



FAS POLICY AND PROCEDURE (PAP) 2021-05

MEMORANDUM FOR ALL FAS AND VA ACQUISITION ACTIVITIES

FROM: MARK J. LEE
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SUBJECT: Evaluation of FSS Program Pricing

1. Purpose. This policy and procedure (PAP) provides comprehensive guidance regarding the evaluation of pricing throughout the life of a Federal Supply Schedule (FSS) program contract.

2. Background. A key responsibility of FSS program contracting officers (COs) is the evaluation and negotiation of fair and reasonable pricing. This task is performed throughout the life of FSS contracts, and includes the evaluation of pricing proposed in new offers, modification requests, and for the exercise of option periods.

Federal Acquisition Regulation (FAR) [15.403-3\(c\)\(1\)](#) requires COs to perform a price analysis to determine fair and reasonable pricing whenever acquiring a commercial product or commercial service. The term "fair and reasonable" is generally considered to mean a price that is fair to both parties in a transaction, not higher than what the competitive market will bear, or a price that a prudent and competent buyer would pay for a product or service under competitive market conditions¹.

The guidance in this PAP is provided to assist COs with the achievement of the best possible value for the government, the award of fair and reasonable prices, compliance with all applicable regulatory and policy requirements, and thorough documentation of the contract file.

3. Effective Date. This PAP is effective 30 days from date of signature.

4. Termination Date. This PAP terminates when cancelled/moved to "inactive" status in the FAS Acquisition Policy Library.

5. Applicability. This PAP applies to all FAS acquisition activities awarding and

¹ Based on DAU's Contract Pricing Reference Guides - [Volume I - Price Analysis](#) (Section I.2.1 *Pay a Fair and Reasonable Price*).

administering FSS contracts. It also applies to Department of Veterans Affairs acquisition activities, except for the portions that address the Transactional Data Reporting initiative.

6. Cancellation. The following policies are cancelled and moved to “inactive” status in the FAS Acquisition Policy Library:

- [PIN 2006-06](#) *How to Handle Offers When the MFC is the Federal Government*
- [PIN 2012-04](#) *Verification of Most Favored Customer (MFC) Pricing*
- [PIN 2012-05](#) *Use of Cost Analysis When Evaluating Federal Supply Schedule Offers*
- [PAP 2018-03](#) *Proper Documentation of Price Analysis Decisions - Federal Supply Schedule (FSS) Program*

7. Reference to Regulations/Policy.

- FAR
 - [2.101](#) *Definitions*
 - [Subpart 4.8](#) *Government Contract Files*
 - [Part 12](#) *Acquisition of Commercial Products and Commercial Services*
 - [Subpart 15.4](#) *Contract Pricing*
- General Services Administration Acquisition Manual (GSAM)/General Services Administration Acquisition Regulation (GSAR)
 - [515.408](#) *Commercial Sales Practices Format (CSP)*
 - [538.271](#) *FSS contract awards*
 - [538.270-1](#) *Evaluation of offers without access to transactional data*
 - [538.270-2](#) *Evaluation of offers with access to transactional data*
 - [552.238-81](#) *Price Reductions*
- FAS Provision [SCP-FSS-001](#) *Instructions Applicable to All Offerors*
- PAPs
 - [PAP 2016-11](#) *Transactional Data Reporting - Federal Supply Schedule Program Implementation*
 - [PAP 2020-02](#) *Mandating the Use of Pre-Negotiation, Price Negotiation and Final Proposal Revision Templates for the Federal Supply Schedules Program*

8. Instructions/Procedures.

The evaluation of FSS program pricing is a broad, multifaceted topic. Therefore, for easier reference, this PAP is organized as follows:

- A. General Considerations - Overarching guidance that applies to all price

analysis decisions.

- B. Traditional Offers and Contracts - Guidance specific to offers and contracts where traditional FSS terms and conditions apply.
- C. Transactional Data Reporting Offers and Contracts - Guidance specific to offers and contracts where the vendor is participating in the Transactional Data Reporting (TDR) initiative.
- D. Documentation - Guidance regarding the proper documentation of price analysis decisions.

An acronym glossary is provided in Appendix A.

In addition, specific pricing topics are addressed in the appendices as follows:

- Appendix B - Most Favored Customer and Basis of Award
- Appendix C - Horizontal Price Analysis Techniques
- Appendix D - Cost Analysis Techniques
- Appendix E - Prices-Paid Information

This PAP will be revised to incorporate updates and additional pricing topics as needed.

