CONTRACT CHANGES PLAYBOOK
(FIRM FIXED PRICE CONTRACT)

2022
Contract Changes Playbook (FFP)

The timely settlement of contractual changes continues to be a challenge in the construction industry. Without the timely settlement of change orders and the associated resolution of issues, project outcomes suffer. Through collaboration with the Associated General Contractors of America (AGC), the U.S. Army Corps of Engineers (USACE) has adopted the best practices found in this playbook. This playbook also provides information clarifying processes, roles and examples relevant to Firm Fixed Price Contract (FFP) changes. This playbook should be utilized to align expectations, provide transparency into challenges and obstacles (Government and Contractor) and drive accountability for timely resolution of change orders.

Joint Goals

The following table outlines the goals for contract change durations that USACE and Contractors should work together to achieve. These goals are applicable only to changes with undisputed merit.

<table>
<thead>
<tr>
<th>Change Category</th>
<th>Change Total Dollar Value</th>
<th>Duration*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below Simplified Acquisition Threshold (SAT)</td>
<td>&lt; $250,000</td>
<td>30-60 Days</td>
</tr>
<tr>
<td>Above SAT &amp; Below ACO Warrant</td>
<td>$250,000 &lt; $ &lt; $500,000</td>
<td>60-90 Days</td>
</tr>
<tr>
<td>Above ACO Warrant &amp; Below Cost and Pricing Threshold</td>
<td>$500,000 &lt; $ &lt; $2,000,000</td>
<td>90-120 Days</td>
</tr>
</tbody>
</table>

* Duration = initiation of change to fully signed modification

1. Change Procedures

The change order process requires a collaborative process between the Government and Contractor if the project is going to be successful. The initial phase of this process is the timely identification and resolution of issues. Frequently, the need for a contract change is identified by either the contractor or
the Government. The scope of the change must be clearly understood, communicated, and documented between both parties. Once the scope has been firmly understood, both Government prepares an estimate while the contractor prepares a detailed cost and schedule proposal. During this pricing phase there may be some level of fact finding to verify scope. Once the proposal has been received by the Government a detailed analysis is performed and a pre-negotiation objective memorandum is prepared and approved. Negotiations then occur where additional information and positions are exchanged until there is a meeting of the minds and a final cost and schedule agreement is made. These agreements are consummated by a contract modification signed by the Government Contracting Officer (or Administrative Contracting Officer) and an authorized person in the contractor’s organization. This is followed by approved modification documents issued by the contractor to their subcontractors or suppliers as appropriate.

2. Initial Change Order Meeting

The initial change order meeting should occur shortly after the pre-construction conference. At a minimum, the Initial Change Order Meeting should be attended by the following personnel:

- Contractor: Project Manager, Cost Estimator
- Government: Contracting Officer or Administrative Contracting Officer and Contracting Officer Representative

Additional personnel that may be beneficial to attend on larger projects include:

- Contractor: Project Executive, major trade partners
- Government: Chief Office Engineer, Lead negotiator

It is crucial that the Initial Change Order Meeting be attended by the representatives from both the Contractor and Government who will have the final authority on change order pricing, markups, and change order settlement.

The Initial Change Order Meeting should be used to accomplish the following goals:

1. Review and come to basic agreement on the structure, format, and back up documentation requirements for a proposal.

2. Develop a mutually agreed upon framework for submission of costs and application of markups for both the Contractor and tier subcontractors. The attached meeting minute template included in Exhibit 2 can be used to develop a framework for how markups and indirect costs will be applied to each change. The meeting minutes further allows the Contractor and Government to memorialize and document these agreed upon principles and acts as an
instruction manual for team members and subcontractors that are new to the project. Additionally, having the framework documented in the meeting minutes is valuable to document agreed-upon principles in the event of changes in key personnel on either the Contractor or Government teams.

3. Review the joint AGC-USACE goals for contract change durations and discuss how they can be applied to the project. Develop project-specific and interim team goals as necessary to meet project objectives.

