



INDIANA DEPARTMENT OF TRANSPORTATION  
100 North Senate Avenue  
Room N758  
Indianapolis, Indiana 46204-2216  
(317) 232-5533 FAX: (317) 232-0238  
An Equal Opportunity Employer • <http://www.in.gov/dot>

*Driving Indiana's Economic Growth*

MITCHELL E. DANIELS, JR., Governor  
THOMAS O. SHARP, Commissioner

Writer's Direct Line  
317-232-5456

June 13, 2006

**CONSTRUCTION MEMORANDUM  
06-18**

TO: District Directors  
District Highway Operation Directors  
District Construction Engineers  
District Testing Engineers  
District Area Engineers  
Project Engineers/Supervisors  
Toll Road Operations Engineer

FROM: Mark A. Miller, Director *Mark A Miller*  
Division of Construction Management

SUBJECT: Change Order and Time Extension Policies

Attached are copies of the new Change Order and Time Extension policies for construction contracts. These policies will become effective for all Change Orders or Time Extensions that have an approval date on or after July 1, 2006. The Change Order Policy supersedes the section of the General Instructions to Field Employees (GIFE) titled "FORM IC 626 – (SF-35929)-CHANGE ORDER" and Construction Memorandums 00-13, 02-08, 05-02 and 05-09. The Time Extension Policy supersedes GIFE Section 17, "EXTENSION OF CONTRACT TIME" and the appropriate portion of Memo 00-13.

Also attached are revised sections of the General Instructions to Field Employees (GIFE) related to the new Change Order and Time Extension policies. Note that the policies are now separate documents from the GIFE. The GIFE sections are provided as guidance procedures for application of the policies. The attached revised sections of the GIFE replace the existing section mentioned above.

Department personnel who have responsibilities for Change Orders or Time Extensions should familiarize themselves with both the policies and GIFE.

The Division of Construction Management is available to answer questions concerning the new policies and GIFE and will be available to conduct group training sessions at a District's request.

MAM:rlh

attachments

INDIANA DEPARTMENT OF TRANSPORTATION  
Departmental Policy

**Policy:**                    **Policy for Construction Change Orders on Highway Construction Contracts**

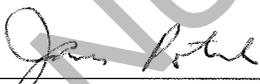
**Purpose:**                    The purpose of a Highway Construction Contract Construction Change Order is to document an impact to a construction contract and to authorize the changes required to mitigate the impact. As part of the Change Order process, it is vital to identify the causes of Change Orders in order to manage documents and procedures to eliminate repetitive causes.

**Effective Date:**        This Policy shall become effective on **July 1, 2006**

**Supersedes:**            This Policy supersedes all previously published Construction Change Order Policies, including, but not limited to those contained in the General Instruction for Field Employees and Construction Memorandums 00-13, 02-08, 05-02 and 05-09.

**Responsible Division:**    Division of Construction Management

**Authority:**

 \_\_\_\_\_ Date 6/13/06  
James Poturalski  
Deputy Commissioner of Highway Management

**POLICY**

**1. General Provisions**

- 1.1. It is the responsibility of the Division of Construction Management to maintain a Construction Change Order Policy (Policy) that minimizes risk to the Department from impacts to construction contracts and documents reasons for changes to manage process improvement.
- 1.2. It is the responsibility of the Division of Construction Management to maintain procedural instructions for application of the Policy. These instructions shall be maintained in the Indiana Department of Transportation General Instructions to Field Employees (GIFE).
- 1.3. This Policy must be implemented in conjunction with the applicable provisions of the Standard Specifications. The Policy shall in no way be construed to supersede the Standard Specifications or any State or Federal statute.
- 1.4. A Change Order is required to document changes in the Contract Documents. These changes include, but are not limited to changes due to plan revisions, extra work,

force account work, accumulated quantity changes, specification changes, credits to the contract and failed materials.

- 1.5. Except as permitted by this Policy, changes to the Contract Documents shall require authorization by the appropriate authority, as described herein, prior to proceeding with any changes to the Contract.
- 1.6. A Registered Professional Engineer (Engineer) assigned to administer and manage a construction contract for the Department has the responsibility and authority to authorize those changes in the work necessary to address errors and omissions in the Contract Documents. The Engineer's authority is intended to allow the work to be constructed within the intent of the original scope and design of the Contract without causing undue delay of the work. Changes may include revisions of existing pay item quantities or addition of new items of work. The Engineer may authorize work to begin on changes that require a Change Order under the requirements of this Policy prior to final approval of the Change Order. Changes must be based on sound engineering judgment and conform to the Department's design and construction policies and standards.
- 1.7. A project supervisor (Supervisor) other than a Registered Professional Engineer assigned to administer and manage a construction contract for the Department has the responsibility and authority to authorize changes in original contract pay item quantities, as allowed by the requirements of this Policy, to address errors and omissions in the Contract Documents. This authority is intended to allow the work to be constructed strictly within the original intent of the scope and design of the Contract. Any other changes to the Contract must be approved according to this Policy before they are implemented in the Contract.
- 1.8. A Change Order is not required, within the limits set out below, to authorize minor changes in original contract pay item quantities that are typically necessary to meet the scope and design of the Contract. Once any one of the limits below is exceeded, a Change Order shall be generated to authorize the revisions. The Change Order shall include all revisions to original contract pay item quantities not previously addressed by a Change Order. Additional Change Orders due to further changes in original contract pay item quantities are not required until the limits of this section are again exceeded.
  - 1.8.1. \$20,000 sum total change in any one original contract pay item
  - 1.8.2. The greater of \$20,000 sum total change in all original contract pay items or a sum total change of 2% of the original contract amount in all original contract pay items, not to exceed \$250,000
- 1.9. The Project Engineer/Supervisor (PE/S) shall maintain contract records sufficient to be able to identify when changes to the Contract exceed the limits set out above.
- 1.10. A Change Order shall not be used to purchase any equipment that will remain the property of the State without prior written approval from the Director of the Division of Construction Management (DDCM).

- 1.11.** A Change Order shall not be used to pay a Contractor for any work on any State property, including buildings and vehicles, not originally included in the Contract without prior written approval from the DDCM.
- 1.12.** A Change Order that adds new items of work or revises quantities of existing items of work shall comply with the Department's policy for attainment of Disadvantaged Business Enterprise (DBE) goals on those contracts that contain DBE goals.
- 1.13.** The District Office of Highway Operations shall review Change Orders for compliance with the Department's policy for attainment of DBE goals.
- 1.14.** A Change Order shall include documentation necessary to describe the impact, cost and justification of the change. The documentation shall be such that a person generally familiar with the construction process, but not associated with the specific contract, is able to understand the impact and the justification for change.
- 1.15.** Documentation of how new or revised unit prices are established shall be included with the submittal of the Change Order.
- 1.16.** The District Construction Office shall provide a copy of all approved Change Orders to the Division of Construction Management and the Project Manager (PM) for the Contract.
- 1.17.** The Division of Construction Management shall provide training as required for implementation and application of this Policy.
- 1.18.** The District Office of Highway Operations shall review District approved Change Orders to ensure compliance with this Policy.
- 1.19.** The Division of Construction Management shall conduct process reviews to verify compliance with this Policy.

## 2. Monetary Approval Authority

- 2.1. A Change Order shall not be split into multiple Change Orders to reduce the total dollar amount per Change Order or to reduce the approval authority level required.
- 2.2. The Department's level of authority for monetary approval of a Change Order shall be as shown in the following table:

<b>Monetary Approval Authority</b>	
<b>Approval Authority</b>	<b>Maximum CO Amount</b>
Area Engineer	\$250,000
District Construction Engineer	\$750,000
State Construction Engineer	\$2,000,000
Director, Division of Construction Management	Over \$2,000,000

- 2.3. When a Change Order is associated with a Time Extension request, both shall require approval by the higher authority required for either the Time Extension or the Change Order.
- 2.4. In addition to the approval levels above, if the Contract has Federal Highway Administration (FHWA) oversight, the Change Order shall receive prior approval from the FHWA. The FHWA may provide documented verbal approval of the Change Order to allow work to proceed and then will authorize the completed Change Order document after final approval by the Department.
- 2.5. In addition to the requirements above, if the Project is a Local Public Agency (LPA) contract, the LPA shall provide approval before work on the Change Order may proceed.
- 2.6. The PE/S shall maintain contract records sufficient to identify when changes to the Contract will exceed 5% of the original Contract amount. The PE/S shall notify the Area Engineer (AE) when the Contract will exceed 5% of the original Contract amount.
- 2.7. When a Contract exceeds 5% of the original contract amount, the District Construction Office shall notify the appropriate District or Central Office program budget managers. The program budget manager will determine how additional funds will be allocated for the Contract.

