



National Association of Construction Auditors

The Complete Glossary of Construction Project Management & Auditing Terminology

Introduction

This glossary is intended to assist with narrowing the knowledge gap between the construction management and auditing/accounting disciplines. This is the largest list of related terms on the market and is separated into commercial and governmental. Since the goal was to provide the important terms for each, there may exist some duplications.

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COMMERCIAL CONTRACTING SECTION

A

ABOVE-GRADE – The portion of a building that is above ground level.

ACTIVITY BASED COSTING (ABC) – Cost planning system that represents how activities consume resources and how products or customers trigger activities. These linkages permit management to exact the value creation of each activity to the customer.

ACCELERATION – Owner's order to the contractor to complete the project sooner than the contract requirements. Acceleration can also be an order to finish on the original contract date if an extension of time beyond that date exists and if the extension is warranted. Will usually result in higher project costs.

ACCEPTANCE – (1) The taking and receiving in good part, and as if it were a tacit agreement to a preceding act, which might have been avoided if such acceptance had not been made, (2) Agreement to the terms offered in the contract. An acceptance must be communicated, and (in common law) it must be the mirror image of the offer.

ACCRUAL METHOD – The recognition of revenue and expenses when incurred. These are recorded at the end of an accounting period whether cash has not been received or paid.

ACCUMULATED DEPRECIATION – The total depreciation that has been collected to date for one asset account.

ACTIVITY – 1. A scheduling term; 2. The smallest work unit within a project; the basic building block of a project.

ACT OF GOD – An inevitable, accidental, or extraordinary event that cannot be foreseen and guarded against, such as lightening, tornadoes, or earthquakes.

ACTUAL AUTHORITY – The power that the principal intentionally confers on the agent or allows the agent to believe he or she possesses.

ACTUAL DAMAGES – See **compensatory damages**.

ADA – The Americans with Disabilities Act which gives civil rights protection to individuals with disabilities similar to those provided to individuals on the basis of race, color, sex, national origin, age, and religion. It guarantees equal opportunity for individuals with disabilities in public accommodations, employment, transportation, State and local government services, and telecommunications.

ADDENDUM (ADDENDA) – Written information adding to, clarifying or modifying the bidding documents. An addendum is generally issued by the owner to the contractor during the bidding process and as such, addenda are intended to become part of the contract documents when the construction contract is executed.

ADM – Acronym for Arrow Diagramming Method.

ADMINISTRATIVE CHANGES - Unilateral contract changes, in writing, which does not affect the substantive rights of the parties.

ADR – Acronym for Alternative Dispute Resolution.

AD VALOREM TAX – Tax levied on the value of property. The common form of ad valorem tax is that levied by states, counties and cities on real estate and personal property.

AED GREEN BOOK - AED (Associated Equipment Distributors) Green Book provides average rental rates for construction equipment from hundreds of rental dealers nationwide, including: average rental rates, reflecting equipment age, condition, and operating characteristics are provided in monthly, weekly and daily rates; detailed machine specifications, lets you know the equipment you choose meets your specific needs; and regional adjustment factors let you have the best information for markets nationwide.

AGENT – One authorized by a client (principal) to act in his/her stead or behalf and owes the client a "fiduciary duty" (Trust). Example: Construction Manager for fee but classified as an independent contractor for tax purposes. A construction manager for fee does not have any financial responsibility whereas a construction manager at-risk does have financial risk similar to a general contractor.

AGENCY – A relationship that exists when there is a delegation of authority to perform all acts connected within a particular trade, business, or company. It gives authority to the agent to act in all matters relating to the business of the principal.

AGGREGATE – Crushed stone, slag or water-worn gravel that comes in a wide range of sizes that is used to surface built-up roofs.

AGREEMENT – An arrangement between the parties regarding a method of action.

ALLOCATION OF COSTS – The partitioning of costs to specific periods of time. This allocation can include the assignment of assets to expense and liabilities to revenue. Examples are depreciation and the amortization of intangibles over a specified period of time.

ALLOWANCES – Separately stated sums for a portion of work not yet specifically defined by the project owner. Also refer to contingencies.

ALTERATIONS – 1. A term used to describe partial construction work performed within an existing structure; 2. Remodeling without a building addition.

ALTERNATE BID – Amount stated in the bid to be added or deducted from the base bid amount proposed for alternate materials and/or methods of construction.

ALTERNATIVE DISPUTE RESOLUTION (ADR) – Method of resolving disputes outside of traditional litigation. ADR employs collaborative techniques and is generally very effective in mitigating the high costs of litigation.

AMERICAN ARBITRATION ASSOCIATION – Public service non-profit association offering a broad range of dispute resolution services to business executives, attorneys, individuals, trade associations, unions, management, consumers, families, communities and all levels of government.

AMERICAN INSTITUTE OF ARCHITECTS (AIA) – Primary governing body of professional architects, providing the standards for the industry. They offer contract templates and supplemental forms for virtually all commercial construction projects.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA) – Professional organization comprised of practicing Certified Public Accountants. Its objectives are to develop standards of practice for its members and provide technical assistance and advice to its membership and governmental agencies.

APPLICATION FOR PAYMENT (AFP) – Contractor's written request for payment for completed portions of the work, and for materials delivered or stored and properly labeled for the respective project. Also referred to as a Pay Application or invoice.

ARBITRATION – Process whereby mediator tries to assist two disputing parties in reaching a mutually agreeable solution.

ARCHITECT – In its most basic form an architect is one who designs and supervises the construction of buildings or other structures, but many times they are asked to do much more. Such tasks as continuous design, construction observation and administrative services (CA), and often acting as the owner's representative throughout the completion of the project.

ARCHITECTS BASIC SERVICES – A recognized series of phases performed by an architect as follows: 1st Schematic Design Phase, 2nd Design Development Phase, 3rd Construction Document Phase, 4th Bidding or Negotiated Phase, 5th Construction Phase.

ARCHITECT-ENGINEER (A&E) SERVICES AND CONSTRUCTION - A&E includes professional services of an architectural or engineering nature, which are required to be performed or approved by a person licensed, registered or certified to provide such services or are associated with research, planning, development, design, construction, alteration, or

repair of real property, or other related professional services, such as studies and surveys. Construction means alteration or repair including dredging; excavating; and painting of buildings, structures, or other real property.

ARCHITECT SUPPLEMENT INSTRUCTION (ASI) – Document clarification of ambiguities, provide detail that the contractor cannot readily ascertain from the drawings, or make minor changes based upon field conditions. May represent a change not significant to warrant a change order and does not change the contract sum or time.

ARCHITECTURAL DRAWING – A line drawing showing plan and/or elevation views of the proposed building for the purpose of showing the overall appearance of the building.

ARROW DIAGRAMMING METHOD (ADM) – Scheduling system based on critical path allowing management to develop and monitor a detailed plan for completing a project.

AS-BUILT DRAWINGS (ALSO KNOWN AS RECORD DRAWINGS) – Final contractor drawings marked up to reflect changes made during the construction process, incorporating all change orders and modifications. It is good practice to make *As-Built drawings* by marking the changes on reproducible drawings such as sepias for the duplication purposes later.

AS-IS – A contract phase referring to the condition of property to be sold or leases; generally pertains to the disclaimer of liability; property sold in as-is condition is generally not guaranteed.

ASSIGNMENT – The right to transfer to another person the contract rights of a party to the contract. For example, a contractor may transfer to a bank, factor, or other creditor the right to receive contract funds. The construction contract usually specifically addresses the assignment topic.

ASSOCIATION OF CERTIFIED FRAUD EXAMINERS (ACFE) – Primary organization for anti-fraud professionals, including Certified Fraud Examiners.

AUDITS – Examination of records and procedures with the objective of formulating an opinion as to compliance to prescribed standards either external or internal to the company.

(a) Financial audits are conducted by an independent Certified Public Accountant with the intent of expressing an audit opinion as to whether information examined in its examination of the accounting records conform to Generally Accepted Accounting Principles (GAAP) and fairly represent the financial position of the company.

(b) Internal audits are performed by an internal auditor as a means to evaluate and monitor the company's procedures and operations to assure compliance with established policy, and to ensure that proper controls exist.

(c) Close-out audits are performed at the end of a project by construction auditing specialists to validate that the owner received the product they

contracted for and did not overpay for it.

(d) Compliance audits are conducted to ascertain the company's compliance with specified roles and regulations. An example of a compliance audit is a safety audit conducted by OSHA.

(e) Continuous audits are performed throughout the lifecycle of a construction project by construction auditing specialists and are generally more effective than a close-out audit.

AUDIT RIGHTS - Rights to access and analyze books and accounts of the other party to an agreement. It is normal to have an audit rights clause in an agreement, and should be accepted by parties to an agreement. Construction project "right to audit" clauses generally require all project records to be available for review by representatives of the Owner up to 3 years after project completion.

AUDIT TRAIL – A series of permanent records that tracks a transaction through each sequence of its history that can be used to verify the accuracy of financial statements by outside accountants or auditors.

B

BACK CHARGES – Charges for work performed, services provided or costs incurred by the one party to a contract (usually the general contractor) that should have been performed or incurred by another party to the contract (usually the subcontractor).

BACK CHARGE LOG – Log maintained by CM/GC tracking costs to charge back subcontractors, usually for damage caused to other's work while performing their own.

BACKFILL – (1) filling in any previously excavated area. (2) In carpentry, the process of fastening together two pieces of board by gluing blocks of wood in the interior angle.

BACKFLOW - The flow of liquids through irrigation into the pipes of a potable or drinking water supply from any source which is opposite to the intended direction of flow.

BACKLOG – The amount of revenue that a contractor expects to realize from work performed on uncompleted contracts, including new contractual agreements on which work has not yet begun.

BACK UP – The process of storing data on a secondary medium, usually diskettes or magnetic tape, in order to minimize the difficulty of recovering from data loss. Data should be backed up frequently. Generally data files are backed up daily with a full system back up being performed once a week.

BANKRUPTCY – Action of discharging of debtor's obligations through a court order. Bankruptcy may be voluntarily declared or result involuntarily from action by the firm's creditors. Major federal law concerning bankruptcy is the Bankruptcy Reform Act of 1978.

Chapter 7 provides for the liquidation through a court appointed trustee. Chapter 9 provides procedures for municipal bankruptcy, Chapter 11 provides for reorganization allowing the debtor to remain in possession of the business and in control of the operation. Chapter 13 pertains to personal bankruptcy.

BEAM – Structural support member (steel, concrete, lumber) that transfers weight from one location to another.

BED OR BEDDING - In glazing, the bead compound or sealant applied between a lite of glass or panel and the stationary stop or sight bar of the sash or frame. It is usually the first bead of compound or sealant to be applied when setting glass or panels.

BELOW-GRADE – The portion of a building that is below ground level.

BENT GLASS – Flat glass that has been shaped while hot into curved shapes.

BENCHMARKING – Management tool used to measure the company's performance against its strategic initiatives.

BID – 1. An offer or proposal of a price; 2. The amount offered or proposed. (See RFP) Formal offer prepared in accordance with the specifications of a project to perform all or a phase of work on a project for a specified sum of money. Properly completed bids will include terms and conditions of the offer and often list exclusions or alternates.

BID BOND – A written form of security executed by the bidder as principal and by a surety for the purpose of guaranteeing that the bidder will sign the contract, if awarded the contract, for the stated bid amount. A bond issued by a surety on behalf of the contractor that provides assurance to the recipient of the contractor's bid, that if the contractor bid is accepted by the recipient, the contractor will execute a contract and further provides a performance bond.

BID DATE/TIME – The due date and time set by the owner, architect or engineer for receiving bids.

BID FORM – A standard written form furnished to all bidders for the purpose of obtaining the requested information and required signatures from the authorized bidding representatives.

BID OPENING – The actual process of opening and tabulating bids submitted within the prescribed bid date/time and conforming to the bid procedures. A Bid Opening can be open (where the bidders are permitted to attend) or closed (where the bidders are not permitted to attend). (See Bid Date/Time, Open Bid, Closed Bid)

BID PRICE – The stipulated sum stated in the bidder's bid.

BID RIGGING (COLLUSION) - Illegal conspiracy in which competitors join to artificially increase the prices of goods and/or services offered in bids to potential customers. It may also include carving up the potential business between the conspirators.

BID SHOPPER – A buyer or client who seeks to play one proposed supplier or subcontractor against the other for the purpose of reducing a purchase price.

BID SUMMARY – Log identifying (tracking) the bids received on a project, and generally includes: name; address; date; and price of the bids. Assists with the bid analysis by showing the comparison of received bids, attempting to level out their differences, to allow for an “apples-to-apples” comparison.

BID TABULATION – A summary sheet listing all bid prices for the purpose of analyzing the bid results. Bid tabulations include the required items of the invitation to bid and usually include bid amount, completion time, addenda included, contract exclusions, bonding rate, etc. Often times, the apparent low bidder is not the low bidder. (See Bid Form)

BIDDING DOCUMENTS – The published advertisement or written invitation to bid, instructions to bidders, the bid form and the proposed contract documents including any acknowledged addenda issued prior to receipt of bids.

BIDDING PERIOD – The calendar period allowed from issuance of bidding requirements and contract documents to the prescribed bid date/time.

BIDDING REQUIREMENTS – The written minimum acceptable requirements set forth by the owner to the contractor during bidding process. The owner usually reserves the right to reject a bid if the Bidding Requirements are not met. (See Bidding Documents)

BILLINGS IN EXCESS OF COSTS – Amounts billed on contracts where billings exceed costs and estimated earnings. These amounts are accumulated and presented as a liability on the balance sheet.

BLUEPRINTS- Architectural plans for a building or construction project, which are likely to include floor plans, footing and foundation plans, elevations, plot plans, and various schedules and or details.

BOND – (See Bid Bond; Contract Bond; Contract Payment Bond; Contract Performance Bond; Labor and Material Payment Bond; Performance Bond; Subcontractor Bond; surety) a written instrument executed by the seller and a second party (the surety or sureties) to ensure fulfillment of the principal’s obligations to a third party (buyer) identified in the bond. If the principal’s obligations are not met, the bond ensures payment, performance, etc.

BONDING CAPACITY – The maximum amount of credit coverage the surety will extend to the company, either in aggregate or for one specific bond.

BONDING COMPANY – A properly licensed firm or corporation willing to execute a surety bond, or bonds, payable to the owner, securing the performance on a contract either in whole or in part; or securing payment for labor and materials.

BORINGS – Process of drilling or digging into the ground in order to acquire samples of the soils, usually conducted by a civil or **Geotechnical Engineer**, in an attempt to determine the characteristics of the soils.

BRACING - Ties and rods used for supporting and strengthening various parts of a building used for lateral stability for columns and beams.

BREACH of CONTRACT – (1) The failure, without legal excuse, to perform any promise that forms the whole or part of a contract. (2) The ending of a contract that occurs when one or both of the parties fail to keep their promises; this could lead to arbitration or litigation.

BUCKHOIST – See Construction Hoists

BUDGET (CONSTRUCTION BUDGET) – 1. An itemized summary of estimated or intended expenditures for a given period of time; 2. The total sum of money allocated for a specific project.

BUDGETING – Process of expressing the organizational goals in terms of specific financial and operating objectives.

BUILDERS RISK INSURANCE - Builder's risk insurance covers a building or other type of structure while it is under construction. Many lenders will not provide financing for a project unless this type of coverage is in place. The policy provides protection from a loss resulting from fire, acts of vandalism, or wind damage. Other types of losses, such as flood, earthquake, or terrorism, may be added to the policy, if desired or needed.

The building owner is usually responsible for buying builder's risk insurance. The contractor on the project may be added to the policy as a named insured. Under this type of policy, the building or structure itself is insured against loss. Any materials or supplies on the job site will also be covered while the policy is in force.

BUILDING –1. To form by combining materials or parts; 2. A structure enclosed within a roof and within exterior walls housing, shelter, enclosure and support of individuals, animals, or real property of any kind.

BUILDING CODE – The legal requirements set up by the prevailing various governing agencies covering the minimum acceptable requirements for all types of construction. (See Codes)

BUILDING INSPECTOR/OFFICIAL – A qualified government representative authorized to inspect construction for compliance with applicable building codes, regulations and

ordinances. Courts have ruled that building inspections are exempt from errors and omissions liabilities.

BUILDING PERMIT – A written document issued by the appropriate governmental authority permitting construction to begin on a specific project in accordance with drawings and specifications approved by the governmental authority.

BUILDING PROCESS – A term used to express every step of a construction project from its conception to final acceptance and occupancy.

BUILDING SCIENCE - The branch of science dealing with construction, maintenance, safety, and energy efficiency of buildings.

BUILDING SHELL (SOMETIMES REFERRED TO AS BUILDING ENVELOPE OR SKIN) – 1. The waterproof elements of a building which enclose conditioned spaces through which thermal energy may be transferred to or from the exterior; 2. The outer structure of the building. (See Tenant and Leasehold improvements for building interiors)

C

CA – Acronym for the Contract Administration phase of the Architect's duties; oversees the actual project construction.

CADD – Acronym for Computer Aided Drafting and Design.

CAPITAL BUDGETING - The process of planning for the best selection and financing of long-term investment proposals, taking into account the time value of money.

CANOPY – An overhanging roof.

CANTILEVER – A projecting beam or other structure supported only at one end.

CARDINAL CHANGE - Change that is not within the contract's general scope. When a contractor is faced with an out-of-scope change to its contract, it generally will not refuse the effort but, rather, will seek additional compensation. Generally, if the work performed is reasonably "within the' contemplation of the parties when the contract was entered into," it is considered to be within the scope of the contract.

