



**US Army Corps
of Engineers®**

ENGINEERING AND CONSTRUCTION BULLETIN

No. 2006-8

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Issued: 20-July-2006

Subject: Architect-Engineer Responsibility Management Program (AERMP)

Applicability: Information

1. We have received and analyzed the FY05 AERMP reports from all MSCs and Centers, which are required by Chapter 7 of EP 715-1-7, Architect-Engineer Contracting. The following observations are made:

a. The total amount of A-E liability settlements received in FY05 was \$1,800,000. Previous ten year average is \$1,451,000 per year.

b. Fourteen cases were settled in FY05. The negotiated settlements were 48% of the original computed damages, which is above the historical ten year average of 45%.

c. Investigation and recovery (I&R) costs were reported for eleven of the settled cases. For these cases, 21 cents in I&R costs were spent for each dollar of A-E settlement. Since FY97 when we started collecting I&R cost data, 13 cents in I&R costs were spent for each dollar of A-E settlement. Reasonable I&R costs are part of the assessable damages and must be tracked and reported for A-E liability cases.

d. Twenty-eight liability cases with damages of \$9,488,000 were carried over into FY06. In comparison, thirty-four cases with damages of \$10,627,000 were carried over into FY05. We have an important responsibility to our customers to pursue A-E liability cases in a timely manner and you are urged to reduce the backlog of cases.

2. Based on the FY05 reports, MSCs and districts seem to be very aware of the requirements of the AERMP and have effective programs in place. The FY06 MSC AERMP reports are due to Harry Goradia, CECW-CE by 30 November 2006. The following points should be considered when reporting:

a. All design deficiencies are not A-E liability cases. It is only a case if the A-E firm is liable for the damages and we decide to pursue recovery.

b. The reports must include I&R costs, which are part of the total assessable damages. It is also important to track I&R costs as a measure of the effectiveness of the AERMP in each command.

c. The value of any work-in-kind (i.e. A-E services) performed by an A-E firm as "payment" for a liability claim must also be reported.

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d. If an A-E settlement is made without the need for a letter of intent, a case report is still required and the settlement amount included in the annual report.

3. HQUSACE POC for the AERMP is Harry Goradia, 202-761-4736

A handwritten signature in black ink, appearing to read "Donald L. Basham". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

DONALD L. BASHAM, P.E.
Chief, Engineering and Construction
Directorate of Civil Works