### 3. Scope or Design Change Approval

- 3.1. The approved scope or design of a Contract shall not be changed, except as permitted by this Policy, without prior approval from the appropriate authority.
- 3.2. Any of the following changes to scope or design elements of the Contract require prior approval, regardless of the monetary value of the change:
- 3.2.1. Alterations to the intent or scope of the Contract or character of the work, including significant revision of the project limits
  - 3.2.2. Revisions to geometric design of the mainline roadway, ramps, frontage roads or crossroads
  - 3.2.3. Revisions to structural section of the pavement, including, but not limited to subgrade, subbase, bituminous binder grade, pavement type, pavement depth, individual pavement courses and aggregate designations
  - 3.2.4. Additions, deletions, changes or relocations to bridges and/or structures that affect the functional scope and intent of the approved design
  - 3.2.5. Deviations from planned access control, including drives or pedestrian access features
  - 3.2.6. Revisions to the specifications, special provisions or other contract requirements, including approved provisions for maintaining traffic
  - 3.2.7. Revisions that result in new environmental impacts, changes in previously permitted activities or reductions in environmental mitigation measures provided for in the Contract
- 3.3. The PM shall be notified when it is determined that a proposed change modifies the original scope or design of the Contract, beyond the changes permitted by this Policy.
- 3.4. The PM shall review proposed modifications to scope or design elements and provide a recommendation to the appropriate monetary approval authority for or against the proposed changes to the Contract. The review shall include planning, design, construction and other Department personnel as appropriate to the situation. FHWA and LPA personnel shall be included in the review as applicable. The recommendation shall include a statement as to whether or not the Contract can be completed as planned without the proposed change to scope or design.
- 3.5. If the approval authority concurs with the recommendation from the PM, the recommendation shall become the final determination and shall be acted on accordingly.
- 3.6. If the approval authority does not concur with the recommendation from the PM, one of the following actions shall be taken:
- 3.6.1. For contracts budgeted at a District: The recommendation, along with the approval authority's comments, shall be forwarded to the District Director, through the District Highways Operations Director for a final decision.
  - 3.6.2. For contracts budgeted at Central Office: The recommendation, along with the approval authority's comments, shall be forwarded to the Deputy Commissioner of

Highway Operations and the Deputy Commissioner of Planning and Production for a final decision.

#### **4. Reason for Change**

- 4.1. Each Change Order shall only address one specific impact to a Contract and shall clearly identify the reason for the change. Multiple items may be included on a Change Order, but all must be related to the same specific impact and have the same reason for the change. A Change Order generated to document revisions of original contract pay item quantities, as previously described, will be considered as one impact.
- 4.2. The Division of Construction Management shall maintain a list of approved Reason Codes to identify the reasons for changes. The proper Reason Code shall be clearly indicated on the Change Order document.
- 4.3. The Division of Construction Management shall regularly review the reasons for Change Orders as identified by the Reason Code, and implement policy, procedure and specification revisions in order to reduce risk of future impacts.

#### **5. Timeliness & Communication**

- 5.1. The Change Order process shall be accomplished promptly in order to minimize delays to construction contracts while still providing for adequate review and oversight of the process.
- 5.2. It is the responsibility of any party to the Contract to notify all affected parties promptly of the discovery of a potential impact to the Contract which may result in the need for a Change Order.
- 5.3. It is the responsibility of the PE/S to initiate the Change Order process as soon as possible after an impact to the Contract is identified and can be reasonably quantified.
- 5.4. It is the responsibility of the required Change Order approval authority to review and respond to requests for Change Order approval promptly.
- 5.5. It is not the intent of this Policy to delay contracts while waiting on a Change Order document to be processed. When necessary, documented verbal approval, as further described herein, shall be used to expedite the approval process and minimize contract delays.

#### **6. Documented Verbal Approval**

- 6.1. In order to minimize delays to the Contract, the PE/S may request documented verbal approval from the appropriate approval authorities, including LPA and FHWA, prior to processing of the Change Order document.

- 6.2. Documented verbal approval shall only be granted when processing of the Change Order document will unreasonably delay the Contract in the view of the approving authority.
- 6.3. Documented verbal approval shall consist of communication via memo, fax or e-mail from the required approval authority. All intermediate management levels shall be copied on the communication. All approvals transmitted by fax or e-mail shall be followed by voice communication to ensure receipt of the transmission.
- 6.4. Work on a Change Order may proceed once documented verbal approval from the appropriate authority is received by the PE/S.
- 6.5. The PE/S shall process the Change Order document promptly after receiving documented verbal approval for a Change Order.
- 6.6. The PE/S shall attach a copy of the documented verbal approval authorization, along with all other required documentation, to the Change Order document for final processing.

SUPERSEDED BY MEMO 10-017  
ON JANUARY 04, 2010

INDIANA DEPARTMENT OF TRANSPORTATION  
Departmental Policy

**Policy:**                    **Policy for Contract Time Extensions on Highway Construction Contracts**

**Purpose:**                    The purpose of a Construction Contract Time Extension is to adjust the completion time of a contract to best accomplish the scheduling objectives of the State.

**Effective Date:**        This Policy shall become effective on **July 1, 2006**.

**Supersedes:**            This Policy supersedes all previously published Time Extension Policies, including, but not limited to those contained in the General Instruction for Field Employees and any applicable Construction Memorandums.

**Responsible Division:**    Division of Construction Management

**Authority:**                 Date 6/13/06  
James Poturalski  
Deputy Commissioner of Highway Management

**POLICY**

- 1.1. It is the responsibility of the Division of Construction Management to maintain a Construction Contract Time Extension Policy (Policy) that minimizes the risks to the Department.
- 1.2. It is the responsibility of the Division of Construction Management to maintain procedural instructions for application of the Policy. These instructions shall be maintained in the Indiana Department of Transportation General Instructions to Field Employees (GIFE).
- 1.3. This Policy shall be implemented in conjunction with the applicable provisions of the Standard Specifications. The Policy shall in no way be construed to supersede the Standard Specifications or any State or Federal statute.
- 1.4. A Time Extension may be granted when conditions beyond the control of the Contractor result in the Contractor's inability to complete a contract within the original contract time.
- 1.5. A Time Extension may be granted when it is in the best interest of the State to adjust the original contract time.

- 1.6. The decision to grant a Time Extension shall take into account the cost of delaying a contract completion versus the cost of acceleration to complete a contract as planned.
- 1.7. When applicable, a request for change to the Contract time associated with an impact to the Contract shall be submitted along with a Change Order. A request shall be submitted to address time reductions as well as time extensions.
- 1.8. When a Time Extension request is associated with a Change Order, both shall require approval by the higher authority required for either the Time Extension or the Change Order.
- 1.9. A request for change in Contract time submitted by the Contractor to the Project Engineer/Supervisor (PE/S) must include documentation justifying the extension. The documentation should include the Contractor's original and revised schedules and copies of any applicable Change Orders.
- 1.10. A Time Extension request shall include the original and any previously approved revised Contract date(s) or time(s), the amount of time requested and the requested revised completion date(s) or time(s).
- 1.11. Approval authority levels for Time Extensions of Standard Specification (SS) contract days shall be according to the following table:

<b>Contract Time Extension Approval Authority</b>	
<b>Approval Authority</b>	<b>Total Number of SS Contract Days per Contract</b>
Area Engineer	50
District Construction Engineer	100
State Construction Engineer	200
Director, Division of Construction Management	Over 200

- 1.12. Approval of Time Extensions for Special Provision (SP) contract times, including, but not limited to incentive/disincentive dates, intermediate completion dates, allowable closure periods and other time requirements set out in the SP shall be based on a comparison of the number of days requested versus the associated monetary value of the days. The required approval authority shall be the higher authority required from either the table above or the **Policy for Construction Change Orders on Highway Construction Contracts**.
- 1.13. The District Construction Office shall provide copies of all District approved Time Extensions to the Division of Construction Management.

