

Sample Price and Cost Analyses

Price and cost analyses may be accomplished in several ways. When presenting your analysis, provide sufficient details; make clear, concise, and coherent statements; and attach supporting documents to corroborate the statements made. Your goal is to have the reader conclude that the purchase is fair, reasonable, and advantageous to RCUH.

Tips: The following tips may be used when verifying costs in a vendor's budget, or when verifying a vendor's total price.

- a. Use an Internet search engine (e.g., Google, Bing) to conduct comparative research using a reliable source.
- b. Hourly Rate: Use a website such as www.salary.com, and impute a reasonable fringe rate from a reliable source (when applicable, you may use RCUH pay scales or UH salary schedules, and use the fringe rates posted by ORS). Another option is to use the GSA schedules, which include vendor rates negotiated by the federal government, at: <https://www.gsaadvantage.gov>.
- c. Number of Hours: Break down the number of hours into staff hours or staff days. Consult with the Principal Investigator or other project staff to determine the reasonableness of the number of hours projected for each task.
- d. Airfare: Determine or compare prices by using airfares provided by other vendors or websites.
- e. Per diem: Compare the per diem rates used in the vendor's proposed budget, against the rates derived from either <http://www.gsa.gov/portal/content/110007> or <http://www.defensetravel.dod.mil/site/perdiemCalc.cfm>.
- f. Number of Travel Days: Break down the number of travel days. Consult with the Principal Investigator or other project staff to determine the reasonableness of the number of travel days projected for each task.

The samples below address each option listed under Section II of the Determination of Cost or Price Reasonableness form, and may or may not be similar to your situation. The bolded and italicized text is excerpted directly from the Determination of Cost or Price Reasonableness form.

- 1. Comparison of previous RCUH purchase order and contract prices with current proposed price for the same or similar items. Both the validity of the comparison and the reasonableness of the previous price(s) have been established (include the referenced RCUH purchase orders/contracts, amounts, issuance dates, and how they are similar to the current purchase):***

RCUH PO# Z87654321 dated June 5, 2015, was issued to ABC Printers for 20,000 copies of the college's annual report at a cost of \$30,000, or \$1.50 per copy. Of the three quotes solicited, ABC Printers was the lowest bidder. See details below:

ABC Printers	\$30,000 (\$1.50/copy)
Copiers, Ltd.	\$32,200 (\$1.61/copy)
Hula, Inc.	\$32,400 (\$1.62/copy)

For this current procurement, ABC Printers is printing an additional 5,000 copies of the annual report at a cost of \$8,000 (\$1.60/copy). This price is fair and reasonable, based on the per copy cost of the reprint still being less than the per copy cost of the 2nd lowest bidder from the initial print run.

2. Comparison with Vendor’s published price lists, pricing indexes, and discount or rebate arrangements. Attach published price list or other published pricing information used. (A vendor’s quotation or correspondence does not qualify as a published price list.)

The attached Global Instruments catalog price for a handheld spectrum analyzer is \$12,554. Global Instruments’ Quotation No. 20150987 dated July 31, 2015, reflects a discounted price of \$10,500, which represents a cost savings of \$2,054.

\$12,554	Global Instruments’ published catalog price
<u>\$10,500</u>	Global Instruments’ quoted price to RCUH
\$ 2,054	Savings to RCUH

3. Comparison of proposed price to an independent (in-house) estimate that describes the cost of the components (e.g., labor, materials). Attach documentation of the data used to prepare the estimate.

Based on our analysis of the Offeror’s costs: (1) the hourly rates for the Offeror’s two staff positions are comparable to industry rates, (2) the estimated number of work hours is consistent with our estimate of work hours, and (3) the travel costs are within current market pricing and federal per diem rates. Therefore, the Offeror’s proposed cost of \$57,100 is considered fair and reasonable. Details of the analysis are provided below.

Analysis Comparison

	Offer’s Prices	Independent Analysis
Focus Group Sessions <ul style="list-style-type: none"> Plan, develop, and execute sessions 1 Marketing Analyst @ \$125/hour 	\$12,000 (96 hours)	$(\$123-\$130) * 96 \text{ hours} = \$11,808 - \$12,480$
Online Polling, 1000 clients <ul style="list-style-type: none"> Plan, develop, and execute online polling with 1000 clients with email 1 Marketing Analyst @ \$125/hour 	\$10,000 (80 hours)	$(\$123-\$130) * 80 \text{ hours} = \$9,840 - \$10,400$

Strategic Planning <ul style="list-style-type: none"> • Lead executives in strategic planning • 1 Strategic Planning Director @ \$250/hour 	\$32,000 (128 hours)	$(\$254-\$290) * 128 \text{ hours} = \$32,512 - \$37,120$
Travel for (6) Focus Group Sessions <ul style="list-style-type: none"> • Overnight trip to Kauai, Maui, Molokai, Lanai, East Hawaii Island, West Hawaii • Airfare and per diem 	\$3,100	$\$200 * 6 = \$1,200$ (airfare) $\$374 + \$392 + \$203 + \$404 + \$209 + \$317 = \$1,899$ (per diem) $\$1,200 + \$1,899 = \$3,099$
Total	\$57,100	\$57,259 – \$63,099

Hourly Rates

The Offeror has assigned a Marketing Analyst for the focus group and online polling activities. Using the attached GSA schedules for M Brothers Ltd (\$123/hour) and Smith & Doe LLP (\$130/hour), the \$125 hourly rate for a Marketing Analyst proposed by the Offeror is within prevailing rates, and thus reasonable.

