



OFFICE OF THE PRESIDENT

To: Dr. Richard Parrish
Ms. Sara Winchester
Mr. Ken Olsen

From: Dr. Jon Larson

Subject: Standard Operating Procedure for Construction Change Orders

Date: September 22, 2010

Tom Larson

In order to ensure compliance with State law and Board policy, as well as to make certain that there is clear communication on construction progress, I am directing that a new Standard Operating Procedure (SOP) be established for change orders resulting in changes to Board of Trustees approved construction contracts. The proper approval of such change orders is critical. Such change orders can have a major impact on construction costs. This SOP defines the steps to be taken when change orders resulting in price increases to Board of Trustees approved construction contracts are determined to be necessary.

1. If the construction manager, engineer or architect determines that a change in the scope of work of the original contract is necessary, the construction manager, engineer or architect shall immediately submit a written recommendation to the Director of Facilities Engineering and Operations. If the proposed change involves a price increase, such written recommendation shall include an itemized price breakdown. The breakdown shall cover all work involved in the proposed change in the scope of work of the original contract. The price breakdown must be sufficient in detail to permit an analysis of all material, labor, equipment, overhead costs and profit. Any amounts proposed for subcontracts shall be supported by a similar breakdown.
2. The Director of Facilities Engineering and Operations, with assistance from the construction manager, shall negotiate the amount of the proposed change order with the contractor, taking into account the nature, extent and complexity of the work involved. Such negotiations shall also include any contract time extension that might be required by the contractor to complete the proposed change order work. The architect/engineer will assure that the proposed change meets all code and design requirements.

3. The Director of Facilities Engineering and Operations will submit the proposed change order to the architect/engineer who designed the project for approval and subsequently to the Vice President of Planning and Administration and the Vice President of Finance. The Vice President of Planning and Administration must agree in writing that the work is necessary and that the proposed price increase is reasonable. The Vice President of Finance must certify that additional funds are available for the work.
4. The Vice President of Planning and Administration shall inform the President in writing of the proposed change order and request Presidential approval.
5. Following the President's approval, the Purchasing Department shall prepare an action item for the Board's next meeting, advising the Board of the change order and of the resulting contract price increase. Following the Board meeting, the Director of Facilities Engineering and Operations shall enter a requisition in Datatel requesting an increase in the purchase order by the amount of the change order. Following receipt of a fully approved requisition, the Purchasing Department shall issue an amended purchase order, increasing the purchase order by the amount of the change order. The Purchasing Department will provide the Director of Facilities Engineering and Operations and the contractor with a copy of the amended purchase order. The Director of Facilities Engineering and Operations shall direct the contractor to proceed with the approved change order work. No work relating to a change order shall be permitted to commence prior to Board approval and prior to the issuance of an amended purchase order by the Purchasing Department.
6. The Director of Facilities Engineering and Operations shall inform all College contractors that change order work must not be performed by the contractor prior to Board approval. Contractors shall be informed that, absent an amended purchase order reflecting the value of the change order work, any change order work performed by the contractor shall be construed by the College as voluntary performance and as a waiver of any and all claims to extra payment.
7. An "expedited" change order approval process may be utilized for change orders that are considered to be of an emergency nature that may affect the immediate health, safety, or welfare of the College's students, faculty, staff, and general public.

For these change orders, the following emergency procedure will be followed:

- a. The construction manager shall inform the Director of Facilities Engineering and Operations of the emergency and recommend a corrective action who, in turn, will inform the Vice President of Planning and Administration. The College President will be notified and a Certificate of Request for Emergency Purchase will be completed. This certificate will include an estimated amount necessary to perform corrective action and the approvals of the Vice President of Finance, the Vice President of Planning and Administration, and the College President.
- b. The full change order approval process outlined above will be followed for formal Board of Trustees approval at the next Board meeting.



STANDARD OPERATING PROCEDURE FOR CHANGE ORDERS TO CONSTRUCTION CONTRACTS

September 22, 2010

I. Purpose

The purpose of this document is to memorialize a procedure for the processing and President / Board of Trustees approval of change orders for all construction contracts.

II. Background

The procedure provides for approval of all construction change orders by the college in the following order:

1. General contractor initiates change order request (sometimes initiated by Owner)
2. Architect/Engineer approves request
3. College's Director of Facilities, Engineering and Operations and the Construction Manager review and evaluate the need for the change order request
4. Vice President of Planning and Administration evaluates the request
5. Vice President of Finance certifies that funds are available
6. President evaluates and approves the request for Board of Trustee action
7. Board of Trustees review and approve or reject the request
8. Purchase orders are issued to contractors after Board approval.

