

# Auburn University Facilities Management Policy on Change Order Cost Validation and Approval

## I. POLICY STATEMENT

Auburn University Facility Management's "Policy on Change Order Cost Validation and Approval" provides guidance and direction regarding review, validation of cost, and approval of Large Public Work (LPW) and Small Public Work (SPW), Change Orders (CO) and Construction Change Directives (CCD).

## II. POLICY PRINCIPLES

- A. This policy ensures compliance with the spirit, intent, and requirements as defined in the State of Alabama Large Public Works Laws and the State of Alabama Division of Construction Management Manual of Procedures.
- B. Facilities Management recognizes its obligation to be good stewards of both State and University funds.
- C. Per the ABC Form B-11, August 2001, Change Order Justification: Purpose and Instructions, requirements for review and approval of pricing on changes says, "The Change Order Justification is to be prepared by the ***design professional***, who has evaluated the ***fairness and reasonableness*** of the proposed cost of the change(s) and recommends that the proposed Change Order be executed." (Bolded text for emphasis.)
- D. In addition to the state requirement for the design professional to evaluate changes based on fairness and reasonableness, Facilities Management will have processes in place providing "additional" reviews of changes, thereby ensuring university due diligence in evaluating the fairness and reasonableness of changes.
- E. The intent of this policy is to more closely align university time and resources used in the review and validation of the cost of proposed changes with the level of risk to the university.

## III. EFFECTIVE DATE

December 1, 2017

## IV. APPLICABILITY

This policy applies to all LPW and SPW contracts executed on behalf of Auburn University.

## V. POLICY MANAGEMENT

**Responsible Office:** Auburn University Facilities Management

**Responsible Executive:** Associate Vice President, Facilities Management

**Responsible Officer:** Executive Director, Design and Construction

## **VI. DEFINITIONS**

**State of Alabama Division of Construction Management (Formally known as the Alabama Building Commission):** State commission that promulgates and enforces the State of Alabama Building Code through plan reviews, inspections, and by serving as the state's contract administrator for state-funded construction.

**Large Public Works Bid Law:** The State of Alabama Code Title 39 Public Works governs construction projects by State organizations within Alabama. Chapter 2 of Title 39, "Letting, Execution, and Administration of Public Improvements by Contracts by State Agencies Generally," details the legal requirements for bidding, award, and administration of construction contracts and projects by state and municipal organizations in Alabama.

## **VII. POLICY PROCEDURES**

Facilities Management, in its administration of changes to LPW and SPW contracts, shall use the following process in providing additional due diligence when reviewing changes for fairness and reasonableness. See description below as well as Decision Matrix, Attachment A.

Regardless of whom has lead responsibility for validation of cost, the University Project Lead (UPL) should always use a change order checklist to assist with reviewing all changes for obvious errors, inconsistencies, abnormalities, costs that seem out of line, etc. The UPL should always work to formalize any CCD's in a change order in a timely manner so that contractors may bill for the work. It is recommended a university estimate of all or portions of a change be used as needed to expedite review and approval of changes.

### **A. Changes from \$0 to \$10,000:**

1. The UPL is the lead on validation of cost and may approve changes in this range.
2. The UPL review shall consist of a thorough review of the Contractor's change proposal form (AU Form C-12A) and necessary documentation for the scope of work the change represents. This review shall be accomplished using one or a combination of the following methods:
  - a. Completing a university estimate for the scope of work using RS Means, local market data or historical data and/or,
  - b. Review of contractor pricing, broken down sufficiently enough to reasonably evaluate the pricing and/or,
  - c. Combination of review of back up and a university estimate for certain portions of work.
3. The UPL shall use the comparison of the contractor pricing documentation against the university estimate or the UPL assessment of the contractor pricing to determine fairness and reasonableness of the proposed cost of the change.
4. Based on this review the UPL can:

- a. Accept the change as submitted and direct work to proceed.
  - b. Require additional justification of all or parts of change and move forward with some or none of the change.
  - c. Reject the change.
  - d. Ask Facilities Management Estimators to review certain parts of or all of the change.
5. Once a change is accepted, documentation of review and validation of cost shall be included in project files and archived with project records at the conclusion of the project.
  6. The UPL shall include a signed internal memo for the project file describing their review, the outcome of their review, and documenting their approval/disapproval of the change.

**B. Changes from \$10,001 and above:**

1. Facilities Management Estimators are lead on validation of cost. Final approval of changes in this cost range shall be per the signature authority document.
2. The Estimator review shall consist of a thorough review of the Contractor's change proposal form (AU Form C-12A) and necessary documentation for the scope of work the change represents. This review shall be accomplished using one or a combination of the following methods:
  - a. Completing a university estimate for the scope of work using RS Means, local market data or historical data and/or,
  - b. Review of contractor pricing, broken down sufficiently enough to reasonably evaluate the pricing and/or,
  - c. Combination of review of back up and a university estimate for certain portions of work.
3. The Estimator shall use the comparison of the contractor pricing documentation against the university estimate to determine fairness and reasonableness of the proposed cost of the change.
4. Based on this review the Estimator can:
  - a. Recommend approval of the change as submitted.
  - b. Require additional justification of all or parts of change and recommend approval of some or none of the change.
  - c. Reject the change.
5. Once a change is accepted, documentation of review and validation of cost shall

be included in project files and archived with project records at the conclusion of the project.

6. Estimator shall include a signed internal memo for the project file describing their review, the outcome of their review, and documenting their approval/disapproval of the change.

**VIII. SANCTIONS**

Failure to perform due diligence based on procedures as described above will be considered a performance issue and result in loss of approval authority.

**IX. EXCLUSIONS**

This policy does not apply to Authority to Execute projects nor does it apply to Third Party projects.

**X. INTERPRETATION**

N/A

**XI. APPROVAL**

  
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**Responsible Officer**

11.21.17  
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**Date**

  
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**Associate VP, Auburn University Facilities Management**

11/21/17  
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**Date**

# ATTACHMENT A

## *Decision Matrix for Change Order Validation of Cost and Approval*

Note: This matrix applies to both SPW and LPW contract changes

Magnitude	Lead	Type Validation	Approval Authority
\$0 - \$10,000	University Project Lead	Independent Estimate and/or Contractor Proposal Review	University Project Lead
\$10,001 and above	Estimator	Independent Estimate and/or Contractor Proposal Review	\$10,001 - \$49,999 = Director, Construction Management \$50,000 and above = Associate Vice President Facilities Management