

# TROUBLED PROJECT SERVICES

## WARNING SIGNS OF A TROUBLED PROJECT

The contractor has a natural advantage in spotting the warning signs of a troubled project before the owner. For one thing, the contractor is tracking the actual cost trends against the budget directly, and will know long before the owner if the project is heading for a substantial loss. In addition, we provide here some other Early Warning Signs of a Troubled Project from the contractor's viewpoint to aid in this process. The existence of one or two warning signs may signify little or nothing, but a combination of several of the following almost certainly indicates that the project is heading for serious trouble:

- The owner refuses requests to provide evidence that adequate financing is in place to complete the project.
- No one firm is responsible for the overall project design.
- The owner and/or construction manager refuses to approve or make substantive comments on contractor's initial project schedule, or significant updates, in circumstances where such feedback was requested or would reasonably be anticipated.
- Multiple RFIs are regularly needed before a single issue is adequately clarified by the design team. Alternatively, seemingly straightforward RFIs routinely go unanswered for several weeks.
- Questions raised at the weekly coordination meetings regularly go unanswered. If minutes are kept, the same questions get carried over week after week without response.
- The owner and/or construction manager demands that no schedule update be submitted that shows negative float.
- Significant problems with the design have surfaced, but the owner and designer have been unwilling to provide any acknowledgement of responsibility and tried to put the problem back on the contractor.
- Significant construction drawing changes are flowing steadily from the design team well into the project, when the design should be well established.
- The owner and/or construction manager fails to make key project decisions with reasonable promptness (go/no go decisions on possible changes, value engineering suggestions, selections of allowance items, etc.).
- The entity that will occupy the project is different from the entity administering construction, and there are increasing indications the two are not working together cooperatively.
- The owner and/or construction manager is experiencing repeated turnover of key positions that interface with the contractor.
- Progress payments are not made on time, and/or the amount of progress the owner is willing to recognize and pay for is regularly discounted to an unreasonable degree.
- Change order processing and payment for directed changes falls several months behind.
- The contractor is experiencing repeated problems with governmental inspectors changing their minds about applicable code requirements or different inspectors setting inconsistent standards.
- There are indications that project economics have changed significantly, such that the owner may be incentivized to delay completion rather than promote it.