



Cost Analysis Checklist

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JA White

“The checklist is one of the most high-powered productivity tools ever discovered”

- Brian Tracy



Developing A Price Analysis Checklist

Identify the Applicable Clauses and Guidance

FAR:

- 15.404 Proposal Analysis ([15.404 Proposal analysis. | Acquisition.GOV](#))

Other Guidance:

- PGI 215.404-3 Subcontract pricing considerations [PGI 215.404-3 Subcontract pricing considerations. | Acquisition.GOV](#)
- DFARS 252.244-7001 (c)(7), (8), (9), (10), and (15) [252.244-7001 Contractor Purchasing System Administration. | Acquisition.GOV](#)
- DCAA Contract Audit Manual – Chapter 9 [Chapter 9 - Audit of Cost Estimates and Price Proposals \(dcaa.mil\)](#)
- DAU Contract Pricing Reference Guides (Vol. 2) [Contract Pricing Reference Guides \(dau.edu\)](#)



Developing Cost Analysis Checklist

STEP 2

Determine the Need for and Purpose of the Checklist

Review Each Clauses for Actionable, Compliance-Related Items

Review FAR and Agency Prescriptions for Actionable, Compliance-Related Items

Review Internal and External Audit Programs and the Results of Previous Audit Reports

Developing A Cost Analysis Checklist

Identify the Need for Documentation to Support Compliance:

- Forms
- Workflows
- Reports
- Audits

Identify Specific Actionable, Compliance-Related Items and Audit Elements to Include within the Checklist

Identify and Review Existing Checklists Created by the Government

Create the Checklist



Checklist Elements



- Let's Get Started!!

What is a Cost Analysis?

Cost analysis is the review and evaluation of any separate cost elements and profit or fee in an offeror's or contractor's proposal, as needed to determine a fair and reasonable price or to determine cost realism, and the application of judgment to determine how well the proposed costs represent what the cost of the contract should be, assuming reasonable economy and efficiency.

Regulatory guidance can be found at: FAR 15.404-1(c)(2)

COST ANALYSIS



When Is a Cost Analysis Required?

A cost analysis is required when there are no exceptions available to the Truthful Cost or Pricing Data (TCPD) requirement (Truth in Negotiations Act (TINA)).

TCPD *does not apply* when the proposed Subcontract (FAR 15.403-1):

1. Is not expected to exceed \$2,000,000.
2. Contains prices based on adequate price competition (see standards in paragraph (c)(1) of this subsection)
3. Contains prices set by law or regulation (see standards in paragraph (c)(2) of this subsection);
4. Is for the acquisition of a commercial product or commercial service (see standards in paragraph (c)(3) of this subsection);
5. Has been granted a waiver granted (see standards in paragraph (c)(4) of this subsection); or
6. Is for an action that involves modifying a contract or subcontract for commercial products or commercial services (see standards in paragraph (c)(3) of this section).

Requiring Certified Cost or Pricing Data – 15.403–4

The threshold for obtaining certified cost or pricing data is \$2,000,000. Unless an exception applies, certified cost or pricing data are required before accomplishing any of the following actions expected to exceed the current threshold or, in the case of existing contracts, the threshold specified in the contract:

- The award of any negotiated contract (except for undefinitized actions such as letter contracts).
- ***The award of a subcontract at any tier, if the contractor and each higher-tier subcontractor were required to furnish certified cost or pricing data (but see waivers at [15.403-1\(c\)\(4\)](#)).***
- The ***modification*** of any sealed bid or negotiated contract (whether or not certified cost or pricing data were initially required) ***or any subcontract covered by the paragraph above***. Price adjustment amounts must consider both increases and decreases. This requirement does not apply when unrelated and separately priced changes for which certified cost or pricing data would not otherwise be required are included for administrative convenience in the same modification.

Additional Actions

When certified cost or pricing data are required, the CO shall require the contractor/prospective contractor to submit (and to have any subcontractor/prospective subcontractor submit to the prime contractor or appropriate subcontractor tier) the following in support of any proposal:

- The certified cost or pricing data and data other than certified cost or pricing data required by the CO to determine that the price is fair and reasonable.
- A Certificate of Current Cost or Pricing Data, in the format specified in [15.406-2](#), certifying that to the best of its knowledge and belief, the cost or pricing data were accurate, complete, and current as of the date of agreement on price or, if applicable, an earlier date agreed upon between the parties that is as close as practicable to the date of agreement on price.

Instructions for Submission – FAR 15.403-5

Contracting Officers shall specify in the solicitation:

- (1) Whether certified cost or pricing data are required;
- (2) That, in lieu of submitting certified cost or pricing data, the offeror may submit a request for exception from the requirement to submit certified cost or pricing data;
- (3) Any requirement for data other than certified cost or pricing data; and
- (4) The requirement for necessary preaward or postaward access to offeror's records.

