts, regardless of tier?
  - Disadvantaged Business Enterprise in Federal Aid Contracts (000-394)
  - Special Provision Measurement and Payment (009-009)

- Is 49 CFR, Part 26.13(b) assurance language present in contracts, regardless of tier?

- Is the DBE’s certification valid at the time of subcontract execution?
Reviewing DBE Subcontracts for Compliance

District Responsibilities:

- Is the DBE certified in the NAICS code applicable to the kinds of work the firm will perform on the contract?
- Is the DBE’s scope of work different from the commitment?
- Is the DBE’s subcontract amount the same as the commitment amount?
- Is the subcontract default or termination clause consistent with 49 CFR, Part 26.53(f), and does it include prior written consent from TxDOT that termination and replacements are for good cause?

Note: If deficiencies are found, contact the prime contractor in writing and request a copy of the modified subcontract.
PRE-CONSTRUCTION CONFERENCE
District staff discusses the DBE requirements of the contract to ensure that the prime contractor is aware of its DBE obligations, administrative and reporting procedures.

**Topics covered include:**
- DBE goal
- Participating DBE subcontractors
- Requirement to make a GFE to meet the assigned goal
- DMS reporting process
  - Reporting payments within 15 days of the end of the calendar month
  - Adding subcontractors to include race-neutral DBEs
- Termination/substitution process
- Use of joint checks
PERFORMING A CUF REVIEW
To ensure each DBE firm is performing a CUF, the TxDOT must monitor contract activity and certify in writing that DBE firms are performing a CUF.

To determine whether a DBE firm is performing a CUF, five elements must be considered:

– Management,
– Workforce,
– Equipment,
– Materials, and
– Performance.

These areas must be evaluated to make a CUF determination.

A CUF review is required for all DBE firms on all federally-funded projects, with or without DBE goals.
TxDOT field personnel such as project inspectors conduct CUF reviews and inspect the jobsites to check that the DBE firm is performing and managing the work.

The reviewer’s activities include, making observations, and interviewing DBE personnel.

CUF reviews are accomplished through the use of Form 2182 and Form 2669.

CUF reviews must be performed for all DBEs, including race-neutral DBEs and DBE prime contractors on federally funded projects with and without DBE goals.

DBE material suppliers are required to complete Form 2669 and furnish copies of certain items such as purchase orders, invoices, cancelled checks, and inventory lists.
The following actions should be taken:

- Conduct a CUF review on every race-conscious and race-neutral DBE.
- Review project-related documents such as:
  - Executed subcontracts
  - Certified payrolls
  - Invoices
  - Purchase orders
  - Cancelled checks for material payments
  - Material tickets / delivery slips
  - Trucking logs
  - Delivery tickets and equipment title of ownership and/or lease agreements
Non-Compliance with CUF Requirements:

- District staff needs to take actions on DBE firms that are presumed not to be performing a CUF. The prime contractor should be copied on the letter.
- The prime contractor should be copied on the letter.
- The DBE firm will be given an opportunity to present evidence and rebut the presumption it is not performing a CUF.
- The DBE firm has ten days from the date it receives the letter to respond to the District.
- The District staff will review the rebuttal response, make a determination, and then notify the DBE and prime contractor in writing of the determination.
Daily Monitoring:

- District staff should note in their daily work reports work performed by DBEs. The following observations should be noted in the daily work reports specific to their operations:
  
  - The names of the DBEs working on the project.
  
  - Does the DBE have a foreman supervising the work or is the prime contractor or another subcontractor supervising the DBE’s work?
    
    • Note the name of the foreman and who he or she works for.
  
  - Is the DBE using its own equipment or that of the prime contractor?
    
    • Note the company name on the equipment being used by the DBE.
Daily Monitoring:

– Is the DBE performing the work it was subcontracted to do or is the prime contractor or another subcontractor performing the work?

  • Note the general description of the work the DBE subcontractor is performing or note if the prime contractor or another subcontractor is performing work that the DBE should be performing.

– Are the DBE’s employees performing the DBE’s work?

  • Note if the DBE and prime contractor or other subcontractors are sharing employees.

