PROJECT MANAGEMENT

The Right Routine for Subcontractors

don’t let change orders become unpaid loans

By J. Nathan Cole and Herling D. Romero Adrianza

It is late afternoon when a directive comes down from the superintendent: Handle this now. Your foreman has a crew standing by, the material is on site, and the schedule has no slack to give, so the work gets done and the job keeps moving. Then it sits. What began as a field directive becomes a “potential” change item, then a pricing exercise, then a back-and-forth among the owner, the architect, and the general contractor—while your company has already paid for the labor, material, equipment, payroll taxes, insurance, supervision, and overhead that put the change in place.

When that pattern repeats across a job, it stops being an inconvenience and starts to look like something else: an unwritten financing arrangement, one in which the trade contractor fronts the cost of changed work and someone upstream decides whether, when, and how much to pay it back.

FOUR QUESTIONS THAT GET BLURRED TOGETHER

Changes are a permanent feature of construction. Incomplete drawings, differing site conditions, design coordination gaps, late owner selections, sequencing conflicts, and acceleration can all generate work that was never in the original price. The trouble starts when project teams collapse four distinct questions into a single conversation: Was the work actually directed? Is it outside the original scope? What are the cost and schedule impacts? And when does the subcontractor get paid?

Those questions are related, but they are not interchangeable. A field instruction may establish that the work has to proceed today while leaving entitlement, price, schedule, and payment timing entirely unresolved, and for as long as they stay merged, the subcontractor is the one carrying the exposure.

“PROCEED” IS NOT AN APPROVED CHANGE ORDER

Project teams run on shorthand: “proceed,” “we’ll take care of it,” “just submit a ticket,” “the owner already knows.” Those phrases keep the job moving, and there is nothing wrong with that, but none of them necessarily satisfies the change-order procedure written into the subcontract. Before the first hour of changed work goes in, the subcontractor should know—or confirm—exactly what that procedure requires. Does the subcontract demand written notice within a short, defined window? Does that notice have to reach a specific person or office to count? Is a field-work directive enough to authorize the work, or does it take something more formal? And do notice requirements in the prime contract flow down and bind the subcontractor in their own right? Those are common traps rather than an exhaustive list, and the answers shift from one contract to the next.

The practical defense does not need to be elaborate. When directed work looks like it falls outside the scope, the subcontractor should send a short, written confirmation the same day. It should identify who gave the direction, what was requested, where and when it happened, why it appears to be extra, whether it may affect the schedule, and it should state plainly that the subcontractor is proceeding as directed while reserving the right to an equitable adjustment for the added cost and time. That email does not replace a formal change order, but it preserves the facts of the directive while the formal process catches up to what already happened in the field.

A CHANGE-ORDER ROUTINE THE FIELD CAN ACTUALLY RUN

The change-order system that protects a subcontractor is rarely the most sophisticated one. What matters is whether a foreman can run it on the worst day of the job, without stopping to call the office. Give every superintendent and foreman a short, repeatable sequence and hold them to it: Flag whether the directive looks like it falls outside the base scope; photograph both the existing conditions and the changed work; track the labor, equipment, material, and lower-tier activity for that change separately from everything else; get written notice out before the end of the next business day; open a dedicated cost code or ticket so the change never bleeds into base-contract costs; and tell the project manager about any likely hit to schedule, productivity, procurement, access, or crew stacking.

None of this is about adding friction on the jobsite. It is about creating a record while the evidence is still in front of you, instead of leaving the accounting group to reconstruct a field history weeks later, after the crews and the conditions have long since moved on.

PRICE THE ENTIRE IMPACT

The most common pricing mistake is also the easiest one to make: quoting the visible labor and material and stopping there. That is seldom the real cost of a change. Depending on the work and the terms of the subcontract, a complete proposal may also have to capture supervision, small tools, equipment, freight, procurement effort, extended field overhead, home-office overhead, bond and insurance costs, schedule extension, disruption, lost productivity, overtime, or acceleration. Not every change carries every one of those, and no subcontractor should pad a number. But signing a change order that resolves “all costs and impacts” when the figure behind it priced only the immediate task is a real problem, because that kind of broad settlement language can quietly turn an incomplete estimate into a full release of the claim.

When the total impact cannot be pinned down at the moment of pricing, the proposal should acknowledge it directly: Price what is known, state the assumptions the number rests on, and reserve the right to supplement for impacts that are still developing. Reserving rights is no guarantee of recovery, but it does keep the subcontractor from waiving a claim before anyone has the facts to value it.

DON’T RELEASE THE CLAIM BY ACCIDENT

Pay applications, lien waivers, change-order forms, and closeout documents are full of broad release language, and it is easy to sign past it. It is common to see a subcontractor pursue a pending change claim diligently for months and then release it in a routine monthly waiver without ever intending to. The discipline that prevents this is simple, if unglamorous: Before signing anything, measure it against the open-items log, and carve out the pending change requests, unresolved time extensions, delay and disruption claims, retainage, and any other disputed amounts, described with enough specificity that they can be identified later rather than buried in a catch-all.

The same caution applies to partial payments. When accepting one, confirm in writing that the payment covers only the undisputed portion and does not resolve the balance of the open claim.

ESCALATE BEFORE AN OPEN ITEM HARDENS INTO A DISPUTE

The longer a change sits unresolved, the more it costs everyone involved. Open items create forecasting headaches for the subcontractor, budget uncertainty for the general contractor, and schedule friction for the owner, and they only get harder to resolve the colder they get. Build in escalation triggers instead of waiting for a crisis: Route a change to project-management review once it has been open for 30 days, once pending changes cross a set percentage of the contract value, or any time crews are performing directed work with no agreed price. Triggers such as these force the conversation before the company is sitting on a large, unrecognized receivable.

This is also the stage at which a subcontractor should be thinking about its statutory and contractual remedies. Many states now have prompt-payment statutes, and mechanic’s lien and payment-bond rights exist on most projects, but the specifics, and the deadlines, vary considerably by project type and jurisdiction, and those deadlines are frequently unforgiving. The time to understand which protections apply, and what they require, is at the start of the job, not in the middle of a payment crisis.

DOCUMENTATION IS LEVERAGE, NOT PAPERWORK

None of this requires a subcontractor to choose between being a good partner on the project and protecting its own business. The two are entirely compatible, but only with a change-management process disciplined enough to hold up after the fact. The strongest trade contractors treat documentation as leverage rather than paperwork, the connective tissue between a decision made in the field and the cost, schedule, billing, and legal consequences that follow from it. Recognize changed work early, document it on its own, price it in full, and escalate it before it ages, and the subcontractor is far better positioned to be paid what it is owed instead of quietly financing someone else’s project. ■

about the authors

J. Nathan Cole is a founding partner at Cole Law Partners, P.C. He represents businesses, contractors, and manufacturers in construction and commercial litigation matters. His practice focuses on construction disputes, commercial lease disputes, delay claims, defect claims, bid protests, denial of insurance claims, and coverage interpretation issues, serving clients in industries such as construction, real estate, retail, and insurance. He is a member and former chair of the Construction Law and Litigation Committee of the International Association of Defense Counsel. He can be reached at jncole@colelp.com.

Herling D. Romero Adrianza is a senior associate at Cole Law Partners, P. C. He represents businesses and individuals in complex commercial disputes, construction litigation, employment matters, and general civil litigation. He can be reached at hdromero@colelp.com.