

Prepared by Office of Procurement and Real Property Management.
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2004

A8.285

A8.200 Procurement

January 2005

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A8.285 Cost or Price Reasonableness

1. In order to insure that public funds are being expended to the best advantage of the University, a determination of cost or price reasonableness must be made in all single and sole source procurements exceeding \$2,500. Form 95, Determination of Cost or Price Reasonableness (**Attachment 285.1**), must be completed in support of expenditures in the following situations:
 - a. sole source;
 - b. emergency procurement where only one quote is received;
 - c. requests for quotations where only one quotation is received or the lowest quote is not selected;
 - d. price adjustment to an existing contract; and
 - e. procurements exempt from the requirements of the standard methods of source selection (Section A8.220).

(If the above amount is within the fiscal officer's purchasing authority, a Form 95 should be completed and maintained in the fiscal officer's file without submittal to OPRPM.)

2. Price analysis is used to determine if a price is reasonable and acceptable. It should include an evaluation of the prices for the same or similar goods or services, a detailed discussion of research conducted, negotiations conducted with the vendor/contractor, or other efforts made by the program to validate the price paid to the

vendor/contractor. Examples of price analysis criteria include, but are not limited to:

- a. price submissions of prospective offerors in the current procurement;
- b. prior price quotations and contract prices charged by the offeror or contractor for the same or similar items or services;
- c. prices published in catalogs or price lists;
- d. prices available on the open market;
- e. in-house estimates of cost;
- f. comparisons with expenditures of similar institutions;
- g. discount from contractor's normal fee; and
- h. prevailing rates in the industry or profession.

Consideration may be given to any differing terms and conditions of the acquisition.

3. Cost analysis includes the appropriate verification of cost or pricing data and the use of this data to evaluate:
 - a. specific elements of costs;
 - b. the necessity for certain costs;
 - c. the reasonableness of amounts estimated for the necessary costs;
 - d. the reasonableness of allowances for contingencies;
 - e. the basis used for allocation of indirect costs;
 - f. the appropriateness of allocations of particular indirect costs to the proposed contract; and
 - g. the reasonableness of the total cost.

Evaluations of cost data should include comparisons of an offeror's cost estimates with those of other offerors, if available.

4. Certificate of Current Cost or Pricing Data (Applicable to Federal Contract and Subcontract Awards only)

Cost or pricing data and a certification are required to support a determination of price reasonableness or cost realism under certain specific circumstances. The cost or pricing data represents the details of the contractor's basis for determining the price of the goods, services or construction to be procured. Cost or pricing data and a certification are required of the contractor or subcontractor if:

- a. The amount of the purchase order, contract or subcontract, including purchase order changes or contract amendments, to be issued exceeds \$550,000; and
- b. The prime contract awarded to the University required the submission of cost or pricing data.

In addition, cost or pricing data are not required if any one of the following circumstances are prevalent:

- i. The prices agreed upon are based on adequate price competition;
- ii. The agreed upon prices are set by law or regulation;
- iii. A commercial item is being purchased; or
- iv. A waiver from the sponsor has been granted.

The certification statement and instructions for completing the statement are contained in Federal Acquisition Regulation (FAR) 15.406-2. The requirements and instructions for submitting cost or price data are contained in FAR 15.408, Table 15-2.

Since the submission of cost or pricing data is used to aid the University in negotiating a favorable price with the contractor, FAR 15.406-3 requires that the negotiation be documented. It is the responsibility of the designated university official to comply with such documentation requirement as detailed in FAR 15.406-3.