A. General Considerations

(1) When evaluating proposed pricing, the CO must exercise independent business judgement consistent with their authority, while remaining compliant with all applicable regulations and guidance. COs are empowered to use their knowledge and judgment to establish negotiation objectives based on the specifics of the offered pricing.

(2) FAR [part 12](#) provides that offers should be solicited and evaluated consistent with customary commercial practices. Therefore, a vendor should only propose pricing consistent with its own standard business practices, and should not be required to alter its pricing structure.

(3) Ensure that offered products and services fall within the scope of the FSS solicitation and the vendor's proposed Special Item Numbers (SINs). Only commercial products and commercial services can be awarded under the FSS program.

(4) Examine and seek to determine as clearly as possible what is being offered for the proposed price. If the offering is not clearly defined, it will be impossible to determine the pricing fair and reasonable.

(5) Be alert to situations where a vendor proposes two or more identical commercial products. Ensure that identical commercial products with the same terms and conditions (i.e., delivery, warranty, etc.) are not awarded to the same SIN. Identical commercial products with the same terms and conditions may be awarded under *different* SINs if the prices are the same, there is a valid business reason, and the rationale is fully documented. Identical commercial products with the same terms and conditions should never be awarded to the contract at different price points. COs are encouraged to use the Price Point PLUS Portal (4P) to find identical commercial products (i.e., "duplicates").

(6) Leverage the collective buying power of the government to obtain competitive, market-based pricing. The Competition in Contracting Act (CICA) of 1984 (41 U.S.C. 253) provides that procedures established under the FSS program are competitive as long as orders and contracts result in the lowest overall cost alternative (considering price, special features, administrative costs, etc.) to meet the needs of the Federal Government. Therefore, COs should aim to negotiate the best possible prices and terms for both customers and taxpayers. COs have wide latitude to determine price negotiation objectives based on an overall analysis of a vendor's price proposal, including -

- CSP disclosures
- MFC discounts
- Supporting documentation
- Transactional data
- Historical contract pricing
- Pricing databases
- Other relevant pricing information

(7) Treat determinations of fair and reasonable pricing independently from prior determinations concerning the same or similar items. The information used in prior determinations may no longer be valid or applicable.

(8) Do not award a proposed commercial product or commercial service if pricing cannot be affirmatively determined fair and reasonable after all avenues of cost and price evaluation have been explored, and award is not in the best interest of the government. This includes cases where the vendor cannot (or will not) provide sufficient documentation in support of proposed prices.

B. Traditional Offers and Contracts

For traditional offers and contracts (i.e., vendors not participating in TDR), GSAR [538.270-1](#) *Evaluation of offers without access to transactional data* applies. Price evaluation begins with the application of vertical price analysis techniques (e.g., comparing proposed pricing and discounts to the vendor's MFC), and then expands to the horizontal price analysis techniques in FAR [15.404](#).

When evaluating traditional offers and contracts -

- (1) Seek equal to or better than the best price and non-price terms and conditions given to the MFC.
- (2) Negotiate concessions from established catalogs (when the vendor has a commercial catalog), including price and non-price terms and conditions.
- (3) Establish negotiation objectives based on a review of relevant data.
 - (a) Review CSP disclosures and compare the terms and conditions of the solicitation with the terms and conditions of agreements with the vendor's commercial customers.
 - (b) Consider the following factors when establishing price negotiation objectives:
 - (i) Aggregate volume of anticipated purchases
 - (ii) The purchase of a minimum quantity or a pattern of historic purchases
 - (iii) Discounts and concessions offered to commercial customers
 - (iv) Length of the contract period
 - (v) Warranties, training, and/or maintenance included in the purchase price, or provided at additional cost to commercial product prices
 - (vi) Ordering and delivery practices (e.g., delivery charges, order quantities, etc.)
 - (vii) Any other relevant information, including differences between the FSS solicitation and commercial terms and conditions that may warrant differentials between the offer and discounts offered to the MFC (e.g., Service Contract Labor Standards (SCLS) requirements, value-added functions performed by the MFC that the government does not perform, etc.)
- (4) Use the price analysis techniques in FAR [15.404-1\(b\)\(2\)](#) to make a determination that prices are fair and reasonable. Vendors have been advised that MFC prices that are not highly competitive will not be determined fair and reasonable and will not be accepted (see FAS provision [SCP-FSS-001](#)

Instructions Applicable to All Offerors).

