

PDC PROJECT MANAGEMENT GUIDE

PMG-E05: CONSTRUCTION CHANGE ORDERS

PURPOSE: To establish guidelines and procedures for the development and approval of change orders.

A. Application and Approval

A Change Order (C.O.) is primarily used to formalize the addition, deletion, or modification of the Work and/or to modify the time allotted to perform the work. Change Orders are also used in CM and D/B projects to document the Bidding & Award of trade packages, to transfer monies for Owner Direct Purchases, to account for shifts between major GMP funding categories, and to fiscally close the contract. All change orders must be approved by the PDC Assistant Vice-President (AVP) or designee, the PDC Contract Administrator (CA), and the PDC Project Manager.

B. Funding of Change Orders

No change order shall be approved for which a funding source is not identified and available.

C. General Process

- 1) Builder initiates proposal due to change in scope or conditions, RFP, or other directive.
 - a) **NOTE:** COP (Change Order Proposal), not COR or PCO, is the preferred terminology for use on UF documents.
- 2) Proposal shall be substantiated with detailed estimates of labor, materials, and equipment from each sub-contractor or vendor, plus same for self-performed work.
- 3) Builder uploads proposal and draft Justification form to the SharePoint COP library for review and, if appropriate, signature by the A/E and UF PM. Approval of the COP shall authorize the CM/DB to perform the work prior to the formal Change Order process. The CM/DB will then update the COP log.
 - a) **NOTE:** D/B design professionals perform same C.O. review and preparation functions as A/E per D/B contract
- 4) "Funding source" for C.O.s under a D/B/B hard bid contract will always be Owner, meaning a contract change
- 5) The UF PM and CM/DB shall agree on an appropriate time to bundle approved COPs with a formal C.O. following these guidelines:
 - a) No more than ~15 proposals in one C.O.
 - b) Payment for changed/added scope may not be requested until C.O. executed
 - c) C.O.s in CM and D/B projects for bid savings reconciliation, ODP, and closeout shall be separate and distinct
- 6) CM/DB uploads the draft C.O to the SharePoint Change Order Library for review and signature of the CM/DB, A/E, UF PM, UF Contract Administrator and UF AVP or designee.

D. General Form Procedures, Tips, and Suggestions

- 1) PDC PM should draft CO #1 to ensure proper formatting
- 2) Certain cells in C.O. form are locked, along with all formatting options
- 3) First column on C.O. Form ("No.") should indicate the builder's proposal number (COP)
- 4) Description should reference the initializing directive (RFI #, Field Order #, ASI #, etc.)
- 5) Ensure deletions are entered as negative numbers and credits are entered as positive numbers
- 6) Check "Present Amount" figures against contract (Authorization) for C.O.#1, then against previous C.O. for all others
- 7) Confirm NTP and S/C dates (latter is formula-driven)
- 8) Backup should be arranged in same order as listed on C.O. form, with signed Justification form covering each proposal

E. General Proposal Review Procedures, Tips, and Suggestions

- 1) Consider scope and confirm not already covered by plans & specs (or GMP proposal for CM and D/B projects)

PDC PROJECT MANAGEMENT GUIDE

- 2) Confirm/discuss/negotiate funding source (CM and D/B projects) – see contracts
- 3) Confirm backup included for all subs AND any self-performed work (including equipment)
- 4) Check subs' unit prices and compare with previous proposals and/or bid unit prices (if applicable)
 - a) Subcontractor's change order mark-up shall not exceed the amount declared during bidding or negotiated with the Builder.
- 5) Spot-check math
- 6) Suggest requesting no-cents proposals to reduce math errors
- 7) Time extension requests must be substantiated by proof of impact on overall project critical path (see GT&C)
- 8) Check application of OH&P and bonds / insurance against contract (Authorization) for correct percentage(s)
- 9) **NOTE:** For CM and D/B projects, ensure no OH&P or bonds & insurance are included if change is funded by Contingency or Savings