4. Discuss the procedure for submission and escalation of changes where merit is disputed. While recognizing that not every change needs to be elevated, develop an issue resolution ladder and a regular process for discussion of merit between the Government and Contractor. This will ensure that Requests for Equitable Adjustment are submitted and processed as expeditiously as possible.

5. Establish a mutually acceptable method for filling in gaps where firm pricing cannot be established or obtained.

6. Establish a basic method for prioritizing changes based on potential schedule impact. A common area of confusion is the suspense date the contractor should use for receiving the Notice to Proceed (NTP) on a change. Utilize the AGC-USACE Joint Goals for contract change durations to develop reasonable suspense dates for changes of each magnitude, to ensure that schedule impacts are evaluated realistically in the initial change order submission. (e.g., for the purposes of Time Impact Analysis on the critical path method schedule, a modification between $500,000 and $2,000,000 should be assumed to take between 90-120 days from initiation of change to execute).

7. Establish the threshold for “routine” changes that would not require additional labor or overhead beyond the Contractor’s onsite staff to price, schedule, and negotiate. Given that “routine” is an entirely subjective term, the recommended best practice is to have a discussion and reach alignment on this issue at the Initial Change Order Meeting. If contract changes escalate beyond what both parties have agreed to be the routine threshold (if any), additional direct labor to price, schedule, and negotiate these changes may be considered appropriate.

8. Establish the parties from both sides who are required to be present at negotiations, and whether additional parties need to be present depending on the size of the change. Establish a basic framework for negotiations of changes (format, justify offers made, etc.)
3. Scope Alignment

Difficulty in reaching agreement on the price of a modification can range from change requirement interpretation differences to conflicting price estimates. The scope can be defined as what and how much is being changed. It is advisable, therefore, to clarify the overall scope of the changed work before attempting an analysis of the price involved. Overall scope of a change must include its effect, if any, on unchanged work.

USACE field office and Contractor teams should hold a scope alignment meeting for large, complex and/or design-build changes using a draft Request for Proposal (RFP) so that all parties understand the request and associated impacts. The scope alignment meeting should not be used as a venue for discussion of price. It is a meeting to ensure that both parties understand the direct and indirect impacts of the change so that the Contractor’s proposal and Independent Government Estimate (IGE) represent the change accurately, expediting the negotiation process. For changes likely to exceed the Simplified Acquisition Threshold (SAT), the USACE cost estimator responsible for the Independent Government Estimate should attend this meeting.

Once agreement has been reached on what is being changed, the question shifts to how much has changed in terms of material quantities. The Government and contractor should verify alignment of significant quantity items. If there are significant differences, perform a joint quantity take-off to better understand the differences. On design-build projects, some changes may require a design effort to prepare a detailed estimate. In these cases, a parametric or conceptual approach may be more appropriate to quantify the change.

Ensure a common understanding of the documents used for takeoffs (design documents) and construction methods and materials utilized (specifications). Review of the current schedule and discussion of perceived impacts due to the change should be part of the scope alignment meeting.

Some additional questions that may be considered:

- Has the Contractor already accomplished any portion of the work deleted by the change?
- Will the change drive additional costs for storage of materials required to be used in unchanged work deferred due to RFP?
- Will the change result in any alteration of planned construction sequence? What resources (crews, equipment, etc.) will be allocated to the change?
• Will the change drive increased costs for additional rental of equipment for affected work?
• Is there unusual complexity or site conditions that should be accounted for?
• Will the change be performed on regular time, or is overtime required?
• If the change is on a design-build project, will the change impact in-progress design packages? How will the change be incorporated into the design?

The scope coordination meeting is an opportunity to identify schedule impacts that should be considered in the development of the IGE.

3A. **Contractor Presentation of Proposal**

A proposal presentation meeting is highly recommended for large or complicated proposals. The purpose of this meeting is for the contractor to explain how the cost and time requested were derived. These discussions would include:

- Review the proposal scope and structure to validate scope alignment.
- Discuss the major cost items and how those costs were derived to include quantity take-offs and supporting documentation
- Review subcontractor proposals and their relevance to this change
- Time impact analysis
- Impacts on unchanged portions of the work resulting from reallocation of project resources or changes in the sequence of work.

