



# *Change Order Management*

# Change Orders

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*Written modifications to the construction contract to approve changes to the original plans, specifications, or other contract documents including changes to the contract price or duration.*

*Change orders are an important tool in construction administration.*

# When Change Orders are Necessary

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## Examples:

- Owner-Initiated Scope Changes
- Design Deficiencies
- Unforeseen Conditions
- Acceleration of projects to avoid delay in reopening school
- Construction duration extension due to owner delays

# How Change Orders Can Begin

- Request for Clarification (RFC) that leads to a change (most frequent)
  - Can be deductive or additive
- Request for Proposal (RFP) prior to work beginning
  - Design Deficiencies, Unforeseen Conditions, Owner Requested Scope, etc.
- Construction Directive (CD)
  - Work is Included in Contract Documents
  - Work is not Included in Contract Documents (NTE amount is provided)
  - Dispute whether the work is in the Contract Documents
- Contractor submits an unsolicited proposal
  - For work yet to be performed as part of the project
  - For work already completed during the project

# Change Order Approval Process Summary

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All change orders are reviewed and signed by at least two (2) people from the project team

Number of people who sign is dependent on the change order amount

- Owner's Authorized Representative (OAR) is the primary contact for a project and validates the merit and scope of the change order (1<sup>st</sup> signature)
- Additional signatures are required from the Project Team:
  - Senior Project Manager                      \$ 0 - \$50K                      (2<sup>nd</sup> Signature)
  - Regional Director                              \$ 50K - \$100K                      (3<sup>rd</sup> Signature)
  - Deputy Director of PEX                      \$100K - \$500K                      (4<sup>th</sup> Signature)
  - Director of PEX                                  \$ 500K or more                      (5<sup>th</sup> Signature & OIG Audit)

# Change Order Approval Process Summary cont.

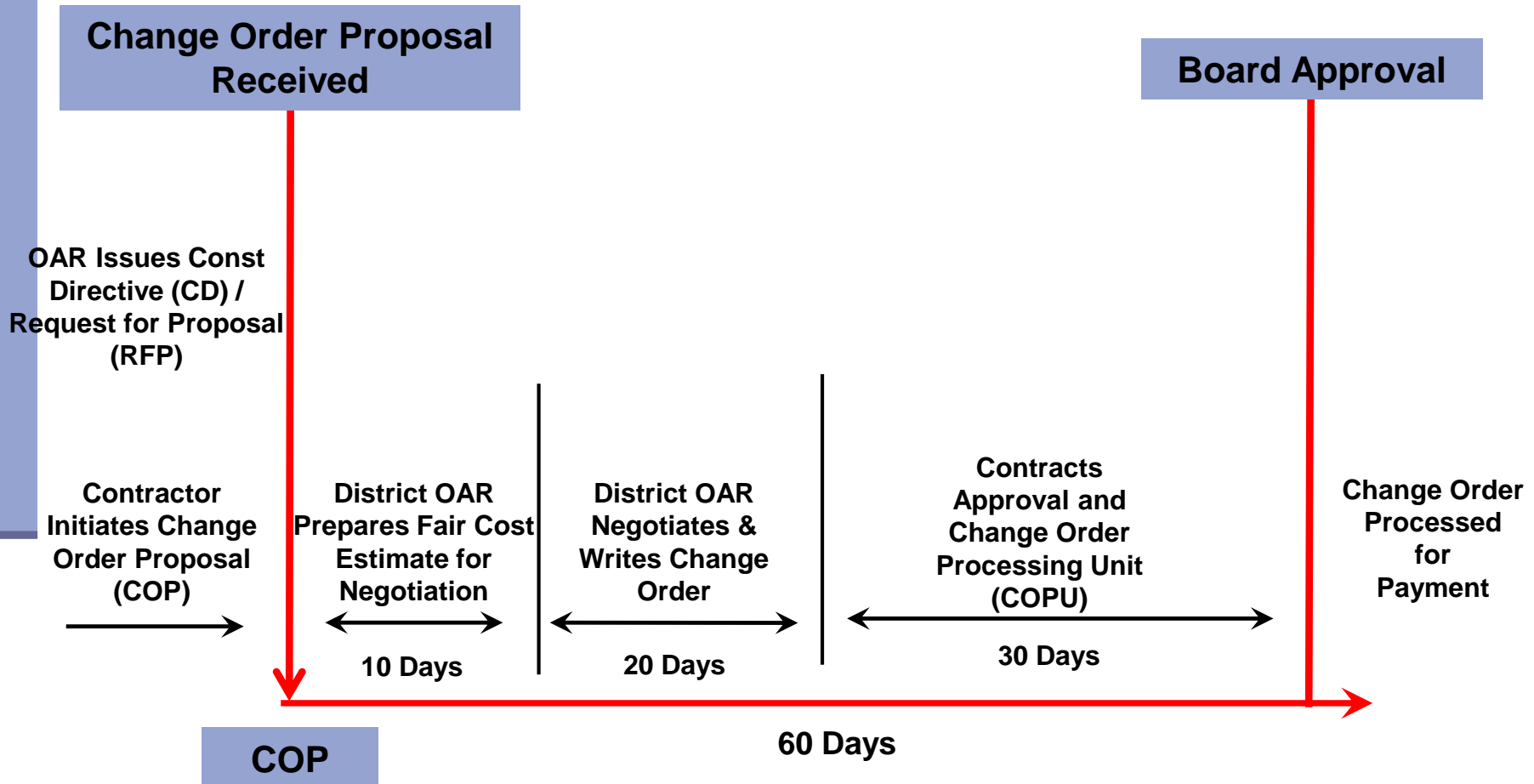
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- Once Facilities team reviews and signs change orders, as appropriate, they are forwarded to the Director of Procurement for review and signature

