TEXAS A&M UNIVERSITY-KINGSVILLE

Title: Price Validation
Procurement Rule No.: P-230

Approved by:
Date: 9/16/04

I. Purpose

Price validation is an integral part of the purchasing process. It is the purpose of this policy to provide guidelines to buying personnel when effecting purchases

II. Scope

This policy applies to all purchases.

III. General

It is the basic responsibility of all purchasing personnel to validate the reasonableness of all prices paid for goods and services. The preferred method is to conduct price analysis (the comparison of prices) when the quotations received are normally competitive. When price analysis cannot be performed (for example in an emergency), Buyers are to use cost analysis (an examination of elemental cost data within each quotation).

Departments are responsible to confirm all prices for orders less than $5,000.

To assure satisfaction of our needs at the lowest possible cost consistent with the best quality, service and delivery of required goods, the following factors should be considered in analyzing cost:

A. Cost Factors

1. Initial purchase price
2. F.O.B. point
3. Cash terms
4. Transportation costs
5. Lead time
6. Inventory cost
7. Quality control
8. Packaging and handling cost
9. Financial

Purchasing personnel are expected to be well informed about University needs and price/cost information pertinent to the goods and services required to meet those needs. The price validation process should include an examination of total costs and not simply the purchase price.