(5) If necessary, COs may request *data other than certified cost or pricing data* to supplement the supporting documentation submitted with the offer (see FAR [15.402\(a\)\(2\)\(ii\)](#)). Per the definition of this term in FAR [2.101](#), this includes pricing data, cost data, and judgmental information necessary for the CO to determine a fair and reasonable price or to determine cost realism. Cost analysis techniques are to be used only in cases where price analysis techniques have not allowed for a determination of fair and reasonable pricing.

(6) COs may award pricing less favorable than the best price and non-price terms and conditions given to the MFC if it's determined that -

(a) Offered prices are fair and reasonable, even though comparable price and non-price terms and conditions weren't negotiated; and

(b) Award is otherwise in the best interest of the government.

(7) State clearly in the award document the price/discount relationship between the government and the "basis of award" (BOA) customer/category in accordance with GSAR clause [552.238-81 Price Reductions](#). A BOA customer/category must be designated whenever there are *any* commercial sales, even if commercial sales only represent a minimal portion of the vendor's overall sales.

C. TDR Offers and Contracts

For vendors participating in TDR, GSAM [538.270-2 Evaluation of offers with access to transactional data](#) applies. Prices are evaluated using the horizontal price analysis techniques in FAR [15.404](#).

TDR vendors are not required to submit CSP data, to disclose their MFCs and discounting practices, or to submit supporting pricing documentation with offered pricing. In addition, TDR vendors are not subject to the BOA/tracking customer requirements of GSAR clause [552.238-81 Price Reductions](#) (the Alternate I version of the clause is included in the contract instead).

When evaluating TDR offers and contracts, use the analysis techniques in FAR [15.404](#) to evaluate pricing and establish negotiation objectives, according to the following order of preference:

(1) Use data that is already **readily available** in accordance with FAR [15.404-1\(b\)\(2\)\(ii\)](#):

(i) Prices-paid information on contracts for the same or similar

items (see Appendix E - Prices-Paid Information)

(ii) Contract-level prices on other FSS program contracts or other government-wide contracts for the same or similar items

(iii) Commercial data sources that consolidate and normalize prices offered by commercial vendors to the general public to compare prices for the same or similar items (e.g., pricing databases)

(2) If prices cannot be determined fair and reasonable based on readily available data, perform **market research** to compare prices for the same or similar items in accordance with FAR [15.404-1\(b\)\(2\)\(vi\)](#). This requires a more manual approach to comparison of prices, e.g., performing market research by searching the internet for the same or similar items.

(3) If prices cannot be determined fair and reasonable based on readily available data or market research, perform an analysis of **data other than certified cost or pricing data** in accordance with FAR [15.404-1\(b\)\(2\)\(vii\)](#). This means COs can request the kind of supporting documentation that's submitted with a traditional offer, e.g., copies of invoices, contracts, or quote sheets. If needed, COs can also request pricing data, cost data, and judgmental information to determine a fair and reasonable price or to determine cost realism.

Do not request *data other than certified cost or pricing data* unless the readily available data and market research in 1) and 2) above were not sufficient to allow for a determination that prices are fair and reasonable. Per FAR [15.402\(a\)\(3\)](#), obtain no more than the data necessary to establish a fair and reasonable price. In addition, cost analysis techniques are to be used only in cases where price analysis alone has not allowed for a determination of fair and reasonable pricing.

For additional information, see [PAP 2016-11 Transactional Data Reporting - Federal Supply Schedule Program Implementation](#).

D. Documentation.

Proper documentation of price analysis decisions is critical. FAR [4.801](#) states that documentation in the contract files must provide a complete background as a basis for informed decisions, to support actions taken, and to provide information for reviews and investigations.

The Pre-Negotiation Objectives (PNO) memorandum is a document that summarizes a CO's evaluation of an offer, identifies the areas the CO has determined requires clarifications and/or negotiations, and describes the specific negotiation objectives.

The Price Negotiation Memorandum (PNM) is a document that summarizes the

negotiation objectives set forth in the PNO and describes the outcome of all negotiated items. It includes the CO's final determination of fair and reasonable pricing.

