



INDIANA DEPARTMENT OF TRANSPORTATION

Driving Indiana's Economic Growth

Memorandum

January 4, 2010

**CONSTRUCTION MEMORANDUM
10-01**

TO: District Deputy Commissioners
Technical Services Directors
District Construction Directors
District Testing Engineers
District Area Engineers
Project Engineers/Supervisors
Office of Materials Management
Office of Project Management
District Project Management Personnel

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

SUBJECT: New Change Order Policy

SUPERSEDES: Construction Memorandum 06-18

The new Change Order Policy has been approved by the Executive Office and is attached to this memo. Instructions related to the new policy will be included in the January 2010 edition of the Interim General Instructions to Field Employees.

The new policy includes the following changes:

- The PE/S now has approval authority for both monetary and time adjustments.
- The Director, Division of Construction Management must approve Change Orders which add or delete closure periods or intermediate completion dates.
- Time adjustment approval authority is no longer cumulative throughout the duration of the contract. The approval authority for time adjustments depends on the adjustment duration included in each individual Change Order.
- There is no longer any need to categorize time adjustments as Standard Specification or special provision related adjustments.
- A new document known as a Work Order has been developed to authorize Contractors to perform work associated with a Change Order prior to execution of the actual Change Order document.

Although the PE/S now has monetary and time adjustment approval authority, it is still the intent of the Department for a PE/S to work closely with the AE, including providing notification for all situations which require resolution by Change Order.

Requiring approval of Change Orders that include addition or deletion of closure periods or intermediate completion dates by the Director, Division of Construction Management is intended to provide statewide uniformity for these situations and permits the Division of Construction Management to monitor how often these additions and deletions occur.

The intent of removing the cumulative nature of time adjustment approval authority is to allow for quicker approval of small adjustments. It remains the intent of the Department to approve additional contract time as soon as possible after determination of Department responsibility for a delay is made.

In a similar vein, the Work Order concept has been developed to direct Contractors to perform work associated with a Change Order as soon as possible after documented approval is obtained from all required approval authorities and allows the Contractor to perform this work prior to the complete execution of the Change Order document. A sample Work Order document is included in the instructions which will be included in the January 2010 edition of the Interim GIFE. Processing the Change Order document for approval must remain a high priority for all involved in the approval chain of command as Contractors cannot be paid for work associated with new pay items until the Change Order document is fully executed.

If District personnel have any questions regarding the new Change Order Policy or the instructions in the January 2010 edition of the Interim GIFE, please contact the Division of Construction Management Field Engineer assigned to your District.

Attachment: Policy for Change Orders on Construction Contracts

MAM:jjj

INDIANA DEPARTMENT OF TRANSPORTATION
Departmental Policy

Policy: Policy for Change Orders on Construction Contracts

Purpose: The purpose of this Policy is to formalize the requirements related to Change Orders on Construction Contracts.

Effective Date: January 1, 2010

Supersedes: This Policy supersedes the previously published Construction Change Order and Time Extension Policies issued with Construction Memorandum 06-18.

Responsible Division: Division of Construction Management

Authority:



Date 12-17-09

Michael B. Cline
Deputy Commissioner of Operations

POLICY

1. General Provisions

- 1.1. Change Orders are utilized to document an impact to a Construction Contract and authorize the changes required to mitigate the impact.
- 1.2. 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 the reasons for changes in order to manage process improvement.
- 1.3. It is the responsibility of the Division of Construction Management to maintain procedural instructions for application of the Policy.
- 1.4. This Policy is implemented in conjunction with the applicable provisions of the Standard Specifications. The Policy is not to be construed to supersede the Standard Specifications or any State or Federal statute.
- 1.5. A Change Order is required to document changes to the Contract. These changes include, but are not limited to, monetary adjustments, time adjustments, plan revisions, and specification changes.