- 1.14.** In addition to the approval levels above, if the Contract has Federal Highway Administration (FHWA) oversight, the Time Extension shall receive approval from the FHWA.
- 1.15.** The Division of Construction Management shall provide training as required for implementation and application of this Policy.
- 1.16.** The District Office of Highway Operations shall review District approved Time Extensions to ensure compliance with this Policy.
- 1.17.** The Division of Construction Management shall conduct process reviews to verify compliance with this Policy.

SUPERSEDED  
ON JANUARY 04, 2010  
BY MEMO 10-01

## CHANGE ORDER – FORM IC 626 (SF-35929)

### General

The purpose of a Change Order is to provide documentation of and authorize changes to a construction contract and to identify the reason for the changes for future reference. All Change Orders must comply with the Standard Specifications and the Department's current **Policy for Construction Change Orders on Highway Construction Contracts** (Policy). All personnel responsible for construction contract administration should be knowledgeable of the provisions of the Policy.

The Policy defines the levels of authority for approval of Change Orders and the limits for authorizing changes to a contract. This section of the GIFE sets out the guidelines and procedures for application of the Policy.

Form IC 626 (SF-35929) is used to generate a Change Order to document impacts and authorize changes in the original contract. Change Orders are to be generated using the Department's approved construction records documentation software. Approved Change Orders become part of the Contract documentation and are to be included in the Final Construction Record.

The PE/S is responsible for generating a Change Order when impacts to a contract require changes beyond the PE/S authority level as defined in the Policy. Examples of impacts that will require a Change Order include, but are not limited to, extra work, Force Account work, approved Cost Reduction Incentive proposals, quality incentives, plan revisions, contract incentive/disincentive payments, major quantity changes, accumulation of minor quantity changes, contract specification revisions, and resolution of failed material investigations.

Changes to a contract must have documented approval by the appropriate authority before work may proceed on the changes. In general, this means a Change Order must be approved before changes in work can proceed; however, there are times that a necessary change can be made to correct obvious errors prior to approval of a Change Order.

The Policy defines the responsibility and authority of both professional engineers and supervisors to make changes to a contract. The intent of the Policy is to give engineers and supervisors the authority to use their knowledge and judgment to solve problems within the original scope and design of a contract. This authority is given to reduce undue delays while waiting for approval for the multitude of minor changes and quantity variances that can occur on most projects. Since no policy can define all possible situations that may occur during a construction project, engineers and supervisors are expected to exercise their authority within the limits of the Policy and within the limits of their own abilities. The Department relies on engineers and supervisors to use sound judgment in administering construction contracts and to seek advice in situations beyond their level of expertise. The following questions may provide guidance in determining whether a decision should be forwarded to the next level:

- *Is the solution within the provisions of the Change Order Policy?*
- *Does the solution comply with specifications and standard drawings?*
- *Does the solution comply with design standards?*
- *If this situation has been encountered before, how was it successfully solved then and have standards changed since that time?*
- *Will the next level(s) of management be comfortable with the solution?*

The Policy contains provisions for limits that allow typical variances in original contract pay item quantities so the PE/S can construct the project to the original intent of the Contract Documents. The limits in the Policy are set so normal minor quantity errors do not cause unnecessary change orders. Examples of the kinds of normal overruns anticipated by the Policy are:

- A pipe run requires 10 foot of additional pipe to connect 2 structures as planned
- An additional amount of temporary pavement marking materials or additional construction signs are warranted to improve safety within the project limits
- Additional undercuts must be made due to localized poor subgrade
- Pavement quantities, either measured by area or weight, are overrunning by small amounts

The intent of the Policy is to allow minor quantity adjustments, but to still catch those changes that are significant enough to affect the budget of the individual contract and the Department's construction program. Therefore, the PE/S must keep good records to know when the limits of the Policy are exceeded and must generate a Change Order when required. The following examples are provided as clarification of the Policy's intent:

*Assume the Policy requirements are as follows (check the current Policy for actual requirements):*

- 1.1. A Change Order is not required, within the limits set out below, to authorize minor changes in original contract pay item quantities that are typically necessary to meet the scope and design of the Contract. Once any one of the limits below is exceeded, a Change Order shall be generated to authorize the revisions. The Change Order shall include all revisions to original contract pay item quantities not previously addressed by a Change Order. Additional Change Orders due to further changes in original contract pay item quantities are not required until the limits of this section are again exceeded.

1.1.1. \$20,000 sum total change in any one original contract pay item

1.1.2. The greater of \$20,000 sum total change in all original contract pay items or a sum total change of 2% of the original contract amount in all original contract pay items, not to exceed \$250,000

***Example 1:***

*Given:*

- *Original contract amount = \$253,000*
- *No change orders written to-date*
- *Greatest sum total overrun for any one original item: Item #3 = \$4,000*
- *Sum total overrun of all original items = \$4,350 (includes Item #3 from above)*
- *An overrun of original contract item #4 is required that will cost \$800 to construct the contract as planned*

*Result: A Change Order is not required. Changes do not exceed the criteria:*

- *By section 1.1.1, the greatest sum total change allowed in any one original item is \$20,000, which is greater than \$4,000 (Item #3); therefore, no Change Order required.*
- *By section 1.1.2, 2% of the original contract amount =  $\$253,000 \times 0.02 = \$5,060$ , which is less than \$20,000 and does not exceed \$250,000; therefore \$20,000 controls. The current total change equals \$5,150, which is less than \$20,000 sum total for the contract; therefore, a Change Order is not required.*

**Example 2:**

*Given:*

- *Original contract amount \$253,000*
- *No Change Orders written to-date*
- *Greatest sum total overrun for any one original item: Item #3 = \$4,000*
- *Sum total overrun of all original items = \$14,500*
- *Original Items #5 & 6 will now overrun by a combined total of \$7,000 to construct the contract as planned*

*Result: A Change Order is required. Changes exceed criteria of 1.1.2:*

- *By section 1.1.1, the greatest sum total change allowed in any one original item is \$20,000, which is greater than \$4,000 (Item #3); therefore, no Change Order required.*
- *By section 1.1.2, 2% of the original contract amount =  $\$253,000 \times 0.02 = \$5,060$ , which is less than \$20,000 and does not exceed \$250,000; therefore \$20,000 controls. The current total change equals \$21,500, which is greater than \$20,000 sum total for the contract; therefore, a Change Order is required.*

**Example 3:**

*Given:*

- *Original contract amount \$2,250,000*
- *One Change Order written to-date for changes in original items to construct contract as planned = \$36,000 (one item overrun = \$25,000)*
- *Greatest sum total overrun for any one original item since Change Order #1: Item #25 = \$19,000*
- *Sum total overrun of all original items since Change Order #1 = \$43,500*

- *Original Item #25 will now overrun by an additional amount of \$8,000 to construct the contract as planned*

*Result: A Change Order is required. Changes exceed criteria of 1.1.1:*

- *By section 1.1.1, the greatest sum total change allowed in any one original item is \$20,000, which is less than the new total in Item #25 of \$27,000 since Change Order #1; therefore, a Change Order is required.*
- *Note that the criteria of section 1.1.2 is also exceeded. The sum total of all original items since Change Order #1 is \$51,500, which is greater than \$20,000 and also greater than 2% of the original contract amount (\$45,000)*
- *Note that Change Order #1 reset the criteria for all original contract items. The change order was required because the criteria had again been exceeded.*

#### **Example 4:**

*Given:*

- *Original contract amount \$21,500,000*
- *No change orders written to-date*
- *Greatest sum total overrun for any one original item: Item #35 = \$19,999*
- *Sum total overrun of all original items = \$187,000*
- *Four original items that have not been previously changed, will now overrun by \$19,000 each for a total of \$76,000 to construct the contract as planned*

*Result: A Change Order is required. Changes exceed criteria of 1.1.2:*

- *By section 1.1.1, the greatest sum total change allowed in any one original item is \$20,000, which is greater than the total change in Item #35 of \$19,999; therefore, a Change Order is not required.*
- *By section 1.1.2, 2% of the original contract amount =  $\$21,500,000 \times 0.02 = \$430,000$ , which is greater than \$20,000 and exceeds \$250,000; therefore \$250,000 controls. The current total change equals \$263,000, which is greater than \$250,000 sum total for the contract; therefore, a Change Order is required.*

Note that in all the previous examples, only original contract pay items were changed in order to construct the contract specifically as planned. Had any new items of work been added, plans revised, specifications changed, etc., a Change Order would have been required regardless of the affects to original contract items.