PNOs and PNMs must be prepared utilizing the templates in [PAP 2020-02 Mandating the Use of Pre-Negotiation, Price Negotiation and Final Proposal Revision Templates for the Federal Supply Schedules Program](#). When completing these documents, be sure to do the following:

- (1) Document specific steps performed.
- (2) Explain results in detail to support the analysis.
- (3) Cite the relevant FAR [15.404-1\(b\)\(2\)](#) subdivisions (i through vii) and price analysis techniques used.
- (4) Include all documents used during the analysis to support a determination of fair and reasonable pricing.
- (5) Ensure documentation is sufficiently detailed so that anyone reviewing the contract file can follow along and understand how the decision was made.

If a pricing database is used, include detailed tool output/results with the analysis. Either attach relevant documents to the memorandum, or refer to the location where documentation can be reviewed in the contract file. Output from pricing databases should clearly support the pricing comparisons made. Ensure that comparisons are detailed enough to demonstrate they are the same or similar to the commercial products or commercial services offered. Fully document how pricing database results were used to determine pricing fair and reasonable and to develop negotiation objectives. For example -

- (1) How were results sufficiently similar to offered pricing?
- (2) Were there material differences between results returned on offered items?
- (3) How was the data adjusted for a valid comparison?
- (4) Was any other information used to determine pricing fair and reasonable and to develop negotiation objectives?

9. Signature:

DocuSigned by:

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9/27/2021

Date

Appendices:

- Appendix A - Acronym Glossary
- Appendix B - Most Favored Customer and Basis of Award
- Appendix C - Horizontal Price Analysis Techniques
- Appendix D - Cost Analysis Techniques
- Appendix E - Prices-Paid Information

Appendix A**Acronym Glossary**

4P	Price Point PLUS Portal
BOA	Basis of Award
CAGE	Commercial and Government Entity
CALC	Contract-Awarded Labor Category
CICA	Competition in Contracting Act
CO	Contracting Officer
CONUS	Continental United States
CSP	Commercial Sales Practices Format
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DUNS	Data Universal Numbering System
FAS	Federal Acquisition Service
FAR	Federal Acquisition Regulation
FPRA	Forward Pricing Rate Agreement
FPRR	Forward Pricing Rate Recommendation
FSS	Federal Supply Schedule
G&A	General and Administrative
GSA	General Services Administration
GSAM	General Services Administration Acquisition Manual
GSAR	General Services Administration Acquisition Regulation
GWAC	Governmentwide Acquisition Contracts
MAS	Multiple Award Schedule
MFC	Most Favored Customer
MOU	Memorandum of Understanding
OCONUS	Outside the Continental United States

OIG	Office of the Inspector General
PAP	Policy and Procedure
PBR	Provisional Billing Rate
PNO	Pre-Negotiation Objectives
PNM	Price Negotiation Memorandum
SCLS	Service Contract Labor Standards
SIN	Special Item Number
SRP	Sales Reporting Portal
TDR	Transactional Data Reporting
U.S.	United States

Most Favored Customer and Basis of Award

1. What is the difference between Most Favored Customer and Basis of Award?

The Most Favored Customer is the customer receiving the absolute best price the vendor gives to *any commercial customer or government entity*, independent of terms and conditions, discounts, and/or concessions. When establishing negotiation objectives, the CO must determine whether the MFC price as disclosed by the vendor is a fair objective based on the variables listed in GSAR [538.270-1\(e\)](#), i.e., differences between the terms and conditions of the FSS solicitation and the terms and conditions of the vendor's agreement with the MFC.

MFC is not synonymous with Basis of Award. The BOA is the customer (or category of customers) on which GSAR clause [552.238-81 Price Reductions](#) is based. The BOA and associated price/discount relationship to the identified customer(s) must be agreed upon by both the CO and the vendor. The identified BOA and price/discount relationship may be different than the MFC price or other pricing support that was used as a basis for negotiations. There may be one BOA for the entire contract, or there may be multiple BOAs established at the SIN or line-item level.

The MFC and BOA may be the same customer, but often they are not. It depends on the specifics of the offer or contract.

Note that MFC and BOA apply to traditional FSS offers and contracts only. TDR vendors are not required to submit CSP data or to disclose their MFCs and discounting practices, and they are not subject to the BOA/tracking customer requirements of GSAR clause [552.238-81 Price Reductions](#) (the Alternate I version of the clause is included in the contract instead).

