



**FAA
Airports**

**ARP SOP
07.00**

Effective Date:

10/01/2015

Standard Operating Procedure (SOP)

Airport Improvement Program Construction Project Change Orders

A. PURPOSE

The purpose of this SOP is to establish uniform procedures for the Federal Aviation Administration (FAA) Office of Airports (ARP) that address reviewing and approving Change Orders for airport construction projects.

B. SCOPE

The scope of this SOP applies to all Change Orders for airport construction projects funded in whole or in part under the Airport Improvement Program (AIP). The scope is limited to the review and approval of Change Orders associated with a project that is underway or with the close-out process at the end of the project. This SOP does not address funding decisions associated with Change Orders.

C. CANCELLATION

This is the first version of this SOP, so it does not cancel a previous version.

D. APPLICABLE REGULATIONS, POLICY, AND GUIDANCE

Requirements identified within this SOP originate in or are further described in various FAA publications including Orders, regulations, and Advisory Circulars. **See the current versions.**

1. [Title 2 Code of Federal Regulations 200.323](#)¹
2. [FAA Order 5100.38, Airport Improvement Program Handbook](#)
3. [Advisory Circular 150/5370-10, Standards for Specifying Construction of Airports](#)

¹ Title 2 Code of Federal Regulations 200.323 replaced Part 18.36 after December 26, 2014.

E. AIP CONSTRUCTION PROJECT CHANGE ORDER REQUIREMENTS AND OBJECTIVES

The AIP Handbook (FAA Order 5100.38) requires FAA Airports Personnel (FAA Airports specialists or FAA Airports staff in Regional offices and Airport District Offices) to review Change Orders associated with construction contracts.

The objective of this SOP is to provide a common understanding, frame of reference, and minimum requirements for the processing of AIP Change Orders by FAA Airports staff.

F. LIMITATIONS OF THIS SOP

The following limitations apply to this SOP:

1. This SOP only addresses the actions necessary for the review and approval of change orders on AIP-funded construction contracts.
2. This SOP is not applicable to the review and approval of construction Change Orders on Passenger Facility Charge (PFC) funded construction projects.
3. This SOP is not applicable to the review and concurrence of Supplemental Agreements.
4. This SOP addresses procedures for complying with existing FAA policy. This SOP does not establish or modify FAA policy.
5. This SOP will not focus on funding decisions associated with a Change Order.

G. IMPLEMENTATION

This SOP will be implemented in accordance with FAA Order 5100.38D, Airport Improvement Program Handbook.

H. DISTRIBUTION

This SOP is distributed to the Federal Aviation Administration (FAA) Airports Organization (ARP) and all interested parties. The SOP will be available electronically on the Airports section of the FAA website.

I. CHANGE TABLE

| Date of Change | SOP Version | Page Changed | Reason for Change |
|----------------|-------------|--------------|-------------------|
| | | | |
| | | | |
| | | | |



Elliott Black
Director, Office of Airport Planning and Programming

9/21/2015
Date



Michael J. O'Donnell
Director, Office of Airport Safety and Standards

9/14/2015
Date



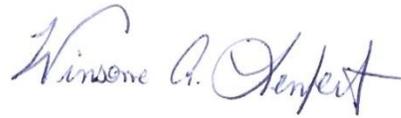
Byron K. Huffman
Manager, Alaskan Region Airports Division



Carolyn Read
Manager (Acting), Northwest Mountain
Region Airports Division



Jim A. Johnson
Manager, Central Region Airports Division



Winsome A. Lenfert
Manager, Southern Region Airports
Division



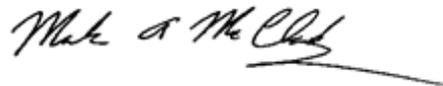
Debbie Roth
Manager, Eastern Region Airports Division



Ignacio Flores
Manager, Southwest Region Airports
Division



Susan Mowery-Schalk
Manager, Great Lakes Region Airports
Division



Mark A. McClardy
Manager, Western-Pacific Region Airports
Division



Mary T. Walsh
Manager, New England Region Airports
Division

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1. ROLES AND RESPONSIBILITIES

1.1. Airport Sponsor

As the recipient of an AIP grant, the airport sponsor must conform to the terms and conditions of the grant agreement and the obligations established under the associated grant assurances. As such, sponsors are the contractual authority that administers any proposed contract Change Order. Sponsors are responsible for settling all contractual and administrative issues that arise from their procurement actions. To remain eligible, such actions must conform to the approved scope of work as defined in the Grant description and the accepted plans and specifications. As they pertain to Change Orders, sponsor responsibilities include:

1. Maintaining records that detail the significant history of their procurement actions, including Change Orders.
2. Documenting a clear and accurate description of the technical requirements for the material, product, or service to be procured.
3. Preparing an independent estimate prior to receiving a Change Order proposal from the contractor.
4. Performing some form of a cost or price analysis for all contract modifications.
5. Negotiating profit as a separate element of price for each Change Order in which a cost analysis is necessary.
6. Making available to the FAA specialist all required documentation, which may include additional supporting documentation as requested by the FAA specialist.
7. Providing justification for why the Change Order is necessary for completion of the AIP-funded project.