A Change Order generally is only an estimate of the quantity and cost of the work to be done. Some items, such as peat excavation, borrow, pavement patching, etc. are very difficult to estimate quantities for prior to the work being completed and measured. In any case, the PE/S must work with the Contractor, the Area Engineer and others to develop as accurate an estimate a possible for Change Order items. The actual quantities of work performed on a Change Order still must be measured and paid for according to the Standard Specifications, the Special Provisions and the provisions of the Change Order. When the cost of work on Change Order items exceeds the amount originally

authorized for the Change Order, the PE/S must follow the provisions of the Policy to determine if an additional Change Order is required.

Special situations, such as Cost Reduction Incentives, Failed Materials and Force Account work will require that a Change Order be generated. In those instances, the PE/S should refer to the Standard Specifications and other sections of the GIFE for the requirements and guidance in those situations.

Occasionally, a contract may have original bid items that provide for equipment, materials or services to be provided to the Department beyond those items that are specifically required to construct the planned work. Examples of these items would be cellular telephones and cell service, spare parts packages for CZ units or delivery of salvageable materials. Original items such as these have been included in the contract by approval of the Department. On contracts with Federal participation, the original items have also been approved by the FHWA or are included as "Z" items to be paid for with 100% State funds. It is important to note that new items for providing equipment, materials or services may not be added to a contract by Change Order without prior written approval from the appropriate authority.

Federal law requires that Disadvantaged Business Enterprise (DBE) goals are set by the Department for contracts receiving Federal funding. Likewise, State law requires 100% State funded contracts to contain Minority or Women's Business Enterprise (MBE/WBE) goals. It is important that the PE/S is aware of the Department's policies for attainment of contract DBE or MBE/WBE goals. Any Change Order that adds new work or revises quantities of existing items may affect the attainment of these goals. The PE/S should ensure that any documentation required by DBE/MBE/WBE policies is included with the submission of the Change Order. The District EEO officer can provide support and guidance for compliance with these policies.

### **Change Order Submission & Approval**

The PE/S should notify the Area Engineer as soon as an impact to the Contract is identified that may result in a Change Order. Prompt communication of potential changes by all parties to the Contract is necessary to avoid delays in approval of changes. When the Contractor would be delayed by the time required to process a Change Order, documented verbal approval, as defined in the Policy, may be requested from the appropriate approval authority. Good job management practices will minimize the need for verbal approval. There are exceptions, such as foundation items that cannot be anticipated until the foundation is exposed or the test pile driven or final earthwork quantities that are not determined until after work is completed.

The submission of Change Orders must be kept up-to-date and current with the progress of the field construction, not only because it is necessary to obtain prior approval, but also because preparation is simplified when a minimum number of items are involved in each Change Order and the issues are still fresh in the minds of the PE/S and the Contractor. Even when documented verbal approval is provided for a Change Order to

allow work to proceed, the PE/S must generate the corresponding Change Order document and backup documentation as soon as possible in order to authorize payment to the Contractor. This should normally take no more than a few days.

The Policy defines the monetary approval authority levels for Change Orders. These limits have been set to provide the Department and its employees with an acceptable level of risk. The time required for the Change Order process is often seen as a hindrance to the progress of the construction work and as basis for delay claims by the Contractor. However, it is critical that the Policy provisions for approval be followed and the risk for delay balanced against the risk of working outside of the Policy requirements. Change Orders must not be intentionally “split” or otherwise manipulated to reduce the required approval level.

In addition to the monetary approval levels defined in the Policy, if the Contract has FHWA oversight or is an LPA contract or both, the FHWA and LPA must also approve the Change Order as defined in the Policy.

In order to manage contract funds, the PE/S must track the total cumulative change (positive or negative) to the Contract. The District Construction Office and the Area Engineer must be informed when the total Contract amount exceeds the limits for total percent change from original Contract amount as set out in the Policy.

When an approved Change Order causes the total cumulative change in the original Contract amount to exceed the limits as set out in the Policy, the District Construction Office must forward the Change Order to the personnel identified in the Policy to determine how additional funds will be appropriated for the Contract. All subsequent Change Orders must also be forwarded for funding review.

Changes that alter the original scope or design of a contract may not be made without prior approval as defined in the Policy. Changes to the scope or design of a contract require additional research and approval prior to the monetary authorization required by the Policy. Examples of scope or design changes can range from minor lengthening of the project limits to total redesign of a bridge structure or pavement section. The Policy lists specific examples of changes that require prior approval. The PE/S should contact their Area Engineer (AE) if there is a question concerning changes to scope or design. The Project Manager (PM) for a contract can provide additional guidance on scope and design changes and must be contacted if such a change is anticipated or proposed.

### **Reasons for Change Orders**

A Change Order should be generated for each specific impact to a contract that can be associated to the same cause or reason at the time of the impact. Multiple items, including extra work items, force account items, and quantity adjustments may all be included in a Change Order when the changes are related to the same cause and have the same Reason Code. A Change Order should not include changes due to unrelated causes.

This is necessary in order to facilitate the Department's ability to track and manage the fiscal impact of changes.

In order to manage change on future projects, the Department needs to understand the causes of the most significant changes on contracts. This requires the PE/S to accurately assign a Reason Code to each item on a Change Order. The Reason Code should be the same for each item on a given Change Order. The Reason Code for a Change Order is selected from a menu in the construction records documentation software program. The following table provides a summary of the Reason Codes and examples of each:

<b>Change Order Reason Codes</b>	
<b>Change Order Reason</b>	<b>Examples</b>
<p style="text-align: center;"><b>1.</b> <b>Contract Document Errors &amp; Omissions</b> (Reason Codes 101 thru 111)</p> <p>An error or omission in the Contract Documents which prevents the contract from being constructed as intended.</p>	<ul style="list-style-type: none"> <li>• An error or omission in contract item quantities beyond 5% of the original item</li> <li>• An error or omission in contract item descriptions or specifications, including conflicts between item descriptions and specifications</li> <li>• An error in a specific design element of the Contract, such as the type of crash attenuator, specified size of pipe, height of retaining wall, location of an inlet, etc.</li> <li>• Omission of an item required to perform the work specified</li> <li>• The Contract is not constructible as designed, including major errors in construction phasing or traffic maintenance plans</li> </ul>
<p style="text-align: center;"><b>2.</b> <b>Scope Changes</b> (Reason Codes 301 thru 309)</p> <p>A change in the project limits or design that revises the original intent of the Contract.</p>	<ul style="list-style-type: none"> <li>• Significant changes in Project limits that expand or reduce limits from the original plans</li> <li>• Addition of new items of work not originally intended for the Contract</li> <li>• Deletion of existing items of work in the Contract not due to errors or omissions</li> <li>• Changes in design of specific items, such as a bridge type or pavement section</li> <li>• An approved Cost Reduction Incentive proposal</li> </ul>
<p style="text-align: center;"><b>3.</b> <b>Changed Field Conditions</b> (Reason Codes 401 thru 407)</p> <p>Either an existing or new condition that could not have been reasonably foreseen by either INDOT or the Contractor prior to beginning the work.</p>	<ul style="list-style-type: none"> <li>• Discovery of soil conditions not identified by the geotechnical report, when the report was performed to accepted practice</li> <li>• Discovery of underground storage tanks not identified by reasonable efforts during design</li> <li>• Discovery of utility facilities or conflicts not identified during reasonable coordination efforts during design</li> </ul>
<p style="text-align: center;"><b>4.</b> <b>Failed Material</b> (Reason Code 500)</p>	<ul style="list-style-type: none"> <li>• Credits to the Contract for failed material</li> </ul>

Material failures that result in penalties, reduced payment or replacement of items of work.	
<p style="text-align: center;"><b>5.</b> <b>Standards Changes</b> (Reason Codes 701 thru 703)</p> <p>A change in the Contract Specifications as a result of a Department decision to initiate changes to active contracts on a Statewide basis</p>	<ul style="list-style-type: none"> <li>Any change to the Specifications, Standard Drawings, Special Provisions, etc. required retroactively to the Contract.</li> </ul>

Not  
e  
that

Reason Codes 201 through 209, 601 and 603 through 605 may not be used without prior approval from the Division of Construction Management.

