



Fire Suppression Services Incorporated
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The PCO. Proposed Change Order

Summary

Changes to a construction contract require the agreement of three key players:

1. the architect,
2. the owner, and
3. the contractor ...

!!-in writing.-!!

A proposed change order (PCO) is a tool for tracking on-site changes that document the process thoroughly. Using a PCO helps to prevent late or unforeseen claims and maintains open communication. You will need G701 "Change Order--yyyy" or G714--yyyy, "Construction Change Directive"

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. And probably will be, SO WATCH OUT for this.)

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.

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

Or

2. 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);



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- and a price quote breakdown showing:
 - Unit prices and
 - Extended prices,
 - Fees, and
 - Mark-ups.

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

1. 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.

2. 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 (PCO) is PROPOSED

IT IS NOT an ORDER.

- It is not an order until the Owner has signed it.
- The Contractor who is responsible for the schedule should be charged with making sure the work is progressing in the field and is not held up while the PCO is in review



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The CCD. Construction Change Directive. (G714)

G714–yyyy, “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.

The CCO. Construction Change Order (G701).

As advised above, the PCO, CCD should be sequentially recorded in you spreadsheet, along with the CCO.

The Construction Change Order can be the most time consuming and stressful of all the change orders. These are ones that usually hold up the job, and often lead to legal battles.

Most common causes for CCO

Poor knowledge of the Scope

This type of change order usually results from inadequate detail in the original scope, misrepresentation of the scope of work or just plain avoidance by the bidder.

Design Changes

This particular type of change order most often occurs in Design-Build projects. The on-going design causes work-stoppage whilst both parties ‘discuss’ the cost impact and settlement of payment for changes.

Specifications

Drawings ask for one product, but the specs call for another, or the ‘Standards’ call for another product. Most common cause of this is where different Consultants (Architects, Engineers) are assigned different drawings or the Design engineers for the Bidder do not Communicate with the Owner/General’s Engineers. The bidding contractor then assumes and quotes on one type of product, but when the installation is going to be made, the owner, requires another article to be installed, instead of the one that you have already quoted.

Substitutions

This is normally a contractor’s idea to substitute material, when he cannot get the specified materials or there is a shortage in supplies. This is kind of different because it can lead to another issue: a credit will be asked if the material cost is less, or sometimes the contractor will have to absorb the costs’ difference between materials and/or products. Sometimes, the



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Owner also asks for some upgrades during the construction process, in this case you must submit a change order request claiming the economic and time costs associated with the proposed modifications.

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