The Government should listen and ask clarifying questions to gain an understanding of the proposal. This is not a negotiation session but a way for the Government to better understand the proposal and more efficiently perform their evaluation.

4. **Required Proposal Documentation**

In accordance with DFARS 252.236-7000, a contract must furnish a price breakdown in connection with any proposal made for a contract modification. The breakdown must be in sufficient detail to permit analysis of all material, labor, equipment, subcontracts, overhead and profit. The breakdown must cover all work involved in the modification whether the work is added, deleted or changed. Any amount claimed for subcontracts must be supported by a similar price breakdown.
For proposals including a time extension, a frag-net schedule must be provided showing the impact of the change on the overall construction duration. If the critical path is not impacted by the change, a time extension will not be considered.

All proposals must break down prices by:

a. Labor by craft, hours and rate, including fringes and taxes, for all elements of work. Production factors should be provided where applicable.

b. Equipment by type, hours, and rate with production data for all elements. Rented equipment should be identified separately.

c. Materials by quantity (including unit of measure), cost, and source.

d. The field overhead method (percentage or per diem basis) should be consistent over the course of the contract. If the per diem basis is selected, detail to show all significant cost items not already paid for by the contract; e.g., costs to extend the contract time shall be submitted.

e. Home office (G&A) percentage rate with detailed support.

f. Profit using a structured approach.

g. Summary of total costs for each cost element (labor, equipment, materials, and subcontracts).

Breakout of labor, material and equipment cost by subcontractor is acceptable. In cases where a subcontractor or vendor fails to provide a proposal or adequate breakdown in a timely manner an overall price/cost analysis of this feature may be used. This should be limited to less significant portions of the proposal (accounting for less than 5% of overall cost of the work).

5. Certified Cost or Pricing Data Requirements

Cost or Pricing Data is required per Public Law 87-653 on the following contract modifications on USACE construction projects:

- Changes and other modifications over the threshold defined by FAR 15.403-4 (Absolute value of additions & deletions).
Changes and other modifications over the threshold defined by FAR 15.403-4 to subcontracts when the prime and higher tier subcontractors were required to furnish certificates.

Current threshold for requiring certified cost or pricing data are proposals in excess of $2,000,000 (some contracts may still be subject to cost or pricing data at $750,000 threshold if awarded before July 1, 2018). In addition to the proposal documents and detail outlined in Section 4, contractors shall provide cost or pricing breakdown that includes all of the following cost and pricing elements:

a. Cover sheet must state that cost or pricing data are included. Also, factual data used as a basis for developing judgmental data must be identified.

b. If material was obtained or available, or subcontractor's quotations or offers for lesser amounts than proposed were available, such quotations or offers should be identified with an explanation for selection of the larger cost element.

c. If using the per diem method, field overhead should be detailed sufficiently to permit ready identification of those elements which are incurred only when additional time is required.

d. Location of all records used in the development of the proposal, including the name of the individual most familiar with the proposal, street address, and telephone number.

e. A cover sheet as described at Table 15-2 of FAR 15.408 must accompany all proposals requiring cost or pricing data (considering the absolute sum of increases and decreases). Exception from cost or pricing data submittal may be made on the basis of catalog, competitive pricing, or prices set by regulation.

f. Subcontractor data must conform to the same requirements as the prime contractor.

g. The cost or pricing data must include all data used in development of the proposal. Such data must be accurate, complete, and current.
After negotiation, the contractor must furnish the required certificate. The Contracting Officer shall document those items in the contractor's proposal the negotiator placed reliance on as factual (FAR 15.406-3(a)(6)(i)).

6. Guidelines for Calculation of Profit

USACE is required to use the following alternate structured approach to develop a position on profit for all firm-fixed price construction contracts in accordance with USACE Acquisition Instruction and Desk Guide.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Rate</th>
<th>Weight</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree of risk</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relative difficulty of work</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size of job</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Period of performance</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contractor's investment</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assistance by Government</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subcontracting</td>
<td>25</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100%</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Based on the circumstances of the procurement action, each of the above factors shall be weighted from 0.03 to 0.12, as indicated below. “Value” shall be obtained by multiplying the rate by the weight. The value column, when totaled, indicates the fair and reasonable profit percentage under the circumstances of the particular procurement.

