Change Orders

- Change Orders are part of every project.
- Designs are not perfect.
- Owners insert changes during the work.
- Site conditions are sometimes different than expected.
- Learn how to manage Change Orders.
The Change Clause Provides:

- Means by which the owner can adjust plans and specifications
- Means by which the contractor may incorporate suggestions
- A outline for organizing and presenting claims for additional compensation
- Coordination with dispute clause for serious problems
Problems Of Change Clauses:

- Does it fall within the scope of the project?
- Must the change be in writing?
- Who has the authority to make the change?
- Is the consent of the surety needed?
- Is there a resolution available if a price cannot be agreed upon?
- Is the time requirement appropriate?
- Are markups properly applied to ensure contractors won’t lose money?
Contract Changes Do More Than Alter The Scope Of The Work, They:

- Disrupt orderly sequences
- Interfere with planned deliveries
- Void prior coordination

- Change schedule logic

- Change methods for work not otherwise addressed by the change

- Cause a contractor to remain mobilized on site longer than originally planned

- Continue to add administrative costs resulting from backtracking and rework
Three Distinct Change Order Categories Are:

1. Owner-acknowledged
   - Payment for actual work
   - Indirect costs
   - Consequential costs

2. Constructive changes
   - Defective specs
   - Change in method of performance
   - Misinterpretation of specs
   - Rejection of conforming work
   - Rejection of “or equal” submissions
   - Defective owner-furnished property
Three Distinct Change Order Categories Are:

- 3. Consequential changes
  - Direct cost of additional changed work
  - Interference costs, re-sequence, work, rework
  - Impact costs - delay, extended overhead, opportunity costs
Defective Specifications

Cuts and Paste
Silly specifications
Old age
Inconsistencies
Impossibilities
Reasons For Issuing Change Orders

- Owner has secured additional financing
- Emergence of unforeseen conditions during construction
- Material nonconformance with original specifications
- Correct errors or omissions in the original documents
- Changes requested by the owner, contractor, or design professional
Information Required On Change Orders

- Name, Title or Number of the Project
- Date of the Change Order
- Number of Change Order
- Changes Required under this Order
- Change in the Contract Price
- Change in Time of Completion
- Required Signature