

Cost Analysis: Profit Evaluation Instructions

Uniform Guidance [200.323 \(a&b\)](#) requires that federal award purchases over \$150,000 without price competition have a cost analysis and profit evaluation completed. A cost analysis breaks down elements that make up a price. Those elements can be direct costs (direct labor, subcontracts, materials, facilities capital), indirect costs (indirect labor rates, overhead pools, general and administrative costs, etc.) and profit.

A cost analysis should be done when a *price* analysis is unavailable. *Price* analysis is usually the preferred approach to evaluate product options when possible. With this approach, the price of one provider's products or services is compared against competing alternatives or substitutes, i.e., quotes or formal bids. A *cost* analysis is generally more challenging because it is open to greater interpretation. This approach includes a thorough review of the itemized product and service components and related costs on the solution. Cost analysis should be used in conjunction with sole source requests, requests for proposals (RFPs)

The Office of Contracting & Procurement (OC&P) has provided a template for departments to work with suppliers (sample below). The template should be used as a guideline for departments to ensure that Uniform Guidance requirements are being followed. Template is available on the UG section of our [website](#).

It is the department's responsibility to ensure that the supplier completes the template correctly.

- **Purchase Title:** Title of solicitation, e.g., *Lab Equipment Upgrade*
- **Department:** The end-user who is responsible for overseeing the contract/project.
- **Direct Labor, Estimated Hours, Cost per Hour:** Direct Labor is an employee or worker who is directly involved in the production of the good (or service if applicable).
- **Materials:** Materials are what goes into making a product.
- **IT Support:** This would be if the good or service requires any IT support staff from the supplier for the duration of the project.
- **Overhead:** Overhead includes all ongoing business expenses not including or related to direct labor or direct materials used in creating a product or service, such as rent, utilities and insurance.
- **Subcontractors:** Subcontractors would be any outside help that the supplier may need to hire on a temporary basis, to complete the project, including estimated hours and rates.
- **Travel/Living:** Travel/living would cover any travel and living expenses that may need to be covered if the supplier has to travel for the project.
- **Tax:** Any tax that needs to be factored in; however, it must be noted that Rowan is tax-exempt in many areas.
- **Profit:** Profit should be given by percent, not overall dollar. In most cases, profit should not exceed 10% for most goods and services. For research, experimental, developmental, or new custom work, profit should not exceed 15%