- 1.6. Each Change Order is to only address one specific impact to a Contract and clearly identify the reason for the change. Multiple items may be included on a Change Order, but all are to be related to the same specific impact and are to indicate the same reason for the change.
- 1.7. Change Orders are classified as either Discretionary or Non-Discretionary.
- 1.8. Change Orders require authorization by the appropriate authority prior to proceeding with any change to the Contract.
- 1.9. When a Change Order includes both monetary and time adjustments, the appropriate approval authority is the higher authority required when considering the monetary and time adjustments separately.
- 1.10. Change Orders are not to be split into multiple documents to reduce the approval authority level required.
- 1.11. The District Construction Office will provide for notification to be sent to the Project Manager (PM) when a Change Order is being drafted.
- 1.12. Change Orders on Contracts with Federal Highway Administration (FHWA) oversight require documented FHWA approval prior to proceeding with any change to the Contract.
- 1.13. Change Orders on Local Public Agency (LPA) Contracts require documented approval from the LPA prior to proceeding with any change to the Contract.
- 1.14. A Change Order is not to be used to purchase any equipment intended to remain the property of the State without documented approval from the Director of the Division of Construction Management (DDCM) prior to proceeding with any change to the Contract.
- 1.15. A Change Order is not to be used to authorize a Contractor to perform work on State property such as buildings, vehicles, equipment, or other items not included in the Contract without documented approval from the DDCM prior to proceeding with the work.
- 1.16. A Change Order will include documentation necessary to describe the impact to the contract and the justification for the change. The documentation is to be of sufficient detail 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.
- 1.17. Justification of new unit prices is to be documented along with the Change Order.
- 1.18. The District Construction Office will review Change Orders to ensure compliance with the Policy.

- 1.19. The State Construction Engineer in the Division of Construction Management will conduct process reviews to verify compliance with the Policy.

2. Monetary Adjustments

- 2.1. A Change Order is not required to authorize minor changes in existing Contract pay item quantities that are typically necessary to meet the scope and design of the Contract. Changes are considered minor if the total impact to the Contract is less than \$20,000.00 in increased or decreased costs compared to the current approved Contract amount. Once this limit is exceeded, a Change Order that includes all increases or decreases in existing Contract pay item quantities is required to authorize the revisions. Additional Change Orders due to further changes in existing Contract pay item quantities are not required until the \$20,000.00 limit is again exceeded.
- 2.2. The Department's level of authority for per Change Order for monetary adjustments to a Contract is as shown in the following table:

Monetary Adjustment Approval Authority	
Approval Authority	Maximum Adjustment (Positive or Negative)
Project Engineer/Supervisor	\$50,000.00
Area Engineer	\$250,000.00
District Construction Director	\$750,000.00
State Construction Engineer	\$2,000,000.00
Director, Division of Construction Management	Over \$2,000,000.00

3. Time Adjustments

- 3.1. The Department's level of authority for approval per Change Order for time adjustments to a Contract is as shown in the following table:

Time Adjustment Approval Authority	
Approval Authority	Maximum Adjustment (Positive or Negative)
Project Engineer/Supervisor	10 Days
Area Engineer	50 Days
District Construction Director	100 Days
State Construction Engineer	200 Days
Director, Division of Construction Management	Over 200 Days

- 3.2. For Change Orders which extend any combination of an Intermediate Contract Completion Date, a Closure Period or the Contract Completion Date, the appropriate approval authority is based on the longest time adjustment included in the Change Order.
- 3.3. For Change Orders which delete an Intermediate Completion Date, a Closure Period, or any other milestone date or time period from a Contract, the approval authority is the DDCM.

4. Scope or Design Change Approval

- 4.1. The approved scope or design of a Contract is not to be changed without documentation of approval from the appropriate authority, obtained through the PM, in addition to the approval authority based on the magnitude of the Change Order monetary and time adjustments. Any of the following are classified as changes to scope or design elements of the Contract:
- 4.1.1. Alterations to the intent or scope of the Contract or character of the work, including significant revision of the project limits
 - 4.1.2. Revisions to geometric design of the mainline roadway, ramps, frontage roads or crossroads
 - 4.1.3. Revisions to structural section of the pavement, including, but not limited to subgrade, subbase, PG binder grade, pavement type, pavement depth, individual pavement courses and aggregate designations
 - 4.1.4. Additions, deletions, changes or relocations to bridges or structures that affect the functional scope and intent of the approved design
 - 4.1.5. Deviations from planned access control, including drives or pedestrian access features

- 4.1.6.** Revisions to the specifications, special provisions or other contract requirements, including approved provisions for maintaining traffic
- 4.1.7.** Revisions that result in new environmental impacts, changes in previously permitted activities or reductions in environmental mitigation measures provided for in the Contract
- 4.1.8.** When the change is due to a design error or omission, it is required that the designer be contacted through the project manager to ensure the designer has an opportunity to provide options that will mitigate the cost of the solution.

SUPERSEDED
ON APRIL 22, 2014
BY MEMO 14-05