Welcome to the COIN!

This is a Caltrans Oversight Information Notice, or “COIN” for short. These short, single-topic bulletins are intended to provide outreach information and guidance to local agencies on issues pertaining to Federal-aid projects. They cover a wide variety of subjects, including discussions of findings resulting from process reviews by Caltrans and/or FHWA, changes in procedures or regulations, reminders of existing procedures or best practices, and other timely information. The goal is to ensure proper and timely delivery of Federal-aid projects.

TOPIC: Timely Preparation and Approval of Contract Change Orders

A Contract Change Order (CCO) is a document that alters the terms of the construction contract. As such, many of these CCOs result in additional payment to the Contractor.

The timely preparation and final approval of CCOs by the project owner (local agency) is critical not only to minimizing actual project delays, but also in avoiding the payment of interest to the Contractor pursuant to the California Prompt Payment Act.

The purpose of this COIN is to reinforce the following with respect to this topic:

1. Ideally (but often not practical), CCOs are written and formally approved prior to performance of the CCO work.
2. If and as necessary, actual CCO work may commence prior to a fully approved CCO - with prior authorization from the Resident Engineer to the Contractor in the form of a written directive (i.e. a letter, email, or field memo). The CCO shall be considered timely if approved within 30 days of the date of prior authorization.
3. Payment to the Contractor for such CCO work performed may not be made until such time that the CCO is formally approved – as defined by the date of the last signature on the CCO or the date of the official governing body (City Council, Board of Supervisors) action if required pursuant to the local agency’s processes and procedures.
4. The Contractor’s timely action in signing the CCO as part of the overall CCO approval process may be taken into account in evaluating the merit of any claim or basis of interest to be paid.
5. The payment and dollar amount paid to the Contractor for CCO work prior to the formal approval of the CCO shall generally be deemed Federally non-participating.
6. The payment and dollar amount of interest due to the Contractor as a result of the local agency’s failure or inability to write and approve the CCO in a timely manner shall generally be deemed as Federally non-participating.

Regardless of the local agency’s specific processes and procedures, the timely preparation and formal approval of Contract Change Orders are a critical component of Project Change Management and the overall success of the Contract Administration/Construction Management effort.