(a) Degree of risk. Where the work involves no risk or the degree of risk is very small, the weighting should be 0.03; as the degree of risk increases, the weighting should be increased up to a maximum of 0.12. Lump sum items shall generally have a higher weight than unit price items. Consider the nature of subcontractors, amount and type of labor included in costs and whether the negotiation is before or after performance of the work. Modifications, settled before the fact, have greater risk than those settled after the fact. A weight of 0.03 is appropriate for after the fact equitable adjustments and/or settlements.

(b) Relative difficulty of work. If the work is difficult and complex, the weight should be 0.12 and should be proportionately reduced to 0.03 on the simplest of jobs. This factor is tied, to some extent, to the degree of risk. Other things to consider are the nature of the work, by whom it is to be done (i.e. subcontractors, consultants), etc.
(c) Size of Job (change only). Work estimated up to $100,000 shall be weighted at 0.12. Work estimated between $100,000 and $5,000,000 shall be proportionately weighted from 0.12 to 0.05. Work from $5,000,000 to $10,000,000 shall be weighted at 0.04. Work more than $10,000,000 shall be weighted at 0.03. It should be noted that control of fixed expenses generally improves with increased job magnitude.

(d) Period of performance for the change. Work not to exceed 1 month is to be weighted at 0.03. Durations between 1 and 24 months are to be proportionately weighted between 0.03 and 0.12. Work more than 24 months is to be weighted at 0.12.

Note: The period of performance should take into account the amount of time required for the changed work regardless of whether there is a time extension.

(e) Contractor’s investment. To be weighted from 0.03 to 0.12 on the basis of below average, average and above average. Consider the amount of subcontracting, Government-furnished property or data, such as surveys, method of making progress payments, and any mobilization payment items.

(f) Assistance by government. To be weighted from 0.12 (No Assistance) to 0.03 (Maximum Assistance) on the basis of average to above average. Consider use of Government-owned property, equipment and facilities, expediting assistance, etc.
(g) Subcontracting. To be weighted inversely proportional to the amount of subcontracting. Where 80 percent or more of the work is to be subcontracted, use 0.03. The weighting should be increased proportionately to 0.12 where all the work is performed by the contractor’s own forces.

**Important notes on Profit:**

1. Profit shall be negotiated on the individual merits of a change. One profit rate should not be automatically applied across all changes on a project. However, if the relevant variables have not materially changed, similar profit rates are not prohibited.

2. A change that involves a reduction in work should include a credit for profit against the costs that are removed from the contract using the above methodology.

3. The profit base for above structured approach does not include general and administration (G&A) costs.

While contractors are not required to utilize this approach and are free to use alternate approaches, use of the weighted guidelines to calculate profit by the Contractor is strongly encouraged as a best practice to facilitate expedited negotiations.

### 7. Overhead Considerations

Overhead is the management effort that is required by reason of a claim, modification or change order. This section will discuss field office overhead (FOOH) and home office overhead (HOOH or G&A).

Field office overhead includes estimates of office supplies and materials, office equipment, job office (temporary trailer, etc.) to include maintenance and utility costs and job site staff costs. Itemization of these costs, instead of using a
percentage, allows the negotiators to ensure the costs are reasonable, allowable, allocable and not duplicated elsewhere in the proposal. Percentage of cost method is allowable even when there is no time extension, but cannot be changed to per diem once selected for a project.

Home office overhead expense are those incurred by the contract in the overall management of their business. These expenses cannot be charged directly to a specific project. They must be apportioned to work done for the contractor’s customers. This is most often done on a percentage-of-cost basis.

Three questions must be answered in analyzing general overhead expense:

1. Which items of general overhead expense are allowable and allocable? (FAR 31.205)

2. What is a reasonable estimate for these items?

3. How much of the total overhead "pool" established in response to the second question should be charged to a particular Government contract of modification? The most common method of allocating a firm's general overhead expense among its various projects is to distribute it in proportion to the combined direct and job overhead costs of each project.