Note: If the TxDOT project site inspector has reason to believe the DBE subcontractor is not performing a CUF, document the observations and bring them to the attention of the DDC for further investigation and action. These observations may warrant a need to perform a CUF review. Daily work report records should be considered in the CUF review.
Payments

Prompt Payment

- Special Provision 009-009 entitled Measurement and Payment requires prime contractors to pay all subcontractors, material suppliers, and truckers within 10 days from when a prime contractor receives a payment from TxDOT.

- Prime contractors must also pay any retainage on subcontractor’s work within 10 days after satisfactory completion.

- Satisfactory completion is accomplished when:
  - The subcontractor fulfills the contract requirements of TxDOT and subcontracted work, including submittal of all information required by the contract and TxDOT.
  - TxDOT has inspected and approved the subcontractor’s work.

- The prime contractor should incorporate the Special Provision 009-009 into all subcontractor or material purchase agreements.
Final Reimbursement to Prime Contractor

- TxDOT cannot make the final reimbursement to the prime contractor until TxDOT:
  - Approves the completion of the project construction.
  - Receives and reviews all necessary documentation, including the DBE Program requirements.

Prompt Payment – Non-Compliance

- TxDOT may pursue actions against the prime contractor for failure to execute prompt payment requirements.
Payment Reporting in DMS

Understanding the Audit Process

- TxDOT maintains a running tally of DBE attainments (commitments and payments).
- Payments are tracked in DMS.
- A contract is ready for auditing once TxDOT begins making payments to the prime contractor.
- Auditing is generated on a monthly basis using the following audit process:

  1. TxDOT pays Prime Contractor
  2. Prime receives an email indicating there is an audit they must respond to
  3. Prime logs into the system, confirms payment and reports all payments to the subcontractors
  4. Subcontractor receives an email indicating there is an audit they must respond to
  5. Subcontractor logs into the system and confirms the payment(s) made to them by the Prime
  6. The audit is complete for the period. The cycle continues for each payment until the contract is complete
Understanding the Audit Process

- A prime contractor will report payments after work begins:
  - To meet the DBE goal.
  - For DBE race-neutral participation on projects with and without DBE goals.
- Reports are required until all DBE subcontracting activity is completed.
- Reports are due within 15 days after the end of the month using the following sample timeline:

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 10th</td>
<td>TxDOT pays prime contractor.</td>
</tr>
<tr>
<td>March 20th</td>
<td>Prime contractor pays DBE subcontractor.</td>
</tr>
<tr>
<td>April 5th</td>
<td>DMS alerts prime contractor to report March subcontractor payments.</td>
</tr>
<tr>
<td>April 15th</td>
<td>Prime contractor completes entering payments.</td>
</tr>
<tr>
<td>April 22nd</td>
<td>DBE subcontractor confirms payment received.</td>
</tr>
<tr>
<td>April 23rd–30th</td>
<td>District staff completes reporting audit.</td>
</tr>
</tbody>
</table>
Prime Contractor Reports Payments

- By the 5th of each month, DMS notifies the prime contractor to report payments to subcontractors.
- By the 15th of each month, the prime contractor is required to enter details regarding payments made to all subcontractors tracked in DMS.
- For information on the step-by-step process in DMS that the prime contractor is required to complete, see the Prime Contractor DBE Guide, Chapter 13, Section 2.
Subcontractor Verification of Payments

- DMS will notify all subcontractors by system generated e-mail when a payment is recorded by the prime contractor.
- Once notified, the subcontractor has seven days to log into DMS and agree or disagree with the payment reported by the prime contractor.
- Reference the DBE Prime Contractors’ Guide or the DMS Users Guide for the steps to this process.
Payment Reporting in DMS

Payment Discrepancy

- When a subcontractor indicates the amount paid is incorrect in the **Subcontractor Verification of Payments** process, a discrepancy is created.

- The following process is required to resolve the discrepancy:
  - The monthly payment report is sent to the prime contractor for review.
  - The prime contractor may correct any error and re-submit to the subcontractor for review again.
  - The prime and subcontractor should work together to resolve any payment discrepancies.

- After two attempts to resolve the discrepancy, DMS will turn the audit record over to TxDOT to assist with resolution.
Processing Complaints

- Follow the prompt payment complaint procedures in the Construction Contract Administration Manual.

- Investigate the complaint and provide a timely response to the complainant.