2. Why is it important to obtain documentation when establishing MFC pricing?

As previously mentioned, CICA requires that FSS contracts and orders result in the lowest overall cost alternative to meet the needs of the Federal Government. A critical step toward obtaining this result is the requirement in GSAR [538.270-1\(c\)](#) to seek to obtain the vendor's MFC price. The pursuit of MFC pricing ensures that FSS contracts harness the government's collective buying power and result in the best possible prices for customers and taxpayers. When a CO negotiates an FSS contract, they represent an extensive customer base. Therefore, the offers COs accept (to include the pricing they negotiate), should reflect the significant value the FSS program provides to its vendors.

3. How can MFC pricing be substantiated?

There are four main methods COs can use to substantiate MFC rates:

A. Invoices - The most common method is for the vendor to submit invoices from the designated MFC. Vendors can provide invoices with little difficulty, and do so under what is essentially an honor system, since validity and accuracy do not have to be certified. For invoices to be of value when determining MFC pricing, however, they must be genuine, timely, and consistent with the data provided in the vendor's CSP disclosure. It is the vendor's responsibility to demonstrate direct comparability between the invoice and their disclosed CSP data if the information is not an exact match, e.g., by providing a crosswalk and explanation if the invoiced commercial product or commercial service differs from the one proposed in the CSP. If invoice validity or accuracy is at all in question, the CO can and should contact the MFC directly to verify the invoiced items and rates.

B. Payroll Information - This is applicable to commercial services only, specifically cases where the CO has determined that cost build-up data is needed (i.e., direct labor, indirect costs, and profit). The CO can request payroll or labor cost information directly from the vendor. This may be the most reliable information available if the vendor does not have significant commercial sales. However, providing this information increases the burden on the vendor and may require devoting additional government resources for analysis. Additionally, while the CO may request this information, the FAR specifies that the CO may not ask the vendor to certify it (see FAR [15.403-1](#)). Therefore, the value of requesting this information may only be beneficial for offers and contracts of a higher estimated value or risk, and/or vendors without commercial sales available to substantiate their rates.

C. Independent Confirmation of MFC Rates - The CO can contact the MFC directly and independently confirm the rates submitted by the vendor. Confirming the vendor's assertion of MFC pricing in this manner is analogous to the process used by public accounting firms to confirm the accounts receivable and bank balances of public companies undergoing financial audits. This form of evidence is very reliable because verification is received directly from an independent third party. Also beneficial is the fact that this methodology generally results in no additional burden to the vendor.

D. Audit Information - Audits are among the most reliable methods for confirming vendor assertions, and Defense Contract Audit Agency (DCAA) price information and GSA Office of Inspector General (OIG) audits are sometimes available to aid in determination of fair and reasonable prices. See Appendix D - Cost Analysis Techniques for more information.

4. How much information is required to adequately substantiate MFC pricing?

This is a discretionary decision to be made by the CO. In its discussion of cost and price negotiation policies and procedures, FAR [15.402](#) helps establish a ceiling on information requests, stating that COs should not obtain more information than is necessary. However, COs are fully empowered to ask vendors questions and seek additional supporting information to verify MFC data when needed.

COs must exercise due diligence in ensuring that CSP disclosures regarding MFC rates are verified and adequately supported by current, relevant, directly-comparable documentation. COs can apply various verification techniques as applicable, keeping in mind that the complexity and circumstances of each offer is what determines the level of detail required.

5. How are MFC and BOA handled when the MFC is the Federal Government?

How a Federal Government MFC is handled depends on whether the vendor has commercial sales.

A. When the vendor has commercial sales -

(1) COs can still set price negotiation objectives, negotiate, and determine prices fair and reasonable based on the vendor's Federal Government MFC. However, identifying the MFC as "Federal Government" is not allowed. A specific Federal Government agency or department must be identified for this purpose.

(2) The Federal Government agency/department MFC **cannot** be designated as the BOA for purposes of GSAR clause [552.238-81 Price Reductions](#). Per subparagraph (d)(2) of this clause, federal sales do not trigger a price reduction. In order to provide price protection to the contract, the designated BOA must be a commercial customer or category of customers.

(3) In most cases, it is best to identify the BOA as the category of "All Commercial Customers" (especially when commercial sales are very limited). This provides the best price protection for the government throughout the life of the contract. However, if it is in the best interest of the government to do so, COs may designate the closest commercial customer as the BOA, and state the associated price/discount relationship relative to this customer instead.

B. When the vendor sells exclusively to Federal Government customers and has NO commercial sales -

(1) Some companies were established only for the purpose of selling to the Federal Government, and do not have any commercial sales.

