

Program Cost Analysis Guide

**INTRODUCTION**

This cost analysis guide provides a framework for determining prices and evaluating reasonableness of costs associated with the operation of Workforce Innovation and Opportunity Act (WIOA) Title I-funded activities in the Workforce Development Board (WDB) service area.

An objective cost/price analysis will enable the WDB to provide the services available to the greatest number of people. The object of the WIOA is to help people obtain employment. A contract that is obtained for the best price is one that most efficiently uses the available funds to provide quality services to the most participants. This is the goal of the WDB, and an objective cost analysis will help the WDB to determine the best service providers.

In performing cost analysis, the assigned staff must perform discrete functions. First, they must verify the cost and pricing data submitted and evaluate the cost elements in that data. This includes judging the necessity for and reasonableness of proposed costs, including allowances for specific contingencies. It also includes evaluating the service provider's cost trends on the basis of current and historical cost or pricing data. This function also includes conducting a technical appraisal of the estimated labor, material, and other requirements proposed. This first analysis step may also require evaluators to apply negotiated, audited, or proposed indirect cost rates to determine the contract price, where such rates are proposed.

A second element of cost analysis is comparison of costs proposed by service providers with other data. This data includes actual costs incurred by the same service provider in the past. Cost analysis can also compare the current proposed costs with previous cost estimates from the same service provider or from other service providers for the same or similar items. It is appropriate and helpful to compare costs with those proposed by other service providers in the same procurement process.

In addition, a cost analysis will be performed to verify that the service provider's submitted costs are in accordance with applicable contract cost principles. These cost principles define and describe the meanings and limits of a variety of costs. Costs that do not conform to these meanings and limits are not allowable. State or local laws and regulations may make certain costs unallowable or place limits on costs in addition to those cited in WIOA provisions or regulations.

## **ANALYSIS PROCEDURE**

The cost analysis procedure may vary by program; the reviewer may require more justification of some types of programs than other types in order to strengthen the capability to analyze costs. However, common elements for the reviews of all programs include the following steps:

1. check computations,
2. review for completeness of information;
3. review for proper cost categorization
4. determine the estimating base, and
5. determine the allowability of the proposed estimate.

Allowability includes:

- Necessity
- Reasonableness
- Terms of the contract
- Cost principles
- WIOA regulations or policies
- State policies, and
- WDB policies.

In addition to these guidelines, the WDB may employ any or all of the following procedures to determine cost reasonableness:

1. development of an independent estimate for planning and comparison purposes,
2. comparison of competitive bids, where available,
3. comparison of prior quotations/contracts with current proposals for the same or similar programs,
4. comparison of prices on published price lists,
5. comparing the proposer's estimated cost to actual costs incurred for former programs of the same or similar nature (historical cost data should be adjusted for inflation and any upward or downward price trends), and
6. any other cost analysis available.

It is equally important that the contract reviewer have a technical understanding of the contract requirements. In addition to the ability to determine excess costs, the reviewer should be reasonably certain the proposer has requested enough funding to fulfill contract requirements.

## **CONTRACT**

All contract applications will require detailed line item budgets.

## **MODIFICATION**

Where contract modifications that affect the contract budget are justified and allowed in the WIOA Administrative Entity's procurement policy, another cost analysis must be performed.

## **OPTION YEAR(S)**

Where solicitations seek second-year or third-year operations or option year cost proposals from service providers, these proposals will be subject to the same detailed cost/price analysis as the first year. The reviewer must examine how the subsequent year costs will change from the ones in the first year. Unless the RFP calls for a reduced scope of work in the subsequent year, usually the work will be the same.

However, in nearly all instances, costs may change. For example, inflation occurs, contractor personnel usually receive pay raises, etc. Thus, the cost of labor and materials usually rise, but they do not rise equally. Also, improvements in efficiency and the work experience level of personnel can result in lower costs. The reviewer will have to analyze the second year costs in the same manner as other costs.

## **DOCUMENTATION**

Documentation is vital to the cost analysis process. It provides a record of the entire analysis and will be used to justify actions taken. Documentation will be used to justify the rating given to a particular offeror, to use as a basis for discussion and negotiation with the offeror, to use in the event of a challenge of the award, and finally to use during contract monitoring and administration.

**COST ANALYSIS WORKSHEET**

**Part I – General**

Bidder:		
1.	Offeror computations checked and verified  Problems/Comments:	<u>Yes</u> <u>No</u>
2.	All necessary cost elements included  Problems/Comments:	<u>Yes</u> <u>No</u>
3.	Offeror supporting documentation and justification complete  Problems/Comments:	<u>Yes</u> <u>No</u>
4.	WIOA cost categorization (Administration, Program)  Correctly categorized  Need more information (detail below)  Problems/Comments: It is with	<u>Yes</u> <u>No</u>

**Part II – Specific Costs**

<b>Cost Element</b>	<b>Necessary/Reasonable</b>	<b>Basis for Judgment (Check One or More)</b>
1. Staff Costs	<u>Yes</u> <u>No</u>	Independent Agency Estimate Compared/Other Current Offers Compared/Past Offers Verified Market Price or Quote Other (Specify)
Comments/Concerns/Problems:		
2. Fringe Benefits (For tax-based elements, be sure that rates and bases are current.)	<u>Yes</u> <u>No</u>	Independent Agency Estimate Compared/Other Current Offers Compared/Past Offers Verified Market Price or Quote Other (Specify)
Comments/Concerns/Problems:		