- If the prime contractor makes payment or provides documentation that substantiates the dispute, forward the response to the subcontractor and advise that payment was made or a dispute exists.

- In instances of a dispute, advise the parties it is the responsibility of the parties involved to resolve the issue.

- If the prime contractor has not made payment and does not provide notification of a dispute within the timeframe specified, initiate the appropriate administrative action.
Payment Reporting When a DBE is a Prime Contractor

Overview

- Before payment audits, the District needs to ensure that the processes described in Chapter 9, Section 3 of the District DBE Compliance and Monitoring Guide have been completed.

- DMS tracks payments to DBE prime contractors as the remaining amount after payments are made to all certified and non-certified subcontractors.

- This method requires that all subcontractors are tracked. For example:

```
| TxDOT total payments to prime contractor | $ 1,000,000.00 |
| Prime payments to DBE certified subs    | $ (100,000.00) |
| Prime payments to non-DBE certified subs| $ (150,000.00) |
| Goal credit of DBE prime contractor      | $ 750,000.00   |
| Total DBE goal credit on the Project     | $ 850,000.00   |
```
Managing Compliance Payment Audits

Overview

- DMS requires the District verify all contract payment audits, assist in resolving any discrepancies, and track if the DBE goal will be fulfilled.

District Responsibilities

- Perform a monthly audit in DMS:
  - On the **Contract Audit: Audit Summary for Total Contract** tab, view the total payments TxDOT paid to the prime contractor and the reported payments the prime contractor paid to the subcontractors.
  - Verify the total payments paid to the prime contractor are accurate.
  - Verify the prime contractor reported payments to the subcontractors (or zero payment entries if no work is performed).
  - Verify the DBEs confirmed payment data received from the prime contractor.
  - Follow-up with prime contractor on any discrepancies.
  - Complete audit by the end of the month.
District Responsibilities

- If prime contractor fails to perform monthly audit:
  - Contact the prime contractor with a reminder of its contractual obligation.
  - When required, escalate the issue.
JOINT CHECKS
Joint Checks

- A joint check is a two-party check between a DBE subcontractor and a prime contractor to a materials supplier of the DBE.

- The prime contractor issues a check as payer to a DBE subcontractor and the materials supplier jointly to guarantee payment to the supplier.

- All joint check arrangements must be pre-approved by TxDOT before the arrangement or transaction takes place.

- The prime contractor must submit to the TxDOT district:
  - Form 2178
  - Correspondence showing the rejections of a line of credit from the material supplier to the DBE subcontractor
  - A joint check agreement
Joint Check

- Using a joint check for payment of materials or supplies is acceptable when the following conditions are met:
  - The prime contractor issuing the check acts solely as a guarantor.
  - The DBE subcontractor must release the check to the supplier.
  - The DBE subcontractor negotiates the quantity, price, and delivery of the materials.
  - The DBE subcontractor is responsible for both furnishing and installing the materials or supplies.
  - The prime contractor cannot require the subcontractor to use a specific supplier or the prime contractor’s negotiated price.
  - The arrangement is short-term with the purpose being to establish or increase the line of credit between the DBE subcontractor and the supplier.
Use of Joint Checks

District Responsibilities:

**Step 1:** Review DBE Joint Check Approval Form 2178 and supporting documentation:

- DBE’s written request to the prime contractor for the use of a joint check agreement.
- Documentation of DBE subcontractor applying for credit with the material supplier.
- Material supplier’s response to DBE subcontractor denying credit.
District Responsibilities:

**Step 2:** Verify or ensure the following:

- The prime contractor has not required the subcontractor to use a specific supplier or the prime contractor’s negotiated unit price.
- The DBE subcontractor is more than an extra participant in releasing the check to the material supplier.
- The DBE subcontractor (not the prime contractor) negotiates the quantities, price and delivery of materials.
- The prime contractor issuing the check acts solely as guarantor.
Use of Joint Checks

District Responsibilities:

- The DBE subcontractor releases the check to the supplier.
- The arrangement is short-term with the purpose being the DBE subcontractor’s establishment or increase of a credit line with the material supplier.
- The DBE subcontractor is responsible for both furnishing and installing the material/work item.
- The DBE subcontractor and the prime contractor must keep records of paid invoices and canceled checks as TxDOT will regularly be requesting them to ensure compliance.
Use of Joint Checks