(2) COs must first ensure that offered products and services meet the definition of “commercial products” and “commercial services” in FAR [2.101](#). This determination should be documented in the contract file.

(3) Once commerciality has been established, how the MFC is handled depends on whether the vendor is the manufacturer or a dealer/reseller.

(a) If the vendor is the manufacturer -

- COs can still set price negotiation objectives, negotiate, and determine prices fair and reasonable based on the vendor’s Federal Government MFC. However, identifying the MFC as “Federal Government” is not allowed. A specific Federal Government agency or department must be identified for this purpose.

(b) If the vendor is a dealer/reseller -

- Obtain CSP information from the vendor's source, generally the manufacturer. This information is addressed in paragraph (5) of the CSP disclosure. Negotiations should be based on the presumption that the dealer/reseller will get the manufacturer's MFC pricing. This does not make the government a party to the relationship between the dealer/reseller and the manufacturer, but it is a reasonable basis for setting negotiations objectives with the dealer/reseller.
- If obtaining CSP information from the vendor’s source isn’t possible, COs can still set price negotiation objectives, negotiate, and determine prices fair and reasonable based on the vendor’s Federal Government MFC. However, identifying the MFC as “Federal Government” is not allowed. A specific Federal Government agency or department must be identified for this purpose.

(4) The Federal Government agency/department MFC **cannot** be designated as the BOA for purposes of GSAR clause [552.238-81 Price Reductions](#). Per subparagraph (d)(2) of this clause, federal sales do not trigger a price reduction. In order to provide price protection to the contract, the designated BOA must be a commercial customer or category of customers.

(5) Since all sales are to the Federal Government for this vendor, there is no way to designate a specific commercial customer as the BOA. Instead, the CO must identify the BOA as the category of "All Commercial Customers." If the vendor continues to sell exclusively to the Federal Government, no price reduction will be triggered during the contract period. However, doing this provides GSA some level of contractual price protection in the event the vendor changes its business model after award and begins to sell commercially.

(6) If at any time after award of the contract the vendor establishes commercial sales, the CO should review updated CSP information and modify the contract to identify the appropriate commercial customer or category of customers as the BOA, along with the applicable price/discount relationship.

Horizontal Price Analysis Techniques

1. What is horizontal price analysis?

Horizontal price analysis is a price analysis technique where the CO compares the prices proposed by the vendor to market prices for the same or similar items. Horizontal price analysis is consistent with the price analysis techniques outlined in FAR [15.404-1\(b\)\(2\)](#), and it is used for both traditional and TDR offers and contracts.

2. How can horizontal pricing data from pricing databases be used to support a determination of fair and reasonable pricing?

Pricing databases can be used to assess the relative competitiveness of a vendor's price to other vendors' prices. However, these tools are to be used only as part of a larger negotiation objective development strategy that seeks fair and reasonable pricing.

COs should use any contract-level horizontal pricing data that's relevant and available to the maximum extent practicable, e.g., via pricing databases like [4P](#) and the [Contract-Awarded Labor Category](#) (CALC) tool.

3. How do I ensure horizontal pricing data from pricing databases is used correctly?

It is important to use pricing databases appropriately and in accordance with their instructions. Horizontal price analysis must be based on valid price comparisons that meet the criteria of "same or similar," as prescribed by FAR subpart [15.4](#). Be sure to fully document any assumptions or adjustments made (e.g., for different delivery terms, volume discounts, prompt payment discounts, etc.). Use the most reliable pricing information and an appropriate basis to establish acceptable price ranges.

Cost Analysis Techniques

1. What is cost analysis?

The FAR defines cost analysis as, "... the review and evaluation of any separate cost elements and profit or fee in a vendor'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" (see FAR [15.404-1\(c\)\(1\)](#)).

2. When can cost analysis techniques be used for the evaluation of FSS pricing?

FAR [15.404-1](#) describes analytical techniques that may be used to ensure that prices are fair and reasonable. Subparagraph (a)(4) states that cost analysis may be used to evaluate *data other than certified cost and pricing data* to determine cost reasonableness or cost realism **when a fair and reasonable price cannot be determined through price analysis alone** for commercial products and commercial services.