The following codes are to be used for the specific examples listed:

- 406 – CHANGED FIELD CONDITIONS, Staging Related: Repair of damage caused by uninsured or hit & run motorist during a phase of traffic maintenance
- 602 – INCENTIVE/DISINCENTIVE, Contract Payments: QA adjustments
- 702 – STANDARDS/SPECS UPDATE OR CHANGES, Contract Payments: Claim adjustments or settlements
- 703 – STANDARDS/SPECS UPDATE OR CHANGES, Other: Contract renewals

A full listing of Reason Codes is provided at the end of this section. The Division of Construction Management can provide guidance if there is a question about which code should be used.

### **Processing a Change Order Document**

A Change Order form is generated by the PE/S by using the Department's approved construction records documentation software (CRA, Site Manager, etc.). The instructions in the GIFE are intended as guidelines for proper completion of a Change Order and not as instructions for use of a software program. The PE/S should also refer to the specific instructions included with the software being used. Much of the information required on the form (Contract Number, Project Number, Page, etc.) will be automatically generated by the software program. The PE/S must complete the remainder of Change Order form properly and completely to prevent delays in approval and processing.

Proper documentation is required for all Change Orders and must be attached to the IC 626 when submitted for approval. The software program provides space to explain the reason for and describe the details of the recommended change. The explanation and attached documentation must be clear and concise to prevent misunderstanding or misinterpretation by individuals subsequently reviewing the Change Order. A good rule to follow is that the documentation should be readily understood by another person generally familiar with highway construction work, but not specifically familiar with the

given contract. The documentation should not include references to any material not readily available to the reader. The documentation should include locations, dates of events, references to Specifications, etc. Sketches or redlined half-size plan sheets may also be necessary to clarify the explanation and should be included on separate sheets. Multiple pages of detailed calculations need not be attached to the Change Order, but must be retained in the project file and a note added to the Change Order to indicate this.

On Contracts with multiple project control numbers (PCN), a breakdown of the items by individual PCN must be made. The computer software should complete the project numbers on the form for all PCN numbers included in the document. If the document involves more than one project and PCN in the contract, the items must be broken down by PCN on the Change Order form. The PE/S is responsible for entering the correct item quantities for each PCN on the Change Order. The breakdowns by PCN must be the same as the breakdowns that will be used for preparation of the Comparison of Estimates – Original and Final (Form IC 642) and the Progress Pay Estimates (Form DAC 25). Accuracy in determination of PCN breakdowns is essential in order to provide required documentation for increasing project funds and to produce a correct Final Construction Record.

The PE/S must calculate the percent of change for each item on the Change Order. Two percentages must be calculated and included on the Change Order form in the proper field. The first field required is the percent of change of the item represented on the current Change Order as a percent of the authorized contract quantity. The authorized contract quantity includes the original contract amount plus any additional quantity approved prior to the current Change Order. The authorized contract quantity must account for all Change Orders approved or in the approval process prior to the current Change Order. The second field required is the cumulative total change to-date of the item, including the current Change Order, as a percent of the original contract quantity. An item of extra work will be 100% change for both fields.

The Change Order, when completed by the PE/S, should be submitted to the Contractor for signature. If the Contractor refuses to sign a Change Order, the PE/S should contact the AE for further guidance. In this case, the Change Order may become Force Account work. A copy of the Change Order is to be provided to the Contractor.

The PE/S must initial the form in the proper location to signify recommendation of the Change Order for approval and then forward the Change Order to the District Construction Office.

The District Office will maintain a log of all Change Orders for each contract to track the status of the Change Order during the approval process. The District will distribute the original Change Order and copies as necessary to the final approval authority and any intermediate authorities required. A copy of the Change Order will be retained by the District Office until the original is returned.

When a Local Public Agency (LPA) is involved in items in the Change Order, at least two (2) signatures of authorized representatives from the LPA are required before further processing of the form.

All Department personnel responsible for review and recommendation of the Change Order must initial the form in the appropriate location prior to signature by the final monetary approval authority required. The person responsible for the final monetary approval will sign and date the form in the approval block.

Change Orders on Federal Aid projects with FHWA oversight are subject to review and approval by the FHWA. When the Change Order affects items with Federal participation, the Change Order must be forwarded to the FHWA for an approval signature after all Department signatures have been completed, but before distribution of the document. When circumstances dictate, verbal approval may be sought from the FHWA by contacting the appropriate FHWA personnel. Based upon its review, the FHWA has the prerogative to withdraw all or part of the Federal participation of the items involved. Therefore the District must exercise care that the Change Order is within established guidelines and will not result in withdrawal of Federal participation.

Formal FHWA approval is obtained by transmitting the original of the document to the FHWA. A copy is retained by the Department until FHWA approval is obtained. After approval, the FHWA will return the original, stamped as being approved for Federal participation (unless exceptions are noted).

When the Corps of Engineers is participating in a contract, their authorized representative must sign the original Change Order, using the same procedure as FHWA, prior to distribution of the document.

Change Orders approved by a District authority will be distributed by the District Construction Office as follows:

- Original returned to the PE/S to be incorporated into the FCR
- One (1) copy retained in the District Construction Office files
- One (1) copy to the Project Manager
- One (1) copy to the Contractor
- One (1) copy to the Central Office Division of Construction Management
- One (1) copy to the FHWA (as required)
- One (1) copy to the LPA (as required)

The copy sent to Central Office must have a cover letter attached. The letter should be sent over the signature of the District Construction Engineer and addressed to the State Construction Engineer. The letter should include the following information:

- District
- Contract number
- Project number

- Change Order number
- Original contract amount
- Net increase or decrease in dollars on the Change Order
- Total percent change to-date for the Contract

For Change Orders requiring Central Office approval, the District should send the original Change Order to the State Construction Engineer with a cover letter from the District Construction Engineer. The letter should include the same information listed above, plus the following:

- Brief summary of the reason for the Change Order
- Brief summary of the unit price justification
- Statement of recommendation for approval

The Division of Construction Management will review Change Orders requiring Central Office approval. The reviewer will note his recommendation for the Change Order on the cover letter and forward it to the proper authority for final approval. A sample cover letter for Change Orders requiring Central Office approval is included at the end of this section.

The Division of Construction Management will return approved original Change Orders to the District for final distribution as previously described. Unapproved original Change Orders will be returned to the District with reason for non-approval.

#### **Timeliness of Change Orders**

The Change Order process must be accomplished promptly to minimize delays to construction contracts while still providing time for adequate review and oversight of the process. It is the responsibility of any one party to the Contract to notify all affected parties promptly of the discovery of a potential impact to the Contract which may result in the need for a Change Order.

All parties to the Contract should communicate on a regular basis concerning potential changes to the Contract. When any given impact to the Contract becomes quantified as a Change Order, all affected parties should have sufficient prior knowledge to be able to make a final decision or recommendation within the timeliness guidelines of this policy.