CASH BUDGETING - A schedule of expected cash receipts and disbursements for a designated period. The primary reason for a cash budget is to forecast a company's future financing needs. A cash budget is also used to avoid either unnecessary idle cash or possible cash shortages. In case of cash shortage, it indicates whether the shortage is temporary or permanent (i.e., whether short-term or long-term borrowing is needed).

CAST IN PLACE (CIP) – Concrete poured and formed on site, opposite of pre-cast concrete.

CEMENT MIXTURES – Rich - 1 part cement, 2 parts sand, 3 parts coarse aggregate. Used for concrete roads and waterproof structures. Standard - 1 part cement, 2 parts sand, 4 parts coarse aggregate. Used for reinforced work floors, roofs, columns, arches, tanks, sewers, conduits, etc. Medium - 1 part cement, 2 1/2 parts sand, 5 parts coarse aggregate. Used for foundations, walls, abutments, piers, etc. Lean - 1 part cement, 3 parts sand, 6 parts coarse aggregate. Used for all mass concrete work, large foundations, backing for stone masonry, etc. Mixtures are always listed Cement to Sand to Aggregate.

CEMENT TYPES – Type I Normal - is general purpose cement suitable for practically all uses in residential construction but should not be used where it will be in contact with high sulfate soils or be subject to excessive temperatures during curing. Type II Moderate is used where precaution against moderate sulfate attack is important, as in drainage structures where sulfate concentrations in groundwater are higher than normal. Type III High Early Strength is used when high strengths are desired at very early periods, usually a week or less. It is used when it is desirable to remove forms as soon as possible or to put the concrete into service quickly. Type IV Low Heat is special cement for use where the amount and rate of heat generated during curing must be kept to a minimum. The development of strength is slow and is intended in large masses of concrete such as dams. Type V Sulfate Resisting is special cement intended for use only in construction exposed to severe sulfate action, such as western states having soils of high alkali content.

CERTIFICATE/NOTICE OF SUBSTANTIAL COMPLETION – See Date of Substantial Completion

CERTIFICATE OF OCCUPANCY (C of O) – A document stating that a building is approved for occupancy. The building authority issues the Certificate of Occupancy attesting that it has accounted for all code-related issues and that the project is sufficiently complete for the owner to safely occupy it.

CERTIFICATE OF PAYMENT – A statement issued by a design professional, based on professional judgment, notifying the owner of the amount due to a contractor for work completed and/or delivery or storage of building materials for the project.

CERTIFICATES OF INSURANCE – Standard form that provides proof of insurance coverage.

CHANGED CONDITIONS – Materially different subsurface or work site condition than that which the contractor anticipated at the time the contract was entered into.

CHANGE IN SCOPE - An amendment to approved program requirements or specifications after negotiation of a basic contract. It may result in an increase or decrease.

CHANGE ORDER (CO) – A written document between the owner and the contractor signed by the owner and the contractor authorizing a change in the work or an adjustment in the contract sum or the contract time. A change order may be signed by the architect or

engineer, provided they have written authority from the owner for such procedure and that a copy of such written authority is furnished to the contractor upon request. The contract sum and the contract time may be changed only by change order. A change order may be in the form of additional compensation or time; or less compensation or time known as a Deduction (from the contract) the amount deducted from the contract sum by change order.

CHANGE ORDER PROPOSAL (See Change Order) – A change order proposal is the written document before it has been approved and effected by the Contractor and Owner. A change order proposal can be issued by either the contractor or the owner. The change order proposal becomes a change order only after it has been approved and affected by the Contractor and Owner.

CHANGE ORDER REQUEST (COR) – A written document issued by the owner requesting an adjustment to the contract sum or an extension of the contract time; generally issued by the architect or owners representative.

CIVIL/SITE ENGINEER – Works closely with the *architect* in preparing site plans and zoning plans if necessary, and handling zoning approval issues. Often responsible for any surveying and the identification of any existing structures.

CLAIM – Contractors request for additional money or time to perform work that has been rejected by the owner or owner's agent. Claims arise when the contractor has suffered financial damage as result of owner-caused delays in design, specifications and unapproved change orders. Not every request for a contract modification should be considered a claim.

CLAUSE – A statement of one of the rights and/or obligations of the parties to a contract. A contract consists of a series of clauses.

CLOSED BID PROCESS – Process of an owner soliciting bids from a selected list of bidders. Closed bids pertain almost always to the private sector.

CODES (See Building Code) – Prevailing regulations, ordinances or statutory requirements set forth by governmental agencies associated with building construction practices and owner occupancy, adopted and administered for the protection of public health, life safety and welfare.

COMMISSIONING – The procedure by which a completed building or manufacturing/industrial process is tested and certified to be in operable condition, as rendered by the plan and design function.

COMPARATIVE NEGLIGENCE – Serves to reduce the plaintiff's recovery proportionally to his fault in the damage rather than to bar the recovery completely.

COMPENSATORY DAMAGES - Damages that will compensate the injured party for the loss sustained and nothing more. They are awarded by the court as the measure of actual loss,

and not as punishment for outrageous conduct or to deter future transgressions. Compensatory damages are often referred to as "actual damages."

COMPETITIVE BID CONTRACTS – Contracts that are awarded to the lowest most responsible bidder and are the most frequent method used in contracting.

COMPETITIVE BIDDING/NEGOTIATION - A method of contracting involving a request for proposals that states the buyer's requirements and criteria for evaluation; submission of timely proposals by a maximum number of offerors; discussions with those offerors found to be within the competitive range; and award of a contract to the one offeror whose offer, price, and other consideration factors are most advantageous to the buyer.

COMPONENT - Any one part of an assembly associated with construction.

COMPUTER AIDED DESIGN AND DRAFTING (CADD) – Computer systems commonly used in construction to improve designers' and drafters' productivity.

CONCEPTUAL DESIGN - The first phase of design, in which drawings are the dominant tool and product. Usually, drawings in this phase are composed of simple, single-line floor plans, building sections, elevations, and site plans.

CONCEPTUAL ESTIMATING - A process of assigning cost parameters to a project during the earliest phase of project design, prior to establishment of a defined scope or plan.

CONDITION PRECEDENT – A condition that activates a term in a contract.

CONDITION SUBSEQUENT – A condition that suspends a term in a contract.

CONSENT OF SURETY – A signed document that the bond obligee desires from the *Bonding Company* consenting to changes to a contract or release of contract funds to the bond principal; indicating the surety's acknowledgment that a bond continues in effect even after the change(s) go into effect.

CONSTRUCT – To assemble and combine construction materials and methods to make a structure.

CONSTRUCTABILITY ANALYSIS - A process that studies project plans to determine how efficiently, effectively, and safely the plan can be built.

CONSTRUCTION – The act or process of constructing.

CONSTRUCTION CHANGE DIRECTIVE (CCD) – A sometimes used technique to expedite minor changes within the general scope of the contract without the agreement of the contractor. The architect issues a written order, signed by the owner, directing a change to the work prior to agreement on any adjustment to cost or time. The contractor performs

the work and then an adjustment is considered to its necessity. Can be found in the AIA's standard General Conditions under the changes in work section.

CONSTRUCTION COST – The direct contractor costs for labor, material, equipment, and services; contractors overhead and profit; and other direct construction costs. Construction cost does not include the compensation paid to the architect and engineer and consultants, the cost of the land, rights-of-way or other costs which are defined in the contract documents as being the responsibility of the owner. (See Soft Costs)

CONSTRUCTION DIVISIONS (CSI's MASTER FORMAT -16) – The master list of divisions, and section numbers and titles within each division, to follow in organizing information about a facility's construction requirements and associated activities. Standardizing the presentation of such information improves communication among all parties involved in construction projects. The divisions are: *01 - General Requirements; 02 - Site Construction; 03 - Concrete; 04 - Masonry; 05 - Metals; 06 - Wood and Plastics; 07 - Thermal and Moisture Protection; 08 - Doors and Windows; 09 - Finishes; 10 - Specialties; 11 - Equipment; 12 - Furnishings; 13 - Special Construction; 14 - Conveying Systems; 15 - Mechanical; 16 - Electrical.*

CONSTRUCTION DOCUMENTS – A term used to represent all drawings, specifications, addenda, and other pertinent construction information associated with the construction of a specific project. They detail all information needed to construct the project and all legal requirements of the project.

CONSTRUCTION DOCUMENTS PHASE – The third phase of the architect's basic services wherein the architect prepares working drawings, specifications and bidding information. Depending on the architect's scope of services the architect may assist the owner in the preparation of bidding forms, the conditions of the contract and the form of agreement between the owner and contractor.

CONSTRUCTION DOCUMENT REVIEW – The owner's review of the borrower's construction documents (plans and specifications), list of materials, and cost breakdowns for the purpose of confirming that these documents and estimates are feasible and are in accordance with the proposed loan or project appraisal.

CONSTRUCTION HOISTS - Also known as a Man-Lift, Buck hoist, temporary elevator, or construction elevator, this type of hoist is commonly used on large scale construction projects, such as high-rise buildings. The purpose is to carry personnel, materials, and equipment quickly between the ground and higher floors, or between floors in the middle of a structure.

CONSTRUCTION-IN-PROCESS (CIP) - An accounting term for asset entry recording the cost of construction work, which is not yet completed (typically, applied to capital budget items). A CIP item is not depreciated until the asset is placed in service. Normally, upon completion, a CIP item is reclassified, and the reclassified asset is capitalized and depreciated. While costs are added to the construction in progress, related CIP account is

debited with corresponding credits to accounts payable, accrued expenses, inventory, cash, and others. When the construction in progress is completed, related long-term asset account is debited and CIP account is credited.

CONSTRUCTION INSPECTOR – (See Project Representative)

CONSTRUCTION MANAGEMENT – Organizing and directing men, materials, and equipment to accomplish the purpose of the designer.

CONSTRUCTION MANAGEMENT CONTRACT – A written agreement wherein responsibilities for coordination and accomplishment of overall project planning, design and construction are given to a construction management firm. The building team generally consists of the owner, contractor and designer or architect.

CONSTRUCTION MANAGER AT RISK - A sole proprietorship, partnership, corporation, or other legal entity that assumes the financial risk for construction, rehabilitation, alteration, or repair of a facility at a contracted price. The construction manager at risk provides consultation to the client regarding construction during the design of the facility and also through construction. The construction manager at risk can also serve as general contractor.

CONSTRUCTION MANAGEMENT (CM) FOR FEE:

1. A contractual arrangement in which an agent (construction manager) is hired to coordinate the total construction of a project. The basic objective is to integrate the project planning, design, and construction phases.
2. A project management delivery system that differs from the traditional design-bid-build system by utilizing the services of a construction manager who becomes a member of the team of owner-architect-construction manager. The manager's role is to coordinate and communicate the entire project process utilizing his/her skill and knowledge of design and construction to clarify cost and time consequences of design decisions as well as their construction feasibility; and to manage the bidding, award, and construction phases of the project. The project owner's objective in utilizing construction management is to minimize project time and cost while maintaining quality, function, and aesthetics.
3. A project delivery method whereby the client retains a construction manager to provide certain preconstruction expertise including cost estimating, value engineering, scheduling, and coordination of all activities during the construction phase of the project.

CONSTRUCTION PHASE – The fifth and final phase of the architect's basic services, which includes the architect's general administration of the construction contract(s).

CONSTRUCTIVE CHANGE - An oral or written act or omission by an authorized or unauthorized agent that is of such a nature that it is construed to have the same effect as a written change order.

CONSULTANT – One hired by the owner or client to give professional advice.

CONTINGENCIES – Separately stated sum for some part of work not specifically defined by the project owner. Contingencies may be either specific or general. Specific contingencies represent financial risks with known items that cannot be quantitatively estimated. General contingency is a reserve that recognizes the possibility of unknown items or non-quantifiable items having an unknown negative cost effect on a project.

CONTRA PROFERENTEM - A legal phrase used in connection with the construction of written documents to the effect that an ambiguous provision is construed most strongly against the person who selected the language.

CONTRACT – (1) A relationship between two parties, such as a buyer and seller, which is defined by an agreement about their respective rights and responsibilities. (2) A document that describes such an agreement.

CONTRACT ADMINISTRATION – The contractual duties and responsibilities of the architect and engineer during the construction phase of a specific project.

CONTRACT BOND – A written form of security from a surety company, on behalf of an acceptable prime or main contractor or subcontractor, guaranteeing complete execution of the contract and all supplemental agreements pertaining thereto and for the payment of all legal debts pertaining to the construction of the project.

CONTRACT (PROJECT) CLOSE-OUT - The process of verifying that all administrative matters are concluded on a contract that is otherwise physically complete. In other words, the contractor has delivered the documents, drawings, warranties, etc., as required and the owner has inspected and accepted all the work and deliverables.

CONTRACT DATE – (See date of agreement)

CONTRACT DISPUTE ACT OF 1978 – Provides procedures and jurisdictional bases for appeal of the contracting officer's final decision in a standard government contract.

CONTRACT DOCUMENTS – A term used to represent all executed agreements between the owner and contractor; any general, supplementary or other contract conditions; the drawings and specifications; all addenda issued prior to execution of the contract; and any other items specifically stipulated as being included in the contract documents.

CONTRACTING METHOD – Manner in which the team of participants to the contract are assembled. Traditionally, the owner engages a design professional to solicit bids and negotiate contracts with the general contractor responsible for constructing the project. The general contractor engages the subcontractor for specific portions of the work. Other contracting methods used are Construction Management (CM), Design Build and Turnkey.

CONTRACTING OFFICER – An official representative of the owner with specific authority to act in his behalf in connection with a specific project.

CONTRACTOR – A properly licensed individual or company that agrees to furnish labor, materials, equipment and associated services to perform the work as specified for a specified price.

CONTRACTOR CONTROLLED INSURANCE PROGRAM (CCIP) – Prime or general contractor sponsors a “wrap-up” insurance program for all participants of a project. Savings should be generated by the volume grouping of all the policies for the project including workers compensation, builder’s risk, commercial, general and excess liability. (See Owner Controlled Insurance Program (OCIP) as another “wrap-up” insurance program.

CONTRACTOR'S OPTION – A written provision in the contract documents giving the contractor the option of selecting certain specified materials, methods or systems without changing in the contract sum.

CONTRACTOR'S QUALIFICATION STATEMENT – A written statement of the Contractor's experience and qualifications submitted to the Owner during the contractor selection process. The American Institute of Architects publishes a standard Contractor's Qualification Statement form for this purpose.

CONTRACT OVER-RUN (UNDER-RUN) – The difference between the original contract price and the final completed cost including all adjustments by approved change order.

CONTRACT PAYMENT BOND – A written form of security from a surety company to the owner, on behalf of an acceptable prime or main contractor or subcontractor, guaranteeing payment to all persons providing labor, materials, equipment, or services in accordance with the contract.

CONTRACT PERFORMANCE BOND – A written form of security from a surety company to the owner, on behalf of an acceptable prime or main contractor or subcontractor, guaranteeing the completion of the work in accordance with the terms of the contract.

CONTRACT P & P BOND – Combination of Payment and Performance Bonds.

CONTRACT PERIOD – The elapsed number of working days or calendar days from the specified date of commencing work to the specified date of completion, as specified in the contract.

CONTRACT SUM – The total agreeable amount payable by the owner to the contractor for the performance of the work under the contract documents.

CONTRACT TIME – The time period set forth established in the contract documents for completing a specific project; usually stated in working days or calendar days. The contract time can only be adjusted by valid time extensions through change order.

CONTRACTUAL LIABILITY – The liability assumed by a party under a contract.

COOLING TOWER - A large device mounted on roofs, consisting of many baffles over which water is pumped in order to reduce its temperature.

COST – Price paid to acquire, produce or maintain goods and services. Construction project costs are typically broken down into labor, benefits, materials, subcontract, equipment, rentals and overhead.

COST ACCOUNTING – System of recording job costs and performing services in aggregate and detail. Cost accounting systems include job order, process, standard and direct costing.

COST ACCOUNTING STANDARDS BOARD (CASB) – Body established by Congress to promote consistency in cost accounting practices and to aid in the fair and accurate reporting of costs of government contracts.

COST ALLOCATION – Identification of costs with cost objectives. Generally, there are three basic elements to the allocation of costs:

- (a) Choosing the object of costing;
- (b) Accumulating the costs that relate to the object of costing; and
- (c) selecting the method of identifying the accumulation of costs.

COST BREAKDOWN – (See Schedule of Values)

COST CODES – A numbering system given to specific kinds of work for the purpose of organizing the cost control process of a specific project.

COST CONTROL – Procedures taken by management to assure that cost objectives established in the planning phase are attained and in manner consistent with its policies.

COST OF WORK – All costs incurred by the contractor in the proper performance of the work required by the plans and specifications for a specific project.

COST PLUS CONTRACT – (See Cost Plus Fee Agreement)

COST PLUS-AWARD FEE (CPAF) – Contract where the contractor's fee is comprised of a two parts, fixed and variable. The variable portion of the award is based on the specific performance of the contractor. For example, timeliness or cost effectiveness.

COST-PLUS-A-PERCENTAGE-OF-COST (CPPC) CONTRACT - A type of cost-reimbursement contract that provides for a reimbursement of the allowable cost of services performed plus an agreed-on percentage of the estimated cost as profit.

COST PLUS FEE AGREEMENT (COST-PLUS) – A written agreement with the owner under which the contractor or the architect and engineer is reimbursed for his/her direct and

indirect costs and, in addition, is paid a fee for his services. The fee is usually stated as a stipulated sum or as a percentage of cost.

COST PLUS-FIXED FEE (CPFF) – Contract that reimburses the contractor for the costs incurred to complete a contract plus a predetermined fixed fee. The fee is generally expressed as a fixed flat dollar amount or a percentage.

