

Change Orders in Plain English

A simple internal guide for PMs, accounting, and leadership

What they are	Why they matter	Core idea
Work that changes the original scope, price, or schedule and needs to move through a documented recovery process.	Change work does not become realized margin just because the field performed it. It must be documented, approved, billed, and collected.	Change orders should be managed like a pipeline — not a pile of emails.

The 5-stage change order pipeline

- 1) Unpriced
- 2) Submitted
- 3) Approved
- 4) Billed
- 5) Collected

A strong Monthly Job Review should make it clear how much change work sits in each stage, how old it is, and what action is required next.

Where margin gets stuck

- Work is being performed but not yet priced
- Submitted items sit too long without escalation
- Approved items are not billed promptly
- Billed items stall in AR or disputes
- No one owns the next action

What a good CO log includes

- CO number
- Description / scope
- Amount
- Status
- Aging
- Next action
- Owner
- Comments / blocker

Three questions every review should answer

- 1) How much change work is in play?
- 2) Where does it sit in the process?
- 3) What action is required this month — and who owns it?

Red flags

- Change work is happening, but it is not in the log.
- Large dollars are stuck in “submitted.”
- Approved items are not being billed.
- The log exists, but no one owns the next action.
- Teams normalize: “We’ll sort it out later.”

Common actions

- Price outstanding work
- Submit documentation
- Escalate aging items
- Bill approved items immediately
- Coordinate PM, billing, and AR follow-up

Bottom line and best practice

Bottom line: Change work can be one of the most important profit opportunities on a job — but only if it moves all the way from field work to collected cash.

Best practice: Review change orders every month as part of the job story. The goal is not just to know the total outstanding — it is to know what is aging, what is stuck, and what the team must do next.