



Cost and Price Analysis Worksheet for Cost Reasonableness Determinations

Part I Introduction:

The following worksheet is provided as a guide to determine what appropriate documentation should be obtained to support procurement undertaken as part of the Boulder County Collaborative's CDBG-DR program in accordance with Federal and State regulations. (2 CFR 200.323; 44 CFR 13.36(f); State Procurement Manual)

Federal Cost Principles

All procurements, including change orders are required to follow the federal Cost Principles to demonstrate that costs are necessary and reasonable, as described in 2 CFR 200.318(i). See Part IV Cost Principles for instance when purchasing policies and typical procurement documentation are sufficient to document compliance with Cost Principles, and when a supplemental Narrative is necessary.

Threshold for Cost/Price Analysis for Cost Reasonableness Determinations

All CDBG-DR contracts over the federal small purchase limit of \$150,000 require a cost or price analysis to make a cost/price reasonableness determination. Change orders to such contracts require cost analysis. They also require an independent cost estimate before receiving bids or proposals. (2 CFR 200.323) DOLA has provided the Collaborative approval to defer to this federal threshold. If the local agency procuring the contract has more restrictive requirements for cost/price analysis, those shall be followed, regardless of project funding source. The \$150,000 federal threshold (or more stringent local threshold) to complete cost/price analysis does not in any way eliminate requirements for fair and open competition, as applicable.

FEMA PA or HMGP projects are still required to follow the requirements of 44 CFR 13.36(f) instead of 2 CFR 200 because the presidential disaster declaration date for DR-4145 precedes the effective date of 2 CFR 200. Therefore, FEMA PA or HMGP projects have no threshold for triggering independent cost estimates and cost/price analysis, these elements are required for every procurement, except micro-purchases that meet the requirements listed in 44 CFR 13.36(f)(1).

How Does Adequate Competition Factor In?

HUD considers 2 or more proposals or bids to be adequate competition (based on DOLA's 12/3/2015 guidance presentation). FEMA considers 3 or more proposals or bids to be adequate competition.

For CDBG-DR projects: when adequate competition does not exist for a procurement of any amount, one of the two courses of action could be taken:

1. When the cost or price does not substantially differ from the independent estimate (if one was prepared, since this is only required for procurements over the \$150,000 small purchase limit), complete a price analysis using the independent estimate as a comparable. HUD's rule of thumb for "not substantially differing from an independent estimate" is if the bid or proposal is within 15% of the independent

estimate. If the contracting entity has an established policy using a different threshold, higher or lower, then defer to the contracting entity's threshold.

- 2. When the cost or price does substantially differ (outside of the 15% range or the contracting entity's established threshold) from the independent estimate, a cost analysis is required in accordance with HUD guidance. As an alternative, the contracting entity can cancel the solicitation and negotiate prices separately with the single bidder or proposer, but would still complete a cost analysis for the sole source contract.

For FEMA projects, cost analysis is required whenever adequate competition does not exist, including sole source procurements.

Part II Contract Information:

Project Name: _____

Name of Contractor: _____

Type of Contract (professional service, material, construction, etc.): _____

Original contract or change order/amendment: _____

Check this box if an in-house estimate was prepared and provides the basis (in whole or in part) of the cost or price analysis below. An independent estimate is done before an RFP or RFQ is issued. The purpose is to establish reasonableness of cost for negotiation purposes.

Applicability under 2 CFR 200.323: required for procurements above \$150,000; not required for micro or small purchases, or modifications/change orders.

Applicability under 44 CFR 13.36(f)(1): required for all procurements.

Check this box if the modification or change order is based on cost or price terms established in the original contract. Cost Analysis is not required in this instance, but compliance with Cost Principles is required. Proceed to **Part VI**.

Check this box if the modification or change order is **not** based on cost or price terms established in the original contract. Cost Principles and Cost analysis are required in this instance, proceed to **Part IV**.

Part III Price Analysis:

Applicable Not Applicable (proceed to Part IV Cost Principles)

The price analysis was conducted based on one or more of the following (check those that apply and attach documentation).

CDBG-DR projects: Sealed bid or proposal with 2 or more responsible bidders and the low bidder was selected (compare to independent estimate and keep the following documentation: bid opening minutes, bid tabulation).

FEMA Match projects: Sealed bid or proposal with 3 or more responsible bidders and the low bidder was selected (compare to independent estimate and keep the following documentation: bid opening minutes, bid tabulation).

CDBG-DR projects: Sealed bid or proposal with only 1 responsible bidder *and the bid does not substantially differ from your independent estimate*. HUD's rule of thumb for "not substantially differing from an independent estimate" is if the bid or proposal is within 15% of the independent estimate. If the contracting

entity has an established policy using a different threshold, higher or lower, then defer to the contracting entity's threshold. (keep the following documentation: bid opening minutes, bid tab).

When price competition (2 or more responsible bidders) does not exist, the non-Federal entity must negotiate profit as a separate element of the price for each contract. To establish a fair and reasonable profit, consideration must be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of the contractor's record performance, and industry profit rates in the surrounding geographical area for similar work. (2 CFR § 200.323(b) and 44 CFR 13.36 (f)(2)) Insert this analysis on the Proposed Profit section on page 4.

- CDBG-DR projects: Competitive proposals (RFPs) where price was part of the proposal, there were 2 or more responsible offerors, and the lowest offeror was selected.
- FEMA Match projects: Competitive proposals (RFPs) where price was part of the proposal, there were 3 or more responsible offerors, and the lowest offeror was selected.
- Competitive proposals (RFPs) where price was part of the proposal and prices fell within established program fee scales.
- Competitive proposals after review of qualifications (RFQs) where price is not part of the proposal, but prices fell within established program fee scales.

Part IV Cost Principles:

Always applicable, all procurement processes and contracts must follow the federal Cost Principles.

Please check each of the boxes below and provide narrative and/or documentation as necessary.

A: COST PRINCIPLES Has the grantee determined that each of the cost items listed by the contractor is:

- The cost is allowable in accordance with applicable cost principles (see 2 CFR 200.403).

Explanation of determination: _____

- The cost is reasonable (what a prudent business would pay in a competitive marketplace).

Explanation of determination (see 2 CFR 200.404): _____

- The cost is necessary to perform the contract and allocable (logically related to the performance of the contract).

Explanation of determination (see 2 CFR 200.405): _____

Part V Cost Analysis:

- Applicable Not Applicable (proceed to Part VI Cost Reasonableness Certification)

If one or more of the boxes in **Part III. Price Analysis** is not checked, an additional cost analysis is necessary. Please check each of the boxes below and provide narrative and documentation as necessary.

Compare costs using the following (select all those applicable):

- Hourly/Daily rate with estimate of hours/days.
- Published rates schedules for the same activity from a state or federal program.
- Other historical cost data (actual or estimated) for the same or similar work by the contractor or other contractors (adjustment for inflation is allowed).
- The grantee's independent cost estimate.
- The methods proposed in comparison to the requirements of the contract.
- Actual Costs and proposed profit (provide support documentation, explanation of cost item, and justification for each cost item checked below).

When cost analysis is performed, the non-Federal entity must negotiate profit as a separate element of the price for each contract. To establish a fair and reasonable profit, consideration must be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of the contractor's record performance, and industry profit rates in the surrounding geographical area for similar work. (2 CFR § 200.323(b) and 44 CFR 13.36 (f)(2)).

Personnel Costs: \$ _____ Details: _____

Travel Costs: \$ _____ Details: _____

Equipment Costs: \$ _____ Details: _____

Supply Costs: \$ _____ Details: _____