Director of Procurement has delegated authority from the Board of Education to approve change orders

- Director of Procurement sends change orders to the Board of Education for approval / ratification
- Change orders are sent to the Los Angeles County Office of Education (LACOE) for review and payment

# Typical Change Order Process & Timeline Goals



# Statutory Limits & District Policy

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## Change Orders (Statutory)

- Change order work is not to be done after Actual Substantial Completion
- Change orders are not to be done without the required funding
- Change Order Limits
  - Change Orders > 25% on Modernization & Repair
  - Change Orders > 10% on New Construction

## Change Orders Greater than \$500,000 (District Policy)

- Require an OIG Audit
- Can only bill 80% until audit is completed



# Monthly Metrics Examples

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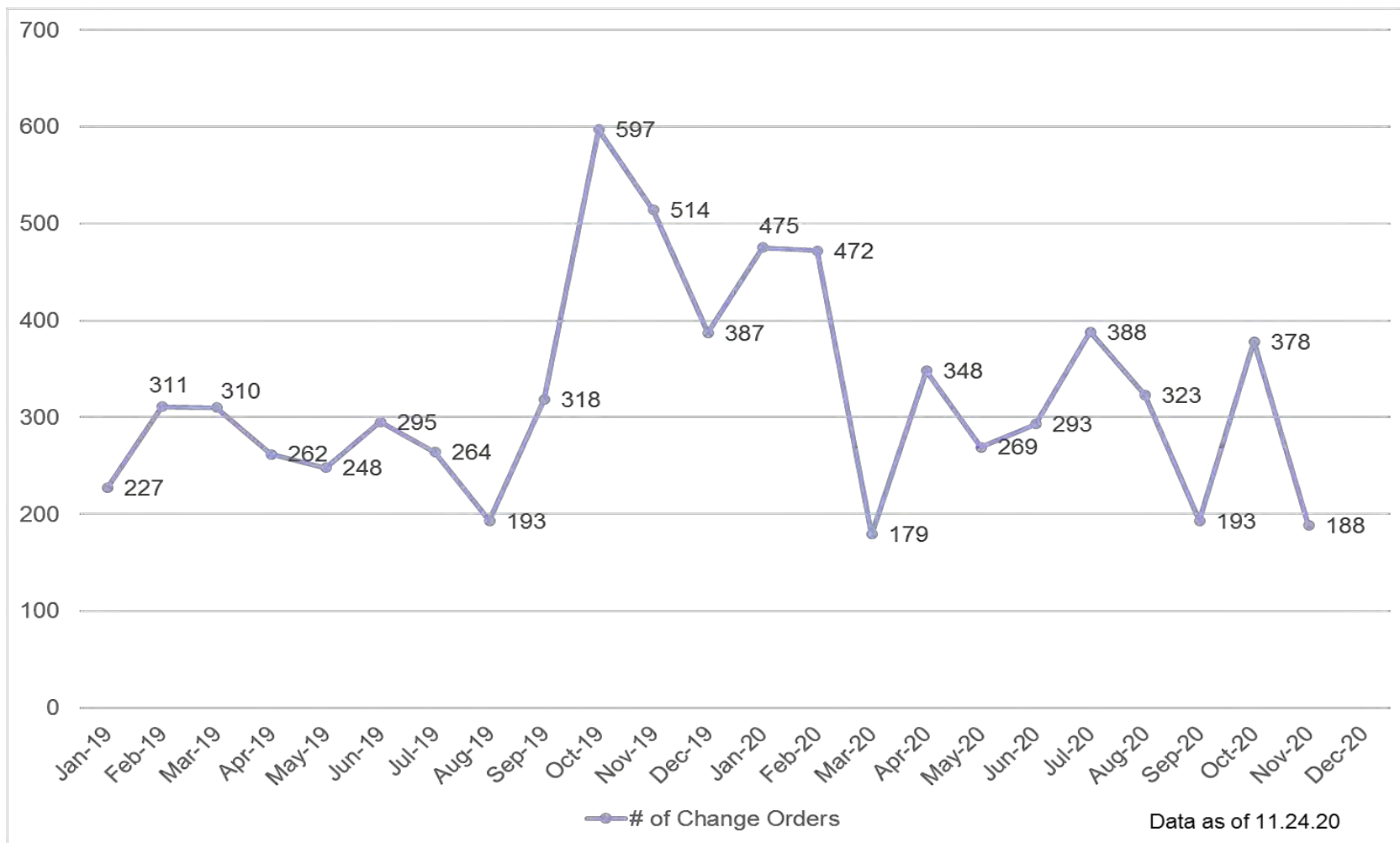
- Change Order Age by Project Execution Area
- Number of Change Orders Processed by Month
- Change Order Processing Time