1.2. FAA Airports Personnel

FAA Airports Personnel are responsible for reviewing the sponsor's Change Order request and determining if the Change Order is eligible and justified for potential funding under an AIP grant. Their responsibilities include:

1. Reviewing all Change Orders to determine AIP eligibility.
2. Determining whether a portion of the Change Order cost or associated costs (i.e., design or inspection costs) are due to errors and omissions.
3. Ascertaining whether additional costs are directly related to the approved scope of work and are necessary to accomplish the project.
4. Verifying Change Order elements conform to AIP standards and requirements.
5. Preparing correspondence documenting the FAA specialist's determination of AIP eligibility.
6. Archiving the eligibility decision in the project file.

2. PROCESS AND PROCEDURES

2.1. General Characteristics of Change Orders

Change Orders occur on AIP-funded projects for a variety of reasons. Some Change Order work items may be eligible while other work items may not. Change Order work items that are otherwise allowable under the AIP may become ineligible if the sponsor does not conform to AIP requirements for establishing reasonableness of price. It is the FAA specialist’s responsibility to evaluate each Change Order item for AIP eligibility based on—

- Allowability
- Justification
- Reasonableness of price

Table 2-1 addresses common Change Order types and useful information associated with each type. A sponsor’s Change Order may include one or more of the Change Order types depending on the specific Change Order situation.

Table 2-1. Types of Change Orders

| Type | Allowability | Justification | Reasonableness | Other |
|--------------------------------|---|--|---|--|
| Quantity Adjustment | <ul style="list-style-type: none"> • Eligible if within approved scope of work. • Non-participating if outside of approved scope of work. | <ul style="list-style-type: none"> • Additional quantities should be limited to that necessary to complete work as intended by approved scope. • Ensure omitted work items do not compromise the approved scope of work. | <ul style="list-style-type: none"> • Price reasonableness is established by existing unit prices. • Changes to major contract items: unit price should be subject to renegotiation if a major contract item changed by more than 25%. | <ul style="list-style-type: none"> • Sponsors may wait, at risk, until the end of the project to process Change Orders and any associated grant amendment request for quantity adjustments. |
| Extra Work/New Bid Item | <ul style="list-style-type: none"> • Eligible if within approved scope of work. • Non-participating if outside of approved scope of work. • Ineligible if not permitted by AIP. • Ineligible if outside of approved scope of work, even if increase is due to favorable bids. | <ul style="list-style-type: none"> • Additional quantities should be limited to that necessary to complete work as intended by approved scope. | <ul style="list-style-type: none"> • The sponsor needs to perform some form of price analysis or cost analysis. • The sponsor needs to provide assurance that it conducted a price or cost analysis. | <ul style="list-style-type: none"> • The sponsor should establish a firm fixed price before starting extra work. • If uncertain about the level of effort, duration, and/or material costs, the sponsor should not permit the establishment of a firm fixed price for the extra work. Instead, the sponsor may use a time and material contract method upon approval by FAA. |