The Offeror has assigned a Strategic Planning Director for the strategic planning activity. Using the attached GSA schedules for M Brothers Ltd (\$254/hour) and Smith & Doe LLP (\$290/hour), the \$250 hourly rate for a Strategic Planning Director proposed by the Offeror is less than prevailing rates, and thus reasonable.

Manpower Hours

We estimate that each focus group will require a half-day prep and half-day delivery for each of the 9 locations, or 72 hours. Plus 3 days (24 hours) for report preparation. Total: 96 hours

We estimate that the polling activity will require 1 week to plan, develop, and execute, or 40 hours; and 1 week to analyze results and prepare the report, or 40 hours. Total: 80 hours

We estimate that strategic planning will require 1 day per week over the course of 4 months, or 128 hours. Total: 128 hours

We have deemed the total number of hours proposed by the Offeror of 304 hours reasonable, as it matches our estimated hours.

Travel

The Offeror’s travel is comprised of six trips—one trip to Kauai, Maui, Molokai, Lanai, East Hawaii Island, and West Hawaii Island. The attached printouts from www.travelwebsite.com shows that inter-island airfares are approximately \$200 per round-trip, or \$1,200 for the six trips.

The focus group meetings are held in the evening, requiring an overnight stay or one day of travel. The federal per diem rates (see attached) are \$374 Kauai, \$392 Maui, \$203 Molokai, \$404 Lanai, \$209 Hilo, and \$317 Kona, or a total of \$1,899.

4. Comparison of proposed price with prices obtained through market research for the same or similar items. Attach documentation of research conducted.

On December 1, 2014, a Request for Information (RFI) for third-party evaluator services was issued via SuperQUOTE. Three vendors responded with their qualifications, capabilities to meet the requirements, and an estimated price based on current labor rates, materials, overhead, and profit; see the attached documentation.

On July 1, 2015, Request for Proposal (RFP) No. 2015-257 was issued for the work described in the RFI. Only one vendor submitted a proposal. Using the RFI (i.e., the market research) as a comparison, we have determined that Vendor B's proposed price of \$1,590,000 is fair and reasonable.

Response to RFI Issued 12/1/2014
Vendor A: \$1,698,000
Vendor B: \$1,522,000
Vendor C: \$1,498,000

Response to RFP Issued 7/1/2015
Vendor A: No response
Vendor B: \$1,590,000
Vendor C: No response

5. The order is priced in accordance with existing RCUH Purchase Order No. _____ and/or RCUH Contract No. _____ which was competitively established.

Example 1: The order is priced in accordance with existing Purchase Order No. Z99887766, which was competitively established. Last year we conducted a competitive solicitation for a five year lease of a multi-functional copy machine. The purchase was awarded to the lowest bidder, XYZ Corporation, on PO Z99887766 dated June 6, 2014.

The current PO Z99887766-01 encumbers funds for the second year of the five year maintenance agreement. Since the contractor is maintaining the same pricing and fee schedule as Year 1, we find the price to be fair and reasonable.

Example 2: The order is priced in accordance with existing Purchase Order No. Z11887766, which was competitively established. On June 1, 2015, we conducted a competitive solicitation for editorial and publication services for our project handbook. The purchase was awarded to the lowest bidder, XYZ Corporation, on PO Z11887766 dated June 15, 2015, for \$10,000.

We have deemed the current PO Z11887766-01 for \$25,000 reasonable, because even though the total PO value has increased due to the increase in the number of copies we are publishing, both the editorial and publication rates per copy provided by XYZ Corporation has remained the same.

6. Other reason (specify).

Example 1: *The following example demonstrates price reasonableness using prices paid by other institutions. You may also provide a similar explanation based on invoices provided by the vendor.*

ABC Corporation is the exclusive manufacturer and distributor of the DC-500 programmable robotic probe launcher. The vendor quoted us a price of \$73,000; see the attached Quotation No. 20150947 dated August 19, 2015. Last year, our colleagues at AA University and BB College purchased the same launcher and have experienced excellent deployments and data returns. The attached invoices from our colleagues show that ABC Corporation is charging us the same price as the other institutions; we have thus deemed their price of \$73,000 to be fair and reasonable.

Example 2: *The following example demonstrates price reasonableness using special pricing negotiated by the State Procurement Office (SPO). While the University of Hawaii is a participating agency of the cooperative purchasing agreements, the RCUH is not, so the vendor may elect to not offer you the SPO Price List's special pricing and terms. However, if a vendor does elect to honor the terms and conditions of an SPO Price List, you may use the example below as a guideline for justifying the price.*

Under SPO Vendor List Contract No. 11-03 and Master Agreement No. SBPO1446, which are both attached, XYZ Inc. has been selected to provide our laboratory equipment and supplies. As required by the terms of the price list, both ABC Corporation and XYZ Inc. were contacted and quotes were obtained. We have deemed XYZ Inc.'s purchase price to be fair and reasonable, as their quote was lower than the one provided by ABC Corporation. Additionally, the SPO pricing provided by XYZ Inc. is lower than their published price list; see the attached published prices.