District Responsibilities:

- **Step 3:** Complete Form 2178 approving or denying joint check arrangement.
- **Step 4:** Respond in writing to prime contractor, with a copy to the DBE subcontractor, approving or denying joint check arrangement.
- **Step 5:** Periodically monitor the use of joint checks.
- **Step 6:** Request a copy of cancelled checks for the months the contractor issued a joint check to each DBE with an approved DBE Joint Check Approval.
- **Step 7:** Ensure allowable goal credit begins the date the joint check request is approved.
ASSISTANCE TO DBE FIRMS
In accordance with 49 CFR, Part 26, Appendix A, it is appropriate for a prime contractor to provide assistance to DBEs in various areas such as:

- Bonding
- Credit
- Insurance
- Equipment
- Materials, and
- Supplies

Prime contractor should be careful not to provide so much assistance to a DBE that TxDOT would conclude that the DBE is not viable without the relationship to the prime contractor.
Change Orders

- Circumstances may arise during construction requiring changes to the scope of the work contained in the contract.

Increases to Scope of Work

- If the scope of work increases, the prime contractor must ensure that it has obtained sufficient DBE participation to meet the contract goal on the final contract value or has made good faith efforts to do so.

Reduction to Scope of Work

- If a change order eliminates work designated in a DBE commitment, the prime contractor must follow the termination procedures and must make a good faith effort to meet the DBE goal on the final contract value.
Change Orders

District Responsibilities

- Manage change orders, which includes changes in the value and/or end date of the contract.
- Enter changes in DMS.
- Verify the prime contractor obtained sufficient DBE participation to meet the contract goal on the final contract value or made good faith efforts to do so.
- If the prime contractor could not obtain additional DBE participation, verify the prime contractor submitted a waiver request and evaluate good faith efforts to meet the goal on the final contract value.
- If change orders eliminated work designated in a DBE commitment, verify the prime contractor followed the termination procedures.
TERMINATION AND SUBSTITUTION REQUESTS
Termination and Substitution Requests

Policy

- The prime contractor cannot terminate a committed DBE (in whole or part) without the written approval by TxDOT.
- Written consent only for good cause.
- Some examples of good cause include:
  - DBE fails or refuses to execute contract.
  - DBE becomes bankrupt.
  - The prime contractor has determined the DBE is not a responsible contractor.

Commitment Reduction

- A prime contractor cannot reduce the amount of work committed to a DBE at contract award without good cause.
Termination and Substitution Requests

Termination Process

The following steps must be followed to terminate a DBE:

Step 1: The prime contractor must give the DBE notice and give the DBE five days to respond. The prime contractor must copy TxDOT on the notice.

Step 2: The prime contractor shall submit a request and provide justification for the DBE termination to TxDOT.

Step 3: TxDOT will review the termination request and related information and if necessary seek additional information to formulate its response.

Step 4: TxDOT will provide written consent to the termination request only if TxDOT agrees there is good cause.

Step 5: If TxDOT does not approve the request, the prime contractor shall continue to use the committed DBE.
Termination and Substitution Requests

No DBE Shortfall

- If termination of a DBE firm does not result in a DBE contract goal shortfall, the prime contractor is not required to find a substitute DBE firm.

DBE Shortfall

- If a termination of a DBE firm results in a shortfall, the prime contractor has seven days to make good faith efforts to find, as a substitute for the original DBE, another DBE to perform, at least to the extent needed to meet the DBE contract goal. An additional seven days may be given if requested by the prime contractor.

- TxDOT will respond in writing to the prime contractor’s request to use the substitute DBE.

- The substitute DBE cannot work on the contract until its work eligibility has been confirmed by TxDOT.
Termination and Substitution Requests

Failure to Secure a Substitute DBE

- If a substitute DBE firm is not found that can perform at least the same amount of work as the terminated DBE, the prime contractor shall submit good faith efforts.