Format - When certification is required, the Contracting Officer may require submission of certified cost or pricing data in:

- The format indicated in [Table 15-2](#) of [15.408](#)
- Specify an alternative format or
- Permit submission in the contractor's format

[252.215-7009](#) Proposal Adequacy Checklist

General Instructions

Cost Elements

- Materials and Services
- Subcontracts
- Exceptions to Certified Cost or Pricing Data
- Interorganizational Transfers
- Direct Labor
- Indirect Costs
- Other Costs
- Formats for Submission of Line Item Summaries
- Other



Cost or Pricing Data

Cost or pricing data ([10 U.S.C. 3701\(1\)](#) and [41 U.S.C. chapter 35](#)) means all facts that, as of the date of price agreement, or, if applicable, an earlier date agreed upon between the parties that is as close as practicable to the date of agreement on price, prudent buyers and sellers would reasonably expect to affect price negotiations significantly. Cost or pricing data are factual, not judgmental; and are verifiable. While they do not indicate the accuracy of the prospective contractor's judgment about estimated future costs or projections, they do include the data forming the basis for that judgment. Cost or pricing data are more than historical accounting data; they are all the facts that can be reasonably expected to contribute to the soundness of estimates of future costs and to the validity of determinations of costs already incurred. They also include, but are not limited to, such factors as-

- (1) Vendor quotations;
- (2) Nonrecurring costs;
- (3) Information on changes in production methods and in production or purchasing volume;
- (4) Data supporting projections of business prospects and objectives and related operations costs;
- (5) Unit-cost trends such as those associated with labor efficiency;
- (6) Make-or-buy decisions;
- (7) Estimated resources to attain business goals; and
- (8) Information on management decisions that could have a significant bearing on costs.

Cost Analysis Techniques

The Government may use various cost analysis techniques and procedures to ensure a fair and reasonable price, given the circumstances of the acquisition. Such techniques and procedures include the following (FAR 15.404-1(c)(2):

Verification of cost data or pricing data and evaluation of cost elements, including-

- (A) The necessity for, and reasonableness of, proposed costs, including allowances for contingencies;
- (B) Projection of the offeror's cost trends, on the basis of current and historical cost or pricing data;
- (C) Reasonableness of estimates generated by appropriately calibrated and validated parametric models or cost-estimating relationships; and
- (D) The application of audited or negotiated indirect cost rates, labor rates, and cost of money or other factors.



Cost Analysis Techniques

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Evaluating the effect of the offeror's current practices on future costs. In conducting this evaluation, the contracting officer shall ensure that the effects of inefficient or uneconomical past practices are not projected into the future. In pricing production of recently developed complex equipment, the contracting officer should perform a trend analysis of basic labor and materials, even in periods of relative price stability.

Comparison of costs proposed by the offeror for individual cost elements with-

- (A) Actual costs previously incurred by the same offeror;
- (B) Previous cost estimates from the offeror or from other offerors for the same or similar items;
- (C) Other cost estimates received in response to the Government's request;
- (D) Independent Government cost estimates by technical personnel; and
- (E) Forecasts of planned expenditures.



Cost Analysis Techniques

The Government may use various cost analysis techniques and procedures to ensure a fair and reasonable price, given the circumstances of the acquisition. Such techniques and procedures include the following (FAR 15.404-1(c)(2)):

Verification that the offeror's cost submissions are in accordance with the contract cost principles and procedures in [part 31](#) and, when applicable, the requirements and procedures in 48 CFR chapter 99, Cost Accounting Standards.

Review to determine whether any cost data or pricing data, necessary to make the offeror's proposal suitable for negotiation, have not been either submitted or identified in writing by the offeror. If there are such data, the contracting officer shall attempt to obtain and use them in the negotiations or make satisfactory allowance for the incomplete data.

Analysis of the results of any make-or-buy program reviews, in evaluating subcontract costs (see [15.407-2](#)).

Cost Analysis Techniques

15.404-2 Data to support proposal analysis.

(a) Field pricing assistance.

(1) The contracting officer should request field pricing assistance when the information available at the buying activity is inadequate to determine a fair and reasonable price. The contracting officer shall tailor requests to reflect the minimum essential supplementary information needed to conduct a technical or cost or pricing analysis.

Cost Analysis Techniques

(c) Audit assistance for prime contracts or subcontracts.

(1) The contracting officer should contact the cognizant audit office directly, particularly when an audit is the only field pricing support required. The audit office shall send the audit report, or otherwise transmit the audit recommendations, directly to the contracting officer.

