

CDBG Disaster Recovery Program

Disaster Recovery CDBG Procurement Guidelines

Presented by William Hall

February 10, 2010



Disaster Recovery
Economic Development

HUD Procurement Regulations

- 24 CFR 85.36 U.S. Dept of HUD
- Grants Management Common Rule (State & Local Governments) OMB Circular A-102

HUD Procurement Regulations

- Contract cost and price
 - 24 CFR 85.36(f)

Grantees must perform a cost or price analysis in connection with every procurement action including contract modifications.

HUD Guide to Cost and Price Analysis

<http://www.hud.gov/offices/cpo/grantees/cstprice.cfm>

Homes & Communities

U.S. Department of Housing
and Urban Development

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Quick Guide to Cost and Price Analysis for HUD Grantees and Funding Recipients

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Quick Guide within Manual: Exhibit 6-5

6-5

Quick Guide to Cost and Price Analysis for HUD Grantees and Funding Recipients

Who is this guide for?

This guide is for all HUD grantees and funding recipients that contract for services and/or supplies using funds provided in whole or in part by HUD.

What is price analysis?

Price analysis is essentially price comparison. It is the evaluation of a proposed price (i.e., lump sum) without analyzing any of the separate cost elements that it is composed of.

What is cost analysis?

Cost analysis is the evaluation of the separate elements (e.g., labor, materials, etc.) that make up a contractor's total cost proposal or price (for both new contracts and modifications) to determine

Price Analysis

What is price analysis?

Price analysis is essentially price comparison. It is the evaluation of a proposed price (i.e., lump sum) without analyzing any of the separate cost elements that it is composed of.

Cost Analysis

What is cost analysis?

Cost analysis is the evaluation of the separate elements (e.g., labor, materials, etc.) that make up a contractor's total cost proposal or price (for both new contracts and modifications) to determine if they are allowable, directly related to the requirement and ultimately, reasonable.

Procurement Overview Table

Procurement Type	Cost Reasonableness	Contract Type	Solicitation Method	Applications
Small Purchase	Price Competition	Purchase Order or Fixed Price	Quotations or Submitted Bids	Produced Items Single Task Service Supplies
Sealed Bid (formal advertising)	Price Competition	Fixed Price	Submitted Bids	Construction Items Produced or Designed Items
Competitive Proposals	Price Competition or Cost Analysis	Cost Reimbursement or Fixed Price	Submitted Proposals	Professional Services Multi Task Services Designed Items
Noncompetitive Proposals	Cost Analysis	Cost Reimbursement or Fixed Price	Submitted Proposals	Produced Items Single Task Service Professional Services Multi Task Services Designed Item

Types of Procurement Methods

Procurement Type	
Small Purchase	
Sealed Bid (formal advertising)	
Competitive Proposals	
Noncompetitive Proposals	

Types of Purchases

Procurement Type		Applications
Small Purchase		Produced Items Single Task Service Supplies
Sealed Bid (formal advertising)		Construction Items Produced or Designed Items
Competitive Proposals		Professional Services Multi Task Services Designed Items
Noncompetitive Proposals		Produced Items Single Task Service Professional Services Multi Task Services Designed Item

Determination of Cost Reasonableness

Procurement Type	Cost Reasonableness	
Small Purchase	Price Competition	
Sealed Bid (formal advertising)	Price Competition	
Competitive Proposals	Price Competition or Cost Analysis	
Noncompetitive Proposals	Cost Analysis	

Contract Types

Procurement Type		Contract Type	
Small Purchase		Purchase Order or Fixed Price	
Sealed Bid (formal advertising)		Fixed Price	
Competitive Proposals		Cost Reimbursement or Fixed Price	
Noncompetitive Proposals		Cost Reimbursement or Fixed Price	

Procurement Overview Table

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Small Purchase

Procurement Type	Cost Reasonableness	Contract Type	Solicitation Method	Applications
Small Purchase	Price Competition	Purchase Order or Fixed Price	Quotations or Submitted Bids	Produced Items Single Task Service Supplies

Small Purchases. For routine, commercial type purchases, comparing price or rate quotes obtained from an adequate number of qualified vendors is sufficient price analysis.

