

The Proposed Change Order Process

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April 2008

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SUMMARY

Changes to a construction contract require the agreement of the architect, owner, and contractor—in writing. A proposed change order (PCO) is a tool for tracking on-site changes that documents the process thoroughly. Using a PCO helps to prevent late or unforeseen claims and maintains open communication.

THE CONTRACTOR'S ROLE

A PCO is initiated when the contractor sends a request for information (RFI) to the architect. If the RFI requires a change to the contract price or schedule and the architect agrees, the RFI becomes a PCO and is given a unique tracking number. Because a PCO is most effective when backed by systematic documentation, the contractor should provide all back up to the architect and the owner. The contractor should also develop a spreadsheet to track and organize all proposed change orders.

Once a PCO is in progress, the contractor should generate a list of subcontractors affected by the change and distribute the change request to them. Subcontractors should review the change request to confirm whether it will affect price or schedule. If it will, the subcontractor should cite the adjustment in writing and send it to the contractor. If there is no effect on price or schedule, the subcontractor should state that in writing at the time. If the subcontractor does not respond within one month, it is assumed there is no impact and the subcontractor waives the right to make a claim. (This needs to be stipulated in the owner-contractor contract and the contractor-subcontractor contract.)

Once all responses have been received, the contractor can choose one of the following actions. In either case, the action must be recorded in the PCO spreadsheet.

- Close the PCO because there is no price or schedule impact.

Or

- Review the price or schedule adjustment and accept or deny it

THE ARCHITECT'S ROLE

The contractor should send a copy of the entire file to the architect: Include the RFI; the architect's answer to the RFI; the written documentation from the subcontractors (including the ones from subcontractors showing no impact); and a price quote breakdown showing unit prices and extended prices, fees, and markups.

The architect should review the scope and price of the PCO, then respond with comments for "as-is" or suggest changes.

- Scope is the most important part of an architect's review. The architect is best-suited to determine if the change affects the scope of the project.
- The price should be consistent with the market. If it is, the architect approves the PCO as-is; if it is not, the architect returns the PCO to the contractor requesting further cost analysis.

THE FINAL PHASE

The contractor should review the architect's comments and do one of the following:

- Send the PCO to the owner for final review.

Or

- Modify the PCO according to the architect's comments.

Or

- Work to resolve the architect's concerns.

If the architect and contractor cannot agree on the change order, the contractor should add it to the resolution list for future review with the owner.

The last step is to secure approval—in writing—from the owner. If the owner does not initially accept the PCO, the owner can discuss any concerns with all parties at a project review meeting. The goal of the

meeting is to achieve a resolution which may result in a compromise.

Reminder

A proposed change order is just that—proposed. It is not an order for a change until the owner has signed it. The contractor who is responsible for the schedule should be charged with making sure work is progressing in the field and is not held up while the PCO is in review.

CONSTRUCTION CHANGE DIRECTIVE

Some situations require the use of a construction change directive (CCD) rather than a PCO. A CCD is used when the contractor thinks a change is necessary to maintain the project schedule. When this happens, the architect answers a CCD request rather than an RFI. The architect then meets with the owner and reviews the situation and the solution. If the CCD request is agreed to, the owner signs it.

In this scenario, the cost is determined after the change is under way. If the owner chooses not to sign the CCD, the architect must work to modify it to the satisfaction of the owner or the issue is set aside.

A CCD should be used when time is critical and the team knows the change is necessary. This tool is typically used as a project nears completion. Remember, for all project matters that involve price and schedule adjustments, it is best to write them in a log; thus, the CCD should be recorded in the PCO spreadsheet as well.

ABOUT OUR CONTRIBUTOR

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RESOURCES

More Best Practices

The following AIA Best Practices provide additional information related to this topic:

- 11.08.06 Why Offer Construction Management Services
- 11.04.07 Navigating Change Orders

For More Information on this Topic

See also “Construction Cost Management” by Brian Bowen, FRICS, and “Construction Contracts” by Gregory Hancks, Esq., AIA, in *The Architect’s Handbook of Professional Practice*, 14th edition, Chapter 13, page 745.

The Handbook can be ordered from the AIA Bookstore by calling 800-242-3837 (option 4) or by sending an e-mail to bookstore@aia.org.



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Key Terms

- Practice
- Project administration
- Project administration documents
- Change order