(i) The auditor shall not reveal the audit conclusions or recommendations to the offeror/contractor without obtaining the concurrence of the contracting officer. However, the auditor may discuss statements of facts with the contractor.

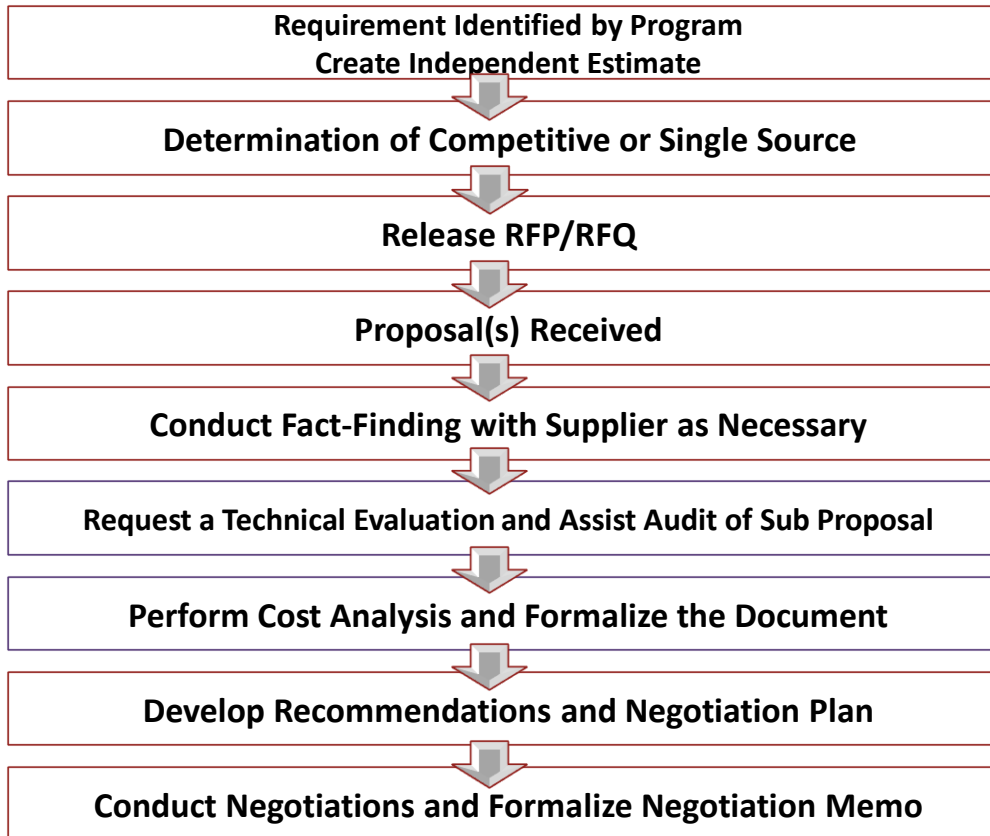
(ii) The contracting officer should be notified immediately of any information disclosed to the auditor after submission of a report that may significantly affect the audit findings and, if necessary, a supplemental audit report shall be issued.

(2) The contracting officer shall not request a separate preaward audit of indirect costs unless the information already available from an existing audit, completed within the preceding 12 months, is considered inadequate for determining the reasonableness of the proposed indirect costs ([41 U.S.C.4706](#) and [10 U.S.C. 3841](#)).

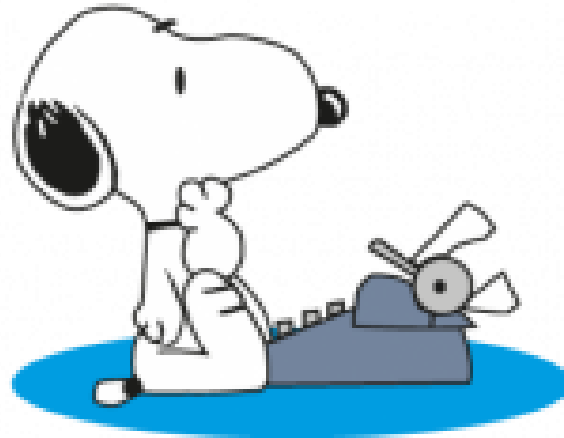
(3) The auditor is responsible for the scope and depth of the audit. Copies of updated information that will significantly affect the audit should be provided to the auditor by the contracting officer.

(4) General access to the offeror's books and financial records is limited to the auditor. This limitation does not preclude the contracting officer or the ACO, or their representatives, from requesting that the offeror provide or make available any data or records necessary to analyze the offeror's proposal.

Steps Leading to a Fair and Reasonable Price



Questions



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