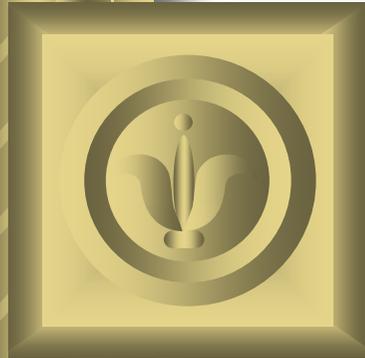


**Managing Construction Contracts**  
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**Chapter 1**  
**CONSTRUCTION CONTRACTS:**  
**Roles and Relationships**

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# Introduction

- **Contracts reduce the responsibilities, duties and rights of organizations carrying out functions for the owner, engineer or architect into a written form.**



# Construction Contract

- **Set of criteria or expectations that bind the contracting parties**



# Features of Construction Contracts

- **Do not contain detailed instructions or step-by-step procedures for the activities to be performed.**
- **Not perfect, exact or ideal**
  - Written and interpreted by human beings.
  - Applied to complex environments without adequate organization.
  - Applied to environments subject to uncontrollable events.



# A Contract Document

- **The script by which the parties involved perform**



# Formation versus Administration

- **Contract formation functions:** Functions performed up to and including the time a construction contract is established. **Simply, securing a written and signed contract.**
- **Contract administration functions :** Functions that continue through out the performance period, ending with completion of the contract work, final payment and closeout. **Simply, handling the contract until it expires.**



# The Contract Manager

- **A person or organization representing the owner in seeing that contract formation and administration are performed.**

Note : Contractors may, also, use contract managers to perform contract management.



# Contract Manager Skills

- **Possesses a wide collection of project related skills.**
- **Acutely aware of the needs, methods and products of other project participants.**



# Difficulties of Competing for Recognition

- **New function.**
- **No generally accepted definition of contract management or of the qualities and skills required.**



# Performance Monitoring Versus Contract Administration

- **For independent contractor relationship, Project owner and its representative can not exercise direct control over the means and methods employed to construct the work.**
- **The owner does not supervise but rather gives the contractor a set of expectations to meet, inspects and tests the work as it is developing.**
- **Either accepts or rejects the results.**



# Techniques to assure compliance with contract requirements (Performance Monitoring)

- **Inspection**
- **Testing**
- **Review and approval of contractor submittals**
- **Guaranties and warranties**
- **Independent certification**
- **Quality assurance criteria**
- **Acceptance requirements**



# Performance Monitoring

- **Are we getting what we are paying for?**



# Contract Administration

- **Is the contractor maintaining adequate insurance coverage?**
- **Are changes in the work being priced correctly and paid for expeditiously?**
- **Are proper cost records being maintained?**
- **Are claims and disputes being handled on a timely and fair basis?**



# Who Manages Contracts?

- **Contract formation and administration are traditionally carried out by the owner or the party responsible for preparation of contract documents: Architect or engineer.**
- **Performance monitoring and contract administration should not be carried out by same person to avoid conflict.**
- **Centralization of contract management is required on large projects to achieve uniformity in contract documents and management.**



# General Recommendations

## (for a Professional Contract Manager)

- **Proper documentation** and detailed record keeping.
- **Rigid** adherence to contract provisions.
- **flexible** to handle unexpected conditions or changes which are related to the construction process.
- Ability to **get along with people** from many social and economic backgrounds and representing diverse interests.
- sizable amount of **tact**.



# Contract Administrator Duties

- Establish the ground rules which include:
  - Responsibilities of the contract administrator
  - Working and reporting relationships with other members.
  - Authority to initiate and approve actions in the interest of the owner.
- May be called to defend the owner's position in disputes.
- Modify the contract to incorporate extra work or changing conditions or requirements. **Changes to be made with caution and knowledge of the need for and impact of such changes.**
- May depend on lawyers to review, create or comment on contract documents. **Legal review may be limited to questions of liability and enforceability.**



# A System is Essential

- **Good set of working tools**
- **Filing system**
- **Format and forms of paper works**

**Note : Simplicity and uniformity should rule in common transactions documents such as: contract changes, progress estimates, back charges and contract closeout.**



# The Required Skills in a Contract Administrator

- **Technical background** to have a concept of what is being constructed and significance of design and product specifications. This includes:
  - Construction operations
  - Construction methods
  - General Knowledge in Financing, insurance, equipment labor relations and supervision.
- **Common business sense**



# Utilization

- **Contract formation and contract administration should be as much as possible performed by the same entity.**

**If not possible,**

- **extensive communication should be maintained between the two.**
- **Also, home office support must be provided to the person administering the contract at the field.**



**THE END**