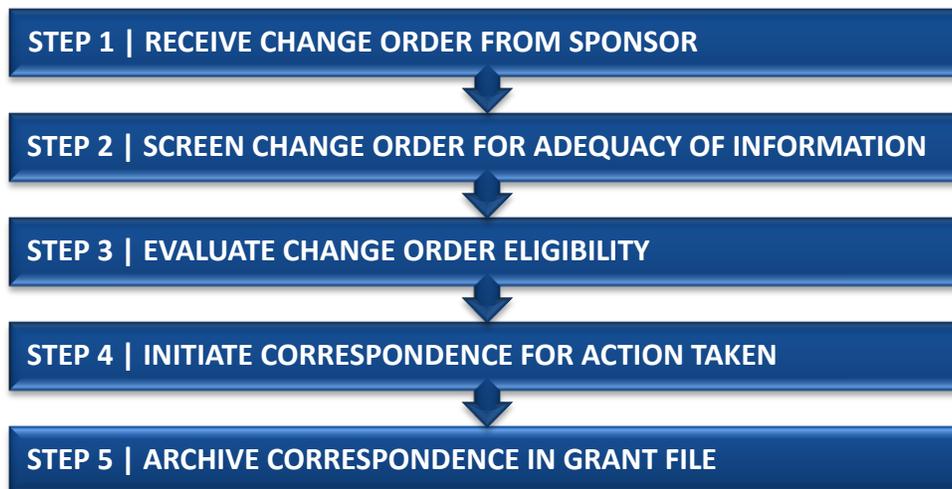
| Type | Allowability | Justification | Reasonableness | Other |
|---------------------------------|---|---|--|--|
| | | | | <ul style="list-style-type: none"> Altering materials or construction methods, post-bid, can result in a modification to AIP standards. Unless explicitly approved by the FAA, modification to AIP standards are not allowed. |
| Emergency Change Orders | <ul style="list-style-type: none"> Eligible if within approved scope of work. Non-participating if outside of approved scope of work. Ineligible if not permitted under AIP. Ineligible if due to conditions covered by Builders Risk or other insurance. | <ul style="list-style-type: none"> Additional quantities should be limited to that necessary to complete work as intended by approved scope. Omitting work items can alter the project such that it deviates from the approved scope or work. | <ul style="list-style-type: none"> Existing bid items: price reasonableness is established by contract unit prices. New bid items: reasonableness may be established by price analysis if cost data is readily available. Time and Material (T&M) method if time critical; need to establish mutually agreeable burdened hourly rates before starting extra work. | <ul style="list-style-type: none"> To avoid project delays, emergency Change Orders are typically handled by provisional approval by FAA; the sponsor should generally follow-up with a standard Change Order document. The T&M approach requires the sponsor to provide a high level of oversight that assures contractor performs in an efficient manner that minimized costs. |
| Corrective Change Orders | <ul style="list-style-type: none"> Allowability depends on the circumstances of the Change Order and only those costs directly necessary to accomplish the project may be approved. AIP cannot participate in costs associated with re-work. Participation in additional work due to errors and omission requires an evaluation of costs to determine what reasonably would have been incurred under | <ul style="list-style-type: none"> The sponsor should demonstrate why corrective action or measure is necessary. If the sponsor proposes an alternative solution, the alternative must demonstrate an equivalent product to what is in the accepted plans and specifications. | <ul style="list-style-type: none"> Same as quantity adjustment and new work item | <ul style="list-style-type: none"> Corrective Change Orders can result in secondary project cost increases such as additional design and inspection fees. Such secondary costs may or may not be AIP eligible. |

| Type | Allowability | Justification | Reasonableness | Other |
|-------------------------------|--|--|---|--|
| | the project if the error or omission had not occurred. | | | |
| Deductive Change Order | <ul style="list-style-type: none"> Omitting a work item can adversely affect the allowability of the project. | <ul style="list-style-type: none"> The sponsor should explain why a work item is being omitted. Omitting work items can alter the project such that it deviates from the approved scope of work. | <ul style="list-style-type: none"> Omitting existing bid item: price reasonableness is established by current contract price. Omitting partial bid item: sponsor needs to enter in negotiation with contractor to establish a new contract price. | <ul style="list-style-type: none"> Deleting work items can modify the project scope so it no longer matches the grant description. |
| No Cost Change Orders | <ul style="list-style-type: none"> Allowability will depend on the circumstances of the Change Order. | <ul style="list-style-type: none"> Justification will depend on the circumstances of the Change Order. | <ul style="list-style-type: none"> Not applicable | <ul style="list-style-type: none"> A no cost Change Order could increase or decrease secondary project costs such as design or inspection fees for period of performance. |
| Type | Allowability | Justification | Reasonableness | Other |

2.2. Standard Change Order Process

The standard process for reviewing a Change Order assumes sufficient time is available for the sponsor to properly define the scope of the Change Order work item and to negotiate a firm fixed price that is fair and equitable. The process for administering an emergency Change Order differs slightly from the standard Change Order process. Refer to Section 2.3 to learn more about emergency Change Orders.

Figure 2-1. Standard Change Order Process



2.2.1. Step 1: Receive Change Order from Sponsor

Unless specifically requested by the FAA specialist, the sponsor does not have to obtain prior FAA approval for contract changes. However, if a sponsor proceeds with a contract change without prior FAA approval, it is at the sponsor's risk. The FAA specialist's review at a later date determines which portion of Change Order costs are eligible for AIP participation. Sponsors that submit proposed Change Orders to the FAA for review prior to execution can avoid incurring costs for work items the FAA determines are ineligible.

Sponsors may not request reimbursement under the AIP for any Change Order work item unless the FAA has approved AIP participation in the Change Order work item².

2.2.2. Step 2: Screen Change Order for Adequacy of Information

This step represents an efficiency measure to limit the time spent reviewing a Change Order that has inadequate documentation or that is clearly not eligible.