COST-PLUS-INCENTIVE FEE (CPIF) CONTRACT - A type of cost-reimbursement contract with provision for a fee that is adjusted by a formula in accordance with the relationship between total allowable costs and target costs.

COST PLUS-TIME AND MATERIAL – Contract based on the actual time and materials used to complete the project.

COST-REIMBURSEMENT (CR) CONTRACT - A type of contract that usually includes an estimate of project cost, a provision for reimbursing the seller's expenses, and a provision for paying a fee as profit. CR contracts are often used when there is high uncertainty about costs. They normally also include a limitation on the buyer's cost liability.

COST-SHARING CONTRACT - A cost-reimbursement contract in which the seller receives no fee and is reimbursed only for an agreed-on portion of its allowable costs.

CRITICAL PATH – The set of activities that must be completed on time for the project completion date to be met. Activities on the critical path have no slack time.

CRITICAL PATH METHOD (CPM) – Problem solving technique that uses single time estimate for each step rather than three-time estimate. CPM is used to define the critical path for a project. A planning scheduling and control line and symbol diagram drawn to show the respective tasks and activities involved in constructing a specific project.

CSI – Construction Specification Institute

CSI MASTER FORMAT – The CSI Master Format is a system of numbers and titles for organizing construction information into a regular, standard order or sequence. By establishing a master list of titles and numbers Master Format promotes standardization and thereby facilitates the retrieval of information and improves construction communication. It provides a uniform system for organizing information in project manuals, for organizing project cost data, and for filing product information and other technical data.

CURRENT DATE LINE - A vertical line on the chart indicating the current date.

CURTAIN WALL – A thin wall, supported by the structural steel or concrete frame of the building independent of the wall below. Also a metal (most often aluminum) framing system on the face of a building containing vision glass panels and spandrel panels made of glass, aluminum, or other material.

D

DAILY CONSTRUCTION REPORT (SUPERINTENDENT'S REPORT) – A written document and record that has two main purposes:

1. they furnish information to off-site persons who need and have a right to know important details of events as they occur daily and hourly, and
2. they furnish historical documentation that might later have a legal bearing in cases of disputes.

Daily reports should be as factual and impersonal as possible, free from the expression of personal opinions and feelings. Each report should be numbered to correspond with the working days established on the progress schedule. In the event of no-work days, a daily report should still be made, stating "no work today" (due to rain, strike, or other causes).

The report includes a description of the weather; a record of the total number of employees, subcontractors by name, work started and completed today, equipment on the job site, job progress today, names and titles of visitors, accidents and/or safety meetings, and a remarks column for other job related information.

DAMPER - Valve for controlling airflow. When ordering registers, make sure each supply outlet has a damper so the air flow can be adjusted and turned off. Dampers may be either manually or automatically operated. Automatic dampers are required for exhaust air ducts.

DAMPPOOFING - A process used on concrete, masonry or stone surfaces to repel water, the main purpose of which is to prevent the coated surface from absorbing rain water while still permitting moisture vapor to escape from the structure. (Moisture vapor readily penetrates coatings of this type.) "Dampproofing" generally applies to surfaces above grade; "waterproofing" generally applies to surfaces below grade.

DATE OF AGREEMENT – (1) Usually on the front page of the agreement; (2) If not on front page it may be the date opposite the signatures when the agreement was actually signed; (3) or when it was recorded; (4) or the date the agreement was actually awarded to the contractor.

DATE OF COMMENCEMENT OF THE WORK – The date established in a written notice to proceed from the owner to the contractor.

DATE OF SUBSTANTIAL COMPLETION – The date certified by the architect when the work or a designated portion thereof is sufficiently complete, in accordance with the contract documents, so the owner may occupy the work or designated portion thereof for the use for which it is intended. It generally signals the end of liquidated damages exposure and is also the time that the owner becomes responsible for maintenance items and when warranties commence.

DECK - An elevated platform. "Deck" is also commonly used to refer to the above-ground floors in multi-level parking garage.

DEPRECIATION – Systematic distribution of original cost over the estimated life of a fixed asset.

DESIGN – A graphical representation consisting of plan views, interior and exterior elevations, sections, and other drawings and details to depict the goal or purpose for a building or other structure.

DESIGN-BID-BUILD - Separate organizations with separate contracts with an owner wherein design plans and specifications are first prepared by a licensed architect/engineer and then awarded through a competitive bid process to select a contractor to complete the construction. This delivery method proceeds in a linear or sequential fashion; design is completed before bidding, and bidding is completed before construction.

DESIGN-BUILD CONTRACT OR CONSTRUCTION – The entity contractually responsible for delivering project design and construction. The Design-Builder can assume several organizational structures, the four most common being a firm that possesses both design and construction resources in-house; a joint venture between designer and contractor; a contractor-led team with the designer in a subcontractor role; and a design-led team with the contractor in a subcontractor role.

DESIGN-CONSTRUCT CONTRACT – A written agreement between and contractor and owner wherein the contractor agrees to provide both design and construction services.

DESIGN-DEVELOPMENT PHASE – The second phase of the architect's basic services wherein the architect prepares drawings and other presentation documents to fix and describe the size and character of the entire project as to architectural, structural, mechanical and electrical systems, materials and other essentials as may be appropriate; and prepares a statement of probable construction cost.

DESIGN SPECIFICATION - (1) A document (including drawings) setting forth the required characteristics of a particular component, part, subsystem, system, or construction item. (2) A purchase description that establishes precise measurements, tolerances, materials, in-process and finished product tests, quality control, inspection requirements, and other specific details of the deliverable.

DIRECT COST (OR EXPENSE) – All items of expense directly incurred by or attributable to a specific project, assignment or task. Direct Costs, Hard Costs, and Construction Costs are synonymous. (See Construction Costs and Hard Costs)

DIRECT LABOR – Employees or workers who are directly involved in the production of goods or services. Direct labor costs are assignable to a specific product, cost center, or work order.

DISCOUNTS – Material/service supplier provides reductions to a basic good, usually based on volume, season, or payment timing. Significant in projects governed by cost reimbursement type contractual agreements and whether or not the owner receives credit for such discounts allowed to contractors.

DISPUTES CLAUSE – Allows for the architect to act as the initial judge of disputes arising from a claim on a construction project within a specified period of time, generally ten days. Under a standard government contract, it is usually the contracting officer who makes the initial decision.

DOUBLE-GLAZING – In general, any use of two lites of glass, separated by an air space, within an opening, to improve insulation against heat transfer and/or sound transmission. In insulating glass units the air between the glass sheets is thoroughly dried and the space is sealed, eliminating possible condensation and providing superior insulating properties.

DRAW – The amount of progress billings on a contract that is currently available to a contractor under a contract with a fixed payment schedule.

DRAWINGS – A term used to represent that portion of the contract documents that graphically illustrates the design, location and dimensions of the components and elements contained in a specific project.

DRY IN - To make a building waterproof.

DURATION – The length of an activity, excluding holidays and other non-working days.

E

EARTHQUAKE ENGINEERING (SEISMIC DESIGN) - The study of the behavior of buildings and structures subject to seismic loading. It is a subset of both structural and civil engineering. The main objectives of earthquake engineering are: (1) Understand the interaction between buildings or civil infrastructure and the ground. (2) Foresee the potential consequences of strong earthquakes on urban areas and civil infrastructure. (3) Design, construct and maintain structures to perform at earthquake exposure up to the expectations and in compliance with building codes.

ELECTRICAL ENGINEER – Responsible for all issues related to the design and coordination of project power.

ELEVATION - A view of an interior or exterior wall. You are standing back, looking directly at the wall. This is a flat, two-dimensional view. Only the height and width are obvious. This view of the wall shows items that cannot be clearly shown in plan. This could be wall moldings, signs, graphics, window sizes, or a finish pattern that is applied on the wall. Interior elevations will show the inside walls of a space. Exterior elevations will show the outside walls of a building.

ENGINEER – (See Professional Engineer)

ENVIRONMENTAL ENGINEER – Identifies problems that may trigger liability for clean-up, present health hazards, or impact protected lands or wildlife.

EQUIPMENT LOG – List of equipment being used on a construction project and includes the make & model, quantity on site, and the rental rates.

ERROR AND OMISSION (E & O) – Mistake, conflict, or omission of design detail in construction drawings identified by the contractor after bid. Frequently causes a change order, and in limited cases relief may be requested from the architect.

ESCALATION CLAUSE – A contract provision that provides for adjustments of the price of specific items as conditions change.

ESTIMATED COST TO COMPLETE – The estimated cost of materials, labor & benefits, equipment, subcontract and other expenses necessary to complete a project within the required amount of time.

ESTIMATE OF CONSTRUCTION COST, DETAILED – A calculation of costs prepared on the basis of a detailed analysis of materials and labor for all items of work, as contrasted with an estimate based on current area, volume or similar unit costs.

ESTIMATING – A process of calculating the amount of material, labor and equipment required for a given project necessary to complete the work as specified.

ETHICS – Related to the moral action, conduct, motive, or character, as ethical emotions, treating of moral feelings, duties, or conduct; containing precepts of morality; moral, professionally right, or benefiting; conforming to professional standards of conduct.

EVALUATION FACTORS - Criteria used to evaluate offers that may include technical capability, price, past performance, and other factors. Evaluation may involve trade-offs, discretion, and examination of the products offered.

EVALUATION PROCESS - The activities and procedures used to evaluate offers against established selection criteria in accordance with the source selection plan.

EXCAVATE - Dig the basement and or all areas that will need footings/foundations below ground.

EXCULPATORY CLAUSE - The contract language designed to shift responsibility to the other party. A "no damages for delay" clause would be an example of one used by buyers.

EXCUSABLE DELAYS – Delays experienced on a construction project that are not the fault of the delaying party.

EXECUTED CONTRACT - A contract that is formed and performed at the same time. If performed in part, it is partially executed and partially executory (not yet fully performed).

EXPANSION JOINT – A device used to permit a structure to expand or contract without breakage.

EXTENDED GENERAL CONDITIONS – Additional contractor project-specific indirect costs due to an extension of the contract time for reasons other than the fault of the contractor.

EXTERIOR GLAZED – Glazing infill's set from the exterior of the building.

EXTRAS OR EXTRA WORK – Additional work not included in the original scope. This work is invoiced separately and not included as part of the original contract.

F

FACADE - The front of a building. Frequently, in architectural terms an artificial or decorative effort.

FACILITY MANAGER – Plans, designs, and manages buildings and grounds.

FACILITY OR SITE ANALYSIS – A visual inspection of a building and on-site improvements for functional or physical deterioration; prepare optional **Replacement Cost Estimate** for making recommendations to improve functional and physical deficiencies to increase market value; AND/OR prepare a **Reserve Study** over five (5) years to increase Net Operating Income (NOI) for the facility. (See Site Analysis)

FAIR MARKET VALUE – Amount that could be received on the sale of an asset when willing and financially capable buyers and sellers exist.

FAST TRACK CONSTRUCTION (FAST TRACKING) – (1) A method of construction management which involves a continuous design-construction operation. When a prime or main contractor starts the construction work BEFORE the plans and specifications are complete. (2) Sequencing construction activities so that some portions of the project enter construction before design is completed on other portions. (3) A method in which the design and construction phases overlap, with the construction of phase one beginning before the design of the next phase is complete. Generally increases Owner's cost risk. (See Design-Build Construction)

FEASIBILITY STUDIES - A detailed investigation and analysis of factors influencing the project to determine if the project is viable, such as type of structure, the location of the proposed project, the sources and availability of funding, and availability of utilities are examined and weighed against the financial return expected.

FEDERAL ACQUISITION REGULATIONS (FARs) – Regulations governing US Federal and District of Columbia construction projects.

FF&E –

1. An abbreviation for furniture, fixtures and equipment
2. Items classified as personal property rather than real property
3. An abbreviation generally associated with interior design and planning of retail stores or office facilities.

FFP CONTRACT – Acronym for Fixed Firm Price Contract.

FIELD ORDER – A written order issued by the architect effecting a minor change or clarification in the work not involving an adjustment to the contract sum or an extension of the contract time.

FIELD REPORT – (See Daily Construction Report)

FIELD WORK ORDER – A written request to a subcontractor or vendor, usually from the general or main contractor, site for services or materials.

FINAL ACCEPTANCE – The action of the owner accepting the work from the contractor when the owner deems the work completed in accordance with the contract requirements. Final acceptance is confirmed by the owner when making the final payment to the contractor.

FINAL COMPLETION – Occupation of a work of improvement by the owner, the cessation of labor, the acceptance of the work by the owner, the completion of the work as specified by the contract including the punch list items.

FINAL CONTRACT RECONCILIATION – Calculation of the final contract price, including the final determination of change orders, final adjustments for unit price items, allowances, contingencies, back-charges, liquidated damages, defective work, shared savings, and any other credits. May be performed as a part of a final project audit by the owner.

FINAL INSPECTION – A final site review of the project by the contractor, owner or owner's authorized representative prior to issuing the final certificate for payment.

FINAL PAYMENT – The last payment from the owner to the contractor of the entire unpaid balance of the contract sum as adjusted by any approved change orders. (See Final Acceptance)

FINISH – In hardware, metal fastenings on cabinets which are usually exposed such as hinges and locks.

FINISH CARPENTRY - The hanging of all interior doors, installation of door molding, base molding, chair rail, built in shelves, etc.

FINISH DATE – The date that an activity or project is completed.

FINISH GRADE - Any surface which has been cut to or built to the elevation indicated for that point. Surface elevation of ground, parking lot or other improved surfaces after completion of grading operations.

FIRE-RATED – Descriptive of materials that has been tested for use in fire walls.

FIRE WALL - Any wall built for the purpose of restricting or preventing the spread of fire in a building. Such walls of solid masonry or concrete generally sub-divide a building from the foundations to two or more feet above the plane of the roof.

FIT-OUT OR FIT-UP – Construction of or the renovation of the interior of a building, as opposed to the outer *Building Shell*.

FIXED FEE – A set contract amount for all labor, materials, equipment and services; and contractor’s overhead and profit for all work being performed for a specific scope of work.

FIXED GENERAL CONDITIONS - Contractor Overhead Costs such as project staff salaries, trailers, safety, supplies, computers, etc., that are usually detailed and billed at actual costs in a cost reimbursement contract governed project, are set at a fixed cost for the duration of the project. The costs are then billed monthly on a percentage completion basis, as opposed to actual costs.

FIXED LIMIT OF CONSTRUCTION COSTS – A construction cost ceiling agreed to between the owner and architect or engineer for designing a specific project. (See Budget)

FIXED PRICE CONTRACT – Contract for providing all or a portion of work on a construction project stated in single price. Also, referred to as Lump Sum Contract.

FLOAT – (1) Funds in the process of collection measured in days. Float can be defined in the areas of both collection and disbursement. The different types of float are:

- Mail processing float - from sender to payee or payee's agent;
- Internal processing float - from time of receipt to actually getting into the clearing process; and
- Check collection float (availability) - to convert from ledger to collected funds.

(2) A scheduling term describing extra or slack time associated with an activity or multiple activities.

FLOOR PLAN - The basic layout of building or addition, which includes placement of walls, windows and doors as well as dimensions.

FOOTINGS - Wide pours of cement reinforced with re-bar (reinforcing bar) that support foundation walls, pillars, or posts. Footings are part of the foundation and are often poured before the foundation walls.

FOOT PRINT – The actual area of ground the project uses, i.e. the “Building Footprint”. See Floor Plan.

FOREIGN CORRUPT PRACTICES ACT – Legislation enacted to provide penalties for certain corrupt practices. For example, bribes to foreign officials.

FRAUD – Intentional action/misrepresentation by an individual or entity to cheat another causing damage.

FRONT-END LOADING – Process of accelerating progress billings relative to costs incurred by assigning a higher value to the early stages of the contract with the intent of generating increased cash receipts during those stages and not as earned throughout the project. Used to assist contractors in financing their projects, but may be frowned upon by owners not understanding their obligation in this area.

FULLY TEMPERED GLASS – Flat or bent glass that has been heat-treated to a high surface and/or edge compression to meet the requirements of ASTM C 1048, kind FT. Fully tempered glass, if broken, will fracture into many small pieces (dice) which are more or less cubical. Fully tempered glass is approximately four times stronger than annealed glass of the same thickness when exposed to uniform static pressure loads.

G

GANTT CHART – The schedule of activities for a project. A Gantt Chart shows start and finish dates, critical and non-critical activities, slack time, and predecessor relationships.

GAUGE - The thickness of sheet metal and wire, etc.

GENERAL CONDITIONS (GCs)-

1. A written portion of the contract documents set forth by the owner stipulating the contractor’s minimum acceptable performance requirements including the rights, responsibilities and relationships of the parties involved in the performance of the contract. General conditions are usually included in the book of specifications but are sometimes found in the architectural drawings.
2. Contractor Overhead Costs such as staff salaries, trailers, office supplies, safety, computers, etc.

GENERAL CONTRACTOR – Properly licensed individual or company having primary (prime) responsibility for the physical construction of the project.

GENERAL CONTRACTING (THE TRADITIONAL METHOD) – When a prime or main contractor bids the entire work AFTER the final design, plans and specifications are complete and have been approved by the owner. (See Design-Build Construction and Fast Track Construction)

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) - A technical term encompassing conventions, rules, and procedures of accounting that are "generally accepted" and have "substantial authoritative support." The GAAP have been developed by agreement on the basis of experience, reason, custom, usage, and, to a certain extent, practical necessity rather than from a formal set of theories.