Some vendors opt to submit cost data in support of offered pricing because the terms and conditions under which they transact business with their major customers are based on cost. It is appropriate and allowable for COs to use cost analysis techniques to evaluate *data other than certified cost or pricing data* in these cases, or in any case where price analysis alone does not allow the CO to make an affirmative determination of price reasonableness. The overriding consideration should be the business practices of the vendor and the validity and reliability of the submitted data.

3. What specific authorities allow cost analysis techniques be used when evaluating *data other than certified cost and pricing data*?

A. FAR [15.402](#) provides a hierarchy of preference for determining the type of information the CO should use to assess what is fair and reasonable.

(1) The first preference tier within this hierarchy (see FAR [15.402\(a\)\(2\)\(i\)](#)) relates to prices determined by adequate price competition and is not relevant to offers and contracts under the FSS program.

(2) The second preference tier (see FAR [15.402\(a\)\(2\)\(ii\)](#)) references the use of *data other than certified cost or pricing data*. This term is defined in FAR [2.101](#) as follows:

Data other than certified cost or pricing data means pricing data, cost data, and judgmental information necessary for the contracting officer to determine a fair and reasonable price or to determine cost realism. Such data may include the identical types of data as certified cost or pricing data, consistent with Table 15-2 of FAR [15.408](#), but without the certification. The data may also include, for example, sales data and any information reasonably required to explain the vendor's estimating process, including, but not limited to -

(a) The judgmental factors applied and the mathematical or other methods used in the estimate, including those used in projecting from known data; and

(b) The nature and amount of any contingencies included in the proposed price.

B. As outlined in FAR [15.402\(a\)\(2\)\(ii\)](#), *data other than certified cost or pricing data* includes the use of information related to –

(1) Prices (e.g., established catalog or market prices, and sales to non-governmental and governmental entities) relying first on data available within the government; second, on data obtained from sources other than the vendor; and, if necessary, on data obtained from the vendor. When obtaining data from the vendor is necessary, unless an exception under [15.403-1\(b\)\(1\) or \(2\)](#) applies, such data submitted by the vendor shall include, at a minimum, appropriate data on the prices at which the same or similar items have been sold previously, adequate for evaluating the reasonableness of the price.

(2) **Cost data to the extent necessary for the contracting officer to determine a fair and reasonable price.**

C. FAR [15.402\(a\)\(3\)](#) allows COs to use “techniques such as, but not limited to, price analysis, **cost analysis**, and/or cost realism analysis to establish a fair and reasonable price.” So while it is important to request only what is necessary, cost data may be requested and evaluated via cost analysis techniques when the situation calls for it.

4. What kinds of cost analysis techniques can be used?

Per FAR [15.404-1\(c\)\(2\)](#), the government may use various cost analysis techniques to ensure a fair and reasonable price, based on the circumstances (i.e., complexity) of the acquisition. Techniques include the following:

- A. Verification of cost data or pricing data and evaluation of cost elements
- B. Evaluating the effect of the vendor's current practices on future costs
- C. Comparison of costs proposed by the vendor for individual cost elements
- D. Verification that the vendor's cost submissions are in accordance with the contract cost principles and procedures in FAR [part 31](#) *Contract Cost Principles and Procedures* and, when applicable, the requirements and procedures in 48 CFR chapter 99, *Cost Accounting Standards*
- E. Review to determine whether any cost data or pricing data necessary to make the vendor's proposal suitable for negotiation, have not either been submitted or identified in writing by the vendor
- F. Analysis of the results of any make-or-buy program reviews, in evaluating subcontract costs

5. What kinds of information and tools are available to assist COs with cost analysis?

A. If the vendor has a prime contract with the Department of Defense, they may be able to provide DCAA rate information for labor, fringe, overhead, general and administrative (G&A), and material handling. Examples of the type of rate information that may be available from DCAA include:

- Forward Pricing Rate Agreements (FPRAs) - FPRAs are a written agreement negotiated between a contractor and the government to make certain rates available during a specified period for use in pricing contracts or modifications.
- Forward Pricing Rate Recommendations (FPRRs) - While DCAA has the primary responsibility for monitoring and auditing the accounting systems of contractors, the Defense Contract Management Agency (DCMA) performs contract administration services and, in the absence of FPRAs, will establish FPRRs based on DCAA input until the DCAA audit is complete.
- Provisional Billing Rates (PBRs) - "Provisional" implies subject to change and approved on an interim basis by DCMA/DCAA. Usually only good for one year.

