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PROJECT COST MANAGEMENT/CHANGE ORDERS

Project cost management

- ✓ Be conservative. Prepare accurate area and material projections, and use cost data that is both current and local.
- ✓ Prepare cost estimates using as complete a set of drawings as possible.
- ✓ Get accurate information from manufacturers and suppliers about the costs of new materials or systems. Get a guarantee that the quoted price will hold.
- ✓ Make sure the client understands that you are only providing an opinion about possible costs, not an exact estimate that can be used as a reliable maximum figure. Be sure the client understands the difference.
- ✓ Define cost estimates in a written contract. Ambiguities about the cost estimate in a written agreement could be interpreted to mean a guaranteed maximum amount.
- ✓ If the client insists on a cost ceiling for budgeting purposes, suggest contracting directly with a professional cost estimator.
- ✓ After the project is complete, compare actual costs with projected costs to evaluate your proficiency and improve your skill.

Change orders

- ✓ Construction contracts should contain provisions for preparing and executing documentation related to changes.
- ✓ Use standard change order forms.
- ✓ Use the same care in preparing change orders as was taken in preparing the original documents.
- ✓ The change order should only be initiated after the design professional has considered its necessity, propriety, alternate methods of accomplishing the work, mode of compensation, effect on contract time and an estimate of additional costs.
- ✓ If the time needed to prepare drawings and specifications related to changes affects construction scheduling and costs, inform the contractor and client immediately.
- ✓ Document the reasons for changes.
- ✓ Communicate all changes and the reasons for them to the contractor and client.
- ✓ Do not issue any change orders until the client approves them in writing.
- ✓ Document all telephone calls about changes.
- ✓ File correspondence so it remains accessible.
- ✓ Inform the client if a change order involves additional compensation to the contractor.
- ✓ When contractors propose equipment substitutions, they must obtain approvals from all regulatory agencies where warranted.
- ✓ Make a reproducible file copy of the original. It is essential to be able to trace changes on design drawings after the contract is signed.
- ✓ An in-house record of all design directives and the history of a drawing are important in controlling the cost of a job and controlling future claims. It is important that the history of changes be traceable through drawing revision blocks and design directives.