- TxDOT will provide the prime contractor with a written response either accepting or rejecting the prime contractor’s good faith efforts. If the prime contractor’s good faith efforts are rejected, TxDOT shall assess whether administrative remedies are appropriate.
Termination and Substitution Requests

District Responsibilities

**Step 1:** Review termination request letter from prime contractor along with supporting documentation:

- DBE statement of concurrence or rebuttal of the termination request;
- A signed DBE letter of voluntary removal, if applicable;
- Statement of DBE non-responsive, if applicable.
District Responsibilities

Step 2: Make a determination to approve or deny termination request.

- When to approve termination requests:
  - The prime has submitted the supporting documentation to support the DBE is unwilling and unable to perform the work.
  - The DBE has submitted concurrence for termination or has submitted a signed voluntary removal request that has been confirmed by the District DBE Coordinator.
Termination and Substitution Requests

- When to deny termination requests:
  - The prime contractor fails to submit the proper documentation to justify termination.
  - The prime contractor is attempting to negotiate a more advantageous contract with another subcontractor.
  - The prime contractor is attempting to perform the work with its own resources or those of an affiliate, non-DBE firm, or with another DBE firm offering a lower contract price.
  - The DBE requested to be terminated has objected to the termination and is willing and able to perform the work.
Termination and Substitution Requests

District Responsibilities

**Step 3:** Provide the determination in writing to the prime contractor and DBE within seven business days.

**Step 4:** If the DBE termination is approved and results in a DBE goal shortfall, review the prime contractor’s good faith efforts to find a substitute DBE to meet the goal.

- Review and approve the prime contractor’s substitution request.
- If the prime contractor cannot find a replacement, review the prime contractor’s good faith efforts.
- Write the prime contractor accepting or rejecting its good faith efforts.
MONITORING DBE ACTIVITY
Monitoring DBE Goal Attainment

- The prime contractor is responsible for monitoring its progress towards meeting the goal. This should be done on a monthly basis.

- DMS includes the following information to monitor DBE goal attainment:
  - DBE commitment amounts
  - Payments to DBE subcontractors
  - Modifications to the original contract amount by change order

- The prime contractor must contact TxDOT should a concern arise that it will not meet the contract DBE goal and seek options available to meet the goal.

- TxDOT will also be monitoring the DBE project goal.
District Responsibilities

- Each District must verify current status of DBE payments in DMS. DMS records all payments to DBE subcontractors, provides payments to date, DBE committed amounts and modifications to original contract amount by change order.
Enforcement

- Failure by the prime contractor to carry out their requirements is a material breach of the contract.

- May result in termination of the contract or other remedies as TxDOT deems appropriate, which may include:
  - Withholding all or a percentage of monthly partial payments;
  - Liquidated damages;
  - Initiate appropriate suspension, disbarment, or decertification proceedings;
  - Termination of the contract;
  - Referral of any unlawful actions to the appropriate enforcement agencies;
  - Other actions as appropriate.

- The District will notify the prime contractor in writing of the determination.
Project Close Out

Complete Final Contract Audit in DMS

When a project is completed, the prime contractor performs the following action:

- In the most recent monthly contract audit, indicate **YES** to the question, Marked as Final Audit.
Prime Contractor Actions

When a project is completed, the prime contractor performs the following actions in the **Compliance Audit List** tab in DMS to submit all audit information:

- Ensures there are no incomplete audits for the project.
- Ensures subcontractors have confirmed all payments.
Project Close Out

The final monthly **Contract Audit** in DMS allows the contractor to assess its goal attainment.

- If the DBE subcontractor participation goal is met, no further action is needed.
- If the project goal falls short, submit a letter to TxDOT explaining the shortfall.
District Responsibilities

- Verify that all DBEs have verified final payment from the prime contractor in DMS.
- Check to see if there is a goal shortfall.
- Check to see if each commitment was met.
- If race-conscious commitments were not met, obtain explanation from the prime contractor. Verify the explanation and determine if it is justifiable. Some justifiable reasons for shortfall could be as follows:
  - Change orders
  - Terminations/Substitutions
  - GFE
- Document reasons in the project file and close the contract in DMS.
Records Retention

Prime contractor must:

- Retain records for a minimum of three years after final payment.
- Keep records securely filed and available for audit review.
  - According to the Texas State Retention Schedule (5.1.001 and Government Code, 441.1855) records for all contracts but be kept for seven years after close if executed, renewed, or amended on or after September 1, 2015.
  - For contracts executed, renewed or amended on or before August 31, 2015, records must be retained for four years after close.
LOCAL GOVERNMENT PROJECTS
Local Government Projects