1. Verify if the Change Order addresses work associated with the approved scope of work. If the extra work does not fall within the approved scope of work, the FAA specialist may end the review with a non-approval determination.
2. Verify if the provided documentation is sufficient to allow the FAA specialist to evaluate the Change Order for AIP eligibility. Refer to Appendix B for Change Order documentation. Contact the sponsor if documentation is insufficient.

2.2.3. Step 3: Evaluate Change Order for Eligibility

2.2.3.1. Evaluate Change Order for Allowability

To verify the sponsor's due diligence, the FAA specialist reviews the Change Order to determine if the extra work is allowable or if deleting a contract work item causes project elements to become non-allowable. To be allowable, the work item costs must be necessary to accomplish the original scope of work, as per the grant agreement and accepted plans and specifications. The evaluation of allowability involves the following checks:

1. Verify the extra work does not involve non-allowable work as established within FAA Order 5100.38, AIP Handbook.
2. Verify the extra work conforms to applicable FAA Standards for design and construction (e.g., AC 150/5370-10 and AC 150/5300-13, *Airport Design*).
3. Verify the Change Order does not adversely affect compliance with applicable AIP procurement requirements such as Buy American Preferences and Disadvantage Business Enterprise participation:
 - a. **Buy American Preference.** For new contract work items, evaluate the item for conformance with AIP preference for 100-percent U.S.-made product. If the item is less than 100-percent U.S. domestic product or if it is not already included on the FAA-approved list of Buy American waivers, the sponsor must obtain appropriate

² This does not apply to necessary contract quantity adjustments, which are permitted under Section 90 of Advisory Circular 150/5370-10.

information from the contractor to support a permissible waiver. If the Change Order is deleting a work item, the FAA specialist must assess the effect the deletion may have on any previously approved Buy American waiver.

Note: Under an FAA AIP Buy American Type III waiver, it is possible the new U.S. domestic product content may drop below the previously approved percentage or even below the 60-percent permissible threshold.

- b. **Disadvantaged Business Enterprise (DBE).** Assess the effect the Change Order may have on the previously accepted DBE participation percentage for the project. A Change Order that removes work items proposed for a DBE firm will likely result in an overall lower DBE participation percentage from that approved at the time of contract award. The sponsor may need to encourage the contractor to identify other opportunities for DBE participation that fulfill the original obligation.
- c. **Davis-Bacon.** Assess whether or not the current wage rate schedule incorporated into the contract addresses the labor classifications necessary for the Change Order work. The current wage rate schedule may need to be incorporated into the Change Order.

2.2.3.2. Evaluate Change Order for Justification

The FAA specialist evaluates the Change Order work items to determine if the extra work or deleted work items are justified. FAA Order 5100.38 addresses three basic tests to establish justification:

1. **Work Advances AIP Policy.** The added work items must be consistent with AIP goals that address agency objectives such as safety, security, environment, capacity, and preserving airport infrastructure.
2. **Actual Need.** The sponsor must demonstrate to FAA satisfaction why it is necessary to add or delete the work item(s) addressed in the Change Order in order to complete the project as intended under the original approved scope of work. The FAA specialist evaluates the Change Order to determine:
 - a. If the sponsor has established need for the Change Order.
 - b. If the Change Order addresses re-work due to errors or omissions.
 - c. If a request to increase contract time is supported by documentation that demonstrates delays were due to circumstances outside of the contractor's control.
3. **Change Order Scope Is Appropriate.** The extra work must be necessary to carry out the project so a useable unit results at the conclusion of the project. The FAA specialist evaluates the Change Order to determine:
 - a. If the additional work item exceeds FAA standards, resulting in unnecessary costs.
 - b. If the additional work items meet applicable AIP standards for design and construction.
 - c. If deleting work items alters the original approved scope of work.

2.2.3.3. Check for Reasonableness of Costs

The FAA specialist makes the final determination of cost reasonableness as outlined in Chapter 3, Section 14, of FAA Order 5100.38, AIP Handbook. The FAA specialist makes this

determination by issuing correspondence that conveys approval, partial approval, or disapproval. In making this determination, the FAA specialist relies on a statement signed by the sponsor that it has performed either a price or cost analysis and that it recommends the FAA accept the price as fair and reasonable. The FAA specialist may ask the sponsor to submit additional documentation (e.g., documentation that supports the price/cost analysis, bid abstracts from recent projects, etc.) to support a determination of a fair and reasonable price.

2.2.4. Step 4: Initiate Correspondence for Action Taken

2.2.4.1. The FAA specialist prepares and submits correspondence that conveys to the sponsor a determination of AIP eligibility. There are three potential Change Order actions and correspondence:

1. Approved
2. Partially Approved
3. Disapproved

2.2.4.2. Because the sponsor has the option to submit changes as they occur or at the end of the project, the FAA specialist can address each Change Order individually or collectively at the end of the project, but also should not purposely refrain from making a determination of eligibility until the end of the project.

