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 (ODP), to account for shifts between major GMP funding categories, to add phases of the project GMPs, and to fiscally close the contract. All change orders must be approved in order by the PDC Project Manager, PDC Director of Construction, the PDC Contract Administrator and Assistant Vice-President (AVP) or designee.

B. General Process
   1) Builder initiates proposal due to change in scope or conditions, RFP, or other directive.
      a) NOTE: Change Order Proposal (COP), not COR or PCO, etc. is the 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. DO NOT include a single number on a proposal without the details.
   3) Any request for time extension shall be included in the COP request with proper justification and back-up materials.
   4) Builder uploads proposal and draft Construction Contract Change Justification (COP) form to the BIM360 COP folder and notifies the project manager and A/E for review and signatures, if appropriate. 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 CO Summary in the Pay Application.
      a) NOTE: D/B design professionals perform same CO review and preparation functions as A/E per D/B contract
   5) If the amount of Construction Contract Change Justification is $50,000 and above, the PM shall request the Director of Construction (DOC) to review and approve the change justification after it has been carefully examined by the A/E and CM.
   6) If the amount of Construction Contract Change Justification is $200,000 and above, the PM shall request the AVP or designee to review and approve the change justification after it has been carefully examined by the A/E and CM.
   7) "Funding source" for COs under a D/B/B hard bid contract will always be Owner, meaning a contract change
   8) The approved COP’s should be incorporated into a Change Order within 30 days of approval and should follow these guidelines:
      a) No more than ~15 COPs in one Change Order
      b) Payment for changed/added scope may not be requested until CO executed
      c) COs in CM and D/B projects for bid savings/overrun reconciliation, ODPs, and closeout shall be separate and distinct
   9) CM/DB uploads the CO to the BIM360 Change Order Folder for review for PM to process.

C. General Form Procedures, Tips, and Suggestions
   1) CM/DB shall ensure proper formatting of and the latest templates from UF webpages for COP’s and CO’s.
   2) Certain cells in CO form are locked, along with all formatting options
   3) First column on CO Form ("No.") should indicate the builder’s proposal number (COP), e.g. COP001 (three digits for COPs)
   4) Description should reference the initializing directive (RFI #, Field Order #, ASI #, etc.)
   5) Ensure reduction of contract amount are entered correctly as subtraction to the contract.
   6) Check “Present Amount” figures against contract (Authorization) for CO-01, then against previous CO for all others
   7) Confirm NTP and S/C dates (latter is formula-driven).
PDC Project Management Guide

8) **Signed COP Justification coversheets only** will serve as backup and should be arranged in same order as listed on CO form.

D. 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 reduce monies for Owner Direct Purchase (ODP) items and capture ODP tax savings as well as the reconciliations at the end of the project.
4) To fiscally close contract by “zeroing out” CM or D/B contingency, bid/tax savings, Staffing, General Conditions and remaining balance of OH&P.
5) To reallocate monies within the contract/GMP/SOV
6) Some Change Orders will be zero cost, and shall be appropriately listed, and processed on COs.

**DOCUMENTS**

**Change Order Form**

1) Contractually incorporates additional Work and/or time extensions
2) Allocates cost of each item (COP) to one of funding **five** sources and documents time extensions
3) Substantiated by actual proposal(s) with Justification form for each proposal
4) Drafted by Builder.
5) CO’s for ODP or transfer of funds and buyouts do not need to be signed by A/E

**Construction Contract Change Justification (COP) Form**

1) Used to allow change or addition of work prior to formalization with Change Order – one for each cost/time proposal, e.g., do not include more than one RFI in each COP.
2) Cost and time portions drafted by Builder
3) Necessity/justification portion drafted by CM and reviewed & acknowledged by the A/E
4) PDC PM denotes or confirms funding source
5) COP coversheet signed by Builder, A/E, PM and as required by DOC and AVP or designee. Include only the COP coversheets with the 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 CO 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 Construction Buyout Spreadsheet attached as backup. This is best represented with a spreadsheet showing the BP#, Trade, Trade Contractor Name, GMP Value, Actual Value, Savings/Overrun columns.
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 Construction Contract Change Justification (COP) form is required for these Change Orders.

**PROCESS FOR OWNER DIRECT PURCHASE (ODP)**

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 column.
2) The formalization of this is done via Change Order, preferably with several ODP transactions bundled into one CO. As with bidding & award reconciliation, Change Orders involving ODP should only include ODP transactions. No exceptions.
3) Backup shall consist of the Approved ODP Purchase Order Requisition Form.
4) No Change Order Justification (COP) form is required for these Change Orders.
5) The A/E is not required to sign the CO for ODP transactions.

PROCESS FOR FISCAL CLOSE OUT
1) 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) and balance of the OH&P.
2) The A/E is not required to sign the CO for these transactions.

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

E. 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 Builder. Reviewed by the Architect. Approved by PM.

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 the CM and acknowledged by the A/E
5) Signed by Builder, A/E, PM and as required by the DOC, AVP or designee and included with proposal + backup in Change Order

OTHER SPECIAL CHANGE ORDER ACTIONS
1) No-cost time extensions
2) No-cost scope changes/additions

F. Review of COPs and COs by Project Managers

APPLICATION
1) To ensure all costs presented by the builder is a) reviewed and acknowledged by the Builder prior to presentation to Owner and A/E; b) reviewed and confirmed as appropriate by the A/E and reviewed and approved by the project manager.
PDC Project Management Guide

Documents Review

1) Ensure details are provided for all costs associated with the change.
2) Ensure the percentages for the OH&P is appropriate per the contract documents.
3) PM to initial at appropriate locations confirming the review of and the approval of the amount presented.
4) Ensure the COPs and COs are presented correctly per the guidelines above.
5) Ensure the right box is crossed for the COP funding source and initialed.
6) Ensure details of justification does not include any language such as, “Builder reserves the right to…” and if so, cross.
7) Ensure both Builder and A/E signatures are in place when appropriate.
8) Ensure COPs $50,000 and above are reviewed and signed by DOC or if $200,000 and above the AVP or designee.
9) Ensure all COPs and COs are reviewed and processed and uploaded within 7 days.

END of PMG