GENERAL LIABILITY INSURANCE (G/L) - Protects the contract from claims resulting from the contractor's construction operations that result in bodily injury or property damage to a third party. Construction contract often requires contractor to include owner as an "additional insured" on the general liability insurance policy.

GENERAL REQUIREMENTS (GRs) – Usually combined with General Condition costs of a project for a contractor but may be separated out. May also be called Direct Costs and includes staff costs performing security, fire watch, traffic control, setting up barricades, etc.

GEOTECHNICAL ENGINEER – Investigates the subsurface conditions at the project site, determining the bearing capacities and stability of the soils prior to the structural engineer designing the structural foundation.

GREEN CONSTRUCTION - An organized effort to design and build buildings using a process and materials which promote environmental sustainability.

GUARANTEED MAXIMUM PRICE (GMP) – Upside limit of contracted cost for project; usually attached to a Cost Plus a Fee agreement.

H

HARD COSTS – (See Construction Costs and Direct Costs)

HARDWARE - Metal accessories such as door knobs, towel bars, toilet paper holders, etc.

HAZARD INSURANCE - Insurance for a building while it is under construction.

HOME OFFICE COSTS – Contractor overhead costs not directly related to one specific project, such as, accounting, human resources, advertising, information technology, executive salaries, etc. and are not normally reimbursable under a cost reimbursable contract governed project.

HVAC - Heating Ventilation and Air Conditioning.

I

IMPROVEMENTS –

1. A term sometimes used to describe TI'S or Tenant Improvements.
2. Improvements can be in the form of new construction or remodel work. (See TI'S)

INCENTIVES – Clauses in construction contracts that penalize or reward contractors based on their performance.

INDEPENDENT CONTRACTOR – One free from the influence, guidance, or control of another or others and does not owe a "fiduciary duty". Example: architect, engineer, prime or main contractor, construction manager at-risk.

INDEMNIFICATION CLAUSE – Provision in a contract in which one party agrees to be financially responsible for specified types of damages, claims, or losses.

INDEPENDENT AUDITOR – Certified Public Accountant (CPA) in public practice examining financial statements or an independent auditing consultant who performs *continuous* or *close-out* project audit for Owner.

INDIRECT COST (OR EXPENSE) – A contractor's or consultant's overhead expense; expenses indirectly incurred and not chargeable to a specific project or task. The terms Indirect costs and soft costs are synonymous. (See Soft Costs)

INDUSTRIAL DEVELOPMENT BOND (IDB) – Debt issued by a municipality to finance the construction or improvement of private business.

INSPECTION – An official examination or review of the work completed or in progress to determine its compliance with contract requirements.

INSPECTION FOR DISBURSEMENT OF FUNDS – An independent vehicle for the disbursement and accounting of construction funds allowing construction obligations to be paid (progress payments) when work is completed, inspected and approved. Job Costs are reviewed prior to making disbursements to establish that the actual construction payments are within the confines of the original estimate confines or schedule of construction values.

INSPECTION LIST (PUNCH LIST) – A list prepared by the owner or his/her authorized representative of items of work requiring immediate corrective or completion action by the contractor prior to acceptance of the project. Usually compiled when the project is 99% complete.

INSPECTION REPORT – Sometimes used to describe an *Inspection List*.

INSPECTOR – One who is appointed or employed to inspect something.

INSTITUTE OF INTERNAL AUDITORS (IIA) – Governing body of professional internal auditors.

INSURANCE – Contractual agreement referred to as a policy, whereby one party, for an agreed premium will provide insurance or pay the insured a specific sum of money upon meeting conditions within the insurance contract.

INTERIOR FINISH – A term used to represent the visible elements, materials and applications applied to a building’s interior excluding furniture, fixtures and equipment. (See FF&E)

INVOICE – A list sent to a purchaser containing the items and charges of merchandise. (See Statement)

J

JOB DETAIL – The lowest level of an estimate or job, to which costs can be posted. Details are used to record specific labor, material, equipment, subcontractor, overhead and miscellaneous costs necessary to complete a phase or activity within an estimate or job.

JOB NUMBER – An alphanumeric name used to identify a job.

JOINT CHECK AGREEMENT – An agreement between a contractor, subcontractor, and supplier that allows the contractor to make payments jointly to the subcontractor and supplier without creating a contract between the contractor and supplier or further obligating the contractor in any way.

JOINT VENTURE – When two or more business entities or persons join together to undertake a specific business venture.

L

LABOR AND MATERIAL PAYMENT BOND – A written form of security from a surety (bonding) company to the owner, on behalf of an acceptable prime or main contractor or subcontractor, guaranteeing payment to the owner in the event the contractor fails to pay for all labor, materials, equipment, or services in accordance with the contract. (See Performance Bond and Surety)

LABOR BURDEN - An aggregate cost consisting of all indirect labor costs incidental to operations, and is also called indirect labor. Consisting of all those “extra” costs above and beyond the pay scale of your employees, labor burden is primarily comprised of payroll taxes, unemployment taxes and various forms of insurance. Field labor burden also includes general liability; workers’ compensation insurance; paid holidays, sick days, and vacations; and medical insurance benefits.

Also included is a range of taxes with acronyms such as FICA, FUTA and SUTA, all which directly correlate to your office and field payroll. Items such as a 401K or other retirement plan, and sometimes bonuses should also be included if you offer such benefits.

LAMINATED GLASS – Two or more lites of glass permanently bonded together with one or more inter-layers.

LATENT DEFECT – A hidden defect in materials, equipment, or the work that a reasonably careful observation during the performance of the contract or during any warranty period would not have revealed.

LEAN CONSTRUCTION - A design and construction administration process based on Japanese “lean manufacturing principles” which is designed to promote efficiency and eliminate waste.

LEASEHOLD IMPROVEMENTS – A term used to mean *Tenant Improvements*. Generally, this term is used when building in retail stores as contrasted with the term *Tenant Improvements* which are generally associated with office buildings. The terms are often used interchangeably. (See TI'S)

LETTER OF CREDIT (LOC) – Letter issued by a bank or financial institution guaranteeing that payments will be made to the contractor, on time, in established amounts or percentages of the total, intervals over the life of a construction project. Also used in the purchase of construction materials, such that, if the buyer's unable to make payment on the purchase, the issuing bank will be required to cover the full or remaining balance of the costs.

LETTER OF INTENT – Letter expressing the intention of entering into a formal agreement and generally contains the terms and conditions of such agreement.

LIEN, MECHANIC'S OR MATERIAL – The right to take and hold or sell an owner's property to satisfy unpaid debts to a qualified contractor for labor, materials, equipment or services to improve the property. (See Preliminary Lien Notice)

LIEN RELEASE – A written document from the contractor to the owner that releases the Lien, Mechanic's or Material following its satisfaction.

LIEN WAIVER –

1. A written document from a contractor, subcontractor, material supplier or other construction professional(s), having lien rights against an owner's property, relinquishes all or part of those rights.
2. Lien waivers are generally used for processing progress payments to prime or main or subcontractors as follows: Conditional Lien Waiver, Unconditional Lien Waiver, and Final Lien Waiver.

LINE ITEMS – The elements, systems, items, or other subdivisions of the work, with a value attached to each, the total of which equals the contract sum and commonly presented on the AIA's G702 Continuation Sheet section of the ***Application for Payment***.

LIQUIDATED DAMAGES – A contract clause that obligates the contractor to pay damages, generally specified in daily amounts, to the owner, as compensation for damages suffered by the owner for the contractor's failure to complete work within a stated period of time.

LUMP SUM AGREEMENT – (See Stipulated Sum Agreement)

LUMP SUM BID – A single entry amount to cover all labor, equipment, materials, services, and overhead and profit for completing the construction of a variety of unspecified items of work without the benefit of a cost breakdown.

LUMP SUM CONTRACT – A written contract between the owner and contractor wherein the owner agrees to pay the contractor a specified sum of money for completing a scope of work consisting of a variety of unspecified items or work.

M

MANAGEMENT INFORMATION SYSTEMS (MIS) – Manual or computer system that transforms data into useful information in support of planning, control and decision making.

MASTER PLANNING

1. A plan, usually of a community or city, made to guide or restrict future development.
2. Master plans are developed for new and existing campuses for health systems, senior living communities, and universities which often includes market demographic analysis, volume projections, budgets, schedules, and site planning.
3. An overall scheme for phased work or construction. It combines forecasts of future activities, services and strategic planning with the organized development of physical facilities to meet staffing and space needs projections, typically for a period of 10 to 20 years.

MEANS AND METHODS – Refers to the methods, techniques, and sequencing that is within the discretion of the contractor to perform the construction work. It is normally within the contractor's rights (per the contractual agreement) to perform the work utilizing whatever means and methods it deems proper as the expert. If the owner or architect requires the work to be performed in a different way, than it could constitute **Extra Work**.

MECHANICAL ENGINEER – preparing specifications and plans for the **HVAC** and sprinkler systems.

MEDIATION – Act or process, upon consent or invitation to resolve and settle a dispute between two or more parties.

MEETING ATTENDANCE FORM – A form consisting of three columns (individuals name, individuals title, and company the individual represents). This form is given to all persons

attending any meeting. Each person attending the meeting will complete their respective information. The date of the meeting should be included for reference.

MEETING NOTES – A written report consisting of a project number, project name, meeting date and time, meeting place, meeting subject, a list of persons attending, and a list of actions taken and/or discussed during the meeting. Generally, this report is distributed to all persons attending the meeting and any other person having an interest in the meeting.

MILESTONE – An activity with a duration of zero (0) and by which progress of the project is measured. A milestone is an informational marker only; it does not affect scheduling.

MOBILIZATION – Period between receiving a notice to proceed and actual construction, the contractor and subcontractor mobilizes their resources and physically occupies the project site. This significant phase of the construction process often includes the relocation of labor forces, establishing temporary housing, setting up job trailers and sanitary facilities, and the connecting of power and other utilities.

MOCK-UP – A full-size model of a part of the construction project to test materials and/or view lay-out, i.e. a hospital room, building wall, curtainwall, etc.

MODIFIED ACCELERATED COST RECOVERY SYSTEM (MACRS) – Accelerated depreciation method permitted by tax code.

MORTAR TYPES - Type M is suitable for general use and is recommended specifically for masonry below grade and in contact with earth, such as foundations, retaining walls and walks. Type M is the strongest type. Type S is suitable for general use and is recommended where high resistance to lateral forces is required. Type N is suitable for general use in exposed masonry above grade and is recommended specifically for exterior walls subject to severe exposures. Type O is recommended for load-bearing walls of solid units where the compressive stresses do not exceed 100 lbs. per square inch and the masonry wall not be subjected to freezing and thawing in the presence of excessive moisture.

N

NATIONAL ASSOCIATION OF CONSTRUCTION AUDITORS (NACA) – Primary association dedicated to controlling construction projects. Awards the Certified Construction Auditor (CCA) and Construction Control Professional (CCP) designations.

NEGLIGENCE – Failure to perform appropriately or care, whereby, such failure results in injury or damage to another.

NEGOTIATED CONTRACT – Contract agreed to through meetings between buyer and seller. For example, owner and general contractor or general contractor and subcontractor.

NOTICE OF CHANGED CONDITIONS – When the contractor encounters differing site

conditions, such as impenetrable bedrock or the uncovering of hazardous materials, the contractor files to document the obstacle encountered, along with possible solutions and corresponding additional costs and/or time.

NOTICE OF DELAY – Documents an act or disruption that the contractor perceives as the cause for a delay or potential delay.

NOTICE TO PROCEED (NTP) – Written document issued to the contractor from the owner directing them to start work on the project, “starting the clock” on the time for completion.

O

OPEN BID/ESTIMATE – A service offered by constructionplace.com where any bidder or estimator is given access to project specific RFP (Request for Proposal) information. This option is for those seeking bids/estimates from any interested professionals or service with out prequalifying them. For security and easy access, the project poster receives an e-mail showing the links to View the RFP Details and View any Bids as they are received. This gives the RFP poster the ability to file and track the respective RFP's using their e-mail filing system. The solicitation of bids by the owner usually by advertisement for all qualified contractors to participate. The open bid process is typical for public sector work and, with few exceptions; the contract is awarded to the lowest bidder.

OPERATIONS AND MAINTENANCE MANUALS (O & Ms) – Collection and organization of data on “what” and “how-to” regarding all of the operational equipment on a project. Usually provided to the owner at project close-out.

OPTION - A unilateral right in a contract by which, for a specified time, the buyer may elect to purchase additional quantities of the supplies or services called for in the contract, or may elect to extend the period of performance of the contract.

ORDER OF PRECEDENCE - A solicitation or contract provision that establishes priorities so that contradictions within the solicitation or contract can be resolved.

“OUT OF THE GROUND” – After the foundation is in place and the construction of the structure begins.

OUTPUT METHOD – System of measuring the performance of a contract in terms of specific units of production or achieved result.

OVERHEAD COSTS – The total of all costs of a project less direct costs, sometimes referred to as **general conditions**. Contractors costs to run the project.

OWNER – An individual or corporation that owns a real property, usually the one contracting to for a capital project to be completed.

OWNER-ARCHITECT AGREEMENT – A written form of contract between architect and client for professional architectural services.

OWNER-BUILDER – A term used to describe an *Owner* who takes on the responsibilities of the general contractor to build a specific project.

OWNER-CONSTRUCTION AGREEMENT – Contract between owner and contractor for a construction project.

OWNER-CONSTRUCTION MANAGEMENT AGREEMENT – Contract between construction manager and client for professional services.

OWNER CONTROLLED INSURANCE PROGRAM (OCIP) – Insurance policy held by a property owner during the construction or renovation of a property; can also be known as “wrap-ups”. Property Owners benefit from insurance policy controls through the reduced cost of the volume insurance policy. The traditional method for insuring construction consisted of each general contractor and sub-contractor owning their own insurance policy with any provider of their choosing. In OCIP, all construction, materials, hazard, workman’s compensation, terrorist, and other building related insurance is purchased by the property owner.

- Lower Costs to the Property Owner as bulk purchase of insurance lowers total cost.
- Owner controlled insurance broker requires more stringent safety and loss control procedures.
- Reduction in time required for contractors to obtain insurance certificates
- Improved Risk Control and Claim Handling

OWNER REPRESENTATIVE (OR) – Professional designated by the owner to act on their behalf during the project, as the owner’s single source of responsibility for all project related needs and leading the planning, design, and construction phases of the project.

P

PARAPET WALL - A low wall around the perimeter of a roof deck.

PARKING STRIP - The area in front of a building between the sidewalk and the street usually landscaped with grass. The parking strip serves as a buffer between the road and pedestrians walking on the sidewalk.

PASS-THROUGH CLAIMS – Subcontractor claims that the general contractor should properly assess against the owner, since the subcontractor has no contractual relationship with the owner (*Privity*).

PATENT DEFECT – A defect which is obvious or which the owner should have discovered by reasonable observation; the opposite of *Latent Defect*.

PAVER STONES - Usually pre-cast concrete slabs used to create a traffic surface.

PAYMENT BOND – A bond executed by the contractor that guarantees payment to suppliers of labor, materials and supplies to a construction project upon the contractors failure to make payment for services rendered.

PAYABLE THROUGH DRAFT (PTDs) – A promise to pay, which is issued by a corporation or issuer of the draft. PTDs differ from checks in that they are drawn on the issuing company, not the bank itself. The bank acts as the collection mechanism. The main benefit to the issuing company is that 24 hours is provided in which to refuse payment of the draft from the time it is received by the bank. PTDs are used mostly to provide disbursement control to many field personnel (e.g., construction site personnel if they have the authority to write checks) or in place of payroll checks issued to field employees.

PENALTY CLAUSE – Provision in a construction contract that reduces the amount payable to a contractor for its failure to meet project targets, schedules or specifications.

PENTHOUSE - A relatively small structure built above the plane of the roof.

PERCENTAGE OF COMPLETION – Method of recognizing income as it is earned over the construction period and/or progress on a long-term construction contract.

PERFORMANCE BOND – A written form of security from a surety (bonding) company to the owner, on behalf of an acceptable prime or main contractor or subcontractor, guaranteeing payment to the owner in the event the contractor fails to perform all labor, materials, equipment, or services in accordance with the contract. The surety companies generally reserve the right to have the original prime or main or subcontractor remedy any claims before paying on the bond or hiring other contractors. (See Labor and Material Payment Bond and Surety Bond)

PERFORMANCE SPECIFICATIONS – The written material containing the minimum acceptable standards and actions, as may be necessary to complete a project. Including the minimum acceptable quality standards and aesthetic values expected upon completion of the project.

PERT – An abbreviation for Program Evaluating and Review Technique. (See Activity; Critical Path Method)

PERT SCHEDULE – A diagram that illustrates, charts and reports a projects estimated start and completion times; and work in progress.

PHASE – A logical group of related tasks that completes a major step in a project.

PLAN –

1. A line drawing (by floor) representing the horizontal geometrical section of the walls of a building. The section (a horizontal plane) is taken at an elevation to include the relative

positions of the walls, partitions, windows, doors, chimneys, columns, pilasters, etc.
2. A plan can be thought of as cutting a horizontal section through a building at an eye level elevation.

PLAN CHECKER – A term sometimes used to describe a building department official who examines the building permit documents.

PLANNER – A person who forms a scheme or method for doing something; an arrangement of means or steps for the attainment of some object; a scheme, method, design; a mode of action.

PLANS – A term used to represent all drawings including sections and details; and any supplemental drawings for complete execution of a specific project, may be in electronic and/or printed media.

PLAT - A map of a geographical area as recorded by the county.

PLATFORM FRAMING/PLATFORM CONSTRUCTION - The process of constructing a building in one or more consecutively installed platforms. (Usually one story constitutes a platform.)

