

PUBLIC ASSISTANCE ALTERNATIVE PROCEDURES PILOT PROGRAM



FEMA

Validation of Subgrantee-Provided Cost Estimates Job Aid

This job aid outlines the process the Federal Emergency Management Agency (FEMA) will use to review and validate cost estimates submitted by Subgrantees to FEMA for permanent work subgrants under the Public Assistance (PA) alternative procedures pilot program. The Sandy Recovery Improvement Act of 2013 authorized FEMA to accept certified cost estimates submitted to FEMA by a Subgrantee's licensed professional engineer or other estimating professional. FEMA will accept cost estimates from Subgrantees for projects, pursuant to the *Public Assistance Alternative Procedures Pilot Program Guide for Permanent Work*.

Note: FEMA does accept cost estimates provided by Subgrantees for projects under PA standard procedures. While this job aid is issued for use in implementing the PA alternative procedures pilot program, the process may also be used in validating Subgrantee cost estimates under standard procedures.

Subgrantee-Provided Cost Estimates

As part of the PA alternative procedures pilot program, FEMA will consider Subgrantee-provided cost estimates where the estimates:

- Have been prepared by a licensed professional engineer or other estimating professional, such as a licensed architect or certified professional cost estimator;
- Have been certified by the professional, in accordance with applicable state licensing and certification requirements;
- Contain sufficient detail for FEMA to use the estimate for review, approval and obligation of subgrant funding (the Subgrantee may prepare the estimate using the Cost Estimating Format [CEF] or a methodology and format consistent in level of detail to that of the CEF); and
- Reflect costs for the eligible scope of work and comply with applicable PA Program regulations, policy, and guidance.

FEMA will not accept cost estimates where the estimates:

- Are based on lump-sum figures (e.g. "Replace bridge, LS, \$1M");
- Do not include unit costs; or
- Include costs for ineligible scopes of work.

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Validation Process

The steps for validating Subgrantee-provided cost estimates are as follows:

1. Review the scope of work and cost estimate to verify that only eligible items are included.

The cost estimate must reflect the damage description and dimensions agreed upon by FEMA, the Grantee and the Subgrantee; and the eligible scope of work. If the cost estimate does not reflect these elements, FEMA may remove the ineligible components from the estimate (and notify the Grantee and Subgrantee accordingly), or notify the Grantee and Subgrantee that the estimate will not be accepted unless the Subgrantee revises the estimate to include only eligible work.

2. Determine whether unit costs are from an approved source of industry standard information.

The Subgrantee's licensed professional engineer or other estimating professional should attempt to obtain average weighted unit prices (local costs derived from actual contract history) from the Subgrantee, or from a relevant State or regional agency when preparing the cost estimate. However, if appropriate local data cannot be developed, industry standard construction cost estimating resources (e.g., RSMeans, BNi Costbooks, Marshall & Swift, Sweet's and Unit Cost Guide) are the recommended sources, based on their wide acceptance in the industry and the availability of data for nationwide use. When validating the estimate, the reviewer must ensure that the current cost data publications are used.

While industry standard construction cost estimating resources are recommended for use, these publications may not always provide work items that are appropriate or applicable to the construction activities required to complete the project. There are numerous sources that may be used in the preparation of cost estimates when it is determined that industry standard cost data are not appropriate. Additional sources include:

- Historic documentation and average costs for similar work in the area;
- Local cost data from the State Department of Transportation or other State agency for construction of similar facilities in the locality; and
- Contract unit costs from recently completed projects.

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3. Determine the components of unit costs.

Ensure that the components that make up the unit costs are fully understood. The purpose of this review is to ensure that components of the unit costs are not duplicated elsewhere in the cost estimate. Considerations include the following.

- Each unit cost should represent a complete and in-place cost that includes all labor, equipment, materials, small tools, incidentals, and hauling costs necessary to complete that element of work.
- Determine whether subcontractor overhead and profit and general contractor overhead and profit are included in unit costs and ensure that these costs are not duplicated elsewhere in the estimate. Cost estimating publications typically provide unit costs with and without overhead and profit for subcontractors; determine which is used. Sources other than industry standard construction cost estimating, such as contract or bid unit costs should be analyzed to determine if general contractor overhead and profit are included in the unit costs.
- Ensure that unit costs do not contain components for surveying, construction inspection, or permit compliance fees. (These costs may be eligible, but may be represented elsewhere in the estimate.)
- Systems (e.g., heating, ventilation, and air conditioning systems) or subsystems (e.g., plumbing piping and air distribution ducts) may be represented as assemblies rather than as individual components.

If the estimate does not contain sufficient information related to the components of the unit costs, then a request for clarification or additional information will be requested from the Subgrantee.

4. Validate the cost estimate for completeness and reasonableness.

- a. Verify that all items of work included in the cost estimate are eligible, as noted above.
- b. Review all work activities required to complete the work, and confirm the quantities and units associated with each work item. As stated above, FEMA will not accept lump-sum estimates.
- c. If applicable, confirm that the appropriate locality adjustment factor from the cost estimating publication is used for each line item. If local average weighted unit prices (local costs derived from actual contract history) are used, a locality adjustment should not be used.
- d. Review a minimum of six of the ten largest cost items against local average weighted unit prices or industry standard construction cost data. (If there are less than ten cost items, review all of them.)
- e. Check a minimum of 25 percent of the remaining cost items against local average

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weighted unit prices or industry standard construction cost data.

- f. If the cost items checked are within 10 percent of the local average weighted unit prices or industry standard construction cost data, use the cost estimate for the subgrant, as described in step 5 below.
- g. If the item costs checked are not within 10 percent of the local average weighted unit prices or industry standard construction cost data, return the estimate to the Subgrantee, as described in step 6 below.

5. Incorporate the validated cost estimate into the subgrant.

If the estimate appropriately reflects the eligible scope of work and is determined to be reasonable, incorporate the estimate into the subgrant. The eligible cost should be summarized in the subgrant and the Subgrantee's estimate attached as backup documentation. Include reference to the validation of the cost estimate and any changes to the estimate that were made during the process. (See the *PA Alternative Procedures Pilot Program Standard Operating Procedure for Permanent Work* for additional information on appropriately entering information into the subgrant.)

6. Return cost estimates that cannot be validated to the Subgrantee for revision.

If the Subgrantee-provided cost estimate cannot be validated (see step 4.g. above) or if there are other deficiencies identified in the estimate (such as inclusion of ineligible work), the estimate should be returned to the Subgrantee (noting all deficiencies) for revision and re-submission.