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FORCE ACCOUNTS

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FORCE ACCOUNTS

- An exception to the Competitive Bidding Laws
- Occurs when a road project is conducted by a public office using its own labor, material and equipment



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**FORCE ACCOUNT
BACKGROUND INFORMATION**

Undertaking project by force account a public entity must:

- Estimate cost of project R.C. §117.16
- If costs exceed statutory limits, project is subjected to competitive bidding before completing by force account



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FORCE ACCOUNTS FOR MUNICIPAL CORPORATIONS
OHIO REVISED CODE 723.52

- Requires a city or village to estimate the cost of a project for the construction, reconstruction, widening, resurfacing, or repair of a street or other public way using the AOS force account project assessment form (R.C. 723.52).
- In municipal corporations having an engineer, or an officer having a different title but the duties and functions of an engineer, the estimate shall be made by the engineer or other officer.
- A municipality may proceed by force account if the total estimated cost of the project is \$30,000 or less.
- It is unlawful to divide a street or connecting streets into separate sections.

Exception: Charter cities or villages

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FORCE ACCOUNTS FOR MUNICIPAL CORPORATIONS
OHIO REVISED CODE 723.52 & 723.53

- If the total estimated cost of the project is \$30,000 or above a municipality is required to invite and receive competitive bids for the project as provided by law.
- The municipality must consider the bids received and officers have the power to reject such bids.
- If the bids are rejected, the officers may order the work done by force account or direct labor.



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FORCE ACCOUNTS FOR MUNICIPAL CORPORATIONS
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- If a municipality chooses to reject the bids received and proceed by force account or direct labor the engineer or other officer or employee in charge of such work must keep a complete and accurate account, in detail, of the cost of doing the work.
- The account must include the following:
 - Labor
 - Materials
 - Freight
 - Fuel
 - Hauling
 - Overhead expenses
 - Workers' compensation premiums
 - All other items of cost and expense



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FORCE ACCOUNT ASSESSMENT FORM

- The General Assembly requires that the assessment form account for all of the following in estimating the cost of a project:
 - Employee salaries and benefits, and other labor costs;
 - Materials;
 - Freight, fuel, and hauling;
 - Overhead expenses;
 - Workers' compensation premiums; and
 - All other items of cost and expense, including a reasonable allowance for the use of all tools and equipment used and for the depreciation on the tools and equipment.



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FORCE ACCOUNT ASSESSMENT FORM LABOR

- The labor cost is composed of:
 - Base wages of all employees working on the project.
 - Markups for fringe benefits and overhead.
- The total amounts of base wages are determined by:
 - Listing all employees working on the project,
 - The hourly rate for each employee, and
 - The total number of hours each employee is expected to work on the project.
- Fringe benefits may be computed by:
 - Using a safe harbor rate of 30 percent of the total base wage amount. Overhead costs may be calculated using a safe harbor rate of 38 percent of the total amount of base wages and fringe benefits. If a public office chooses to use different percentages, it will be required to justify the rates it uses.



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FORCE ACCOUNT ASSESSMENT FORM MATERIALS

- The cost of materials is determined by:
 - Listing each type of material being used in the project,
 - The cost per unit for each material,
 - The total number of units for each material.
- Additionally, an overhead cost is added to the cost of materials.
 - The safe harbor rate for overhead is 15 percent.



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FORCE ACCOUNT ASSESSMENT FORM EQUIPMENT

- Each piece of equipment used in a project must be assigned an hourly rate.
- For equipment owned by the public entity, this rate must reflect:
 - The original purchase price of the equipment
 - Maintenance costs
 - Time in service
 - Depreciation
 - Freight
 - Fuel
 - Hauling
- An entity may use any generally accepted rate that reflects all of the aforementioned considerations, or it may use the statewide rates as published by the Ohio Department of Transportation. However, the office must use the same rate source for all equipment used in a project.
- Any equipment rented by the public entity must be listed in the form and reflect the actual rental rate.



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FORCE ACCOUNT ASSESSMENT FORM

- The Force Account Assessment Form is available on the Auditor of State's website:

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11-12-2009	Audit Released		

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**FORCE ACCOUNT
TECHNICAL BULLETINS**
Auditor of State Technical Bulletin 2008-004
Background

- During Crawford County's audit period ending Dec. 31, 2006, we identified two separate instances of noncompliance with laws governing road construction force account projects.
- As a result of the County's first violation cited in the previous audit, we applied the penalty provided for in RC 117.16 and reduced Crawford County's competitive bidding threshold from \$30,000/mile to \$10,000/mile for road projects and bridge and culvert projects were reduced from \$100,000 to \$40,000, for a period of one year beginning August 1, 2005.
- As a result of the second violation, the County's force account limits were reduced to the same thresholds for a period of 2 years.
- However, because we identified a third violation, an amount equal to 20% of the total cost of the force account project found to be in violation of the limits were to be certified to the state tax commissioner and deducted from any funds due or payable to Crawford County. The 20% equaled \$22,225.60.

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**FORCE ACCOUNT
TECHNICAL BULLETINS**
Auditor of State Technical Bulletin 2008-004 (continued)
Ohio Attorney General Opinion No. 2008-007

- The completion of the AOS force account project assessment form estimating the cost of the work constitutes commencement of the project for purposes of determining which force account limit is in effect and applicable to the project.
- The AOS is authorized to require the use of a "safe harbor rate" for the cost of overhead or the justification of a different rate in estimating the cost of road, bridge and culvert work;
- A public office may acquire material and equipment pursuant to contract, and may subcontract part of the work undertaken by force account, so long as the contracts for material and equipment and the subcontracts are let in compliance with the appropriate competitive bidding requirements;
- In addition, the estimate of the cost of the work must include in the estimate the cost of materials and equipment that would be acquired by contract, and the cost of work that would be performed pursuant to a subcontract, if the project were undertaken by force account. If the total exceeds the applicable force account limit, the whole project must be competitively bid.

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