POST & BEAM CONSTRUCTION - Most common type of wall framing, using posts which carry horizontal beams on which joists are supported. It allows for fewer bearing partitions, & less material.

PRECAST - Concrete building components which are formed and cured at a factory and then transported to a work site for erection.

PRE-CONSTRUCTION PLANNING AND TEAM BUILDING – A process used for the purpose of establishing below market dollar budget(s), overall project scheduling and design criteria; also identification and selection of the most feasible planning, design and construction team.

PRELIMINARY DRAWINGS – The drawings that precede the final approved drawings. Usually these drawings are stamped or titled "PRELIMINARY"; and the "PRELIMINARY" is removed from the drawings upon being reviewed and approved by the owner.

PRELIMINARY LIEN NOTICE – A written notice given to the property owner of a specific project by the subcontractors and any person or company furnishing services, equipment or materials to that project. The notice states if bills are not paid in full for the labor, services, equipment, or materials furnished or to be furnished, a mechanic's lien leading to the loss, through court foreclosure proceedings, of all or part of the property being so improved may be placed against the property even through the owner has paid the prime contractor in full. The notice explains how the owner can protect himself against this consequence by: (1) requiring the prime contractor to furnish a signed release by the person or firm thus giving

the owner notice before making payment to the prime contractor, or (2) any other method or device which is appropriate under the circumstances.

PRE-QUALIFICATION OF PROSPECTIVE BIDDERS – A screening process wherein the owner or his/her appointed representative gathers background information from a contractor or construction professional for selection purposes. Qualifying considerations include competence, integrity, dependability, responsiveness, bonding rate, bonding capacity, work on hand, similar project experience, and other specific owner requirements.

PRIME CONTRACT – A written contract directly between a prime or main contractor and subcontractor for work on a specific project.

PRIME CONTRACTOR – Any contractor having a contract directly with the owner. Usually the main (general) contractor for a specific project.

PRINCIPAL – The leading participant(s) of a professional practice.

PRIVITY - The mutual, close and successive relationship between two parties for a particular transaction or property or contract where they both share a common interest. Thus, it's a relationship close enough such that one party can support the legal claims for or against the party in above relation. In the absence of privity, the subcontractor cannot claim any damages to contract with the prime party who signed the contract with the main contractor. A relation between parties that is held to be sufficiently close and direct to support a legal claim on behalf of or against another person with whom this relation exists.

PROGRAM – An ordered list of events to take place or procedures to be followed for a specific project.

PROGRAMMING - The early stages of a project, during which the architect and owner discuss the goals, needs, and function of the project; design expectations and available budget; and pertinent building code and zoning regulations. The architect then prepares a written statement setting forth design objectives, constraints, and criteria for the project, including special requirements and systems and site requirements.

PROGRAM MANAGER - The respective authority and responsibilities of the program manager, who is in overall charge of executing a program or project, and the contracts manager, who has fiduciary responsibilities for the negotiation and formation of the contract and for compliance and conformance to contractual obligations.

PROGRAM MANAGEMENT - The process whereby a single leader and team are responsible for planning, organizing, coordinating, directing, and controlling the combined efforts of participating and assigned personnel and organizations in accomplishment of program objectives. It is a special management approach used to provide centralized authority and responsibility for the management of a specific program.

PROGRESS PAYMENT – A payment from the owner to the contractor determined by calculating the difference between the completed work and materials stored and a predetermined schedule of values or unit costs. (See Schedule of values; Unit Costs).

PROGRESS SCHEDULE – A line diagram showing proposed and actual starting and completion times the respective project activities. (See Activity)

PROJECT – A word used to represent the overall scope of work being performed to complete a specific construction job.

PROJECT ACCOUNTING (sometimes referred to as **job cost accounting**) is the practice of creating financial reports specifically designed to track the financial progress of projects, which can then be used by managers to aid project management. Consequently, in a project management environment, costs (both direct and overhead) and revenues are also allocated to projects, which may be subdivided into a work breakdown structure, and grouped together into project hierarchies. Constant comparisons to historical as well as current budgets are made. Project accountant(s) often prepare monthly applications for payment for submittal.

PROJECT COMPLETION or CLOSE-OUT – A process that includes the completion of several management and administrative activities and any remaining physical work, including substantial completion, punch-list, and final completion.

PROJECT COST – All costs for a specific project including costs for land, professionals, construction, furnishings, fixtures, equipment, financing and any other project related costs.

PROJECT DIRECTORY – A written list of all parties connected with a specific project. The list usually includes a classification or description of the party (i.e., Owner, Architect, Attorney, General Contractor, Civil Engineer, Structural Engineer, etc.); name, address, telephone and FAX numbers opposite their respective classifications or description. It is particularly important that the emergency or after hour telephone numbers are included. These numbers should be kept confidential if requested by the respective parties.

PROJECT ENGINEER - Performs work that crosses the boundaries between engineering and project management, leading the technical workers who contribute to the building of structures or products. In some cases, the Project Engineer is the same as a Project Manager but in most cases these two professionals have joint responsibility for leading a project. The role of the project engineer can often be described as that of a liaison between the project manager and the technical disciplines involved in a project. The project engineer is also often the primary technical point of contact for the customer.

Project engineers do not do design work, but instead represent the contractor out in the field, help tradesmen interpret the job's designs, ensure the job is constructed according to the project plans, and assist project controls, including budgeting, scheduling, and planning. In some cases a Project Engineer is responsible for assisting the assigned project manager with regard to design and a project and with the execution of one or more simultaneous

projects in accordance with a valid, executed contract, per company policies and procedures and work instructions for customized and standardized plants.

PROJECT EXECUTIVE – In a large contracting company, assumes the leadership role for the development, coordination, facilitation, and execution of major project activities, usually for more than one project at a time.

PROJECT MANAGER (PROJECT MANAGEMENT) – A qualified individual or firm authorized by the owner to be responsible for coordinating time, equipment, money, tasks and people for all or specified portions of a specific project. (See Construction Manager)

PROJECT MANUAL – An organized book setting forth the bidding requirements, conditions of the contract and the technical work specifications for a specific project. (See Specifications)

PROJECT REPRESENTATIVE – A qualified individual authorized by the owner to assist in the administration of a specific construction contract. (See Owner Representative)

PROJECT SITE – (See Site)

PROJECT SUPERINTENDENT - The contractor's representative who is responsible for continuous field supervision, coordination, and completion of the work. The construction superintendent "runs" the job site. Tasks may include, but are not limited to the following:

- Organizes and coordinates the work of craft employees on construction projects.
- Keeps cost records on work performed and materials.
- Is responsible for the control of costs in materials and wages.
- Exercises control over rate of construction progress in order to complete construction project within time limits.
- Inspects construction work to enforce conformity to specifications
- Supervises craft supervisors, clerical staff, and other personnel employed in construction work.
- Enforces work safety rules, either by company policy or as mandated by law.
- Handles inspections by government officials to verify code compliance.

On larger projects, it is common for most finance-related tasks (especially labor and material cost control) and long-term scheduling to be handled by a project manager, with the superintendent's job limited to running the day-to-day operations on the construction site and controlling the short-term schedule. The project manager and superintendent need to cooperate and share control effectively. Superintendents are almost universally stationed on the jobsite, while project managers are usually based in the contractor's office instead.

PROPERTY INSPECTIONS AND REPORTS – A limited visual inspection to identify the general features and major deficiencies of the property. Any area not exposed to view, is concealed, or is inaccessible is not included in this inspection.

PROPOSAL – A written offer from a bidder to the owner, preferably on a prescribed proposal form, to perform the work and to furnish all labor, materials, equipment and/or services for the prices and terms quoted by the bidder. (See Bid)

PROPOSAL FORM – (See Bid Form)

PROPOSED CHANGE ORDER (PCO) – A proposal submitted by a contractor or subcontractor of the cost and/or time estimated to perform a new item of work.

PURCHASE ORDER – A written document from a buyer to a seller to purchase materials, services, equipment or supplies with acceptable purchase terms indicated.

PUNCH LIST – (See Inspection List)

Q

QUALIFIED – An individual or firm with a recognized degree, certificate, or professional standing; or who by extensive knowledge, training and experience, has successfully demonstrated his/her abilities to identify and solve or resolve problems associated with a specific subject matter or project type.

QUALITY ASSURANCE (QA) – The planned and systematic actions necessary to provide adequate confidence that the performed work will serve satisfactorily for the intended and specified purposes. Also known as contract performance.

QUALITY-ASSURANCE/QUALITY-CONTROL (QA/QC) SYSTEM - A documented system that specifies the procedures to be followed to measure and document the quality of the construction and certifies compliance.

QUALITY MANAGEMENT - The development, implementation, and administration of the quality-control system by the contractor.

R

REAL ESTATE INVESTMENT TRUST (REIT) – Company that manages a real estate portfolio for shareholders.

REBATES - an amount paid by way of reduction, return, or refund on what has already been paid or contributed. It is a type of sales promotion marketers' use primarily as incentives or supplements to product sales. As with *discounts*, they are significant in projects governed by cost reimbursement type contractual agreements and whether or not the owner receives credit for such rebates paid to contractors.

RECORD DRAWINGS – (See As-Built Drawings)

REIMBURSABLE EXPENSES (OR COSTS) – Amounts expended for or on account of the project which, in accordance with the terms of the appropriate agreement, are to be reimbursed by the owner.

REINFORCED CONCRETE - A combination of steel and concrete using the best properties of each. The steel consists of rebar or reinforcing bars varying from 3/8 " to 2 1/4 "in diameter and is placed before concrete is poured.

REINFORCED MASONRY - Masonry units, reinforcing steel, grout and/or mortar combined to act together to strengthen the masonry structure.

RELEASE OF LIEN – A written action properly executed by an individual or firm supplying labor, materials or professional services on a project which releases his mechanic's lien against the project property. (See Mechanic's Lien)

RELEASES – Contractors are often required to submit with monthly progress billings constituting that all work has been completed and that all subcontractors, suppliers, and laborers have been paid.

REPLACEMENT COST ESTIMATE – A cost of constructing a building or structure that would have similar utility, but constructed with modern materials, current building standards, design and layout less depreciation. A land value and cost of on-site improvements can be added if desired.

REQUEST FOR INFORMATION (RFI) – A written request from a contractor to the owner or architect for clarification or information about the contract documents following contract award.

REQUEST FOR PROPOSAL (RFP) – A written request from the requestor (usually the owner or a contractor) to a contractor, design professional or subcontractor for an estimate or cost proposal. The RFP usually contains a specific scope of work. (See Bid) (See Closed Bid/Estimate) (See Open Bid/Estimate)

REQUEST FOR QUALIFICATIONS (RFQ) - A written request from the requestor (usually the owner or a contractor) to a contractor, design professional or subcontractor to allow them to demonstrate their qualifications to perform the requested work.

RESIDENT ARCHITECT – An architect permanently assigned at a job site who supervises the construction work for the purpose of protecting the owner's interests during construction.

RESIDENT ENGINEER (INSPECTOR) – An individual permanently assigned at a job site for the purpose of representing the owner's interests during the construction phase. (See Owner's Inspector)

RETAINAGE (RETENTION) – The amount of money held back from a contractor on a progress billing by the owner of a construction project to ensure that the project is

completed according with the terms of the contract. The contractor, in turn, will retain a percentage of the payments due subcontractors. This amount is billed separately at the end of the contract period and pertains primarily to commercial construction projects. The common industry standard for retainage is ten percent (10%) of the value of the contract inclusive of change orders.

REWORK – Work required to be performed again due to its failure to meet specifications or quality standards.

ROLL OUT – A loose term used to describe the rapid succession (completion) of similar projects over a given time period.

ROOF SYSTEM - General term referring to the waterproof covering, roof insulation, vapor barrier, if used and roof deck as an entity.

ROUGH – In hardware, metal fastenings on cabinets which are usually concealed, like staples

ROUGH OPENING – The opening in a wall into which a door or window is to be installed.

ROUGH PLUMBING - All plumbing that should be done before the finish trades (sheetrock, painting, etc), including all waste lines and supply water lines that are in the walls or framing of the building. See also: Plumbing, Sub Rough, and Finish Plumbing.

S

SAFETY REPORT – The Occupational Safety and Health Act of 1970 clearly states the common goal of safe and healthful working conditions. A Safety Report is prepared following a regularly scheduled project safety inspection of the specific project.

SCAFFOLDING – A temporary structure used to support people and material in the construction or repair of buildings and other large structures. It is usually a modular system of metal pipes or tubes, although it can be made out of other materials.

SCHEDULE – A plan for performing work or achieving an objective.

SCHEDULE OF VALUES – A statement furnished by the contractor to the architect or engineer reflecting the portions of the contract sum allotted for the various parts of the work and used as the basis for reviewing the contractor's applications for progress payments.

SCHEMATIC – A preliminary sketch or diagram representing the proposed intent of the designer.

SCHEMATIC DESIGN PHASE – The first phase of the architect's basic services in which the architect consults with the owner to ascertain the requirements of the project and prepares schematic design studies consisting of drawings and other documents showing the scale and project components for the owner's approval, such as scaled floor plans, building sections, elevations, and site plans. Schematic designs almost always include outline specifications indicating the types of engineering systems, glazing (glass), and doors and may include three-dimensional perspectives of the exterior as well as models of the entire building or portions of it.

SCHEME –

1. A chart, a diagram, or an outline of a system being proposed
2. An orderly combination of related construction systems and components for a specific project or purpose.

SCOPE OF WORK – A written range of view or action; outlook; hence, room for the exercise of faculties or function; capacity for achievement; all in connection with a designated project. (See Performance Specifications)

SCRAP - Term used to describe recyclable materials left over from every manner of product consumption, such as building supplies, and surplus materials. Often confused with waste, scrap, in fact, has significant monetary value; therefore, a construction project owner needs to ensure they receive credit for any value the contractor derives from the sale of project-related scrap. This is particularly pertinent if the project is governed by a cost reimbursement type contractual agreement.

SELF-LEVELING – A term used to describe a viscous material that is applied by pouring. In its uncured state, it spreads out evenly.

SELF-PERFORMED WORK – Construction Manager or General Contractor performs trade work that would usually be performed by a subcontractor.

SHOP DRAWING – Drawings delivered to the architect and owner, by suppliers and manufacturers of various materials and equipment, providing the details for the fabrication and/or installation of the particular components of the work .

SHORING - A temporary support erected in a trench or other excavation to support the walls from caving in, commonly using sheet piles, which are a form of driven piling using interlocking sheets of steel to obtain a continuous barrier in the ground; otherwise known as Sheeting & Shoring.

SITE – The place where a structure or group of structures was, or is to be located (a construction site).

SITE PLAN - Drawings that provide an overhead perspective on how buildings, parking areas, and other facilities would appear on a site. A site plan might also show service routes,

landscaping, site zoning, sidewalks, expansion forecasts, neighboring streets, and other buildings.

SLAB ON GRADE - A type of construction in which footings are needed but little or no foundation wall is poured.

SLACK TIME – The flexibility with non-critical jobs that allows their start dates to be adjusted without affecting the project completion date.

SLUMPTEST- Measures the consistency of a concrete mix or its stiffness. If the tests results are high, one likely cause would be too much water, while low slump means not enough water. The test is measured in inches.

SMALL TOOLS – The day-to-day tools that the construction worker needs to perform their work. The specific dollar value of the tool that defines it as “small” varies and is usually defined in the contractual agreement. Is often combined with the term “consumables”, such as “Small Tools and Consumables are valued under \$250.”

SOFT (INDIRECT) COSTS – Soft Costs are cost items in addition to the direct Construction Cost. They generally include architectural and engineering, legal, permits and fees, financing fees, construction Interest and operating expenses, leasing and real estate commissions, advertising and promotion, and supervision. (See Construction Cost)

SOLE SOURCE – a specific manufacturer, brand, model, item, or type of material or equipment identified in the specifications and required pursuant to the contract.

SPECIAL CONDITIONS – A section of the conditions of the contract, other than the General Conditions and Supplementary Conditions, which may be prepared for a particular project. Specific clauses setting forth conditions or requirements peculiar to the project under consideration, and covering work or materials involved in the proposal and estimate, but not satisfactorily covered by the General Conditions. (See General Conditions)

SPECIALIZED, LONG LEAD ITEMS - Lead time management of critical materials and deliverables. Procurement lead time starts when a material requirement is identified and spans the time until a significant portion of the material is delivered. Procurement lead time has two components: administrative lead time and production lead time. Administrative lead time begins with the identification of a material requirement and continues until a contract is awarded for the creation of the material. Production lead time is the time from contract award until material delivery. Lead time risk, therefore, is the program impact associated with the failure of material to arrive when required.

SPECIFICATIONS – A detailed, exact statement of particulars, especially statements prescribing materials and methods; and quality of work for a specific project. The most common arrangement for specifications substantially parallels the CSI (Construction Specification Institute) format. (See CSI)

STANDARD DETAILS – A drawing or illustration sufficiently complete and detailed for use on other projects with minimum or no changes.

STANDARD DIMENSION – A measurement unique to a specific manufactured item.

STANDARDS OF CONDUCT - Refer to the ethical conduct of personnel involved in the purchase or sale of goods and services. Include personal conduct and also compliance with laws, regulations, and corporate standards.

STANDARDS OF PROFESSIONAL PRACTICE – A listing of minimum acceptable ethical principals and practices adopted by qualified and recognized professional organizations to guide their members in the conduct of specific professional practice.

START DATE – The official date that an activity or project begins.

STATEMENT – A copy or summary of any account covering a stated period. (See Invoice)

STATIC LOAD - The total amount of permanent non moving weight that is applied to given surface areas.