All change orders are tracked by the College's Construction Manager in a formal cost report to ensure that change orders do not exceed the approved project budget. All change orders are categorized by Owner Scope Change, Field Condition, Architect/Engineer Error, or Architect/Engineer Omission.

III. Proposed Procedure – Details

1. During initial project development, all project budgets are to include construction costs, soft costs and have a contingency line item for potential funding of construction change orders. Depending on the project size, contingency budgets can range from 5% to 15% of construction cost. The contingency fund to be included in the project budget will be recommended by the Vice President of Planning and Administration to the President and Board of Trustees, as recommended by the Director of Facilities Engineering and

Operations. Following Board approval of a construction contract award, contractors will be issued purchase orders for the construction amount only

2. After award of a construction contract, a change order to the contract may be required at any time. A change order can be initiated either by the College (scope change) or by the contractor, resulting from additional work not included in the contract documents.
3. Once a change order is initiated the project Architect/Engineer must review, approve, and provide the authority to continue with the change order process.
4. The Construction Manager shall manage the change order process by preparing a "Change Order Authorization Form" for submittal to, and for review and approval by the College (see attached sample form).

This document will provide the following information:

- Change Summary and Description
 - Change Order Cost
 - Change Initiator
 - Type Change (Scope, Field, A/E Omission, A/E Error, Other)
 - Change Impact to Project Schedule Critical Path
 - Recommendations by CM and A/E
 - Approvals by the College
5. The Change Order Authorization Form will be reviewed and signed by the Architect/Engineer, then the Construction Manager.

Attachments will include all relevant supporting documentation including contractor change order request detailing material quantities, material/equipment costs, labor man hours, labor costs and allowable overhead/profit markups consistent with the contract.

6. The College approval process for change orders is as follows:
 - a. Change Order Authorization Form (signed by Construction Manager and Architect/Engineer) submitted to the Director of Facilities Engineering and Operations for review and approval.
 - b. Upon approval by the Director of Facilities Engineering and Operations, the Vice President of Planning and Administration will review documentation and assure the basis for change is persuasive and warrants approval.

- c. The Vice President of Finance will review and approve certifying that the project budget has available funds for the requested change order.
 - d. The President will review and if approved, present the proposed change order to the Buildings and Grounds Committee of the Board of Trustees for review.
 - e. The President will present the proposed change order to the Board of Trustees for review and approval.
 - f. The Purchasing Department will prepare and issue a purchase order to the contractor, only after Board of Trustees approval.
 - g. Upon approval by the Board, a requisition will be entered in Datatel to reflect the amount of the change order. The Purchasing Department will process the requisition and issue an amendment to the purchase order. The work may proceed upon issuance of the amended purchase order.
7. An “expedited” change order approval process may be utilized for change orders that are considered to be of an emergency nature that may affect the immediate health, safety or welfare of the college’s students, faculty, staff and the general public.

For these change orders, the following emergency procedure will be followed:

- a. The Construction Manager shall inform the Director of Facilities Engineering and Operations of the emergency and recommend a corrective action who, in turn, will inform the Vice President of Planning and Administration. The College President will be notified and a Certificate of Request for Emergency Purchase will be completed. This certificate will include an estimated amount necessary to perform corrective action and the approvals of the Vice President of Finance, the Vice President of Planning and Administration and the College President.
- b. The full approval process detailed in items #6a through #6g above will be followed, for formal Board of Trustees approval at the next Board meeting.



OCEAN COUNTY COLLEGE CHANGE ORDER AUTHORIZATION

Immediate Authorization Required? Yes No

Date Change Request Initiated:

To: Mr. Ken Olsen, Director of Facilities Engineering and Operations

From:

Project:

Change Summary:

Change Description:

Reason for Change:

Cost of Change:

Change Initiated By: Owner A/E CM Contractor

Type of Change: Scope A/E Error A/E Omission Field Other

Schedule Impact: Yes, Critical Path Item No, Does Not Impact Critical Path

Required Approval Deadline:

Critical Path Impact in Days:

Additional Information:

CHANGE ORDER RECOMMENDATION

By signing below, the Construction Manager and the Architect/Engineer have determined that the above cost proposal is reasonable, material and labor costs have been verified and the referenced work is not within the scope of the contract. The undersigned recommends that a Change Order be issued to the contractor for the amount referenced.

Date: _____
Construction Manager
Name:

Date: _____
Project Architect/Engineer
Name:

FOR OCEAN COUNTY COLLEGE APPROVAL ONLY

The undersigned agree with the recommendation and authorize the issuance of a formal Change Order.

Date: _____
Ken Olsen, Director Facilities Engineering & Operations

Date: _____
Richard Parrish, VP of Planning and Administration

Date: _____
Sara Winchester, VP of Finance

Date: _____
Dr. Jon Larson, President