Communication is necessary on a regular basis to ensure that when an impact to the Contract becomes quantified as a Change Order; all affected parties have sufficient prior knowledge to be able to make a timely decision or recommendation.

All Department personnel involved in the Change Order process must communicate potential impacts to the proper approval levels as quickly as possible. This communication must include FHWA and LPA personnel when applicable.

All Change Order approval authorities should strive to review and respond to Change Order requests promptly. As a general guideline, each person responsible for a step in the review and approval process should strive to complete their part in 2 business days or less. When an approval authority will be unable to provide a final decision within 2 days, a response should be sent to the affected parties within 2 days letting them know when a final decision can be expected.

### **Additional Information**

The following sections are intended to provide guidance for specific types of Change Orders:

**Extra Work Items:** A Change Order must be used to establish extra work items, their quantities and unit prices. These are items for which there is no original contract item or price. Extra work is defined in the SS.

For items of extra work, the PE/S must estimate the quantity for each item and negotiate a new unit price for the items with the Contractor. The Department maintains resources to assist in negotiation of new unit prices. The PE/S should refer questions about pricing to the Area Engineer for assistance. Justification for new unit prices must be included with the documentation for the Change Order.

In the event the SS applicable to the Contract does not cover an item of extra work, it is necessary to include a unique specification for the extra work as part of the documentation with the Change Order.

A Change Order is also required when a new item and unit price is created by specific requirements of the SS. For example:

*A contract has an existing item for common excavation, but no item for rock excavation. Rock excavation is encountered and a unit price must be established. The SS provides a method of establishing the unit price for rock excavation as X times the contract unit price for common excavation up to a limit of \$XXX per cubic yard.*

In the example above, a Change Order must be used to establish an item for rock excavation at the prescribed unit price. It is important to note that it is not acceptable to avoid creating a change order by paying for a new item as an additional quantity of an existing item. This would be falsifying final pay quantities in the Final Construction Record, a legal document.

When a Change Order is used to establish an extra work item, the letter "E" is to be placed in the **C,E,F** field on the Change Order form. Complete the **CLN** and the **PLN** fields with the next sequential numbers for the contract. Next, complete the **PCN (DES)**, **Spec Ref**, **Item Description**, **Quantity**, and **Unit Price** for the item. The **Item Description** and **Spec Ref** must be from the Master Items List in the software program.

When necessary, a supplemental description may be entered to clarify the intent of the item.

**Force Account:** The SS provides for performance of extra work by "Force Account". This method of payment for performing work is generally used only when the Contractor and the State cannot mutually agree on a negotiated unit price for the extra work. This could happen when the added work is unusual in nature and neither party has past records concerning costs or time.

The use of a Force Account to pay for extra work must be approved by the appropriate authority prior to the work being performed. In order to determine the authority level for pre-approval of Force Account work, the PE/PS should develop an estimated maximum cost of the work. This cost can then be used to determine the proper approval authority for the Force Account to be performed. Note that the estimated cost of the Force Account should also be taken into consideration for any other constraints that may apply to the Change Order, including any conditions related to total percent over run of the original contract amount.

For Force Account work, the SS describe the method of documenting and paying for labor, materials, equipment, bonding, insurance and subcontracting. The PE/S must follow the procedures in the SS when developing a Change Order for Force Account work.

When a Change Order is being used to document items of extra work performed by Force Account, the letter "F" must be placed in the **C,E,F** on the Change Order form. The remainder of the fields are then completed as for the extra work item process described above with the exception that the **Spec Ref** number and **Item Description** used for force account work must be "**109-04299, FORCE ACCOUNT WORK**". A supplemental description must always be added with a force account item to identify the specific element of work being performed.

**Quantity Adjustments:** Change Orders may be required when the actual quantity required of an existing contract item differs substantially from the original contract quantity. The CO Policy defines when a Change Order is required due to quantity changes. Both positive and negative adjustments must be considered when determining whether a Change Order is required. Note that Change Orders for quantity adjustments can be required for adjustments to both original items of work and for extra work items created by previous Change Orders.

When a Change Order is created to make a quantity adjustment of an existing item in the contract, the Contract Line Number (**CLN**), the Project Line Number (**PLN**), **PCN**, **Spec Ref**, **Item Description** and **Unit Price**, as shown in the itemized proposal or on a previous Change Order, should be used and the letter "**C**" must be placed in the **C,E,F** field. The quantity adjustment, positive or negative, is placed in the **Quantity** field.

On contracts with multiple project control numbers (PCN), it may be necessary to add an existing contract line item (CLN) to a PCN for which it does not already exist, the extra work item process described above is utilized, except the CLN is item number which already exists in the contract. This can apply to an item of extra work previously added by Change Order.

**Zero Dollar Change Orders:** Occasionally a Change Order for zero dollars may be required. This can happen when a specification change is made by an appropriate authority and both the Department and the Contractor agree that there is no financial impact of the change. This applies only to Change Orders where every item has a quantity change of 0 units and an extension of \$0.00. A Change Order that has a net value of \$0.00, but involves multiple positive and negative item adjustments does not qualify as a zero dollar Change Order. Positive and negative changes must be documented by Change Orders as previously described.

**Non-Participating Items:** Occasionally on contracts with Federal matching funds, circumstances arise in which the FHWA will not participate in the cost of certain items or portions of items. When this applies to new items of work, the Change Order form is used to establish non-participating items and to assign the proper quantities to new items with only partial Federal participation.

For new, non-participating items:

The words "Non-Participating" must be included in the supplemental description field for the item, after any other supplemental description used for the item. A "Z" must be placed in the Non-Participating indicator box. The remainder of the form is completed as for any other Change Order.

For a new item that has partial Federal funding:

Two separate items must be created; one for the participating portion and one for the non-participating portion. The quantities for the items must be entered based on the portion with and without Federal participation. The item description for both items should be the same. The non-participating item must include the words "Non-Participating" in the supplemental description field for the item, after any other supplemental description used for the item. A "Z" must be placed in the Non-Participating indicator box only for the non-participating item. The remainder of the form is completed as for any other Change Order.

### **Attachments**

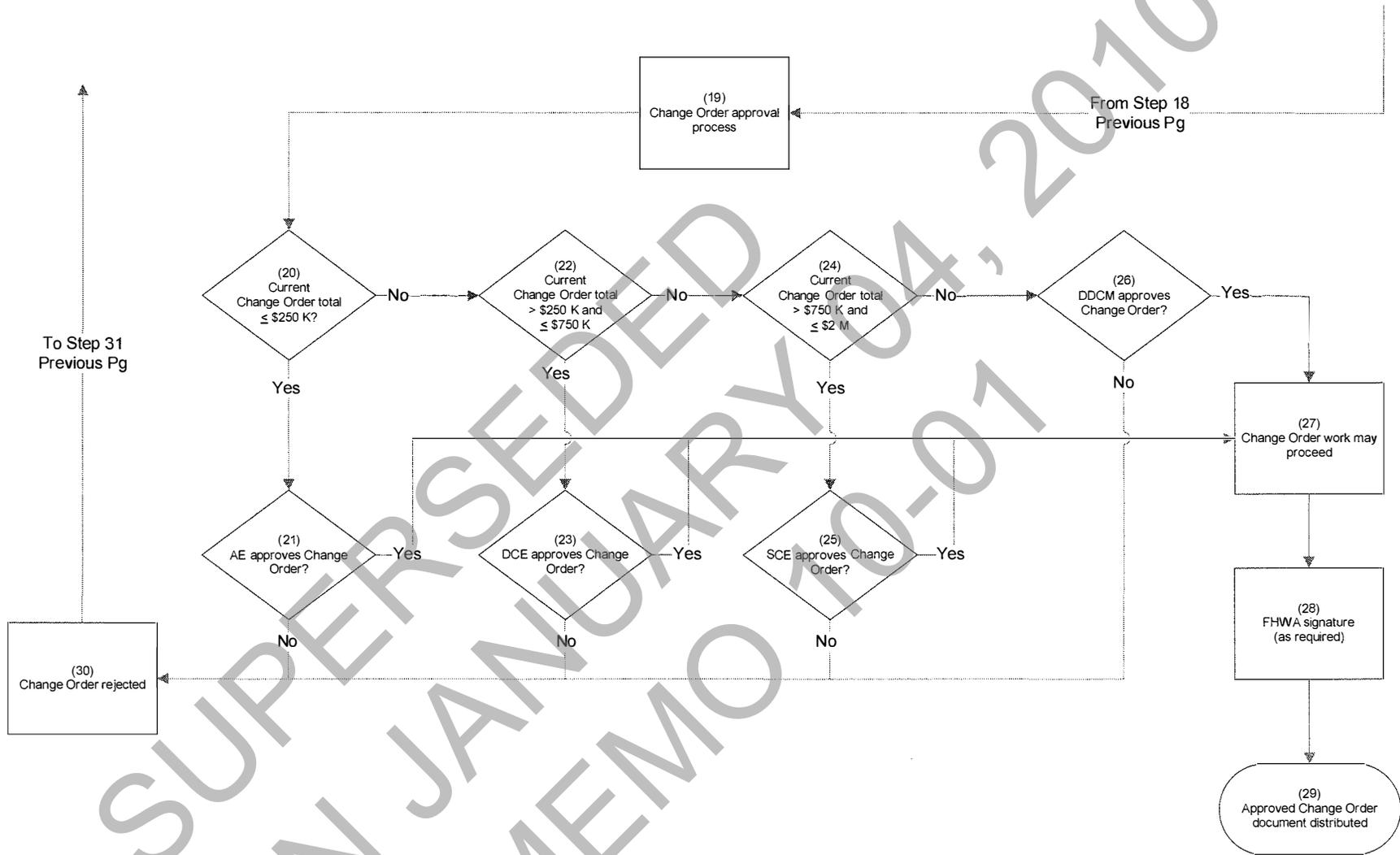
On the following pages, find:

- Full listing of Reason Codes current at time of publication
- Flow chart of the Change Order process
- Sample cover letter from District requesting Central Office approval for Change Orders

CO_CODE	CO_REASON_LONG	CO_REASON_SHORT
101	ERRORS & OMISSIONS - CONTRACT DOCUMENTS, Contract Related	ERRORS & OMISSIONS, Contract Related
102	ERRORS & OMISSIONS - CONTRACT DOCUMENTS, Design Related	ERRORS & OMISSIONS, Design Related
103	ERRORS & OMISSIONS - CONTRACT DOCUMENTS, Environmental Related	ERRORS & OMISSIONS, Environmental
104	ERRORS & OMISSIONS - CONTRACT DOCUMENTS, Materials Related	ERRORS & OMISSIONS, Materials Related
105	ERRORS & OMISSIONS - CONTRACT DOCUMENTS, Permits	ERRORS & OMISSIONS, Permits
106	ERRORS & OMISSIONS - CONTRACT DOCUMENTS, Quantity Related	ERRORS & OMISSIONS, Quantity Related
107	ERRORS & OMISSIONS - CONTRACT DOCUMENTS, R/W Related	ERRORS & OMISSIONS, R/W Related
108	ERRORS & OMISSIONS - CONTRACT DOCUMENTS, Soils Related	ERRORS & OMISSIONS, Soils Related
109	ERRORS & OMISSIONS - CONTRACT DOCUMENTS, Staging Related	ERRORS & OMISSIONS, Staging Related
110	ERRORS & OMISSIONS - CONTRACT DOCUMENTS, Traffic Control Related	ERRORS & OMISSIONS, Traffic Control
111	ERRORS & OMISSIONS - CONTRACT DOCUMENTS, Utilities Related	ERRORS & OMISSIONS, Utilities Related
201	CONSTRUCTABILITY, Construction Related	CONSTRUCTABILITY, Construction Related
202	CONSTRUCTABILITY, Design Related	CONSTRUCTABILITY, Design Related
203	CONSTRUCTABILITY, Environmental Related	CONSTRUCTABILITY, Environmental Related
204	CONSTRUCTABILITY, Materials Related	CONSTRUCTABILITY, Materials Related
205	CONSTRUCTABILITY, R/W Related	CONSTRUCTABILITY, R/W Related
206	CONSTRUCTABILITY, Soils Related	CONSTRUCTABILITY, Soils Related
207	CONSTRUCTABILITY, Staging Related	CONSTRUCTABILITY, Staging Related
208	CONSTRUCTABILITY, Traffic Control Related	CONSTRUCTABILITY, Traffic Control
209	CONSTRUCTABILITY, Utilities Related	CONSTRUCTABILITY, Utilities Related
301	SCOPE CHANGES, PHWA	SCOPE CHANGES, PHWA
302	SCOPE CHANGES, Central Office Construction/Traffic	SCOPE CHANGES, Central Office
303	SCOPE CHANGES, District/Subdistrict	SCOPE CHANGES, District/Subdistrict
304	SCOPE CHANGES, District Construction Engineer	SCOPE CHANGES, District Construction Eng
305	SCOPE CHANGES, Area Engineer	SCOPE CHANGES, Area Engineer
306	SCOPE CHANGES, Project Engineer/Supervisor	SCOPE CHANGES, Project Engr/Supervisor

CO_CODE	CO_REASON_LONG	CO_REASON_SHORT
307	SCOPE CHANGES, Traffic Engineer	SCOPE CHANGES, Traffic Engineer
308	SCOPE CHANGES, Local Agency Request	SCOPE CHANGES, Local Agency Request
309	SCOPE CHANGES, Public/Political Request	SCOPE CHANGES, Public/Political Request
401	CHANGED FIELD CONDITIONS, Construction Related	CHANGED COND, Construction Related
402	CHANGED FIELD CONDITIONS, Environmental Related	CHANGED COND, Environmental Related
403	CHANGED FIELD CONDITIONS, Materials Related	CHANGED COND, Materials Related
404	CHANGED FIELD CONDITIONS, R/W Related	CHANGED COND, R/W Related
405	CHANGED FIELD CONDITIONS, Soils Related	CHANGED COND, Soils Related
406	CHANGED FIELD CONDITIONS, Staging Related	CHANGED COND, Staging Related
407	CHANGED FIELD CONDITIONS, Utilities Related	CHANGED COND, Utilities Related
500	FAILED MATERIAL	FAILED MATERIAL
601	INCENTIVE/DISINCENTIVE, Contract Completion Time	INCENTIVE/DISINCENT, Contract Compl
602	INCENTIVE/DISINCENTIVE, Contract Payments	INCENTIVE/DISINCENT, Contract Payments
603	INCENTIVE/DISINCENTIVE, Cost Reduction	INCENTIVE/DISINCENT, Cost Reduction
604	INCENTIVE/DISINCENTIVE, A+B Contract	INCENTIVE/DISINCENT, A+B Contract
605	INCENTIVE/DISINCENTIVE, A+B+C Contract	INCENTIVE/DISINCENT, A+B+C Contract
701	STANDARDS/SPECS UPDATE OR CHANGES, Contract Completion Time	STANDARDS/SPECS CHANGE, Completion Time
702	STANDARDS/SPECS UPDATE OR CHANGES, Contract Payments	STANDARDS/SPECS CHANGE, Contract Payment
703	STANDARDS/SPECS UPDATE OR CHANGES, Other	STANDARDS/SPECS CHANGE, Other





SUPERSEDED BY MEMO ON JANUARY 04, 2010

**SAMPLE COVER LETTER FOR CENTRAL OFFICE APPROVED CHANGE ORDERS**

July 1, 2006

TO: Mr. Dennis A. Kuchler  
State Construction Engineer, Division of Construction Management

THRU: Mr. Joe Novak (*insert appropriate Field Engineer*)  
Field Engineer, Division of Construction Management

THRU: Ms. Cheryl Sweeney  
Final Review Supervisor, Records and Documents Library

RE: Contract No: R-29000  
Project No: IM-465-4(123)  
DES No: 0600123  
District: Fort Wayne  
Work Type: Interstate Reconstruction

Herewith for your signature, if satisfactory, is Change Order # 2, form IC 626, at an increase (*or decrease*) cost of \$825,000.00.

