

<b>SUBJECT:</b> Use of Contractor Contingency and Owner Contingency Funds for Minor and Major Projects during the Construction Phase	<b>Effective Date:</b> 9/27/17	<b>Procedure Number:</b> FS 2017 FS0026	
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	<b>Responsible Authority:</b> Associate Vice President, Administration and Finance (Facilities & Safety)		

**APPLICABILITY/ACCOUNTABILITY:**

This procedure applies to all Facilities & Safety personnel.

**PROCEDURE STATEMENT:**

This procedure defines the use of contingency funds for Major and Minor Projects during the construction phase of projects. Any request to use contractor contingency funds must be received in writing and approved by the director of Facilities Planning and Construction (FP&C) before the contractor may commence with the work. Any request to use owner contingency funds must be received in writing and approved by the Associate Vice President, Administration and Finance (Facilities & Safety) before the contractor may commence with the work. No work will commence without verification of the availability of appropriate contingency funds by the Facilities & Safety Business Office (FSBO.) This procedure must be used in conjunction with FP&C Procedure FS 2016 FPC0021- Financial Procedures.

**DEFINITIONS:**

**Contractor Contingency:** an amount of funds set aside within a construction project for use by the contractor within the terms defined by the contract and when approved by the Owner through the use of a Contractor Contingency Transfer Form

**Owner’s Contingency:** an amount of funds set aside within a construction project for use by the contractor within the terms defined by the contract and when approved by the Owner through the use of a Change Order Form and Change Order Justification Form. Owner’s contingency may be divided into three categories: Design, Construction, and Scope.

**Design Contingency:** a portion of Owner’s Contingency that is designated for Owner-approved design changes

**Construction Contingency:** a portion of Owner’s Contingency that is designated for Owner-approved construction-related changes

Scope Contingency: a portion of Owner's Contingency that is designated for changes to the project scope requested by the Owner

Errors and Omissions: an industry term used to describe professional work that is inadequately performed, which increases the cost or delays the schedule of a project. An error is a mistake in the plans and specifications that, if followed by the contractor, will require replacement; correction; re-work; or re-ordering of materials, supplies, or equipment at a cost for increased material and/or labor. An omission occurs when something required to complete the building or comply with the building codes and standards is not shown on the plans or in the specifications, thus omitting is a mistake which leaves out first-cost materials, supplies, or equipment and associated labor, which may result in higher costs than had they been included originally.

**PROCEDURE:**

The UCF Project Manager (PM) will make the Architect/Engineer (A/E) and the Contractor aware of this procedure, the following contingency percentages, the consequences for exceeding these percentages, and the requirements set forth in FP&C Procedure FS 2016 FPC0021, Financial Procedures, at the start of each project.

**Contractor Contingency:**

1. The Contractor must submit the Contractor Contingency Transfer Form and Construction Contingency Request Justification Form, filled out by the Contractor, the A/E, and the UCF PM for approval of Contractor Contingency, in accordance with FP&C Procedure FS 2016 FPC0021, Financial Procedures.
2. All unspent Contractor Contingency shall accrue to the benefit of the Owner, and at Final Completion of the Work, the GMP shall be reduced by Change Order by the amount of the unspent contingency. The Contractor shall reconcile the Contractor Contingency monthly.

**Owner Contingency:**

1. The table below shows the minimum percentage of Owner Contingency allowed on projects at the GMP phase.

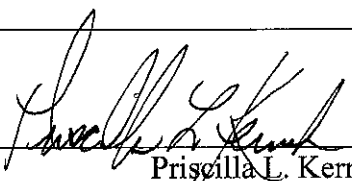
Owner Contingency	% of Total Construction Cost	
	Minor Projects	Major Projects
Design	5%	1%
Construction	5%	1%
Scope	% Established Per Project	1-3%
Total	10+%	3-5%

2. The Contractor must request, in writing, through the UCF PM, any use of either Contractor or Owner Contingency funds. The work related to use of such contingency may not begin until required approvals are completed.
3. The Contractor must submit separate review packages, by request type, for Contractor Contingency, Owner's Design Contingency, Owner's Construction Contingency, and Owner's Scope Contingency. The UCF PM will reject any request that combines various categories on a single justification form.
4. The Contractor must submit the Change Order Form and the Change Order Justification Form, filled out by the Contractor, the A/E, and the UCF PM, for approval of Owner Contingency, in accordance with procedure FS 2016 FPC0021, Financial Procedures.

The A/E must certify whether costs are or are not included for corrective work made necessary by errors, omissions, deficiencies, or fault attributable to the A/E. The UCF PM may not accept incomplete forms, and may not fill in additional information that was omitted by the A/E. The Owner will only pay first-cost expenses of these Change Orders. Any additional expenses related to re-work of installed conditions, expediting of materials, etc., will not be the responsibility of the Owner.

For projects without an A/E, the UCF PM shall mark "N/A" in this section.

5. The UCF PM will track each category of contingency against the minimum allowable contingency for each project, using the CMMS database or other departmental financial tracking mechanisms. A summary sheet must be submitted with each Change Request to identify the initial project contingency, contingency used to date, remaining contingency, and percentage of contingency used for each category, so that the use of design, construction, and scope contingency can be evaluated as the project progresses.
6. The UCF PM will make the A/E and Contractor aware of contingency balances as funds are approved for use, and will work with the Contractor to ensure that use of contingency does not approach the maximum allowed.
7. The UCF PM and the FP&C director will work with the A/E and Contractor throughout the project to control cost increases, and prevent unnecessary use of contingency.
8. The UCF PM will deny all Contractor requests that exceed the percentage of contingency allowed for any category. All expenditures exceeding the percentage of contingency allowed for any category will be at the sole expense of the A/E or Contractor.

Approved By:	Date Approved:
 Priscilla L. Kernek Associate Vice President Administration and Finance Facilities and Safety	9/27/17