For large or continuing orders under \$100,000

Sealed Bidding

Procurement Type	Cost Reasonableness	Contract Type	Solicitation Method	Applications
Sealed Bid (formal advertising)	Price Competition	Fixed Price	Submitted Bids	Construction Items Produced or Designed Items

Sealed Bidding. This is the preferred method for contracting for supplies, equipment and construction. Normally, the competitive pricing forces of the marketplace determine the reasonableness of the low price obtained through sealed bidding

Price Competition

Procurement Type	Cost Reasonableness
Small Purchase	Price Competition
Sealed Bid (formal advertising)	Price Competition

Price competition means two or more responsible offerors (“bidders”), competing independently, submit priced offers that satisfy the grantee’s contract requirement.

Fixed Price Contract

Procurement Type	Contract Type
Small Purchase	Purchase Order or Fixed Price
Sealed Bid (formal advertising)	Fixed Price

Shall be used when the risk involved is minimal or can be predicted with an acceptable degree of certainty ; it is suitable for acquiring commercial items (including construction) or for acquiring other supplies or services on the basis of reasonably definite functional or detailed specifications.

Example

Cost Reasonableness	Contract Type
Price Competition	Fixed Price

Example Price Competition

Solicitation for Services

Parish Government is seeking qualified proposers to perform the following tasks for a re-development project:

1. Conduct site feasibility study for redevelopment project
2. Make Site Recommendation to the Parish government for redevelopment project.
3. Prepare Construction Design estimates to the parish government for redevelopment project

Proposers shall have a minimum of XX years experience and successful redevelopment experience because the Parish Government desires to award a **fixed price contract; the lowest qualified proposal will be awarded.**

Example Price Competition – Proposals Received

Proposer One		Proposer Two		Proposer Three	
	Prices		Prices		Prices
Conduct site feasibility study	\$ 874	Conduct site feasibility study	\$ 811	Conduct site feasibility study	\$ 906
Make Site Recommendation	\$ 108	Make Site Recommendation	\$ 131	Make Site Recommendation	\$ 108
Prepare Construction Design	\$ 215	Prepare Construction Design	\$ 203	Prepare Construction Design	\$ 336
Total	\$1,196	Total	\$ 1,145	Total	\$1,350

Example Price Competition

Fixed Price Contract

The total fee paid to CONTRACTOR under this agreement for satisfactory performance and providing the complete scope of work and deliverables shall not exceed **\$1145.00** dollars.

The CONTRACTOR shall submit invoices to the Parish Government for payment. Each invoice submitted shall identify the specific task(s) listed in Part I *Scope of Services* and the completed deliverable for the agreed upon price listed below:

1. Conduct site feasibility study \$811
2. Make Site Recommendation \$131
3. Prepare Construction Design \$203

Example Price Competition

Invoice

Contract Task:

Make Site Recommendation for Parish redevelopment project; Part I

Deliverable:

Proposal for Site Recommendation (x) copies

Total Price per contract \$ 131

Competitive Proposals

Procurement Type	Solicitation Method
Competitive Proposals	Submitted Proposals

Competitive Proposals. This method is most often used to contract for professional, consulting, and architect/engineering (A/E) services.

Competitive Proposals

Procurement Type	Cost Reasonableness	Solicitation Method
Competitive Proposals	Cost Analysis	Submitted Proposals

Cost Analysis. To determine the reasonableness of proposed costs, you must obtain cost breakdowns from the offerors showing all the elements of their proposed total costs and perform a cost analysis of each proposal.

Competitive Proposals

Procurement Type	Cost Reasonableness	Contract Type	Solicitation Method
Competitive Proposals	Cost Analysis	Cost Reimbursement	Submitted Proposals

A cost reimbursement contract is used to establish an estimate of total cost for the purpose of obligating funds and establishing a ceiling that the contractor may not exceed (except at its own risk)

Competitive Proposals

Procurement Type	Cost Reasonableness	Contract Type	Solicitation Method
Competitive Proposals	Cost Analysis	Cost Reimbursement	Submitted Proposals

Cost reimbursement contract to be used only when uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy to use any type of fixed-price contract.

Example Competitive Proposals

Offerors are required to submit cost proposals that show the elements (e.g., labor, materials, overhead, profit) of their proposed costs or price.