STATUTE OF LIMITATIONS – The period of time in which legal action must be brought for an alleged damage or injury. The period commences with the discovery of the alleged damage or injury; or in construction industry cases with completion of the work or services performed. Legal advice should be obtained.

STIPULATED SUM AGREEMENT – A written agreement in which a specific amount is set forth as the total payment for completing the contract. (See Lump Sum Contract)

STOP NOTICE (STOP WORK ORDER) – Notice served upon the project owner or construction lender by which the claimant describes the work performed and the unpaid balance and demands that the owner or construction lender withhold that amount from the next payments to the prime contractor or, if served upon the construction lender, from the owner or prime contractor.

STRUCTURAL DESIGN – A term used to represent the proportioning of structural members to carry loads in a building structure.

STRUCTURAL ENGINEER – Designs building (footings & structural system) so it can withstand the loads and serve its intended purposes.

STRUCTURAL SYSTEMS (FRAMES) – The load bearing assembly of beams and columns on a foundation. The beams and columns are generally fabricated off site and assembled on site. Other systems such as non load bearing walls, floors, ceilings and roofs are generally constructed within and on the structural system.

STRUCTURE – A building put together based on specific plans and specifications.

SUB – An abbreviation for Subcontractor.

SUBCONTRACT – A written form of agreement between the prime or main contractor and another contractor or supplier for the satisfactory performance of services or delivery or material as set forth in the plans and specifications for a specific project.

SUBCONTRACTOR – A qualified subordinate contractor to the prime or main contractor. Subcontractors are specialists in a given trade, such as electrical, mechanical, etc.

SUBCONTRACTOR BOND – A written document from a subcontractor given to the prime or main contractor by the subcontractor guaranteeing performance of his/her contract and payment of all labor, materials, equipment and service bills associated with the subcontract agreement.

SUBCONTRACTOR CHANGE ORDERS – Issued by the general contractor, either additive or deductive, for a variety of reasons to address some type of change to the original subcontract, such as time, scope of work; and are generally numbered and maintained chronologically.

SUBCONTRACTOR DEFAULT INSURANCE (SUBGUARD®) – The insurance carrier protects the contractor from damages from subcontractor defaults. This allows the contractor to react faster and take quick action to address the default and then file a claim with the carrier for reimbursement of the costs arising from the default.

SUBLET – To subcontract all or a portion of a contracted amount.

SUBMITTALS – While the plans and specifications set forth how the work is to be performed, the contractor is responsible for confirming with the architect or engineer, through shop drawings and submittals, the materials and equipment that the contractor intends to use and how they are to be fabricated and installed. The contractor will prepare, process, and transmit submittals and shop drawings to the design professional for almost every material or product on the project.

SUBSTANTIAL COMPLETION – (See Date of Substantial Completion)

SUBSTITUTION – A proposed replacement or alternate offered in lieu of and represented as being equivalent to a specified material or process.

SUBSTRUCTURE – The supporting part of a structure; the foundation.

SUB-SUBCONTRACTOR – A contractor that enters into a contract with a sub-contractor and performs specialized work on the project.

SUB-SURFACE INVESTIGATION – A term used to represent an examination of soil conditions below the ground, including soil borings and geotechnical laboratory tests for structural design purposes.

SUCCESSOR – A scheduled activity whose start depends on the completion of one or more predecessors.

SUPERINTENDENT REPORT – See Daily Construction Report

SUPERSTRUCTURE – The part of a building or other structure above the foundation.

SUPERVISION (SUPERINTENDENT) –

1. The act, process, or function of supervising construction materials, methods and processes for a specific project
2. Hands on field direction of the contracted work by a qualified individual of the contractor.

SUPPLEMENTAL OR SUPPLEMENTARY CONDITIONS – A written section of the contract documents supplementing and qualifying or modifying the contracts general conditions. (See Conditions of the Contract)

SUPPLIER – An individual or firm who supplies and/or fabricates materials or equipment for a specific portion of a construction project but does not perform any labor on the project. (See Vendor)

SURETY – (See Bonding Company)

T

TAKE-OFFs or TAKE-OFF SHEETS – Contractor developed, internal working documents used in the process of estimating and calculating pricing proposals. Used to develop initial bids as well as future change orders and includes details such as material quantities/price, labor hours/rate, subcontractor bids, etc.

TANGIBLE ASSET – Asset having physical substance with a useful life greater than one year and not held for resale through the course of normal operations.

TENANT IMPROVEMENTS (TI'S) – TI's is a term used to define the interior improvements of the project after the Building Envelope is complete. TI'S usually include finish floor coverings; ceilings; partitions; doors, frames, hardware; fire protection; HVAC consisting of branch distribution duct work, control boxes, and registers; electrical consisting of lighting, switches, power outlets, phone/data outlets, exit and energy lighting; window coverings; general conditions; and the general contractor's fee. The cost of tenant improvements are generally born by the tenant and the costs of tenant improvements will vary with every building, and with tenant requirements. (See Work Letter)

TENANT'S RENTABLE SQUARE FEET – Usable square feet plus a percentage (the core factor) of the common areas on the floor, including hallways, bathrooms and telephone closets, and some main lobbies. Rentable square footage is the number on which a tenant's rent is usually based.

TENANT'S USABLE SQUARE FEET – The square footage contained within the demising walls.

TERMINATION FOR CAUSE (DEFAULT) – The right of the contractor or owner to terminate (cancel) the performance of work for lack of performance.

TERMINATION FOR CONVENIENCE – The right of the owner or contractor to terminate (cancel) the performance of work under a contractual agreement in whole or part at their sole discretion without cause.

TERMS AND CONDITIONS (Ts AND Cs) - All clauses in a contract, including fees, start date, substantial completion, applicable standard clauses, and special provisions.

TILT-UP WALL - Cast concrete units which are preformed which, when cured, are tilted to their vertical position and secured by mechanical fasteners to prior erected structural steel. May be pre-cast.

TIME (AS TIME OF THE ESSENCE ASSOCIATED WITH A CONSTRUCTION CONTRACT) – A provision in a construction contract by the owner that punctual completion within the time limits or periods in the contract is a vital part of the contract performance and that failure to perform on time is a breach and the injured party is entitled to damages in the amount of loss sustained.

TIME-AND-A-HALF – A term meaning any individuals normal billing hourly rate is increased by a multiple of 1.5 following predetermined normal working hours.

TIME AND MATERIALS (T&M) – A contracting method. A written agreement between the owner and the contractor wherein payment is based on the contractor's actual cost for labor, equipment, materials, and services plus a fixed add-on amount to cover the contractor's overhead and profit.

TIMELY COMPLETION – Completing the work of the contract on or before the date required.

TIME OF COMPLETION – The date or number of calendar or working days stated in the contract to substantially complete the work for a specific project. (See Date of Substantial Completion)

TIMESHEET (TIME SHEET) – Method to record the amount of a worker's time spent on each job. Timesheets may record the start and end time of tasks, or just the duration. It may contain a detailed breakdown of tasks accomplished throughout the project or program.

This information may be used for payroll, client billing, and increasingly for project costing, estimation, tracking and management.

“TOPPING OUT” – The placing of the highest structural member, roof truss or rafter. Is often celebrated as a major milestone.

TRADE (LABOR) UNION - an organization of workers that have banded together to achieve common goals such as better working conditions. The trade union, through its leadership, bargains with the employer on behalf of union members and negotiates labor contracts (collective bargaining) with employers. This may include the negotiation of wages, work rules, complaint procedures, rules governing hiring, firing and promotion of workers, benefits, workplace safety and policies. The agreements negotiated by the union leaders are binding on the rank and file members and the employer and in some cases on other non-member workers.

TRANSMITTAL – A written document used to identify information being sent to a receiving party. The transmittal is usually the cover sheet for the information being sent and includes the name, telephone/FAX number and address of the sending and receiving parties. The sender may include a message or instructions in the transmittal. It is also important to include the names of other parties the information is being sent to on the transmittal form.

TRAVEL TIME – Wages paid to workmen under certain union contracts and under certain job conditions for the time spent in traveling from their place of residence to and from the job.

TURNKEY PROJECT – A construction project where the contractor is responsible for the completion and delivery of a fully operational facility before entitled to payment.

U

UNDERWRITER'S LABORATORIES LABEL (UL) – A label on a product or manufactured item showing the material is regularly tested by, and complies with the minimum standards of the Underwriter's Laboratories specification for safety and quality.

UBC (UNIFORM BUILDING CODE) – The Uniform Building Code is one of the family of codes and related publications published by the International Conference of Building Officials (ICBO) and other organizations, such as the International Association of Plumbing and Mechanical Officials (IAPMO) and the National Fire Protection Association (NFPA), which have similar goals as far as code publications are concerned. The Uniform Building Code is designed to be compatible with these other codes, as together they make up the enforcement tools of a jurisdiction.

UMBRELLA LIABILITY INSURANCE – Insurance coverage designed for catastrophic liability losses. Its most important function is to provide additional policy limits above those purchased in primary policies (e.g., automobile liability, general liability, and employer's

liability policies).

UNBALANCED BIDDING – The allocation of a large portion of the total bid profit to bid items that will be completed and billed early in the job.

UNIFORM SYSTEM – (See CSI Format)

UNIT PRICE CONTRACT – A written contract wherein the owner agrees to pay the contractor a specified amount of money for each unit of work successfully completed as set forth in the contract. For the most part, unit-price contracts are used if the number of units (quantity) cannot be accurately determined at the start of the contract.

UNIT PRICES – A predetermined price for a measurement or quantity of work to be performed within a specific contract. The designated unit price would include all labor materials, equipment or services associated with the measurement or quantity established.

V

VALUE ENGINEERING (VE) – is a systematic method to improve the "value" of goods or products and services by using an examination of function. Value, as defined, is the ratio of function to cost. Value can therefore be increased by either improving the function or reducing the cost. It is a primary tenet of value engineering that basic functions be preserved and not be reduced as a consequence of pursuing value improvements.

VAPOR RETARDER (BARRIER) - A membrane which is placed between the insulation and the roof deck to retard water vapor in the building from entering the insulation and condensing into liquid water.

VERBAL QUOTATION – A written document used by the contractor to receive a subcontract or material cost proposal over the telephone prior to the subcontractor or supplier sending their written proposal via mail or facsimile.

VENDOR – One that sells materials or equipment not fabricated to a special design.

W

WAIVER OF LIEN – A legal instrument, whereby the lien holder relinquishes its rights to property against which the lien was recorded and filed.

WARRANTIES – Agreements by the seller of goods or services to satisfy deficiencies over a specified period of time as to quality and performance of the goods or services provided.

WEATHER TIGHT – Installation of the roof, exterior siding or curtain wall and all doors and windows, allowing for the commencement of interior work such as the HVAC systems, electrical, and interior surfaces without the risk of water and wind damage.

WORK – The successful performance of the entire scope of the project being performed for a specific construction project including labor, materials, equipment, and other associated items necessary to fulfill all obligations under the contract.

WORK AUTHORIZATION – A written order signed by the owner or architect directing the contractor to perform a specified scope of work.

WORKERS' COMPENSATION – Program designed to make payments to worker involved in a work related injury.

WORKING DRAWING – A drawing sufficiently complete with plan and section views, dimensions, details, and notes so that whatever is shown can be constructed and/or replicated without instructions but subject to clarifications. (See Drawings)

WORK LETTER – A written statement (often called Exhibit B to a lease or rental agreement) of the specific materials and quantities the owner will provide at his own expense. The work letter defines the building standards, including the type of ceiling, the type and number of light fixtures, the size and construction of the suite-entry and interior doors. Building standards define the quality of tenant spaces. Generally, a Work Letter is associated with the leasing or renting of office space by a tenant within a Building Envelope. (See TI'S and Building Envelope)

WORK ORDER – A written order, signed by the owner or his representative, of a contractual status requiring performance by the contractor without negotiation of any sort.

WORK PRODUCT UNITS – The subdivision of each phase of a construction project (e.g. site work, concrete, HVAC, etc.) into specific work tasks or functions, each of which can be tracked in terms of separate material and labor cost components.

WRAP-UP INSURANCE PROGRAM – Rather than the owner, construction manager, contractors and subcontractors of all tiers each providing their own insurance for the construction project, one group of policies is purchased to cover all participants. Workers Compensation, Builders Risk and Commercial General and Excess Liability are the most common coverage's included in a wrap-up. Pollution Liability, Professional Liability and various other coverages can also be purchased. (See Contractor Controlled Insurance Program (CCIP) and Owner Controlled Insurance Program (OCIP)

Z

ZONING – Restrictions of areas or regions of land within specific geographical areas based on permitted building size, character, and uses as established by governing urban authorities.

ZONING PERMIT – A document issued by a governing urban authority permitting land to be used for a specific purpose.

**GOVERNMENTAL
CONTRACTING
SECTION**

A

ACCEPTANCE - The act of an authorized buyer representative by which the buyer assents to ownership of existing and identified supplies, or approves specific services rendered, as partial or complete performance of a contract.

ACQUISITION PLAN/METHODOLOGY - A plan for an acquisition that serves as the basis for initiating the individual contracting actions necessary to acquire a system or support a program, usually by means of requesting or inviting offerors to submit offers, generally by issuance of a solicitation.

ACTUAL AUTHORITY - Government personnel must have actual authority in order to bind the Federal Government. Actual authority may be "implied" or "express". Express authority is the written authority given to the contracting officer in the form of a warrant or in the delegation letter given to the COR. Sometimes the Contracting Officer and COR may do something not specifically delegated in writing, such as calling a meeting. These activities are covered under implied authority and are incidental to the work of the expressed authority.

ADMINISTRATIVE CHANGES - Unilateral contract changes, in writing, which does not affect the substantive rights of the parties, such as a change in the paying office.

ADMINISTRATIVE CLOSEOUT - Process of ensuring that all documentation, including releases, audits, reports, and final invoices has been completed and that contract files have been properly stored or disposed of.

ALLOCABLE - The second factor affecting allowability of cost is allocability. The cost principles consider a cost to be allocable if it is assignable or chargeable to one or more cost objectives in accordance with the relative benefits received or other equitable relationship. The FAR states that a cost is allocable to a government contract if it: is incurred specifically for the contract (a direct cost); benefits both the contract and other work, or both government work and other work, and can be distributed to them in reasonable proportion to the benefits received (an overhead cost); or is necessary to the overall operation of the business, although a direct relationship to any particular cost objective cannot be shown (a G&A cost).

Disputes in this area usually do not address whether a cost is allocable, but rather how it is allocable. If it is direct, the entire cost can be recovered under a specific contract; however if it is indirect, only an appropriate portion of the expense can be recovered on a given contract.

ALLOWABLE - A cost is allowable per FAR 31.201-2 "Determining Allowability" if it complies with the following --

- 1) Reasonable (FAR 31.201-3)
- 2) Allocable (FAR 31.201-4)

- 3) In accordance with Cost Accounting Standards (CAS) or generally accepted accounting principles (GAAP)
- 4) Terms of the contract
- 5) Any limitations set forth in FAR 31.2

ALTERNATE DISPUTES RESOLUTION - Any procedure that is used, in lieu of litigation, to resolve issues in controversy, including but not limited to, settlement negotiations, conciliation, facilitation, mediation, fact-finding, mini-trials, and arbitration.

AMERICANS WITH DISABILITIES ACT (ADA) - Gives civil rights protection to individuals with disabilities similar to those provided to individuals on the basis of race, color, sex, national origin, age, and religion. It guarantees equal opportunity for individuals with disabilities in public accommodations, employment, transportation, State and local government services, and telecommunications.

ANTI-DEFICIENCY ACT - This mandates that appropriated funds may not be spent if they have not been properly apportioned or administratively allocated.

ANTI-KICK BACK - Any money, fee, commission, credit, gift, gratuity, thing of value, or compensation of any kind which is provided, directly or indirectly, to any prime contractor, prime contractor employee, subcontractor, or subcontractor employee for the purpose of improperly obtaining or rewarding favorable treatment in connection with a prime contractor in connection with a subcontract relating to a prime contract.

APPARENT AUTHORITY - The right by an agent for a principal to exercise power where the principal knowing permits the agent to exercise authority, though not actually granted.

APPRENTICES AND TRAINEES - Shall be permitted only if employed and registered pursuant to a bona fide program with the U.S. Department of Labor or State Apprenticeship Agency.

ARBITRATION - The use of an impartial third party to whom the parties to an agreement refer their disputes for resolution. Some contracts contain provisions that provide for binding arbitration of unsettled grievances.

AUDITS - The systematic examination of records and documents and/or the securing of other evidence by confirmation, physical inspection, or otherwise, for one or more of the following purposes – determining the propriety or legality of proposed or completed transactions; ascertaining whether all transactions have been recorded and are reflected accurately in accounts; determining the existence of recorded assets and inclusiveness of recorded liabilities; determining the accuracy of financial or statistical statements or reports and the fairness of the facts they represent; determining the degree of compliance with established policies and procedures in terms of financial transactions and business management; and appraising an account system and making recommendations concerning it.

AUTHORITY - The sources from which entities or people receive their empowerment to engage in procurement activities, and which set forth the framework, parameters and extend to their empowerment. Such authority includes state statutes, state and local regulations charters, local ordinances, and administrative resolutions, policies, or edicts.

B

BEST VALUE – The best trade-off between competing factors for a particular purchase requirement. Involves the consideration of life-cycle costs, including the use of quantitative as well as qualitative techniques to measure price and technical performance trade-offs between various proposals. The concept applies to acquisitions in which price or price-related factors are not the primary determinant of who receives the contract award.

BID BONDS - Guarantee that the bidder will not withdraw a bid within the period specified for acceptance and will execute a written contract and furnish additional bonds required during performance of the contract.