- Local government (LG) refers to:
  - Municipalities
  - Counties
  - County and regional toll authorities
  - Metropolitan planning organizations (MPOs)
  - Regional mobility authorities (RMAs)
  - Some private entities

- The LG is responsible for managing and monitoring the project to ensure the prime contractor and their subcontractors comply with the DBE Program provisions.
Local Government Projects

Local Government Responsibilities

- CIV has developed resources to assist LGs with their DBE program contract administration responsibilities.
- Local Government Project DBE Compliance Monitoring Checklist – Form 2658
- These resources help the LGs monitor their compliance in the following areas:
  - Commitments
  - Good faith efforts
  - Administrative reconsideration
  - Subcontracts
  - Pre-construction meetings
  - Monthly progress reports
Local Government Projects

Local Government Responsibilities

– Joint checks
– Terminations
– Substitutions
– Prompt payment and retainage
– Commercially useful function reviews
– Change orders
– Determination of noncompliance
– Final reports and close-outs
Local Government Projects

District Responsibilities

- TxDOT has responsibility for the construction of all federal-aid projects, and is not relieved of such responsibility by authorizing performance of the work by a local public agency.

- TxDOT is responsible for insuring that such projects receive adequate supervision and inspection to ensure that projects are completed in conformance with approved plans and specifications such as the DBE requirements as outlined in 49 CFR, Part 26.

- District staff should:
  - Become familiar with the District’s role and responsibility in monitoring LGs for DBE program compliance.
  - Become familiar with the LG’s DBE contract administration responsibilities.
District Responsibilities

- District staff should:
  - Provide the LG liaison the LG DBE Compliance and Monitoring Guide and the LG Project DBE Compliance Monitoring Checklist – Form 2658.
  - Meet with the LG liaison to make sure he or she understands the LG’s DBE contract administration responsibilities.
  - Instruct the LG to use the checklist to document compliance with the DBE program requirements during the course of the project.
  - Inform the LG to retain the checklist and to have it available for inspection by TxDOT district staff.
  - Keep approved DBE commitments on file for each federal-aid project with a DBE goal.
Local Government Projects

District Responsibilities

- District staff should:
  - Obtain Form SMS.4903 “DBE Monthly Progress Report” from the LG (even if the DBE goal is zero).
  - Update the “DBE Monthly Progress Report” spreadsheets and post on the LGPs’ SharePoint site by the 20th of every month.
  - On a monthly basis, monitor the attainment of the project DBE goal.
District Responsibilities

- Conduct an audit of LG federally funded projects with an assigned DBE goal.
  
  • Verify information on Form 2658.
  
  • Assess LG’s contract administration of DBE program requirements.
  
  • Make recommendations regarding corrective actions deemed necessary and appropriate.
  
  • Provide technical assistance.
  
  • Maintain compliance review report and supporting documentation.
  
  • Follow-up on LG’s corrective actions and document corrective actions in a final audit report.
  
  • At project close out, the District will conduct an audit to verify the DBE project goal and race-conscious DBE commitments have been met.
DESIGN-BUILD
PROJECTS
Design-Build Projects

- Design-build (DB) is a construction project contract that combines engineering design services, construction services, and sometimes maintenance services into a single contract.

- Usually awarded to a general construction contractor, but in some cases, an engineering design firm.

- Each developer submits DBE Performance Plan prior to award that includes outreach efforts and categories of work for DBE subcontracting opportunities.

- During the design and construction portions of the project, the DB contractor is required to submit commitments and monthly progress reports to show the contractor is meeting the contract goal.
DBE Program Resource Websites

- USDOT - DBE Program Overview - https://www.transportation.gov/civil-rights/disadvantaged-business-enterprise/dbe-program-overview


DMS Resources

- Resources found in DMS: (https://txdot.txdotcms.com/)
  - Vendor Guide
  - Vendor Training Manual
  - Utilization Plans
  - Video Tutorials
TRAINING
Diversity Management System

- Training provided by B2Gnow.
- Courses include:
  - Vendor registration and questionnaire
  - An introduction to the system
  - Utilization plan and contract compliance reporting