Proposer One		Proposer Two		Proposer Three	
	Prices		Prices		Prices
Conduct site feasibility study	\$ 874	Conduct site feasibility study	\$ 811	Conduct site feasibility study	\$ 906
Make Site Recommendation	\$ 108	Make Site Recommendation	\$ 131	Make Site Recommendation	\$ 108
Prepare Construction Design	\$ 215	Prepare Construction Design	\$ 203	Prepare Construction Design	\$ 336
Total	\$ 1,196	Total	\$ 1,145	Total	\$ 1,350

Example

Competitive Proposals – Proposals Received

Proposer One

	Prices
Conduct site feasibility study	\$ 874
Direct Labor Cost	400
Materials	50
Contracted Services	200
Overhead	130
Task Cost	780
Make Site Recommendation	\$ 108
Direct Labor Cost	35
Materials	5
Contracted Services	40
Overhead	16
Task Cost	96
Prepare Construction Design	\$ 215
Direct Labor Cost	120
Materials	5
Contracted Services	35
Overhead	32
Task Cost	192
Subtotal	1,068
Profit	128
Total	\$ 1,196

Proposer Two

	Prices
Conduct site feasibility study	\$ 811
Direct Labor Cost	300
Materials	50
Contracted Services	250
Overhead	105
Task Cost	705
Make Site Recommendation	\$ 131
Direct Labor Cost	15
Materials	15
Contracted Services	75
Overhead	9
Task Cost	114
Prepare Construction Design	\$ 203
Direct Labor Cost	65
Materials	5
Contracted Services	85
Overhead	21
Task Cost	177
Subtotal	996
Profit	149
Total	\$ 1,145

Proposer Three

	Prices
Conduct site feasibility study	\$ 906
Direct Labor Cost	550
Materials	55
Contracted Services	75
Overhead	75
Task Cost	755
Make Site Recommendation	\$ 108
Direct Labor Cost	65
Materials	5
Contracted Services	10
Overhead	10
Task Cost	90
Prepare Construction Design	\$ 336
Direct Labor Cost	235
Materials	10
Contracted Services	-
Overhead	35
Task Cost	280
Subtotal	1,125
Profit	225
Total	\$ 1,350

Example Competitive Proposals

Cost Analysis

Proposer One			Proposer Two			Proposer Three		
Hourly Rate:	\$ 40	13.9	Hourly Rate:	\$ 30	12.7	Hourly Rate:	\$ 50	17.0
Overhead %	20%	DL Hrs	Overhead %	30%	DL Hrs	Overhead %	14%	DL Hrs
Overhead \$: all costs	178		Overhead: DL, M	135		Overhead: DL	120	
Contracted Services	275	profit %	Contracted Services	410	profit %	Contracted Services	85	profit %
Proposed Profit	\$ 128	12%	Proposed Profit	\$ 149	15%	Proposed Profit	\$ 225	20%
Total Proposed Price	1,196		Total Proposed Price	1,145		Total Proposed Price	1,350	

Make a comparison of the proposers' cost elements

Example Competitive Proposals

Cost Analysis

Proposer One			Proposer Two			Proposer Three		
Hourly Rate:	\$ 40	13.9	Hourly Rate:	\$ 30	12.7	Hourly Rate:	\$ 50	17.0
Overhead %	20%	DL Hrs	Overhead %	30%	DL Hrs	Overhead %	14%	DL Hrs
Overhead \$: all costs	178		Overhead: DL, M	135		Overhead: DL	120	
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Total Proposed Price	1,196		Total Proposed Price	1,145		Total Proposed Price	1,350	

In reviewing qualifications
Gov determines that PR III
has most qualified and does
best work.

But Pr III has
higher hourly rate
and more Direct
Labor hours

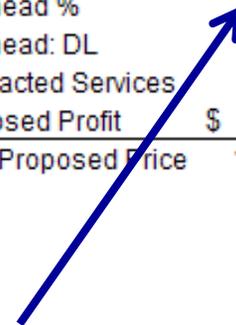
Example Competitive Proposals

Cost Analysis

Proposer One				Proposer Two				Proposer Three			
Hourly Rate:	\$ 40	13.9		Hourly Rate:	\$ 30	12.7		Hourly Rate:	\$ 50	17.0	
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Total Proposed Price	1,196			Total Proposed Price	1,145			Total Proposed Price	1,350		