<b>Cost Element</b>	<b>Necessary/Reasonable</b>	<b>Basis for Judgment (Check One or More)</b>
3. Materials Training/Program	<u>Yes</u> <u>No</u>	Independent Agency Estimate Compared/Other Current Offers Compared/Past Offers Verified Market Price or Quote Other (Specify)
Comments/Concerns/Problems:		
4. Materials Supplies/General	<u>Yes</u> <u>No</u>	Independent Agency Estimate Compared/Other Current Offers Compared/Past Offers Verified Market Price or Quote Other (Specify)
Comments/Concerns/Problems:		

<b>Cost Element</b>	<b>Necessary/Reasonable</b>	<b>Basis for Judgment (Check One or More)</b>
5. Equipment	<u>Yes</u> <u>No</u>	Independent Agency Estimate Compared/Other Current Offers Compared/Past Offers Verified Market Price or Quote Other (Specify)
Comments/Concerns/Problems:		
6. Facilities	<u>Yes</u> <u>No</u>	Independent Agency Estimate Compared/Other Current Offers Compared/Past Offers Verified Market Price or Quote Other (Specify)
Comments/Concerns/Problems:		

<b>Cost Element</b>	<b>Necessary/Reasonable</b>	<b>Basis for Judgment (Check One or More)</b>
7. Communications (for example: telephone, website)	<u>Yes</u> <u>No</u>	Independent Agency Estimate Compared/Other Current Offers Compared/Past Offers Verified Market Price or Quote Other (Specify)
Comments/Concerns/Problems:		
8. Insurance/Bonding	<u>Yes</u> <u>No</u>	Independent Agency Estimate Compared/Other Current Offers Compared/Past Offers Verified Market Price or Quote Other (Specify)
Comments/Concerns/Problems:		



<b>Cost Element</b>	<b>Necessary/Reasonable</b>	<b>Basis for Judgment (Check One or More)</b>
9. Staff Travel	<u>Yes</u> <u>No</u>	Independent Agency Estimate Compared/Other Current Offers Compared/Past Offers Verified Market Price or Quote Other (Specify)
Comments/Concerns/Problems:		
10. Consultants	<u>Yes</u> <u>No</u>	Independent Agency Estimate Compared/Other Current Offers Compared/Past Offers Verified Market Price or Quote Other (Specify)
Comments/Concerns/Problems:		

<b>Cost Element</b>	<b>Necessary/Reasonable</b>	<b>Basis for Judgment (Check One or More)</b>
11. Accounting/Audits	<u>Yes</u> <u>No</u>	Independent Agency Estimate Compared/Other Current Offers Compared/Past Offers Verified Market Price or Quote Other (Specify)
Comments/Concerns/Problems:		
12. Legal Services	<u>Yes</u> <u>No</u>	Independent Agency Estimate Compared/Other Current Offers Compared/Past Offers Verified Market Price or Quote Other (Specify)
Comments/Concerns/Problems:		

<b>Cost Element</b>	<b>Necessary/Reasonable</b>	<b>Basis for Judgment (Check One or More)</b>
13. Photocopying/Printing	<u>Yes</u> <u>No</u>	Independent Agency Estimate Compared/Other Current Offers Compared/Past Offers Verified Market Price or Quote Other (Specify)
Comments/Concerns/Problems:		
14. Supportive Services	<u>Yes</u> <u>No</u>	Independent Agency Estimate Compared/Other Current Offers Compared/Past Offers Verified Market Price or Quote Other (Specify)
Comments/Concerns/Problems:		

<b>Cost Element</b>	<b>Necessary/Reasonable</b>	<b>Basis for Judgment (Check One or More)</b>
15. Indirect Costs (When proposed, ensure that costs not duplicated in direct costs.)	<u>Yes</u> <u>No</u>	Independent Agency Estimate Compared/Other Current Offers Compared/Past Offers Verified Market Price or Quote Other (Specify)
Comments/Concerns/Problems:		
16. Subcontracts (Review subcontractor cost/price proposal)	<u>Yes</u> <u>No</u>	Independent Agency Estimate Compared/Other Current Offers Compared/Past Offers Verified Market Price or Quote Other (Specify)
Comments/Concerns/Problems:		

<b>Cost Element</b>	<b>Necessary/Reasonable</b>	<b>Basis for Judgment (Check One or More)</b>
17. Other (Specify)	<u>Yes</u> <u>No</u>	Independent Agency Estimate Compared/Other Current Offers Compared/Past Offers Verified Market Price or Quote Other (Specify)
Comments/Concerns/Problems:		
18. Other (Specify)	<u>Yes</u> <u>No</u>	Independent Agency Estimate Compared/Other Current Offers Compared/Past Offers Verified Market Price or Quote Other (Specify)
Comments/Concerns/Problems:		

**Part IV – Conclusions**

Prepare a brief narrative citing:

- 1) Specific additional cost justifications needed;
- 2) Recommended adjustments to specific cost elements; and
- 3) Any other comments about cost/price proposal.

(Use another sheet of paper if additional space is needed.)

**Part V – Signature(s)**

**Completed by:** \_\_\_\_\_

**Date:** \_\_\_\_\_