Independent Cost Estimate (ICE)

The ICE is the Grantee's estimate of the costs of the goods or services to be acquired under a contract or a modification. It serves as the Grantee's yardstick for evaluating the reasonableness of the contractor's proposed costs or prices.

The ICE also helps the Grantee determine the contracting method to be used. For example, if the costs can be estimated with a high degree of confidence in their accuracy, sealed bidding may be possible.

The Grantee may develop the ICE using its own employees, outside parties (e.g., consultants), or a combination of the two. If any outside party (whether compensated or not) assists in developing the ICE, the Grantee must take appropriate steps to ensure that organizational conflicts of interest are avoided and that the outside party does not obtain any competitive advantage from its advance knowledge of the Grantee's cost estimate.

The Contracting Officer shall prepare, or have prepared, an ICE commensurate with the purchase requirement. The level of detail will depend upon the dollar value of the proposed contract and the nature of the goods or services to be acquired. The ICE must be prepared **PRIOR** to the solicitation of offers. The requirements for ICEs are:

1. **For Micro Purchases (below $20,000)**, the Contracting Officer generally does not need to prepare an ICE. Price reasonableness normally will be based on a comparison with historical prices paid for the item, commercial catalog prices, or other offers.

2. **For purchases above $20,000 but less than the Simplified Acquisition Threshold ($250,000)**, documentation should be kept to a minimum. The ICE may be based on prior purchases, commercial catalogs, or detailed analyses (e.g., purchases for services).

3. **For purchases above the Simplified Acquisition Threshold,** the level of detail will vary but should be commensurate with the size (i.e., dollar value), complexity, and commercial nature of the requirement. ICEs are normally broken out into major categories of cost (e.g., labor, materials, and other direct costs such as travel, overhead, and profit). Commercially available products and services may require less detail as the marketplace tends to provide current reliable pricing information for commercially available products; a Grantee may also not need to break out components. Non-commercial type requirements, and work designed specifically for the Grantee, will require much more extensive estimation and a detailed ICE.

In developing the ICE, Grantee's may use:

- Price last paid for similar procurement
- Catalog price, or other advertised offers
- Comparison of previous bid prices
- Personal experience
- Other historical information
- Detailed analyses

The ICE serves as the primary in-house gauge of cost and price reasonableness, but it should not be relied upon to the exclusion of other sources of pricing information. Market conditions may fluctuate between the time the ICE is prepared and the receipt of offers. For example, materials or labor costs may have increased or decreased. If a significant period of time has elapsed, or the Grantee knows that certain market conditions have changed, the Contracting Officer should request that an updated ICE be prepared to use in evaluating offers.