Consideration, compare
Pr I and PR II costs for
contracted services

Pr III has higher
hourly rate and
more Direct
Labor hours



Example Competitive Proposals

Cost Analysis

Proposer One				Proposer Two				Proposer Three			
Hourly Rate:	\$ 40	13.9	DL Hrs	Hourly Rate:	\$ 30	12.7	DL Hrs	Hourly Rate:	\$ 50	17.0	DL Hrs
Overhead %	20%			Overhead %	30%			Overhead %	14%		
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Total Proposed Price	1,196			Total Proposed Price	1,145			Total Proposed Price	1,350		

Pr I and PR II
have higher
contracted
services costs

Pr III higher hourly rate and
more Direct Labor hours is
reasonable because Pr III is
actually performing the work

Example Competitive Proposals

Cost Analysis

Proposer One				Proposer Two				Proposer Three			
Hourly Rate:	\$ 40	13.9		Hourly Rate:	\$ 30	12.7		Hourly Rate:	\$ 50	17.0	
Overhead %	20%	DL Hrs		Overhead %	30%	DL Hrs		Overhead %	14%	DL Hrs	
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Total Proposed Price	1,196			Total Proposed Price	1,145			Total Proposed Price	1,350		

Pr III also has the lowest overhead rate and only applies it to Direct Labor costs

Example Competitive Proposals

Cost Analysis

Proposer One				Proposer Two				Proposer Three			
Hourly Rate:	\$ 40	13.9	DL Hrs	Hourly Rate:	\$ 30	12.7	DL Hrs	Hourly Rate:	\$ 50	17.0	DL Hrs
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Total Proposed Price	1,196			Total Proposed Price	1,145			Total Proposed Price	1,350		

Pr II has a higher overhead rate applied to DL and materials ; while Pr I

Pr III also has the lowest overhead rate and only applies it to Direct Labor costs

Example Competitive Proposals

Cost Analysis

Proposer One			Proposer Two			Proposer Three		
Hourly Rate:	\$ 40	13.9	Hourly Rate:	\$ 30	12.7	Hourly Rate:	\$ 50	17.0
Overhead %	20%	DL Hrs	Overhead %	30%	DL Hrs	Overhead %	14%	DL Hrs
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Total Proposed Price	1,196		Total Proposed Price	1,145		Total Proposed Price	1,350	

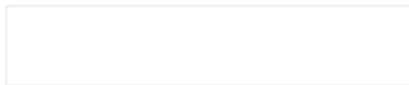
Pr I applies
overhead to all costs

Pr II has a higher
overhead rate applied
to DL and materials

Pr III also has the
lowest overhead rate
and only applies it to
Direct Labor costs

Example

Cost Reasonableness	Contract Type	Solicitation Method
Cost Analysis	Cost Reimbursement	Submitted Proposals



Example – Cost Analysis

Request for Proposal

Parish Government is seeking qualified proposers to perform the following tasks for a re-development project.

1. Conduct site feasibility study for redevelopment project
2. Make Site Recommendation to the Parish government for redevelopment project.
3. Prepare Construction Design estimates to the parish government for redevelopment project

Proposers shall have a minimum of XX years experience and successful redevelopment experience. It is the intention of the Parish Government to award a **cost reimbursement contract** to the **most qualified proposal** with cost as a consideration in the selection criteria listed below.

xxxxxxxx

xxxxxxxx

xxxxxxxx

Example – Cost Analysis

Cost Reimbursement Contract

The total amount of reimbursable costs to be paid to CONTRACTOR under this contract shall not exceed \$1,277 dollars. CONTRACTOR may not incur any costs in excess of this amount (except at its own risk) without approval of the Parish Government. CONTRACTOR will only be paid for the time and effort needed to complete the actual scope of services required for this project; which may be less than the total amount specified.

Example – Cost Analysis

Cost Reimbursement Contract

The CONTRACTOR shall submit invoices to the Parish Government for payment. Each invoice submitted shall identify the specific contract task(s) listed in Part I *Scope of Services*. Each invoice shall itemize the Direct Labor hours and hourly rate; and overhead charges as a percent of direct labor costs in accordance with the schedule of reimbursable costs listed below.