2.2.4.3. The FAA specialist can use any of the following forms of correspondence:

- Hard copy letter
- Emailed copy of the action letter (approval, partial approval, disapproval)
- Email

2.2.4.4. In all cases, the correspondence must address the following minimum elements in Table 2-2 for the type of action being taken.

Table 2-2. Change Order Correspondence

| Type | Approval Action | Partial Approval Action | Disapproval Correspondence |
|--|--|--|--|
| 1. Basic Information | <ul style="list-style-type: none"> • Sponsor Name • Airport Name • Grant Number • Project Description • Contract Identifier (if applicable) | <ul style="list-style-type: none"> • Sponsor Name • Airport Name • Grant Number • Project Description • Contract Identifier (if applicable) | <ul style="list-style-type: none"> • Sponsor Name • Airport Name • Grant Number • Project Description • Contract Identifier (if applicable) |
| 2. Change Order Sequence Number | <ul style="list-style-type: none"> • e.g., Change Order No. 5 | <ul style="list-style-type: none"> • e.g., Change Order No. 5 | <ul style="list-style-type: none"> • e.g., Change Order No. 5 |
| 3. FAA [Action] Determination | <ul style="list-style-type: none"> • [Approval] based on sponsor's submitted documentation | <ul style="list-style-type: none"> • [Partial Approval] based upon sponsor's submitted documentation | <ul style="list-style-type: none"> • [Disapproval] action that declares work item ineligible |
| 4. Listing of Change Order | <ul style="list-style-type: none"> • Approved Change | <ul style="list-style-type: none"> • Approved Change | <ul style="list-style-type: none"> • Restrictions on |

| Type | Approval Action | Partial Approval Action | Disapproval Correspondence |
|-----------------------------------|--|--|--|
| Items | Order items | Order items | including non-participating work: <ul style="list-style-type: none"> – The incorporation of non-participating work items must not directly or indirectly result in additional costs to the AIP-eligible portion of the project. – Maintain separate and accurate cost accounting of the non-participating costs that will permit a third-party auditor to quickly verify proper cost allocation. |
| 5. Change Order Cost Explanations | <ul style="list-style-type: none"> • Amount of approved Change Order costs | <ul style="list-style-type: none"> • Listing of non-participating items <ul style="list-style-type: none"> – Cost of non-participating items – Brief explanation of why item is non-participating • Cumulative values of approved and disapproved Change Order items | <ul style="list-style-type: none"> • Not applicable |
| 6. Time Extension | <ul style="list-style-type: none"> • Amount of approved contract time extension | <ul style="list-style-type: none"> • Amount of approved and disapproved contract time extension | <ul style="list-style-type: none"> • Not applicable |
| 7. Limitations of Approval Action | <ul style="list-style-type: none"> • “This determination is solely for the purpose of establishing eligibility of costs under the AIP program. This action does not represent a commitment of Federal funds in addition to the original grant obligation.” • “Our approval with the increase in contract time does not represent FAA concurrence with additional contract time for construction phase services.” | <ul style="list-style-type: none"> • “This determination is solely for the purpose of establishing eligibility of costs under the AIP program. This action does not represent a commitment of Federal funds in addition to the original grant obligation.” • “Our approval with the increase in contract time does not represent FAA concurrence with additional contract time for construction phase services.” • “The incorporation of non-participating work items must not directly or indirectly result in | <ul style="list-style-type: none"> • Not applicable |

| Type | Approval Action | Partial Approval Action | Disapproval Correspondence |
|----------------------------------|--|--|--|
| | | additional costs to the AIP-eligible portion of the project. Maintain separate and accurate cost accounting of the non-participating costs that will permit a third party auditor to quickly verify proper cost allocation.” | |
| 8. Required Actions | <ul style="list-style-type: none"> • Forward one copy (preferably emailed pdf) of the executed Change Order to my attention as soon as it is available.” • Indicate details of this Change Order on your as-built drawings.” | <ul style="list-style-type: none"> • “Forward one copy (preferably emailed pdf) of the executed Change Order to my attention as soon as it is available.” • “Indicate details of this Change Order on your as-built drawings.” | <ul style="list-style-type: none"> • Not applicable |
| 9. Clarification Comments | <ul style="list-style-type: none"> • Not applicable | <ul style="list-style-type: none"> • As applicable | <ul style="list-style-type: none"> • Not applicable |

2.2.5. Step 5: Archive Correspondence in Grant File

The FAA specialist should archive the correspondence in the grant document file.