BONDS - Used in conjunction with construction contracts to assure the bidder or contractor meets his or her obligations. If the bidder or contractor's obligations are not met, the bond assures payment, to the extent stipulated, of any loss sustained by the Government.

C

CERTIFIED PAYROLL REPORTS – Typically required on federal/local government projects and reflect project man-loading by employee name, social security number, job description/category, wage paid, hours worked, and pay period. They typically require a sworn affidavit by the submitting contractor that they are accurate and that the contractor has paid all wages in accordance with the report.

CHANGE ORDERS - Written orders signed by the contracting officer or buyer, which are authorized by contract clause, to modify contractual requirements within the scope of the contract.

COMMENCE AND COMPLETION OF WORK - Work shall commence within ___ calendar days after the date of receipt of the Notice to Proceed. Work shall be completed, including final clean-up, within ___ calendar days after the date of receipt of Notice to Proceed. Liquidated damages apply in the amount of ___ for each day of delay.

CONFLICT OF INTEREST - Term used in connection with public officials and fiduciaries and their relationship to matters of private interest or gain to them; appearance of conflict between personal interests and their official responsibilities.

CONTRACT MODIFICATION - Any change to the terms of a contract. Only contracting officers can execute a legal modification of a Government contract. Two types: Unilateral and Bilateral.

CONTRACT WORK HOURS AND SAFETY STANDARDS ACT – OVERTIME

COMPENSATION - States that the contractor shall not require or permit any laborer or mechanic to work more than 40 hours in one week unless he/she is compensated at a rate of not less than one and one half times his/her basic hourly rate of pay, exclusive of fringe benefits, for all such hours worked in excess of 40 hours per week. In the event that employees are not compensated in accordance with the Act, the contractor shall be liable to the employee for all wages due and to the Government for liquidated damages in the amount of the \$10.00 per day per violation.

CONTRACTING OFFICER - A person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings. The term also includes authorized representatives acting within the authority delegated to them. Representatives include Administrative Contracting Officer (ACO) and Termination Contracting Officer (TCO).

CONTRACTING OFFICER REPRESENTATIVE - A COR is delegated in writing from the Contracting Officer to specific duties. These duties almost always entail surveillance and assessment of contractor performance and involvement in contract payment, although many other tasks may be delegated. Individuals assigned as COR's must act within the limits of their authority as delegated by the contracting officer.

CONTRACTOR'S PURCHASING SYSTEMS REVIEW - An evaluation of the efficiency and effectiveness with which the prime contractor spends government funds and complies with government policy when subcontracting.

COPELAND ACT - States that it is unlawful to induce, by force or otherwise, any employee to give up any part of the compensation to which he/she is entitled under his/her contract of employment.

COST - Cost is a measurement, in monetary terms, of the amount of resources used for some purpose.

COST ACCOUNTING STANDARDS (CAS) - Federal standards designed to provide consistency and coherency in defense and other government contract accounting.

COST AND PRICING DATA - All facts that prudent buyers and sellers would reasonably expect to affect price negotiations significantly as of the date of the price agreement. If applicable, the date of price agreement may also be an earlier date agreed upon between the parties that are as close as practicable to the date of agreement on price.

COST INCENTIVES - Most incentive contracts include only cost incentives, which take the form of a profit or fee adjustment formula and are intended to motivate the contractor to

effectively manage costs. No incentive contract may provide for other incentives without also providing a cost incentive (or constraint). Except for award fee contracts (See 16.404 and 16.405-2), incentive contracts include a target cost, a target profit or fee, and a profit or fee adjustment formula. These targets and the formula provide that (within the constraints of a price ceiling or minimum and maximum fee) (1) the actual cost that meets the target will result in the target profit fee; (2) the actual cost that exceeds the target will result in downward adjustment of target profit or fee; and (3) the actual cost that is below the target will result upward adjustment of target profit or fee.

COST OBJECTIVE - To help make decisions, managers want to know the cost of something. This something is called a cost objective. The cost objective may be defined as any activity for which a separate measurement of cost is desired. Cost objectives may be contracts, products, departments, or any other desired grouping. The cost accounting system typically (1) accumulates cost by some "natural" classification such as material or labor, and (2) then allocates or traces these costs to the cost objective.

COST-PLUS-INCENTIVE-FEE CONTRACT - A cost-reimbursement contract that provides for the initially negotiated fee to be adjusted later by a formula based on the relationship of total allowable costs to total target costs.

COST PRINCIPLES - The regulations that establish rules and policies relating to the general treatment of costs in government contracting, particularly the allowability of costs.

COST PROPOSAL - The instrument required of an offeror for the submission or identification of cost or pricing data by which an offeror submits to the buyer a summary of estimated (or incurred) costs, suitable for detailed review and analysis.

COST REIMBURSEMENT - A form of pricing arrangement that provides for payment of allowable, allocable, and reasonable costs incurred in the performance of a contract to the extent that such costs are prescribed or permitted by the contract. This family of contracts includes cost-plus-award-fee (CPAF), cost-plus-fixed-fee (CPFF), cost-plus-incentive-fee, and cost-sharing contracts.

COST-SHARING CONTRACT - Cost-reimbursement contract in which the contractor receives no fee and is reimbursed only for an agreed-on portion of its allowable costs.

D

DAVIS-BACON ACT - States that employees shall be paid not less often than once a week and not less than the aggregate of the basic hourly rates and fringe benefits stated in the wage determination decision of the Secretary of Labor incorporated in the contract. A copy of the wage rates shall be posted on the job site in a prominent place where the workers can see it. The COR shall make regular interviews of Contractor's employees to determine that the Act is being adhered to and shall submit his/her reports to the Contracting Officer on SF Form 1445 as they are accomplished.

DEFECTIVE PRICING - Result of Cost/Pricing Data (C/PD) that was certified by a contractor to be accurate, current, and complete, but was not.

DEFINITIZATION - The agreement on or determination of, contract terms, specifications, and price, which converts the undefinitized contract action to a definitive contract. (DFARS 217.7401(b))

DELAYS - Contractual provisions designed to protect the contractor from sanctions for late performance. The contractor can be excused for delays such: as acts of God; acts of the government; fire; flood; unusually severe weather; etc.; and thus be protected from default termination, liquidated damages, or excess costs of procurement or completion.

DESIGN - Involves defining the construction requirement (including the functional relationships and technical systems to be used, such as architectural, environmental, structural, electrical, mechanical and fire protection), producing the technical specifications and drawings and preparing the construction cost estimate.

DIFFERING SITE CONDITIONS - Specific to fixed-price construction and demolition contracts that are expected to exceed the simplified acquisition threshold. The contractor must promptly (and before the conditions are disturbed) provide a written notice to the Contracting Officer of any: subsurface or latent physical conditions at the site which differ materially from those indicated in this contract; unknown physical conditions at the site of an unusual nature that differ materially from those ordinarily encountered and generally recognized as inherent to work of the character provided for in the contract. The Contracting Officer has to investigate the site conditions promptly after receiving the notice. If the conditions do in fact materially differ so as to cause an increase or decrease in the contractor's cost or time required for performing any part of the work under the contract, an equitable adjustment must be made and the contract modified accordingly.

No request by the contractor for an equitable adjustment to the contract can be allowed unless the contractor has given the written notice required within the time prescribed by the corresponding contract clause. Moreover, no request by the contractor for an equitable adjustment is allowed if the request is made after final payment under the contract has been made.

DIRECT COST - Any cost which is identified specifically traceable to or caused by a cost objective. Direct costs are most often broken down into direct material and direct labor costs but are not solely limited to items which are incorporated in the end product as material or labor. Costs identified specifically with a contract are direct costs of that contract. All costs identified specifically with other final cost objectives of the contractor are direct costs of those cost objectives.

DIRECT LABOR - The services (hours) of employees who work directly in making a product or producing a service. Examples would be the wages of an assembly worker in a

production line, or the salary of an engineer working on a research and development contract.

DIRECT MATERIALS - Includes all the material that becomes a part of the finished product, including the raw materials, interdivisional transfers, purchased parts and subcontracted items required to manufacture and assemble completed products. A direct material cost is the cost of material used in making a product and is directly associated with a change in the product.

DOMESTIC CONSTRUCTION MATERIAL - (1) An unmanufactured construction material mined or produced in the United States; or (2) A construction material manufactured in the United States, if the cost of its components mined, produced, or manufactured in the United States exceeds 50 percent of the cost of all its components. Components of foreign origin of the same class or kind for which non-availability determinations have been made are treated as domestic.

E

EARNED VALUE (MANAGEMENT – EVM) - A management technique that relates resource planning to schedules and to technical cost and schedule requirements. All work is planned, budgeted, and scheduled in time-phased “planned value” increments constituting a cost and schedule measurement baseline. There are two major objectives of an earned-value system: 1) to encourage contractors to use effective internal cost and schedule management control systems, and 2) to enable the customer to rely on timely data produced by those systems for determining product-oriented contract basis.

EQUAL OPPORTUNITY - The contractor shall comply with all the requirements of the Equal Opportunity Clause. The Contractor shall post the notices required by paragraphs (1) and (3) of the Equal Opportunity Clause entitled “Equal Opportunity is the Law.”

ESTOPPEL - A rule of law that bars, prevents, and precludes a party from alleging or denying certain facts because of a previous allegation or denial or because of its previous conduct or admission.

EXTRAORDINARY CONTRACTUAL RELIEF - Form or relief for contractors under federal law giving the president the power to authorize federal agencies to enter into contracts, or amendments or modifications of contracts, without regard to other revisions of law relating to the making, performance, amendment, or modification of contracts, when the president believes the action will facilitate national defense.

F

FAIR AND REASONABLE - A subjective evaluation of what each party deems as equitable consideration in areas such as terms and conditions, cost or price, assured quality, timeliness of contract performance, and/or any other areas subject to negotiation .

FALSE CLAIMS ACT - 31 U.S.C. § 3729 et seq. Provides for liability for triple damages and a penalty from \$5,500 to \$11,000 per claim for anyone who knowingly submits or causes the submission of a false or fraudulent claim to the United States.

FALSE STATEMENT - Statement made in support of a false claim and material to the Government's funding decision.

FEDERAL ACQUISITION REGULATIONS (FAR) - Applicable directives and instructions issued by the federal government that establish and implement acquisition policies, including construction projects.

FEDERAL REGULATIONS - Applicable directives and instructions issued by the several departments and agencies that establish and implement acquisition policies, such as the Federal Acquisition Regulation (FAR), agency FAR supplements, and Office of Management and Budget circulars (OM B) .

FEDERAL STATUTES - Applicable laws enacted by the legislative branch and signed by the president that affects acquisition. Examples include the Armed Services Procurement Act of (1947), the Federal Property and Administrative Services Act of (1949), the Competition in Contracting Act of (1984), and the Federal Acquisition Streamlining Act of (1994).

FIRM-FIXED-PRICE, LEVEL-OF-EFFORT TERM CONTRACT - Requires the contractor to provide a specified level of effort, over a stated period of time, on work that can be stated only in general terms; and requires the government to pay the contractor a fixed dollar amount.

FIXED PRICE - A type (family) of contracts providing for a firm pricing arrangement established by the parties at the time of contracting. This family of contracts includes firm-fixed-price, fixed-price with economic price adjustment, fixed-price incentive, fixed-price re-determination (prospective and retro-active), and firm-fixed-price level-of-effort.

FIXED-PRICE CONTRACT WITH AWARD FEES - Used when the government wishes to motivate a contractor and other incentives cannot be used because contractor performance cannot be measured objectively. Such contracts shall establish a fixed price (including normal profit) for the effort that will be paid for satisfactory contract performance. Such contracts shall establish that the award fee earned (if any) will be paid in addition to that fixed price and provide for periodic evaluation of the contractor's performance against an award fee plan.

FIXED-PRICE CONTRACT WITH ECONOMIC PRICE ADJUSTMENT - Provides for upward and downward revision of the stated contract price on the occurrence of specified contingencies. There are three general types of economics price adjustments: (1)

Adjustments based on established prices where price adjustments are based on increases or decreases from an agreed-on level in published or otherwise established prices of specific items or the contract end items, (2) Adjustments based on actual costs of labor or material where price adjustments are based on increases or decreases in specified costs of labor or material that the contractor actually experiences during contract performance, and (3) Adjustments based on cost indexes of labor or material where price adjustments are based on increases or decreases in labor or material cost standards or indexes that are specifically identified in the contract.

FIXED-PRICE CONTRACT WITH PROSPECTIVE PRICE REDETERMINATION - Provides for (1) a firm-fixed price for an initial period of contract deliveries or performance and (2) prospective re-determination, at a stated time or times during performance of the price for subsequent periods of performance.

FIXED-PRICE CONTRACT WITH RETROACTIVE PRICE REDETERMINATION - Provides for (1) a fixed ceiling price and (2) retroactive price re-determination within the ceiling after completion of the contract.

FIXED-PRICE INCENTIVE CONTRACT - Provides for adjusting profit and establishing the final contract price by application a formula based on the relationship of total final negotiated cost to total target cost. The final price is subject to a price ceiling, negotiated at the outset. The two forms of fixed-price incentive contracts-firm target and successive target contracts-are discussed below.

FIXED-PRICE INCENTIVE (FIRM TARGET) CONTRACT - Specifies a target cost, a target profit, a price ceiling (but not a profit ceiling or floor), and a profit adjustment formula. These elements are all negotiated at the outset.

FIXED-PRICE INCENTIVE (SUCCESSIVE TARGETS) CONTRACT - Specifies the following elements, all of which are negotiated at the outset: an initial target cost, an initial target profit, and an initial profit adjustment formula. These targets and formula are used to establish (1) the firm target profit, including a ceiling and floor for the firm target profit; (2) the production point at which the firm target cost and firm target profit will be negotiated (usually before delivery or shop completion of the first item); and (3) a ceiling price that is the maximum that may be paid to the contractor, except for any adjustment under other contract clauses providing for equitable adjustment or other revision of the contract price under stated circumstances.

FORCE MAJEURE CLAUSE - Major or irresistible force. Such a contract clause protects the parties in the event that a part of the contract cannot be performed due to causes outside the control of the parties and could not be avoided by exercise of due care. Excusable conditions for nonperformance, such as strikes and acts of God (e.g., typhoons) are contained in this clause.

FOREIGN CONSTRUCTION MATERIAL - Construction material other than a domestic construction material.

FRAUD - Acts or attempts to defraud the government or its agents; acts violating the False Claims Act or the Anti-Kickback Act.

FREE TRADE AGREEMENT COUNTRY CONSTRUCTION MATERIAL - (1) Is wholly the growth, product, or manufacture of a Free Trade Agreement (FTA) country; or (2) In the case of a construction material that consists in whole or in part of materials from another country, has been substantially transformed in a FTA country into a new and different construction material distinct from the materials from which it was transformed.

G

GENERAL & ADMINISTRATIVE COSTS (G & A) Costs which cannot logically be associated with any particular group of cost objectives but are required to support the business as a whole. Common examples of G&A costs would include salary of the chief executive officer, legal and accounting costs, marketing expenses, independent research and development costs, and bid and proposal costs.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) - A term encompassing conventions, rules, and procedures of accounting that are "generally accepted" and have "substantial authoritative support." The GAAP have been developed by agreement on the basis of experience, reason, custom, usage, and to a certain extent, practical necessity, rather than being derived from a formal set of theories.

H

HUBZONE - A historically underutilized business zone or area that is located within one or more qualified census tracts, qualified non-metropolitan counties, or lands within the boundaries of an Indian reservation. "Indian" means any person who is a member of any Indian tribe, band, group, pueblo, or community that is recognized by the federal government as eligible for services from the Bureau of Indian Affairs (BIA) in accordance with 25 use1452© and any "Native" as defined in the Alaska Native Claims Settlement Act (43 use 1601).

I

IMPROPER PRACTICES - A broad range of activities forbidden or limited by the FAR with regard to the award and performance of government contracts.

INCENTIVE CONTRACTS - Incentive contracts are appropriate when a firm fixed price contract not appropriate and the required supplies or services can be acquired at lower costs and, in certain instances, with improved delivery or technical performance, by relating the amount of profit or fee payable under the contract to the contractor's performance.

Incentive contracts are designed to obtain specific acquisition objectives by (1) establishing reasonable and attainable targets that are clearly communicated to the contractor and (2) including appropriate incentive arrangements designed to motivate contractor efforts that might not otherwise be emphasized and discourage contractor inefficiency and waste.

INDEFINITE DELIVERY/INDEFINITE QUANTITY CONTRACT (IDIQ) - IDIQ contracts provide for an indefinite quantity within stated limits of supplies or services to be furnished within a fixed period with deliveries or performance to be scheduled by placing orders with the contractor. Examples of these contracts are delivery order, task order, definite quantity, requirements, and indefinite quantity.

INDEFINITE QUANTITY CONTRACT - Provides for an indefinite quantity, within stated limits, of supplies or services during a fixed period. The government places orders for individual requirements. Quantity limits may be stated as number of units or as dollar values.

INDEMNIFICATION CLAUSE - A contract clause by which one party engages to secure another against an anticipated loss resulting from an act or forbearance on the part of one of the parties or of some third person.

INDIRECT COST - Any cost not directly identified with a single cost objective, but identified with two or more cost objectives. Indirect costs include all costs which are not direct. Indirect costs usually include support type costs which are required to continue operations and which are not associated with a single product or contract. Examples generally include items such as the cost of buildings and equipment in which production takes place, the cost of indirect labor such as plant security or production control, and the cost of fringe benefits such as vacation time and pension costs.

