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Jul 29, 2019

**PROCUREMENT CIRCULAR NO. 2020-02**

TO: Executive Branch Department/Agencies  
(Excluding DOE, UH, and HHSC)

FROM: Sarah Allen, Administrator 

SUBJECT: Price Reasonableness Determination – Form SPO-055

Effective immediately, all Chief Procurement Officer (CPO) Requests with a requested amount of \$100,000 or greater require submission of form SPO-055, Memorandum for Record (MFR) of Price Reasonableness Determination. The MFR is a tool that can be used as the summary page to attach your cost and pricing analysis. Price analysis is used to ensure that the overall price the State pays is fair and reasonable, and is required to be conducted for all procurements.

Note 1: Per HRS 103D-312 and HARs 3-122-121, formal Cost and Pricing Data analysis is required for certain procurements over \$100,000 which may include a level of cost analysis. SPO is NOT asking for formal cost and pricing data unless statutorily required. Rather, we are asking Departments to substantiate the proposed price is fair and reasonable within the respective market.

Note 2: All CPO requests over \$100,000 include emergency requests. Why do we ask this for emergencies over \$100,000? Government buyers must ensure Departments are not being gouged in this kind of pricing. This is a step that is required for FEMA reimbursement, so it is a good practice to follow. Governor-approved disaster procurements do not typically move through our SPO office, and therefore depending on the color of money (ie. FEMA matching or reimbursement), might or might not require pricing analysis.

In addition to submitting the SPO-055, agencies are required to attach supporting documentation for the proposed price. Depending on the price analysis method(s) selected, documentation may include but not limited to:

- Proposed prices based on adequate competition-abstracts
- Catalog prices and/or market research on comparable goods/services
- Historical pricing
- Independent government estimates

- Line item cost analysis, and cost realism analysis to obtain an opinion on price Reasonableness

Refer to SPO-055i (instructions) for summary guidance in completing and providing supporting documentation for the from SPO-055. The form, with instructions, is available on the SPO website, <http://spo.hawaii.gov>, located under the *Forms* tab.

Training Workshop #183 on Procurement Pricing with Pricing Manual is your Resource to understand the basic concepts of pricing and contains the full guidance for the Form SPO-055. SPO is currently developing the associated Cost Analysis class which is coming soon.

If your staff has any questions, please do not hesitate to contact one of the SPO Team members:

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Attachment: Form SPO-055