Appendix L: Validation of Applicant-Provided Cost Estimates

This appendix provides a checklist that FEMA PA staff must use to review and validate cost estimates submitted to FEMA for large permanent work projects. FEMA staff may also use relevant portions of this checklist for emergency work.

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

1. **Verify that the estimate:**

☐ Is prepared by a licensed professional engineer or other estimating professional, such as a licensed architect or certified professional cost estimator[527] who certifies that the estimate was prepared in accordance with industry standards;

☐ Includes certification that the estimated cost directly corresponds to the repair of the agreed upon damage;

☐ Is based on unit costs for each component of the scope of work and not a lump sum amount; and,

☐ Contains a level of detail sufficient for FEMA to validate that all components correspond with the agreed-upon scope of work.

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

☐ The scope of work items in the cost estimate are required based on the agreed-upon damage description and dimensions.

☐ The scope of work included ineligible items, and FEMA has removed the ineligible components from the estimate. Documentation detailing the components removed and reason for removal is attached.

☐ The scope of work included ineligible items, and FEMA is returning the estimate to the applicant to revise.

3. **Determine whether unit costs are from an approved source of industry standard information and whether current cost data publications were used.[528]**

☐ The applicant used the following appropriate cost estimating resource(s):

- ☐ Industry standard construction cost estimating resource(s):

[527] In lieu of a license or certification, an individual with professional experience and proficiency in the field of cost estimating may prepare and sign the cost estimate.
[528] There are numerous sources that may be used in the preparation of cost estimates.

- ☐ RSMeans
- ☐ XActimate
- ☐ BNi Costbooks
- ☐ Marshall & Swift
- ☐ "Sweet's Unit Cost Guide"
- ☐ Other_____

☐ Local cost data from_____

☐ Contract unit costs from recently completed projects.

☐ Other: _____

☐ FEMA returned the estimate to the applicant to revise as the applicant did not use an appropriate cost estimate resource.

4. Determine the components of unit costs.[529]

☐ The estimate contained sufficient information related to the components of the unit costs:

☐ Each unit cost represented a complete and in-place cost that included all labor, equipment, materials, small tools, incidentals, and hauling costs necessary to complete that element of work.

☐ Unit costs were analyzed to determine if general contractor overhead and profit were included in the unit costs:

- ☐ Both general contractor and subcontractor overhead and profit are included in the unit costs and these costs are not duplicated elsewhere in the estimate or in the Cost Estimating Format (CEF).
- ☐ Overhead and profit are not included in the unit costs.
- ☐ Overhead and profit are duplicated in the estimate.
- ☐ Costs for surveying, construction inspection, and permit compliance fees are not duplicated (i.e., not included within a unit cost and separately in the estimate).

[529] 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.

☐ The estimate did not contain sufficient information related to the components of the unit costs. FEMA requested additional information from the applicant.

5. Validate the cost estimate for completeness and reasonableness.

☐ The costs of work items are reasonable based on a representative sample.

☐ FEMA has determined costs for items of work in the estimate to be unreasonable (see attached). Therefore, the estimate was returned to applicant to revise.

☐ All items of work included in the cost estimate are eligible.

☐ FEMA has removed ineligible items of work from the cost estimate (see attached).

☐ All work activities required to complete the work are quantified with unit costs.

☐ The cost estimate included lump sum amounts for work activities that need to be adjusted to unit prices. FEMA has returned the estimate to the applicant for revision.

☐ The appropriate locality adjustment factor from the cost estimating publication is used for each line item, as applicable. Where historical costs were used, a locality adjustment was not applied, but cost escalation factors were added.

☐ The appropriate locality adjustment factor from the cost estimating publication was not used (see attached) or, as historical costs were used, a locality adjustment was inappropriately applied.

☐ The following cost items are each within 10 percent of either 1) the local average weighted unit prices or 2) industry standard construction cost data:

  ☐ At least six of the ten largest cost items (or all cost items if there are less than ten), reviewed individually; and,

  ☐ At least 25 percent of the remaining cost items.

☐ Cost items checked are not within 10 percent of the local average weighted unit prices or industry standard construction cost data; therefore, the estimate was returned to applicant to revise.

Date Review Completed _____

Date of Information Requests to Applicant _____

Name of Reviewer _____

Reviewer Signature _____