2.3. Emergency Change Order Process

An emergency Change Order addresses extra work that the sponsor and the FAA mutually agree is time critical for mitigating an immediate safety or airport operational concern or addressing differing site conditions that have the potential to adversely impact the project’s progress. Emergency Change Orders can result in premium prices for Change Order work. The application of the emergency Change Order process should be limited to situations where it is absolutely necessary. Insufficient planning and convenience are not adequate reasons to use the emergency Change Order process.

Administration of emergency Change Order work differs from the standard process in that it is typically in the best interest of the FAA to immediately commence extra work rather than wait until the standard process is finished. Initial coordination of emergency Change Orders is typically via telephone or email. The complete description of the work may not be readily available to allow a contractor to determine the necessary level of effort and risk that may apply. A valid emergency Change Order is a situation where the time and material (T&M) payment approach is justified under the AIP.

The steps for administering an emergency change will vary according to the extent and context of the emergency. Generally, the Change Order process for valid emergencies begins with required immediate actions but concludes with steps from the standard process flow.

Figure 2-2. Emergency Change Order Process

2.3.1. Step 1: Initial Coordination

2.3.1.1. Initial coordination will generally be either verbal communication (i.e., telephone conversation) or by email. If initial coordination is verbal, the FAA specialist should request the caller to follow up the phone conversation with an email that documents the main discussion points.

2.3.1.2. When initially discussing an emergency Change Order, the FAA specialist should address the following issues:

1. What happened?
2. What are the immediate consequences?
 - a. Are airport operations adversely affected?
 - b. Are there immediate construction safety issues?
3. Is the Change Order allowable and justified?

Note: Characterizing the situation as an “emergency” does not make the work automatically eligible.

- a. Example 1: Immediate replacement or stabilizing of an isolated pocket of unsuitable subgrade may be eligible.
 - b. Example 2: Mitigating subgrade due to discovery of hazardous contamination may not be eligible.
4. What conversations has the sponsor had with the Contractor about corrective action?
 5. How will Change Order costs be established?
 - a. For some emergency work items, cost data from current project (i.e., bid prices) and recent AIP projects may be sufficient to establish reasonableness of costs under a price analysis approach;
 - b. For most emergency work items, it may be impractical to determine the extent of work or the level of required effort. In such cases, a time and material contract is

appropriate provided the sponsor is made aware of the constraints associated with a T&M approach.

2.3.2. Step 2: Follow-On Coordination

While the coordination may be verbal at first, the FAA specialist should emphasize use of email to document discussions with the sponsor and the consultant. File copies of such email discussions in the grant project file.

2.3.3. Step 3: Initial Approval Action

Once the sponsor provides sufficient information to provide direction to the contractor, the FAA specialist may grant initial approval of the emergency Change Order. The type of initial approval will depend on the specific circumstances of the emergency.

1. **Conditional Approval.** Send an email offering approval with additional work conditioned on the following:
 - a. The sponsor can base the extra work item cost on existing contract unit prices.
 - b. The FAA will establish a not-to-exceed value with the sponsor.
 - c. The FAA will require the sponsor to submit a formal Change Order with final costs.
2. **Provisional Approval.** Send an email offering provisional approval:
 - a. When the extent and effort required of work items are not initially known;
 - b. Advising the sponsor that given the unknown circumstances of the emergency action, anticipated costs will be determined eligible, provided they are allowable under AIP and justified for the project.
3. **Permit Use of Time and Material (T&M) Payment Approach.** If using this type of approval:
 - a. Require the sponsor to negotiate a value for profit to be used in the T&M; this may be a firmed fixed value or may be incorporated into a burdened hourly rate for the laborers.
 - b. Require the sponsor to establish a ceiling price that cannot be exceeded unless at the contractor's risk.
 - c. Require the sponsor to provide active oversight of the contractor's performance to establish the level of effort and efficiency. The sponsor must maintain detailed notes documenting the contractor's performance.

2.3.4. Step 4: Revert to Standard Change Order Process

2.3.4.1. Once the emergency work is fully defined and the level of effort necessary to carry out the remaining emergency work is known, the sponsor should consider reverting to a firm fixed price Change Order if it is practical to do so. If not, the agreements that are informally in place may continue. However, the sponsor should proceed with establishing a standard Change Order to cover this work.

2.3.4.2. Once the sponsor submits the standard Change Order, the FAA specialist should review the Change Order similar to a standard process but starting at **Standard Step 3** (paragraph

2.2.3). Since the FAA specialist should already be well informed of the Change Order details, the review of **Standard Steps 3–5** (paragraphs 2.2.3–2.2.5) will likely be cursory. The intent of this second review is to verify that the agreed-upon elements of the initial approval are still valid with the formal Change Order.

