COST ANALYSIS

Purpose: To establish cost reasonableness through comparison to recognized standards.

1. Identify the who, what, when, where and why:
   - Person preparing analysis and date prepared.
   - Grantee/sub grantee (applicant) and Federal Information Processing Standard (FIPS)/applicant ID number.
   - Project title.
   - Address and facility being analyzed (if applicable).
   - Project worksheets (PWs) numbers and versions, if applicable.
   - Cost analyzed (using contract, estimates, invoices, etc.).

2. Describe the project’s history:
   - Brief introduction of the damaged elements that require cost analysis.

3. Describe the party requesting the cost analysis and its intended purpose. Include relevant background information:
   - Brief introduction of cost analyzed, purpose and the party requesting cost analysis.

4. Describe the key points of your cost analysis:
   - Define the Scope of Work (SOW) and correlate to cost.
   - Segregate the project’s eligible and ineligible costs. It is important to identify and include both.
   - Define the costs expended by the applicant that require cost analysis.
   - Define the quantity and quality of items used for the cost analysis to justify cost reasonableness.
   - Break down how much individual parts of the project will cost.
   - Explain how those costs correspond with your project’s cost.

5. Define the type of procurement:
   - Describe how you intend to buy (lump sum, unit price, etc.).

6. Identify the specific method of cost comparison:
   - There are many different methods of comparison, including but not limited to:
     - Pre-disaster price for similar work.
     - Average costs for similar work in the same market.
     - National or industry recognized costs, from sources such as RSMeans or Marshal & Swift.
     - Others.
7. Explain the ways in which your selected comparables are alike; why “this is like that:”
   - Adjust those comparables to account for any relevant differences such as:
     - Inflation (time value of money).
     - Price volatility in raw materials.

8. Conclusion:
   - Is the cost reasonable or not?

9. Recommendation (if applicable):
   - What action do you want taken?

10. Include all references, citations and back up documentation relevant to your cost analysis.

Potential speed bumps that can impact your cost analysis:
   - Location/market.
   - Historic preservation.
   - Market conditions:
     - Scarcity.
     - Supply and demand.
   - Applicant-specific circumstances:
     - Capacity.
     - Financial condition.
   - Land acquisition costs (price of land).
   - Professional service needs:
     - Architects/engineers.
     - Project management.
   - Freight/mobilization.
   - Quality of materials needed:
     - Finishes or materials dictated by the technical specifications.