

Construction Memo No. 1-02

MEMO TO: Chief District Engineer
TEBM'S for Construction
District Construction Engineer
Resident Engineers
Active Consultant Engineers

FROM: Dexter Newman, P. E. Director
Division of Construction

DATE: January 7, 2002

SUBJECT: Change Order Policy Changes

In the upcoming season, the Cabinet will face some severe financial challenges. We simply won't have the money to do many of the things we have been doing. We will face some hard choices as to which projects to fund. Funds for change orders will be harder to obtain, since every dollar spent on a change order comes at the expense of not letting a needed project. It will be extremely important to be able to control and manage the change orders that we do have to write. It will not be a good environment to surprise anyone with a change order.

To clear up the existing project, please write all outstanding change orders on current projects and have them in the system by no later than March 1, 2002. Please include change orders for incentive payments, quantity overruns, and any supplemental items we have already agreed to. That way, we will have a true picture of our current situation. After March 1, there will be a new methodology of doing change orders.

Currently, we have a signed and approved change order form before encumbering funds. After March 1, that concept will be reversed. When a resident engineer thinks a change order may be needed, he needs first to check with the necessary parties such as the District TEBM, the Central Office Liaison, and the fund manager for the project to verify that the change order is both needed and affordable. If we don't have the money, we can't do the change order, no matter how much value it would add to the project. We are currently in the process of modifying the current "Request for Project Funding Modification" form generated by CPES to include a District Engineer's signature. This sign off is the authorizing document to modify the project TD 10 and encumber the needed funds. Except for emergency situations, the "Request for Funding Modification Form" must be created and submitted before the work is started. Until this form is generated and signed off on, there is no money set aside for the change order work. Please avoid awkward situations where we might not have the money to pay for a change order after the work is done.

Please continue with the current paper change order signature process. The form will be modified to include a signature line for the Project Manager's signature. Just because a Project Funding Request has been signed off on and funds encumbered doesn't mean that the change order is approved. The approval will still be effective when signed off by the Commissioner. The Resident Engineer's authority to approve change orders of \$25,000 or less is hereby revoked. The Deputy State Highway Engineer for Construction and Operations is the only person authorized to sign for the Commissioner. In rare instances, the funds may be encumbered, but the actual change order may be denied. In that case, we will simply unencumber the funds and use the money somewhere else.

This process will make sure that the funds are available before change order work is done. Please consult with all the necessary people before initiating the change order. Verify prices with the Contractor before initiating the change order. The District Engineer's signature will indicate that all stakeholders have been consulted. The traditional paper signature approval process will continue and will remain the basis for approving a change order. We are simply cutting out the processing time after the approval process.

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