SUMMARY: This change order is required to increase the quantity of common excavation and compacted aggregate for additional subgrade undercuts required due to field conditions not apparent prior to start of work.

Price Justification: Contract bid items

The District recommends approval.

TOTAL ORIGINAL CONTRACT:	\$20,250,000.00
INCREASE THIS CHANGE:	\$ 825,000.00
PREVIOUS CHANGE:	\$ (25,000.00)
TOTAL CHANGE:	\$ 800,000.00
TOTAL MODIFIED CONTRACT:	\$21,050,000.00
TOTAL PERCENT CHANGE:	+3.80%

---

Field Engineer Recommends Approval

Field Engineer Comments:

ROUTING

Ms. Sweeney  
Field Engineer  
Mr. Kuchler

## 17. EXTENSION OF CONTRACT TIME

The purpose of a Contract Time Extension is to provide documentation of authorized changes to the original contract time as set out in the Contract Documents. All Time Extensions must be in compliance with the Department's **Policy for Contract Time Extensions on Highway Construction Contracts** (Policy). The PE/S should familiarize themselves with the provisions of the Policy.

The SS permits the Contractor to submit a request for an extension of contract time for reasons beyond the Contractor's control. The Policy defines the levels of authority for approval of Time Extensions. This section of the GIFE sets out the guidelines and procedures for application of the Policy.

Whenever a situation arises in which the question of the possibility of an extension exists, every effort should be made to consider and resolve the question at the time of the occurrence. It is preferable to resolve Time Extension requests at an early stage when exact conditions and facts are current and more easily established. Timely resolution of requests also lets the Contractor know exactly what the remaining contract time is.

The Contractor is responsible for initiating all Time Extension request letters and should do so in a prompt manner for the reasons described above. The Contractor's request letter must include sufficient documentation from the Contractor to justify approval. The Contractor's documentation should include copies of their original and revised schedules and reference to any Change Orders applicable to the request. The original extension request letter should be submitted to the PE/S for further processing. The PE/S should forward the original letter to the District Construction Office along with a note summarizing their recommendation of the request.

The District Construction Office will maintain a log of time extension requests for each contract. The District will send the original request letter and documentation to the required final approval authority. If the request approval is at Central Office level, the District will forward the original request to the Division of Construction Management. A copy of the request letter should be retained by the District until the original is returned with the Department's response.

Approval authority levels for contract Time Extensions are defined in the Policy. There are two types of Time Extensions covered by the Policy. The first is for Standard Specification (SS) contract days and assumes that SS days have minimal value and that value is not considered in the approval process. The levels for SS contract days in the Policy are the maximum cumulative number of days that may be approved by the authority level on each contract. The second type of time extension is for Special Provision (SP) times and is based not only on the time, but also on the monetary value of the time being considered. Approval authority for SP times is the higher of the authority required for either the time or the associated monetary value from the **Policy for Construction Change Orders on Highway Construction Contracts**. Time Extension

approval should always be based on the approving authority's best judgment of the justification and compliance with the Specifications and Departmental Policies.

If the reviewing approval authority agrees that the Contractor's request for Time Extension should be granted, in total or part, in an amount greater than can be granted at their level, the entire request should be forwarded to the next higher approval level with an appropriate recommendation. The entire request must be considered as a whole. The lower authority should not approve part of the extension and then request the higher level to approve the balance. However, if the lower authority believes that only part of the Contractor's request is justified, and that amount is within their approval level, they may approve the partial amount and deny the balance. If the Contractor accepts the decision, no further action is required. If the Contractor appeals the decision, the entire request should be forwarded to the next higher authority with appropriate recommendations.

If approval of a Time Extension request is a contingency by the Contractor for agreeing to work added by a Change Order, the time request and Change Order should be reviewed as a whole. The approval level required for both is the higher of the level required for either the Time Extension or the Change Order. If the exact time extension cannot be determined when the Change Order is processed, a statement should be added to the Change Order indicating that an extension will be considered after the revised work is completed.

The Department's appropriate approval authority should respond to all Time Extension requests by letter and include justification to clearly substantiate or deny the extension and to indicate uniformity of decisions by the Department. The Department's response letter should include the following information along with the justification:

- District
- Contract Number
- Project Number
- Time Extension Request Number (consecutive for each contract)
- Original contract date or time period being revised
- Previously approved dates and/or time periods with dates of approval letters
- Number of days approved by current letter
- Value of days being approved
- Total days approved to date
- Value of total days approved to date
- Approved revised date and/or time period

For Time Extensions requiring Central Office approval, the District should send the original request letter with a cover letter from the District Construction Engineer. The cover letter should include the same information listed above, plus the following:

- Brief summary of the reason for time extension
- Statement of recommendation for approval

Time extension requests on projects involving Federal oversight are subject to review and approval by the FHWA. Below the INDOT signature block on the approval letter, a space should be provided for signature by the FHWA indicating their concurrence as shown below:

*John J. Jones*

John J. Jones, P.E.  
District Construction Engineer  
Fort Wayne District

We concur in revising the contract time as indicated above:

---

S. S. Smith  
Division Administrator  
Federal Highway Administration  
Indiana Division

When required, the original approval letter should be sent to the FHWA for concurrence. A copy should be retained by the Department's approval authority until the original is returned from FHWA.

The following are examples of time extension situations. Refer to the Policy for the current levels of authority:

1. A contract that has SS contract days and liquidated damages for the completion date also has a SP liquidated damages rate of \$25,000.00 per day for an intermediate completion date. The Contractor has requested 15 days time extension of the completion date and intermediate date due to a delay beyond his control. Although the Area Engineer may grant extensions up to a cumulative total of 50 SS contract days, the total value of the SP days is  $\$25,000 \times 15 = \$375,000$ . The Area Engineer's monetary approval authority is only \$250,000, therefore the time request would require approval by the DCE.
2. On contracts with mixed work day time and calendar date/day time, extensions may be granted in both categories provided the maximum days are not exceeded. For example, on a contract with a work day contract completion time and a calendar date opening time, the Area Engineer may extend the work days up to 10 days and the calendar date up to 15 days, provided the SP liquidated damages waived for the opening time do not exceed the Change Order approval level for the Area Engineer. This same principle applies to contracts with a calendar date contract completion time and a calendar day intermediate time.

The Division of Construction Management is available to provide guidance for special situations, even if approval is at the District level. This is intended to provide uniform application of Time Extension approvals across the State.

The following are examples of reasons for which Time Extensions are typically approved.

1. **Holidays.** The Department may order the Contractor to suspend work, either wholly or in part, for a period of time for certain holidays as set out in the SS.
2. **Strikes.** A suspension of time may be granted when the contractor is unable to work on the controlling operation for at least 50% of the day with the normal working force because of a general labor strike. The strike should be an area wide, union sponsored strike against all or a group of contractors selected by the union. Workers in a non-striking craft refusing to cross picket lines shall be considered as strike related for which a suspension of time may be granted. Wildcat strikes against a single contractor are the responsibility of the contractor involved, and no suspension or extension of time should be granted under this paragraph.
3. **Punch List Time.** All construction work on the Contract should be substantially complete prior to pre-final inspection. Only minor corrective work and cleanup should remain to be done. Normally, time would not be charged against the Contract while waiting pre-final inspection and thereafter. On work day contracts, days are simply not charged. However, on a calendar date contract, the time continues until the date of last work or final inspection, whichever is later. On calendar completion date contracts, the appropriate approval authority may waive time after construction work is substantially complete. This time waiver should be documented on the completion Date & Liquidated Damages Data form, IC 632. However, certain days should be excluded from the waiver. For example, the time allowed for completion of punch list work is five work days after the Contractor is notified of the work to be done. If the Contractor takes more than five days, the excess days should not be waived. Likewise, the time allowed for removal of construction signs is five calendar days after the Contractor is notified that the signs may be removed. If the Contractor takes more than five calendar days, the excess days should not be waived. Exclusion of days for other reasons may also be made. All exclusions must be explained in the REMARKS section of the IC 632 by the appropriate approval authority.