# Change Order Age by Project Execution (PEX) Area

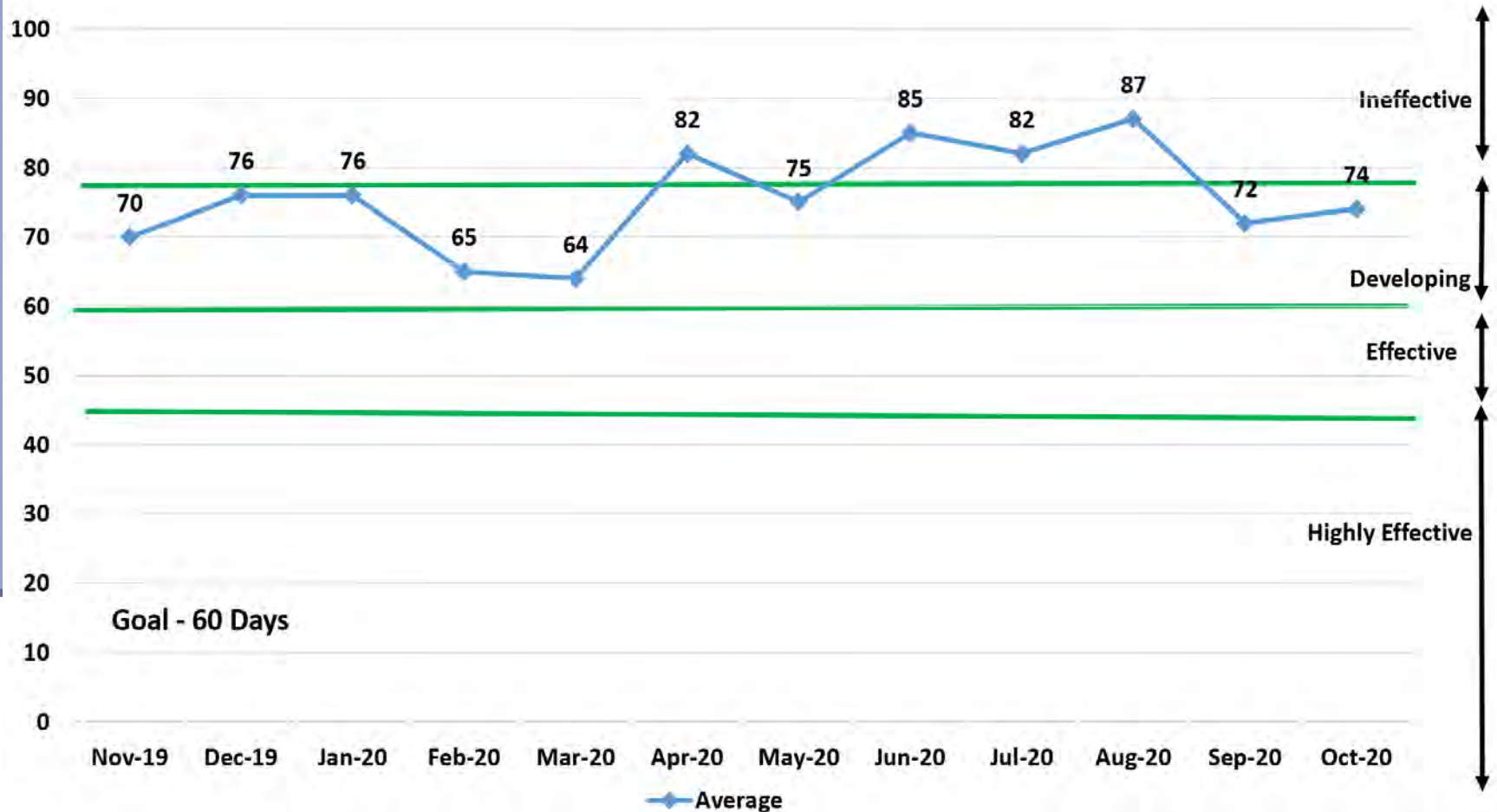
(PEX is the Facilities branch responsible for the construction of new schools/buildings and most modernization projects)