Reimbursement for contracted services or materials shall include the vendor invoice(s) that identifies items by qualities and cost per unit

Conduct feasibility study

	Hourly Rate	Estimated Hours	Total Cost
Direct Labor	\$40	10	\$400
Estimated Materials & Services			\$250
Overhead	20%		<u>\$80</u>
Subtotal Task			\$730

Example – Cost Analysis

Invoice - Cost Reimbursement

Contract Task:

Conduct site feasibility study

	Hourly Rate	Hours	Cost this invoice
<u>Direct Labor Task</u>	\$ 40	6	\$ 240
Prior billings for Task			40
Total Amount to date			<u>\$ 280</u>
Total Budget DL Task			400
Contract Balance			\$ 120
<u>Services and Materials</u>			\$ 203
Prior billings for Task			\$ 36
Total Amount to date			<u>\$ 239</u>
Total Budget Services and Materials Task			\$ 250
Contract Balance			\$ 11
<u>Overhead</u>			\$ 48
Prior billings for Task			\$ 8
Total Amount to date			<u>\$ 56</u>
Total Overhead Task			\$ 111
Contract Balance			\$ 55
<u>Total this Invoice</u>			<u>\$ 491</u>

HUD OIG



U.S. Department of Housing and Urban Development
Office of Inspector General

Our motto

"Guilty until proven innocent"
(not very likely)

Audit Guide

7-2105 Professional and Consultant Service Costs

7-2105.2 Adequacy of Supporting Evidential Matter

a. FAR 31.205-33(f) contains **three specific documentation requirements** that must be met for professional and consultant service costs to be allowable.

Audit Guide

7-2105 Professional and Consultant Service Costs

7-2105.2 Adequacy of Supporting Evidential Matter

These requirements are:

- a. (1) Details of all agreements (e.g., **work requirements, rate of compensation**, and nature and amount of other expenses if any) and details of actual services performed.

Audit Guide

7-2105 Professional and Consultant Service Costs

7-2105.2 Adequacy of Supporting Evidential Matter

These requirements are:

- a.(2) Invoices or billings submitted by consultants, including **sufficient detail as to the time expended and nature of the actual services** provided.

Audit Guide

7-2105 Professional and Consultant Service Costs

7-2105.2 Adequacy of Supporting Evidential Matter

These requirements are:

- a.(3) **Consultant work products** and related documents, such as trip reports indicating persons visited and subjects discussed, minutes of meetings, and collateral memoranda and reports.

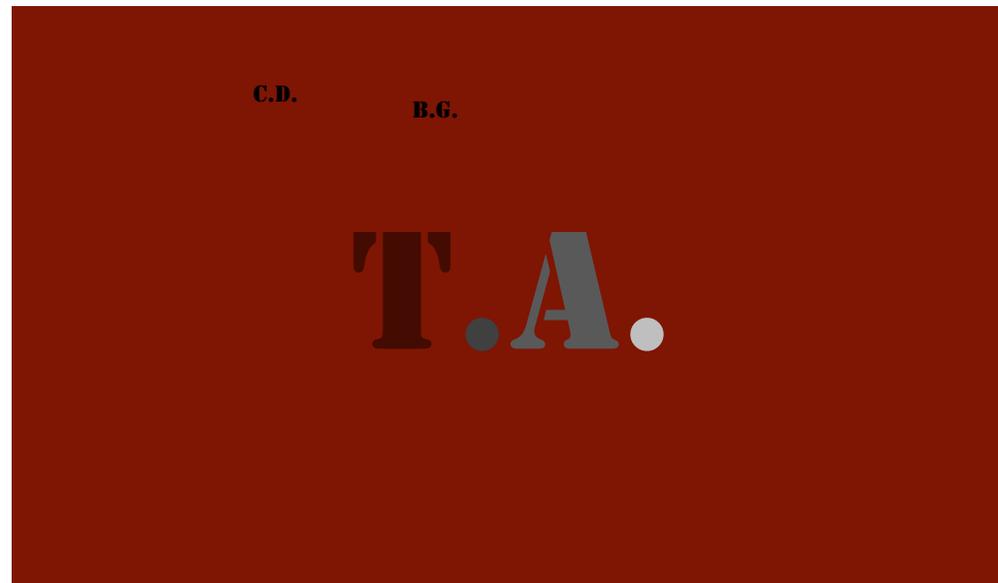
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7-2105 Professional and Consultant Service Costs

7-2105.2 Adequacy of Supporting Evidential Matter

b. If ...the auditor cannot determine the nature and scope of actual work performed by reviewing other supporting documents provided by the contractor, **the auditor should question the costs as unallowable** under FAR 31.205-33(f).

Need Help? Call OCD/DRU for



Questions?