PURPOSE: This guidance is to help explain to a subrecipient agency what an Independent Cost Estimate (ICE) is, how to determine when it is necessary to perform an ICE, and how to perform and submit an ICE to DMT for the review of an FTA funded procurement.

INDEPENDENT COST ESTIMATE

As part of the requisition process a cost or price analysis is a required component for all procurements using Federal Transit Administration (FTA) funds to determine the reasonableness of price. DMT requires various levels of supporting documentation, depending on the purchase threshold, to ensure FTA compliance.

FTA Circular 4220.1F, Chapter IV, 6.:
Cost and Price Analysis: The Common Grant Rules require the recipient to perform a cost analysis or price analysis in connection with every procurement action, including contract modifications. The method and degree of analysis depends on the facts and circumstances surrounding each procurement, but as a starting point, the recipient must make independent estimates before receiving bids or proposals.

The FTA Best Practices Procurement Manual (BPPM) includes sections discussing Cost and Price Analysis as part of the Independent Cost Estimate (ICE). The Division of Mass Transportation (DMT) has provided links to the FTA website for subrecipient reference. Please note the links are not maintained by Caltrans:


The purpose of a cost/price analysis is to ensure due diligence is completed to determine a fair and reasonable price range for goods and services before procurement commences. An ICE serves as a benchmark for evaluating the reasonableness of the contractor’s proposed costs or prices and can range from a simple budgetary estimate to a complex estimate based on inspection of the product, review of drawings or specifications and prior procurement data.

Although the ICE should be an independent assessment of what you would expect to pay for a product based on a reliable source such as historical payment, industry standard, or market survey, you may also request for informal cost estimates from suppliers or manufacturers in order to develop an ICE. If any outside party assists in developing the ICE, appropriate steps must be taken to ensure that organizational conflicts of interests are avoided and that the outside party does not obtain any competitive advantage from advance knowledge of the cost estimate. For contracts that include optional extensions or other contract modifications, an ICE must be completed before the option or modification can be executed.
Procedures

1. Supporting Documentation:
   To determine the level of documentation DMT needs to support a procurement, first determine the purchase threshold. Micro purchases are up to $3,000.00, Small purchases are between 3,000.00 and under $100,000.00. Purchases at or above 100,000.00 require a full solicitation process.

   **Micro purchases: An ICE is not required.**
   The Micro Purchase Documentation form on the DMT website prompts for all the documentation necessary for DMT to approve a Micro Purchase procurement:
   - A copy of the purchase order,
   - The determination that the price is fair and reasonable based on historical prices, commercial catalog, or other offers; and
   - How this determination was derived.

   **Small purchases: An ICE is required.**
   Additional information DMT needs for the review of Small Purchase procurements:
   - The requisition (or purchase request),
   - The specifications/scope of work used,
   - An independent cost estimate (ICE),
   - A list of the firms from whom quotations were requested,
   - The quotations received (a simple abstract of the quotes will do); and
   - A copy of the purchase order. If price or rate quotations are requested orally, a record should be made showing from whom they were received, together with the date and amount of the quote.

   **Full solicitations: An ICE is required.**
   Additional information DMT needs for the first round review for all RFP/IFB - Full Solicitation procurements:
   - Independent Cost Estimate (ICE),
   - Draft of the RFP/IFB (including scope of work/specs, contract terms & any options)
   - Completed FTA required clauses matrix (provided on DMT website); and
   - Draft contract/agreement what the agency and bidder will enter into.

Although DMT will request and maintain some of the procurement related documentation in order to provide approval, it is the subrecipient’s responsibility to maintain proper documentation for each federally funded acquisition process. The procurement file should include documents to support the basis for decisions made at each step of the procurement process and actions taken providing essential information in the event of an audit, investigation or litigation. For additional information, refer to FTA BPPM, Chapter 2.4.1.
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INDEPENDENT COST ESTIMATE/ COST & PRICE ANALYSIS

2. Methods of ICE:
   Determine the method of ICE that best fits your procurement requirements. An ICE must be completed before a subrecipient receives bids or proposals. The FTA gives flexibility on how an agency may go about determining a fair and reasonable price range through the ICE process. All prices must be documented in the subrecipient project procurement file and with DMT for FTA audit purposes. The most common methods to complete an ICE are:

A. Publicly published price lists
B. Recently invoiced price
C. Outreach/Market Survey

   A. Publicly published price lists:
   Typically used for goods and equipment. Price lists or catalogues are great sources for determining a fair and reasonable price for off the shelf procurements such as technology, office supplies, and training. Price lists are often available online as well as printed advertisements. Prices published on a store shelf are also acceptable.

   B. Recently invoiced price:
   Typically used for goods and equipment, or services. If the procuring agency made a recent procurement for similar goods or services this recent invoice may be used to determine fair and reasonable price as part of the ICE. “Recent” is a relative term and can vary based on project circumstances. DMT recommends that technology procurements over 6 months are not recent enough to accurately determine a fair and reasonable price range.

   C. Outreach/Market Survey:
   Typically used for goods and equipment, or services. If a subrecipient is unable to use a published price list, recent procurement, or would rather use another method to determine a fair and reasonable price a subrecipient may use contacts at other agencies to determine a fair and reasonable price so long as the agency is of similar size and the purchase or project is of similar scope.

Additional Options- Cost Analysis:
A cost analysis may be required in situations where the purchase includes non-commercial type requirements, the work is designed specifically for the agency and a price analysis cannot establish a fair and reasonable price. A cost analysis is completed by determining the cost of each aspect of a project including, but not limited to labor rates, materials, and other direct costs such as travel, overhead, and profit. Agencies using this method may be required by firms to enter into non disclosure agreements when dealing with proprietary information.

Due to the level of complexity this method requires, DMT recommends, if possible, to use a price analysis to determine a fair and reasonable price range instead of a cost analysis. If you have questions the DMT Procurement Branch is here to assist subrecipients. Please contact us through your Grant Program Liaison.

REVISED: 03/05/13
A cost analysis will be required whenever a price analysis cannot be performed which requires the review and evaluation of the separate cost elements and the proposed profit of a bidder’s cost proposal. Cost analysis typically applies to situations where the product or services being offered is not susceptible to being evaluated against other commercially available items of similar products or services. Examples include architectural-engineering (A&E) services where only one cost proposal is solicited from the highest ranking firm, or a sole source procurement for other types of services. Please refer to FTA BPPM, Chapter 5.2, Cost and Price Analysis for more information.

3. Prepare the ICE for submittal:
Small purchase and full solicitation price/cost analysis documentation differ in some way. However, both will require attaching the ICE to your agency Cost/Price Estimate form, or a cover sheet detailing:
A. Printed on your agency letterhead
B. Project Description & Scope of Work
C. Agency and Project Manager contact Information
D. The type of contract action: New, Expiring/Option, or Modification
E. FTA grant program & Standard Agreement Number, if available
F. The ICE must contain an abstract of price quotes gather from the agency’s cost/price estimate research in addition to the range that is determined from the price quotes to be fair and reasonable.

4. Submittal to DMT:
Submit the ICE and cover sheet to the DMT Grant Program Liaison electronically. If the ICE covers a new contract please include any other documents and forms for concurrent review. These may include; Micro purchase, Small Purchase, or RFP/IFB forms and documents. If the ICE covers an Expiring/Option or Modification of an existing contract please include a draft of the contract.

5. DMT Review:
DMT will review the ICE and if needed will request additional information. After DMT determines the ICE is complete, establishing a fair and reason price range, the subrecipient will be notified and able to move forward with the remaining procurement process.