2.3.4.3. The FAA specialist completes the emergency Change Order process by initiating an approval/partial approval/disapproval letter per **Standard Step 4** (paragraph 2.2.4) and archiving the letter action and supporting documentation per **Standard Step 5** (paragraph 2.2.5).

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APPENDIX A. GLOSSARY

1. **Accepted Plans and Specifications:** approval based on airport sponsor self-certification as defined in FAA Order 5100.38.
2. **Approved Scope of Work:** synonymous with “Project” as defined in Section 10 of AC 150/5370-10.
3. **Bid Item:** synonymous with “Contract Item” as defined in Section 10 of AC 150/5370-10.
4. **Burdened Rate:** the allocation rate at which indirect costs are applied to the direct costs of either labor or inventory.
5. **Change Order:** See Section 10 of AC 150/5370-10 for a definition of “Change Order” as it applies to this SOP.
6. **Contract Item (Pay Item):** See Section 10 of AC 150/5370-10 for a definition as it applies to this SOP.
7. **Corrective Change Order:** a Change Order issued to either correct work already completed or to prevent a design deficiency from occurring. Corrective Change Orders are typically a result of an error, omission, or design change. Corrective Change Orders that are preventative may be eligible. Corrective Change Orders that cause re-work may not be fully eligible.
8. **Deductive Change Order:** a Change Order issued to reduce the contract work by deleting a contract work item (i.e., omitted work) or removing a contract requirement.
9. **Emergency Change Order:** a Change Order that requires urgent action to avoid a significant delay to the project critical path or to mitigate an immediate airport safety or operational deficiency.
10. **Extra Work:** See Section 10 of AC 150/5370-10 for a definition of “Extra Work” as it applies to this SOP.
11. **Omitted Item:** work/contract/bid items that are being deleted from the original approved project scope. See Section 40 of AC 150/5370-10. Synonymous with a deleted work item.
12. **Project:** See Section 10 of AC 150/5370-10 for a definition as it applies to this SOP.
13. **Supplemental Agreement:** See Section 10 of AC 150/5370-10 for a definition of “Supplemental Agreement” as it applies to this SOP.
14. **Time and Material:** contract methods that allows acquiring material and services on the basis of negotiated burdened labor hours (i.e., wages, overhead, general administrative expenses, and profit) and materials at cost. The time and material method is appropriate only if other contract methods are not suitable, and if at the time of the procurement action, it is not possible to estimate accurately the extent or duration of the work or to estimate costs with any reasonable degree of confidence.
15. **Usable Unit of Work:** See Table A1 of FAA Order 5100.38 for a definition of usable unit of work as it applies to this SOP.

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APPENDIX B. CHANGE ORDER CONTENTS

The sponsor Change Order may address individual work items or they may include multiple work items. When applicable, Change Orders under an AIP-funded construction project should contain the following basic components and supporting documentation.

Note: FAA Order 5100.38 allows the FAA specialist to request additional documentation as necessary to determine AIP eligibility.

1. General Change Order Information
2. Airport Name
3. AIP Grant Number
4. Project Description (i.e., Reconstruct Runway 02/20)
5. Contract Identifier: if the AIP grant includes more than one prime contract (i.e., Contract Number, Contractor Name, or Work Scope Number)
6. Change Order Sequence Number
7. Description of Construction Change Order
8. Justification for the Construction Change Order. The Change Order—
 - a. Should clearly explain and document the circumstances that necessitated a Change Order. Examples include unforeseen site conditions, work necessary to have a usable unit at the close out of the grant, and omissions in the plans and specifications that could not have been foreseen during the project design phase.
 - b. Must provide sufficient information to allow the FAA specialist to determine if the Change Order work is the result of an error or omission on the part of the airport consultant.
 - c. Must document that the change is needed and directly related to the work identified in the grant description rather than an afterthought, do-over, “nice to have item,” or maintenance after construction.
 - d. Must provide enough information to allow the FAA specialist to determine that the changes are consistent with FAA standards or provide the disposition of any modifications to standards.
 - e. Must address the reason for any proposed contract time extensions or modifications (i.e., document the abnormal conditions or circumstances and how it affected the original project schedule). This should include a discussion of liquidated damages.
9. Cost Reasonableness
 - a. The sponsor must perform either a price or cost analysis with every Change Order.
 - b. The sponsor must prepare an Independent Cost Estimate (ICE) prior to receipt of the contractor’s proposal. Evidence of this must be by signature of preparer and date the estimate was prepared.
 - c. The sponsor must provide the FAA a written statement that addresses the type of analysis they used to establish a fair and equitable price for the extra work.

- d. The statement should typically include a recommendation to accept their analysis as evidence of cost reasonableness.
- e. The FAA specialist has the final determination on whether the costs are reasonable.