Important notes on Overhead:

1. If a credit modification does not reduce contract time, a contractor would not return field office overhead on a daily rate (per diem) basis. If, however, the contractor applies field office overhead as a percentage, they would return field office overhead as a percentage.

2. Because home office overhead comprises costs not attributable to any specific project, it is calculated as a percentage of total company costs. Consequently, contractors must return the full home office percentage on deductive changes.

3. Payment and performance bonds and insurance costs are considered direct costs of the work and should be calculated on the cost of the work rather than be included in overhead.
8. Analysis of Direct Costs: Material

A cost proposal should be supported with detailed statements of materials quantities. Situations may arise when plans and specifications are incomplete and a less detailed estimate may be accepted for use in negotiations. In estimating material quantities, an allowance for waste, scrap and spoilage should be made given the specific job conditions. Taxes and duties on materials should be treated as a direct expense.

Contractors may prefer to deal with a limited number of suppliers who are responsive and reliable. However, this can drive price increases. If substantial differences are present between the Government estimate and contractor’s price, additional quotes should be obtained if possible.

Quality is another cost driver. It is important that the required quality for material as outlined in the contract documents or controlled by standard industry practice are understood. While designers try to use standard commercially available material shapes and sizes, site conditions may require specialty materials.

Transportation, storage, and handling must be considered in material costs.

9. Analysis of Direct Costs: Labor

Direct labor costs consist of the base wages and salaries paid to personnel whose total effort is charged directly to the performance of a specific segment of construction. Note: Supervisory (non-working) foremen, superintendents, timekeepers, field engineers, etc. are classified as indirect labor and should be included in job overhead. Fringe benefits such as overtime, vacation, social security and shift differential can be considered as direct costs or included in job overhead. The pre-changes meeting should identify which method the contractor will utilize to avoid duplication of charges.

Labor should be broken out by type of labor operation. The negotiator will need a reasonably detailed narrative work plan to confirm that the hours reflect the job requirements and that no operation has been duplicated or omitted. Under the Davis-Bacon Act, contractors must pay laborers and mechanics at rates no less than the prevailing rates determined by the Secretary of Labor for the vicinity of the site.
and class of employee. Negotiators may reference certified payroll when contractors claim they must pay in excess of the prevailing wage rate. Any required overtime hours will need to be justified.

Labor productivity (the time a laborer will require to perform a particular unit of work) factors should be accounted for in considering labor costs. These will vary based on factors including:

- Relative experience, capability, and morale of the worker
- Size and complexity of the job
- Climatic and topographic conditions
- Degree of mechanization
- Quality of the job supervision
- Existing labor-management agreements and/or trade practices

10. Documentation of Negotiations

At the conclusion of negotiations, documentation confirming agreement on cost and/or time should be provided. This documentation may be a revised proposal, a document signed in person by both parties or an email outlining the negotiation result. This documentation should include an agreement on final scope language for inclusion in the SF30 if changes were made to RFP language during negotiations. If the change modifies contract documents such as project specifications, RFP, or similar documents, any changes to the contract should be clearly captured within the SF30 language.

11. Additional Considerations

A common success factor in timely resolution of changes is regular and effective communication between the Contractor and Government. The following best practices are recommended to improve communication regarding changes:
• The status of change orders and requests for information should be discussed at every progress meeting. The Contractor’s change and RFI logs should be shared and discussed with the Government at least bi-monthly to identify and resolve any inconsistencies. Alignment of the change initiation date should occur at this time.

• Conduct monthly meetings focused solely on schedule. The meeting may be part of the monthly payment process to assure accurate schedule updates, but more importantly, both the contractor and the Government need to understand what is driving the schedule and the responsible party for delays on a monthly basis.

• Establish pre-scheduled regular negotiation sessions (weekly, bi-weekly, but no less than monthly) to focus on resolution of quantum and merit issues. This establishes a regular cadence in which the representatives from both parties are available and dedicated, eliminating “calendar conflicts” as a reason that negotiations drag on unnecessarily or issues linger without escalation.