INHERENTLY GOVERNMENTAL - An activity that is so intimately related to the public interest that it mandates performance by federal employees. Activities that meet these criteria are not in competition with commercial sources, are not generally available from commercial sources, and, therefore, are not subject to OMB Circular A-76 or its supplement.

INNOVATIVE CONTRACTING METHODS - Contracting methods focusing on an alternative aspect of cost effective contract management that ensure total fulfillment of the contract goals. Examples of such innovative contracting methods are warranty flexibility, multi-parameter, and best-value contracting. Warranty contracting includes an extended warranty that places responsibility for product performance on the contractor, generating a longer lasting product and lower overall maintenance costs. In multi-parameter contracting, agencies determine contract winners based on the lowest combination of cost, time, and other parameters. Best-value contracting focuses on such factors as technical excellence, management capability, past performance, and personnel qualifications and makes trade-offs, for lowest price.

INTEGRATED PROJECT/PRODUCT TEAM (LPT) - Team composed of representatives from appropriate functional disciplines working together to build successful programs, identify and resolve issues, and make sound and timely recommendations to facilitate decision making. There are three types of IPTs: overarching IPTs (OIPTs), which focus on strategic guidance, program assessment, and issue resolution; working-level IPTs (WIPTs), which identify and resolve program issues, determine program status, and seek opportunities for acquisition reform; and program level IPTs (PIPTs), which focus on program execution and may include representatives from both government and, after contract award, industry.

INTERDIVISIONAL TRANSFERS - Materials sold or transferred between a prime contractor's divisions, subsidiaries, or affiliates that are under a common control.

INTERNATIONAL ORGANIZATION FOR STANDARDIZATION (ISO) STANDARDS - The ISO Standards are families of standards consisting of standards and guidelines that relate to management systems and related supporting standards on terminology and specific tools, such as auditing (the process of checking that the management system conforms to the standard).

INVITATION FOR BIDS (IFBs) - Solicitation used in the sealed-bid method of procurement.

L

LABOR LAWS - Policies and procedures for implementing labor laws such as the Davis-Bacon Act, Contract Work Hours and Safety Standards Act, and the Service contract Act.

LABOR-HOUR CONTRACT - Variation of the time-and-materials contract, differing only in that materials are not supplied by the contractor.

LABOR SURPLUS AREA - A geographical area identified by the Department of Labor as an area of concentrated unemployment or underemployment or an area of labor surplus.

LEAST DEVELOPED COUNTRY - For acquisitions covered by the WTO GPA, least developed country end products, construction material, and services must be treated as eligible products. (FAR 25.404)

LETTER CONTRACT - A written preliminary contractual instrument that authorizes the contractor to begin immediately manufacturing supplies or performing services.

LIQUIDATED DAMAGES - Compensation paid by the contractor to the Government for the harm caused by late delivery or untimely performance is called liquidated damages. In construction contracts, liquidated damages are normally expressed in terms of a daily rate. This rate should be established by determining the actual cost to the Government caused by the delay to include the cost of performing additional inspections and the cost of renting substitute property. Liquidated damages are not intended to be punitive or a negative

performance incentive. Liquidated damages provisions have a significant impact on pricing, competition, and contract administration. They should only be included in a contract if the impact of a delay and the costs associated with this delay are significant.

M

MANUFACTURED CONSTRUCTION MATERIAL - Any construction material that is not unmanufactured construction material.

MILLER ACT - In the United States, the law requiring contract surety bonds on federal construction projects (40 U.S.C. Section 3131 to 3134). This law requires a contractor on a federal project to post two bonds: a performance bond and a labor and material payment bond. A corporate surety company issuing these bonds must be listed as a qualified surety on the Treasury List, which the U.S. Department of the Treasury issues each year. The Miller Act provides that, before a contract that exceeds \$100,000 in amount for the construction, alteration, or repair of any building or public work of the United States is awarded to any person, that person shall furnish the federal government with the following:

1. A performance bond in an amount that the contracting officer regards as adequate for the protection of the federal government.
2. A separate payment bond for the protection of suppliers of labor and materials. The amount of the payment bond shall be equal to the total amount payable by the terms of the contract unless the contracting officer awarding the contract makes a written determination supported by specific findings that a payment bond in that amount is impractical, in which case the amount of the payment bond shall be set by the contracting officer. The amount of the payment bond shall not be less than the amount of the performance bond.

The Miller Act payment bond covers subcontractors and suppliers of material who have direct contracts with the prime contractor. These are called first-tier claimants. Subcontractors and material suppliers who have contracts with a subcontractor, but not those who have contracts with a supplier, are also covered and are called second-tier claimants. Anyone further down the contract chain is considered too remote and cannot assert a claim against a Miller Act payment bond posted by the contractor. Many states in the U.S. have adapted the Miller Act for use at the state level. These state statutes may be referred to as, "*Little Miller Acts*."

MULTIPLE-INCENTIVE CONTRACTS - Such contracts should motivate the contractor to strive for outstanding results in all incentive areas and compel trade-off decisions among the incentive areas consistent with the government's overall objectives for the acquisition.

N

NOVATION AGREEMENT - A legal instrument executed by (a) the contractor (transferor), (b) the successor in interest (transferee), and (c) the buyer by which, among other things, the transferor guarantees performance of the contract, the transferee assumes all

obligations under the contract, and the buyer recognizes the transfer of the contract and related assets.

O

OMB CIRCULAR A-76 - Establishes federal policy regarding the performance of commercial activities. It implements the statutory requirements of the Federal Activities Inventory Reform Act of 1998, Public Law 105-270.

OTHER DIRECT COSTS (ODC) - Costs for special facility rental, computer, reproduction, travel by direct personnel, consultants, etc. These costs must be attributable to a single cost object to be considered direct.

OUTSOURCING - A version of the make-or-buy decision, commonly used for services, in which a firm elects to purchase an item/service that previously, was made/performed in-house.

OVERHEAD COSTS - Overhead costs are indirect costs which support a specific part or function of the company but not the whole company. They are product-related costs but can be identified with more than one cost objective. For example, maintenance costs of the factory can logically be associated as support costs to the various manufacturing jobs performed in the factory. Likewise, the cost of the engineering library would logically be associated with the engineering department (and not with material handling or the accounting department).

P

PAYMENT BONDS - Ensure payment to all persons supplying labor or material in conjunction with the contract.

PAYROLLS AND BASIC RECORDS - Shall be submitted by the contractor within seven days after the date of the payroll, along with subcontractors' payrolls. The contractor and all subcontractors shall preserve payrolls and basic records for a period of three years after completion of the contract.

PERFORMANCE BONDS - Secure performance and fulfillment of the contractor's obligations under the contract.

PERFORMANCE INCENTIVES - May be considered in connection with specific product characteristics or other specific elements of the contractor's performance. These incentives should be designed to relate profit or fee to results achieved by the contractor compared with specified targets.

PRE-AWARD SURVEYS - An evaluation of a prospective contractor's ability to perform a specific contract, performed by the contract administration office or the purchasing office, with assistance from an audit organization, at the request of either office. The evaluation addresses the physical, technical, managerial, and financial capability of the prospective contractor. The adequacy of the contractor's systems and procedures, and past performance record, is also addressed.

PRIVITY OF CONTRACT - The legal relationship between two parties to the same contract. The buyer has "privity of contract" with the prime contractor. Therefore, the buyer's relationship with subcontractors is indirect in nature.

PROGRAM MANAGEMENT - The process whereby a single leader and team are responsible for planning, organizing, coordinating, directing and controlling the combined efforts of participating and assigned personnel and organizations in accomplishment of program objectives. This special management approach provides centralized authority and responsibility for the management of a specific program.

PROTESTS - A written objection by an interested party to (1) a solicitation or other request by an agency for offers for a contract for the procurement of property or services, (2) the cancellation of the solicitation or other request, (3) an award or proposed award of the contract, or (4) a termination or cancellation of an award of the contract, if the written objection contains an allegation that the termination or cancellation is based in whole or in part on improprieties concerning the award of the contract.

PURCHASED PARTS - There are two categories of purchased parts: standard parts utilized by many companies in many different applications such as nuts, bolts, and screws; and parts, components or simple subassemblies built by others but not manufactured to the prime contractor's design.

Q

QUOTATION - A statement of price, either written or oral, which may include among other things, a description of the product or service; the terms of sale, delivery, or period of performance; and payment. Such statements are usually issued by sellers at the request of potential buyers.

R

RAW MATERIALS - Includes raw and processed material in a form or state that requires further processing.

REASONABLE - Reasonableness has been one of the more difficult concepts in the regulations principally because of the subjective nature of the concept. The reasonableness of a cost is governed by two paragraphs in FAR 31.201-3, "Determining Reasonableness."

The first paragraph contains the key statement that “a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business.” Factors used in interpretation of reasonableness are provided by paragraph (b) of this reference. A cost is reasonable if: the cost is generally recognized as ordinary and necessary for conducting business or performing the contract, and the cost reflect sound business practices, arm’s length bargaining, and the requirements of federal and state laws and regulations. A prudent businessperson would take similar action, considering his or her responsibilities to the business owners, employees, customers, the government, and the public. There are not any significant deviations from established contractor practices which inordinately increase contract costs. If an initial review of the facts results in a challenge of a specific cost by the contracting officer or the contracting officer’s representative, the burden of proof shall be upon the contractor to establish that such cost is reasonable.” As a result, the burden of proof on the issue of reasonableness of contract costs shifted from the government to the contractor.

RECORDS RETENTION - After contract closeout is completed, FAR 4.805 establishes retention periods for contract files. The record retention requirements apply to both prime contracts and subcontracts. Contractors must make books, records, documents, and other supporting evidence available to the comptroller general and contracting agencies for a certain period after final payment. The calculation of a retention period starts at the end of the contractor’s fiscal year in which an entry is made that charges a cost to a government contract.

REQUEST FOR INFORMATION (RFI) - Tool used for gathering information from independent vendors for the purpose of determining availability of products and services and gathering market information on capabilities to perform.

REQUEST FOR PROPOSALS (RFPs) - Solicitation document used in other-than-sealed-bid procurements. RFPs are used in negotiated procurements to communicate government requirements to prospective contractors and to solicit proposals from them.

REQUEST FOR QUOTATIONS (RFQs) - Solicitation document used in other-than-sealed-bids procurements. Because an RFQ is merely a request for information, quotes submitted in response to it are not offers and consequently may not be accepted by the government to form a binding contract.

S

SEALED BIDDING - Method of contracting that employs competitive bids and public opening of bids. After bids are opened, an award is made to the responsible bidder whose bid, conforming to the invitation of bids, will be most advantageous to the Government, considering only price and price-related factors. The solicitation document used for sealed bidding is called an Invitation for Bid (IFB). Construction services are normally obtained using sealed bidding procedures.

SERVICE DISABLED VETERAN OWNED SMALL BUSINESS (SDVOSB) - A small business concern which:

1. That is 51% owned by one or more service-disabled veterans; or in the case of any publicly owned business, at least 51% of the stock of which is owned by one or more service-disabled veterans; and
2. Whose management and daily business operations are by one or more service-disabled veterans or, in the case of a service-disabled veteran with permanent and severe disability, the spouse or permanent caregiver of such veteran.

SMALL BUSINESS CONCERN - A concern, including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding on Government contracts, and qualified as a small business under the criteria and size standards in 13 CFR part 121 (See 19.102).

SMALL DISADVANTAGED BUSINESS (SDB) - A small disadvantaged business concern is a small business that is at least 51 percent unconditionally owned by one or more individuals who are both socially and economically disadvantaged, or a publicly owned business that has at least 51 percent of its stock unconditionally owned by one or more socially and economically disadvantaged individuals and that has its management and daily business controlled by one or more such individuals. This term also means a small business concern that is at least 51 percent of its stock unconditionally owned by an economically disadvantaged Indian tribe or Native Hawaiian Organization, or a publicly owned business that has at least 51 percent of its stock unconditionally owned by one of these entities, that has its management and daily business controlled by members of an economically disadvantaged Indian tribe or Native Hawaiian Organization.

SPECIFICATIONS - Describe the technical requirements of the Government. They describe the required materials, execution and quality of performance. Specifications can be written either as design specifications, performance specifications, or a combination thereof. Design specifications detail the exact dimensions, materials, composition, physical, and chemical requirements of the product to be furnished. Performance specifications describe the end item in terms of output, function, or operation. Specifications must state only the Government's actual minimum needs in a manner that will encourage full and open competition.

STANDARDS - Establish engineering and technical limitations and applications of items, materials, processes, methods, designs and engineering practices. Standards including criteria deemed to be essential to achieve the highest degree of uniformity in materials or products.

STANDARDS OF CONDUCT - Refers to the ethical conduct of personnel involved in the acquisition of goods and services. Within the federal government, business shall be conducted in a manner above reproach and, except as authorized by law or regulation, with complete impartiality and without preferential treatment.

STATEMENT OF WORK (SOW) - That portion of a contract describing the actual work to be done by means of specifications or other minimum requirements, quantities, performance or delivery date, and a statement of the requisite quality. SOW defines the scope of the overall contract in the case of task order contracts.

SUBCONTRACTED ITEMS - Parts, components, assemblies, and services produced or performed by other than the prime contractor in accordance with the prime contractor's design, specifications, or directions, and applicable only to the prime contract.

SUBCONTRACTING CLAUSES - Must be inserted by the contractor in all subcontracts:

- 1) Davis Bacon Act
- 2) Contract Work Hours and Safety Standards Act-Overtime Compensation
- 3) Apprentices and Trainees
- 4) Payrolls and Basic Records
- 5) Compliance with Copeland Regulations
- 6) Withholding of Funds
- 7) Subcontracts
- 8) Contract Termination and Debarment

SUBCONTRACT MANAGEMENT - A concept that addresses subcontracting issues and the buyer's role in ensuring successful prime contractor interaction with subcontractors in order to satisfy prime contract requirements.

T

TASK-ORDER CONTRACT - A services contract that does not procure or specify a firm quantity of services (other than a minimum or maximum quantity) and that provides for the issuance of orders for the performance of tasks during the period of the contract.

TEAMING - Agreement among two or more prospective offerors to participate jointly in a business venture.

TECHNICAL LEVELING - The process of helping a seller bring its proposal up to the level of other proposals through successive rounds of discussion, such as by pointing out weaknesses resulting from the seller's lack of diligence, competence, or inventiveness in preparing the proposal.

TERMINATION FOR CONVENIENCE - The exercise of the Government's right to completely or partially terminate performance of work under a contract when it is in the Government's interest.

TERMINATION FOR DEFAULT - The exercise of the Government's right to completely or partially terminate a contract because of the contractor's actual or anticipated failure to perform its contractual obligations.

TIME-AND-MATERIALS CONTRACT - Provides for acquiring supplies or services on the basis of direct lab or hours as specified fixed hourly rates that include wages, over-head, general and administrative expenses, profit, and materials cost, including, if appropriate, material handling costs as part of material costs.

TOTAL COST INPUT - Total cost excluding G&A expenses. Typically used as the "Base" for G&A pool to determine the G&A rate.

TRUTH IN NEGOTIATIONS ACT - A public law enacted for the purpose of providing for full and fair disclosure by contractors in the conduct of negotiations with the Government. The most significant provision included in TINA is the requirement that contractors submit certified cost and pricing data for negotiated procurements above a defined threshold.

TWO-STEP SEALED BIDDING - A combination of competitive procedures designed to obtain the benefits of sealed bidding when adequate specifications are not available. Step one consists of the request for the submission of technical proposals, evaluation, and discussion without pricing. Step two involves the submission of sealed-priced bids by those who submitted acceptable technical proposals in step one.

U

UNALLOWABLE COST - Any cost that, under the provisions of any pertinent law, regulation, or contract, cannot be included in prices, cost-reimbursements, or settlements under a government contract to which it is allocable.

UNMANUFACTURED CONSTRUCTION MATERIAL - Raw materials brought to the construction site for incorporation into the building or work that has not been—

1. Processed into a specific form and shape; or
2. Combined with other raw material to create a material that has different properties than the properties of the individual raw materials.

V

VETERAN OWNED SMALL BUSINESS (VOSB) - Means a small business concern:

1. Not less than 51 percent of which is owned by one or more veterans (as defined at 38 U.S.C. 101(2)) or, in the case of any publicly owned business, not less than 51 percent of the stock of which is owned by one or more veterans; and
2. The management and daily business operations of which are controlled by one or more veterans.

W

WARRANTY - A promise or affirmation given by a seller to a buyer regarding the nature, usefulness, or condition of the supplies or performance of services furnished under the contract. Generally, a warranty's purpose is to delineate the rights and obligations for defective items and services, and to foster quality performance.

WITHHOLDING OF FUNDS - By the Contracting Officer may be necessary to ensure payment to all employees the full amounts of wages to which they are entitled under the contract as well as provide for payment of liquidated damages under the Contract Work Hours and Safety Standards Act- Overtime Compensation.

WOMAN OWNED SMALL BUSINESS (WOSB) - A small business concern which:

1. That is 51% owned by one or more women; or in the case of any publicly owned business, at least 51% of the stock of which is owned by one or more women; and
2. Whose management and daily business operations are by one or more women.

WTO GPA (BAA) - In acquisitions covered by the WTO GPA, Free Trade Agreements, or the Israeli Trade Act, the USTR has waived the Buy American Act and other discriminatory provisions for eligible products. Offers of eligible products receive equal consideration with domestic offers. (FAR 25.403) (**World Trade Organization Government Procurement Agreement country**)

8(A) PROGRAM - The 8(a) program, named for that section of the Small Business Act, allows other Federal Government agencies to contract directly with the Small Business Administration, which in turn lets subcontracts with firms eligible to participate in the program. The SBA does not actually perform the work even when it is the prime contractor.



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