OPEN/PENDING CHANGE ORDERS OVER 90 DAYS THROUGH 11/23/20		
Count of PROJ_ID		
REGION	▼ MILESTONE_DAYS ▼	Total
<input type="checkbox"/> Central	>90	22
	>180	5
Central Total		27
<input type="checkbox"/> Facilities Access Compliance	>90	29
	>180	1
Facilities Access Compliance Total		30
<input type="checkbox"/> North	>90	32
	>180	8
North Total		40
<input type="checkbox"/> South	>90	61
	>180	19
South Total		80
Grand Total		177

# Number of Change Orders Processed by Month



# Change Order Processing Time



# Why Some Change Orders Appear to Take Longer to Process

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- Contractual Substantial Completion
- Actual Substantial Completion

# Contractual vs. Actual Substantial Completion

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## Substantial Completion

The stage in the progress of the work when all the requirements of the contract are completed, with the exception of punch list items, final warranties and guaranties, and record document submittals.

### Contractual Substantial Completion:

Date is established when the Notice to Proceed is issued to the contractor. The date can be adjusted via change order for issues such as District or third-party delays, weather, other issues.

### Actual Substantial Completion:

Date is established when the contractor actually completes all of the work, with the exceptions noted above.

## Contractual Vs. Actual Substantial Completion cont.

- Every contract for a project has a Contractual Substantial Completion Date
- Actual Substantial Completion Date can be the same as the Contractual Substantial Completion Date, or
- Actual Substantial Completion Date can be different from the Contractual Substantial Completion Rate due to change orders
- Change Orders can occur after Contractual Substantial Completion, but not after Actual Substantial Completion
- Processing Change Orders after Actual Substantial Completion is okay if the change order work was completed prior to Actual Substantial Completion .

# Why Some Change Orders Take Longer to Process

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- Need City, County, LADWP, Department of Transportation Approval
- Working with Hazardous Materials and with Environmental Agencies such as South Coast Air Quality Management District (SCAQMD) and Department of Toxic Substances Control (DTSC) to obtain approvals for removal and disposal
- Changes that need to be designed, then submitted to and approved by the Division of the State Architect (DSA)



# Why Some Change Orders Take Longer to Process **cont.**

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- Disputes between the District, Contractor and/or Sub-Contractor
- Paperwork is not received in a timely manner
- Large changes that require complex designs and the work of multiple trades
- Work was completed without the District or Prime Contractor's approval

# Process Improvements to Reduce the Number Change Orders

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- Increase number of thorough investigations of soils and pot-holing,
- Increase environmental testing
- Additional design reviews during the design process
- Applying lessons learned
- Continued school administrator involvement during the design process

# Process Improvements to Reduce the Number Change Orders cont.

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- Added a Constructability Team
- Peer reviews by other architectural/engineering firms
- Minimize owner scope changes after bid
- Use Design-Build & Job Order Contracting

# Electronic Processing of Change Orders

Goal: To process all change orders electronically and ensure all documentation is easily accessible

<u>Milestones</u>	<u>Implementation /Target Date</u>
<b>Phase 1: Convert Change Order processing from manual (paper) to electronic</b>  All checklist documents processed and assembled electronically (documents from general contractors and architects & engineers still need to be scanned for their signature)  All LAUSD signatures are now signed and processed electronically  <b>Train Project Managers on electronic change order processing</b>	<b>Completed September 2020</b>

# Electronic Processing of Change Orders cont.

Goal: To process all change orders electronically and ensure all documentation is easily accessible

<u>Milestones</u>	<u>Implementation / Target Date</u>
<b>Phase 2: Automate the processing of all documents associated with change orders and provide additional management tools</b>  <b>Train Project Managers</b>	<b>April 2021</b>
<b>Phase 3: Fully Integrate Architects, Engineers, and Contractors electronically</b>  Improve access to COLIN (Consolidated On-line Information Nexus) to enable contractors, architectural & engineering firms, and project teams to process and approve all aspects of change orders remotely  <b>Train all Project Managers, Architectural &amp; Engineering Firms and Contractors</b>	<b>July 2021</b>

# Change Order Policy Update

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Current policy was established January 2013

Idealistic completion targets

Policy and Procedures to be revised in 2021

Person hired who is specifically dedicated to  
Facilities policy revision & development

Realistic completion objectives

Will include tracking completion targets and  
monitoring progress for targets not achieved