F. Procedures Specific to CM (Construction Management) and D/B (Design/Build) Projects

APPLICATION

- 1) To add, delete, or modify Work (scope) or time
- 2) To reconcile the bidding & award process, including reduction of CM contingency
- 3) To delete monies for Owner Direct Purchase (ODP) items and capture ODP tax savings
- 4) To fiscally close contract by "zeroing out" CM or D/B contingency, bid/tax savings, Staffing, and General Conditions
- 5) To reallocate monies within the contract/GMP

DOCUMENTS

Change Order Form

- 1) Contractually incorporates additional Work and/or time extensions
- 2) Allocates cost of each item (COP) to one of three funding sources and documents time extensions
- 3) Substantiated by actual proposal(s) with detailed backup, plus Justification form for each proposal
- 4) Drafted by A/E per contract, but drafting by Builder may be more efficient

COP Justification Form

- 1) Used to allow change or addition of work prior to formalization with Change Order – one for each cost/time proposal
- 2) Cost and time portions drafted by Builder
- 3) Necessity/justification portion drafted by A/E
- 4) PDC PM denotes or confirms funding source
- 5) Signed by Builder, A/E, PM and included with proposal + backup in Change Order

PROCESS FOR BIDDING & AWARD RECONCILIATION

- 1) The reconciliation of the bidding/award process is done via Change Order, whereby each trade package savings (+) or "bust" (-) is documented, resulting in either a net credit or a net underage.
- 2) Given the timeframe for bidding & award, more than one C.O. may be necessary, but in any event, Change Orders involving bidding & award transactions should include no other Change Order actions, such as additional work.
- 3) The GMP estimate and actual award amount for each trade package should be spelled out in the description, with the partial or complete Bid Summary attached as backup.
- 4) Once 90% of trade packages are awarded (or other % per contract), reduction of CM or D/B Contingency is formalized with transfer to Bid Savings. Apparent savings should not be spent prior to this step.
- 5) No Justification form is required for these Change Orders.

PROCESS FOR OWNER DIRECT PURCHASE (ODP)

PDC PROJECT MANAGEMENT GUIDE

- 1) The cost for materials included within a trade contractor's bid (should have) included sales tax. The ODP process takes advantage of the University's tax-exempt status by deleting the pre-tax cost of certain materials from the construction contract and crediting the sales tax to the Bid/Tax Savings pot.
- 2) The formalization of this is done via Change Order, preferably with several ODP transactions bundled into one C.O. As with bidding & award reconciliation, Change Orders involving ODP should only include ODP transactions.
- 3) Backup shall consist of a partial or complete Bid Summary (to show contractual link to subs) and the vendor's detailed quote and Bill of Materials
- 4) No Justification form is required for these Change Orders.
- 5) PROCESS FOR FISCAL CLOSE OUT
 - a) At the completion of the project, a final Change Order must be processed to "zero out" unspent Bid/Tax Savings, CM or D/B Contingency, General Conditions, Staffing and GMP allowances (if any).

OTHER SPECIAL CHANGE ORDER ACTIONS

- 1) No-cost time extensions
- 1) No-cost scope changes/additions
- 2) Re-allocation of monies between "fenced" GMP categories (Cost of Work, General Conditions, Staffing)
- 3) Re-allocation of monies between trade packages (sub back-charges, e.g.)
- 4) Liquidated damages

G. Procedures Specific to D/B/B (Design/Bid/Build or "Hard Bid") Projects

APPLICATION

- 1) To add, delete, or modify Work (scope) or time

DOCUMENTS

Change Order Form

- 1) Contractually adds work (scope) and/or time extensions
- 2) Substantiated by actual proposal(s) with detailed backup, plus Justification form for each proposal
- 3) Drafted by A/E per contract, but drafting by Builder may be more efficient

COP Justification Form

- 1) Used to allow change or addition of work prior to formalization with Change Order
- 2) One for each cost/time proposal
- 3) Cost and time portions drafted by Builder
- 4) Necessity/justification portion drafted by A/E
- 5) Signed by Builder, A/E, PM and included with proposal + backup in Change Order

OTHER SPECIAL CHANGE ORDER ACTIONS

- 1) No-cost time extensions
- 2) No-cost scope changes/additions