• Many vendors and suppliers qualify their pricing as valid for a certain time frame, typically 30-60 days. In times of extreme market volatility pricing may be valid for 7 days or less. Timely negotiation and settlement of changes is crucial to limit escalation, cost and performance risk.
Exhibit 1

1. Change Event Initiated
2. Draft RFP Issued?
   - Yes: Government Develop Draft Scope Document
   - No: Contractor Notifies Government of Potential Change
4. Scope Alignment Meeting
5. Government Update / Clarify Scope Document
6. Final RFP Issued
   - Government: Develop IGE
   - Contractor: Collects Subcontractor and Vendor Pricing
     - Contractor Change
     - Contractor Submit Proposal
     - Contractor Pay Change
     - Government Review Proposal
       - Government: Develop POM
Exhibit 2

SAMPLE – THIS NEEDS TO BE CUSTOMIZED FOR THE PARTICULAR PROJECT

Change Order Proposal Meeting Minutes

Date:
Contract:
Contractor:
Contractor Representatives:

Government Representatives:

The following worksheet represents a non-binding framework between _____________________ and the United States Army Corps of Engineers (USACE) on the modification process for the __________________ project. This framework does not discuss direct costs. The Contractor (and Subcontractors) will provide proposals with sufficient detail and backup for Government cost verification. Also attached is a proposal template reflecting agreed markups and their appropriate application to each cost element.

**Direct Labor**
The Contractor agrees to submit hourly (Davis-Bacon at a minimum) wages, with a separate markup for fringe benefits/labor burden. We agreed to:

- _____ apply ______% average labor burden to related trades. (Typically laborer, carpenter & operator)
- _____ the Contractor provided backup to support separate markups for each trade.

**Direct Labor Escalation**
For labor escalation beyond {insert date} ______________, we agreed to:

- To account for annual raises an additional _____% (typically 1-3%) is applied to the direct wage each year of the Contract.
- _____ the Contractor agrees to submit new hourly (Davis-Bacon at a minimum) wages reflective of any labor escalation.

**Direct Supervision**
We agreed the Contractor may not add costs for salaried supervisors, they belong in field overhead percentage. For hourly-paid supervision (job foreman), we agreed to:

- _____ % (normally 15%) applied to direct labor.
- _____ charge hourly based on level of required effort. (Typically, general foreman)

**Contingency**
We allow contingencies to the extent we expect the Contractor to bear a higher level of risk. For example, we might pay a percentage waste on lumber and concrete. However, we do not pay for unsubstantiated contingency markups. We agreed to no separate percentage markup for:
Safety – If applicable, itemized as a direct cost
_____ Miscellaneous Material – Allocated to small tools & consumables
_____ Material Handling
_____ Warranty – If applicable, may be applied to a specific piece of equipment or system
_____ As-built Drawings – Evaluated on an as-needed basis. None anticipated for a reasonable number of changes without significant design effort; however, if applicable, a larger design effort may need to take into account CADD/BIM as-builts.
_____ Estimating, Negotiating and Scheduling Changes – If applicable, substantiate and itemize as direct labor.

Small Tools & Consumables
The Contractor will apply _____% markup to direct labor for small tools and consumables. By accepting a percentage, the Contractor will not submit itemized proposals for wire nuts, tape, etc.

Field Overhead
Field overhead only applies if a modification extends time due solely to Government action. To establish a baseline for possible extended overhead costs, the Contractor provided bid documentation to support $______/workday field overhead prorated straight-line over intended project duration. The actual field overhead rate, if required for a time extension, will depend on the stage of construction. To support a time extension, the Contractor must submit a schedule analysis to prove a mod effects the critical path. The same requirements apply to Subcontractors requesting field overhead.

Project Management
We agreed to:

_____ the itemized cost for project management belongs in Field Overhead
or
_____ the Contractor will submit an hourly rate for Office Engineer, Field Engineer, Project Engineer, Area Superintendent, QC Manager, Safety Manager

Home Office Overhead (G&A)
The Contractor has accounting records to support ________% (typically 4-5%) G&A. The G&A rate does not include unallowable costs per FAR 31.205.b.

