Purchasing on Federal Funding Sources

The Quest for Price Reasonableness
Introduction

• Paying the right price is a sound business practice.
• Stewardship includes the concept that funds are to be expended in the most cost effective manner.
• When Federal funds are in play, the University is required to document that the price paid is “fair and reasonable.”
When Does It Apply?

• The University must document Price Reasonableness for all Federal procurements greater than or equal to $3,000.
How To Determine Price Reasonableness

• **Price Analysis** – A review of the price proposed by a supplier and an assessment as to whether the offered price is fair and reasonable.

• **Cost Analysis** – An examination of the individual cost elements that comprise the total proposed price.
Common Methods

- Catalog or Established Price Lists
- Contracts or Pricing Agreements
- Price Competition
- Comparison to Similar Items
- Historic Prices
- Independent University Estimates
Catalog or Established Price Lists

- Where only one offer is received, and the seller has a published or established price list or catalog, then this fact can be used to establish that the price is fair and reasonable.

- **Documentation** – Copy of Catalog or Price List or URL where list can be found on the WEB.
Contracts or Pricing Agreements

• The Federal Government often enters into contracts with companies to establish set pricing.

• **Documentation** – Copy of Seller citation that University has been provided with a GSA contract price or agreement.
Price Competition

• When two or more acceptable offers are received and the lowest price is selected, the price received from the lowest bidder can be determined to be fair and reasonable.

• **Documentation** – Copies of quotations from 2 or more suppliers.
UC Strategic Source Contracts

• The University strongly encourages the use of UC Strategic Source Contracts whenever practical.

• UC Strategic Source Contract fulfills serves as a basis for price reasonableness

• Information on Strategic Source Contracts
  – [http://www.ucop.edu/purchserv/access.php](http://www.ucop.edu/purchserv/access.php)
  – Chris Curless – 893-4638
Comparison to Similar Item

- Often the requested item is similar to a commercial one but has added features that are required by the University.

- **Documentation** – Copy of catalog or price list, with support for cost of the additional features provided by the Seller.
Historic Prices

- If the Department has a history of purchasing an item over an extended period of time, use of this information, taking into account inflation, can be used to determine that a price is fair and reasonable.

- Documentation – P.O. number or documentation supporting previous purchases of the same or similar items.
Independent University Estimate

• If an independent estimate of cost has been prepared, the offered price can be compared to the estimate and if it compares favorably, it can be used as a basis for a finding that the price is fair and reasonable.

• **Documentation** – Copy of independent estimate prepared by the University. Use of a Seller’s pricing to make an estimate is **NOT** Independent.
Federal Funding Accountability and Transparency Act (FFATA)

• Reporting Requirements
  – Federal Contracts subject to FAR Clause 52.204-10.
  – Procurements greater than or equal to $25,000.
  – Report data to FFATA Subaward Reporting System (FSRS) by the end of the month following the date of the P.O.
Summary

• Price Reasonableness

• Price Analysis – 6 common methods

• FFATA
Questions?
Thank You!