B. FAS has a [Memorandum of Understanding \(MOU\)](#) with DCAA addressing contract audit coverage and related audit services.

(1) COs can check to see if a vendor has existing DCAA rate information available by following the steps below:

(a) Visit www.dcaa.mil.

(b) Click on the “Locator” drop-down box at the top of the screen.

(c) Select the appropriate location for the vendor (U.S./CONUS or Outside the Continental U.S./OCONUS).

(d) Input the appropriate search criteria (CAGE Code, DUNS Number, or Zip Code).

(e) Contact the assigned DCAA Field Acquisition Office indicated in the results. Mention that FAS has an MOU in place with DCAA and that this is an inquiry to determine whether there is rate information available for the vendor.

(2) If necessary, the FAS/DCAA MOU also allows FAS to request a pre-award audit from DCAA on a reimbursable basis. Please see the MOU for details.

C. To help find direct labor rates realistic and reasonable, the following techniques and tools are available:

(1) If DCAA provided the actual current hourly pay rates, use those direct labor rates as a first level of analysis.

(2) Compare the direct labor rate to the rates found on the [Bureau of Labor Statistics Wage Data By Area and Occupation](#) website - by area and occupation. Download the file to get access to additional information, including the hourly and annual 10th, 25th, 75th, and 90th percentile wages and the employment percent relative standard error.

(3) Compare the fully burdened rates to rates found via available GSA price estimating tools.

6. Where can I learn more about cost analysis techniques?

The following resources provide additional information regarding cost analysis techniques:

A. [Volume 3 - Cost Analysis](#) of the [Contract Pricing Reference Guides](#)

B. GSAM [515.404-70 Profit Analysis](#)

C. [GSA Form 1766](#) *Structured Approach Profit/Fee Objective*

Prices-Paid Information

1. What is prices-paid information?

Prices-paid information is a type of horizontal pricing data that consists of market prices for the same or similar items. Paragraph (b)(2)(ii) of FAR [15.404-1](#) describes it as, “Comparison of the proposed prices to historical prices paid, whether by the Government or other than the Government, for the same or similar items.”

2. When can prices-paid information be used for the evaluation of FSS pricing?

The use of prices-paid information is addressed as one of the various price analysis techniques in FAR [15.404-1](#) that can be used to ensure a fair and reasonable price. Paragraph (b)(2)(ii) further outlines the following requirements for use of prices-paid information:

A. The prior price must be a valid basis for comparison. If there has been a significant time lapse between the last acquisition and the present one, if the terms and conditions of the acquisition are significantly different, or if the reasonableness of the prior price is uncertain, then the prior price may not be a valid basis for comparison.

B. The prior price must be adjusted to account for materially differing terms and conditions, quantities and market and economic factors. For similar items, the contracting officer must also adjust the prior price to account for material differences between the similar item and the item being procured.

C. Expert technical advice should be obtained when analyzing similar items, or commercial items that are "of a type" or requiring minor modifications, to ascertain the magnitude of changes required and to assist in pricing the required changes.

The use of prices-paid information is also indicated in the GSAM as a “readily available” type of data that must be considered for vendors participating in TDR, i.e., when GSAM [538.270-2](#) *Evaluation of offers with access to transactional data* applies.

3. Where can COs find prices-paid information?

Prices-paid information can be obtained from sources such as the following:

A. [4P](#) includes prices-paid information obtained from orders placed through GSA *Advantage!*. Prices-paid information is identified in the report as Transaction Minimum Price, Transaction Average Price, Transaction Median Price, and Transaction Maximum Price.

B. [FAS Sales Reporting Portal \(SRP\)](#) - COs can access summary and raw transactional level data for the contracts assigned to them in FSS Online. Note that transactional data is only available for TDR vendors.

C. *Data other than certified cost or pricing data* submitted in accordance with FAR [15.403-3](#) (e.g., invoices) can be used to obtain prices-paid information.

4. How do COs request access to view FAS SRP transactional data?

All COs are required to have access to SRP. COs can request access by completing the following steps:

A. Go to the [GSA IT Self-Service Portal](#) and search for “FAS Sales Reporting Portal.” Complete and submit the form.

B. Complete the [Transactional Data Training](#) by following all the steps listed in the instructions. The forms identified in the training will need to be signed by the CO and the CO’s supervisor and submitted to the specified folder listed in the instructions.

C. Once the CO has been granted access, they will also be able to use the [MAS Sales and Payment Dashboard](#).