Profit
FAR requires a method to calculate profit on each change. The Corps uses the Weighted Guidelines Method, where profit varies from 3 to 12% dependent on the weight of seven factors. Using this method, average profit would calculate to 7.5%. We encourage all Contractors to use the Corps method to calculate profit.

Bond, Insurance, Builder’s Risk
The Government will reimburse costs for the Prime Contractor’s Bond and Subcontractor’s Bond. We agreed to:

_____ the Contractor will use a combined rate of _____%
or
_____ the Contractor will apply separate rates of:
______% performance & payment bond
______% general liability insurance
______% builders risk insurance

and
The contractor does require separate bonds from Subcontractors. If so, a separate bond applies to these Subcontractors.

Extended Overhead
Costs to extended field office overhead will be allowed to the extent a Contractor can prove damage and delays caused solely by the Government. (Home office overhead will be allowed as a percentage markup on all changes.) To receive compensation the Contractor must provide detailed justification with before and after approved schedules to document
time-related costs. The Government does not pay for concurrent delays. If weather or Contractor actions contribute to time growth, the Contractor will not receive monetary compensation, but may receive additional time.

Credit Modifications
Contractors must return overhead, profit, insurance and bond on credit modifications. It is recognized that a contractor cannot recover sunk costs for field overhead. Consequently the Contractor is expected to return G&A, bid-climate profit, bond, insurance and B&O. The following rates were agreed for credit mods:

- _____% Field Overhead
- _____% Home Office Overhead
- _____% Profit
- _____% Performance and Payment Bond
- _____% General Liability Insurance
- _____% Builder’s Risk Insurance

Release Language
FAR requires that we insert a Contractor release statement in each modification. The release statement, in effect, requires the Contractor to acknowledge that the modification represents full accord and satisfaction for the scope of work and its effects on the schedule and Contractor’s operations. We do not see a need for or accept blanket Contractor reservations attached to the modification. New events, such as unanticipated efforts on unchanged work or the impact and ripple of a multiplicity of changes stand on their own merit and do not belong in a reservation of rights.

Printing Costs
The Government does not require changes to the documents to be submitted as a separate package and changes to the documents may be incorporated into the as-builts. No markup is to be included for printing costs, and the Government is not requiring separate submissions.

As-built and Model Updates
The Government recognizes the importance of keeping the model up-to-date with changes and the work required to modify the as-builts. We agreed to:

- _____ the Contractor will include a markup of _____% to account for updating the documents
- or
- _____ the Contractor and Subcontractors will include _____% of direct labor for updating the documents

Supplementary Items

Subcontractors
Contractor will initiate a similar meeting with their principal Subcontractors to agree upon their modification markups.

Sales Tax
If applicable, state sales tax for materials and equipment is allowable. The current sales tax rate is 6%.

Dumpsters/Waste Collection & Disposal
If applicable, agreed to itemize dumpsters/waste collection and disposal under equipment.

Cleanup
If applicable, agreed to itemize cleanup under labor.

EP1110-1-8 Construction Equipment Ownership & Operating Expenses Schedule, Region East
Definitions

Bilateral Modification *(FAR 43.103(a))*: a contract modification (supplemental agreement) that is signed by the contractor and the Contracting Officer.

Contract Modification *(FAR 2.101)*: any written change in the terms of the contract.

Request for Equitable Adjustment – A proposal submitted by the contractor for which the Government has not issued a request for proposal and the Contractor alleges Government direction, action, or inaction that results in a change to the contract requirements impacting contract cost or time.

Simplified Acquisition Threshold *(FAR 2.101)* - The simplified acquisition threshold is the Federal Acquisition Regulation threshold to define small actions, currently set at $250,000.

Supplemental Agreement *(FAR 2.101)*: a contract modification that is accomplished by the mutual action of the parties.

Undisputed merit – An issue that both the Government and contractor agree requires a modification to the terms of the contract.

Unilateral Modification *(FAR 43.103(b))*: a contract modification that is signed only by the Contracting Officer.

Unsolicited proposal – A proposal submitted by the contractor for which the Government has not issued a request for proposal. This includes value engineering change proposals.