10. Consequences of Change Order Attachment

- a. The sponsor's attachment should address the consequences of the Change Order, contract time, and related services.
- b. The sponsor's attachment must address itemized cost breakdown of the associated costs and include the original contract value (FAA federal share) and cumulative value of contract to-date (with all Change Orders).
- c. The attachment must justify, in accordance with AC 150/5370-10, the original schedule and any proposed changes to schedule (Change in Contract Time).
- d. The attachment should indicate any effect on other costs such as engineering, construction management, or inspection.

11. Conformance to AIP Standards and Regulations

- a. The Change Order documentation should include a statement addressing conformance to AIP standards and regulations. The following are some of the more common FAA Standards and Regulations that might be affected:
 - i. FAA design and construction standards
 - ii. Procurement standards and requirements
 - iii. Buy American provisions
 - iv. Disadvantaged Business Enterprise

12. Supporting Documentation

13. Sketches/Diagrams/Drawings

14. Revised CSPP

15. Other Information as Requested by FAA Specialist

APPENDIX C. SAMPLES OF CHANGE ORDER CORRESPONDENCE

C.1. Sample: Change Order Approval Correspondence



U.S. Department
of Transportation
**Federal Aviation
Administration**

[Date]

[Mr./Ms.]
XXX Airport Manager
555 Airport Parkway
Anywhere USA, US 99999

Airport: Anywhere Airport
AIP Grant No. X-XX-XXXX-XXX-XXXX
[Project Name]
Contract No. (if applicable)
Change Order No. X

I have reviewed the subject Change Order and associated costs and determined that [a portion of] the additional contract items are eligible for AIP participation.

The following contract items are approved in the total amount of \$00 and [no | a # day] increase in contract time:

- 1.
- 2.

AIP will not participate in the following contract items. Refer to the attachment for an explanation[*]:

- 1.
- 2.

The following limitations apply to this action:

- This determination is solely for the purpose of establishing eligibility of costs under the AIP program. This approval does not represent a commitment of Federal funds in addition to the original grant obligation.
- The incorporation of non-participating work items must not directly or indirectly result in any additional cost to the AIP-eligible portion of the project. Please maintain a separate and accurate cost accounting of the non-participating work that will permit a third party auditor to quickly verify proper allocation of costs.
- [**]Our approval with the increase in contract time does not represent FAA concurrence with additional time for construction phase services.

Please forward a copy of the executed change to my attention as soon as it is available. Your record drawings should indicate details addressed by this Change Order.

If you have questions, please call me at (555) 555-5555.

Sincerely,

[FAA Specialist's Name]

Notes to the FAA Specialist:

*Provide explanation of ineligible or non-participating work in separate attachment.

**This item only applies to time extension requests.

ADO may elect to use their approval block with appropriate disclaimers if all items in the Change Order are approved.

C.2. Sample: Change Order Disapproval Correspondence



U.S. Department
of Transportation
**Federal Aviation
Administration**

[Date]

Mr. [Ms.]
XXX Airport Manager
555 Airport Parkway
Anywhere USA, US 99999

Airport: Anywhere Airport
AIP Grant No. X-XX-XXXX-XXX-XXXX
[Project Name]
Contract Identified (If applicable)
Change Order No. X

I have reviewed the subject Change Order and associated documentation and find the work to be ineligible under the subject grant agreement for the following reasons:

- Extra work unnecessary to accomplish the project scope as originally approved.
- Extra work is the result of errors or omissions that could foreseeably been avoided.
- Extra work not allowable under the AIP.
- Cost of extra work is not reasonable.

Change Order No. X is disapproved.

Note the following if you proceed with this work:

- The incorporation of non-participating work items must not directly or indirectly result in additional costs to the AIP-eligible portion of the project.
- Maintain separate and accurate cost accounting of the non-participating costs that will permit a third party auditor to quickly verify proper cost allocation.

If you have questions, please call me at (555) 555-5555.

Sincerely,

[FAA Specialist's Name]

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APPENDIX D. LIST OF STEPS

D.1. Standard Change Order Process

1. Step 1 – Receive Change Order from Sponsor
2. Step 2 – Screen Change Order for Adequacy of Information
3. Step 3 – Evaluate Change Order for Eligibility
 - a. Allowability
 - b. Justification
 - c. Reasonableness of costs
4. Step 4 – Initiate Correspondence for Action Taken (Approval/Partial Approval/Disapproval)
5. Step 5 – Archive Correspondence in Grant File

D.2. Emergency Change Order Process

1. Step 1 – Initial Coordination
2. Step 2 – Follow-on Coordination
3. Step 3 – Initial Approval Action
4. Step 4 – Revert to Standard Change Order Process