

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 of \$2,500 or more. 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. solicitation of competitive sealed bids where only one bid is received;
 - d. solicitation of competitive sealed proposals where only one proposal is received;
 - e. price adjustment to an existing contract;
 - f. only one quote is received;
 - g. only two quotes received and the lowest quote is NOT selected;
 - h. three or more quotes received and the HIGHEST quote is selected; and
 - i. procurements exempt from the requirements of the six methods of source selection (APM Section A8.220.10).

(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 OPRPRM.)
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 bidders or offerors in the current procurement;
- b. prior price quotations and contract prices charged by the bidder, 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. Requests for single and sole source purchases utilizing federal funds in excess of \$500,000 must be accompanied by cost or pricing data and a certification 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 contract or subcontract to be issued exceeds \$500,000; 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.