

COST ANALYSIS

(To be used for all procurements except micropurchases)

A cost analysis must be performed when the offeror is required to submit the elements (i.e., labor hours, overhead, materials, etc.) of the estimated cost; e.g., under professional consulting and architectural and engineering services contracts.

A cost analysis will be necessary whenever adequate price competition is lacking and for sole-source procurements, including contract modifications or change orders, unless price reasonableness can be established on the basis of a catalog or market price of a commercial product sold in substantial quantities to the general public or on the basis of prices set by law or regulation.

Attached is a sample layout for the proposed costs. These costs are broken out into direct labor, overhead, facilities cost of capital, direct costs, fixed fee, and conclude with a total proposed cost. You should request the selected offeror to complete the attached form.

- Direct Labor:** Indicate each labor classification, the hours for that classification, the related hourly rate for that classification and the dollar total for that classification. At the bottom of the Direct Labor portion of the sheet, indicate the total hours and dollars for direct labor.
- Overhead:** Indicate the overhead rate being applied against direct labor. At the right, indicate the total overhead in dollars that results from the multiplication of the rate times the direct labor cost shown on this page.
- Facilities Cost of Capital:** Indicate the FCC rate being applied against direct labor. At the right, indicate the total FCC in dollars that results from the multiplication of the rate times the direct labor cost shown on this page.
- Direct Expenses:** List the direct expenses with a brief description and purchase price for the item. Indicate the total of these direct expenses at the bottom right of this portion of the sheet.
- Fixed Fee:** Indicate the fixed fee percentage for this project. This fee is to be applied against direct labor and overhead only, not against direct expenses or FCC. MDOT policy restricts the amount of profit in consultant contracts to no more than 11 percent. At the right, indicate the total of this calculation.
- Total:** At the bottom of the page, indicate the sum of the direct labor, overhead, FCC, direct expenses and fixed fee as calculated on this page.

The Derivation of Cost Proposal should be reviewed and analyzed by your agency using the following tools. Line up assistance from other experts such as staff who will be using the product/service or other agencies who have done similar procurements, etc.

- **Independent Cost Estimate.** Compare cost of bid or proposal with your independent cost estimate.
- **Published Prices.** (Competitor, government or industrial catalogs; advertisements; government price index).
- **A Technical Evaluation:** To assess quantitative and qualitative factors that influences the offered price.

Address such things as:

- a. Estimate of labor hours.
 - b. Reasonableness of proposed material type, quantity, necessity.
 - c. The need for acquiring equipment and which equipment should be considered as general purpose or unique to the performance of a particular contract.
 - d. The possibility and availability of grantee-furnished property.
 - e. Number, location, and need for any grantee-funded trips by contractor personnel.
 - f. A summary statement as to whether or not labor, material, travel, and other cost elements are reasonable along with the evaluator's rationale.
- **Accounting Records:** Accounting records can tell you the cost of a job but are of limited value in determining reasonableness. Technical skills and judgments are required to determine reasonableness and necessity of those costs.
 - **Auditor Pricing Support:** This provides verification of proposed costs and an examination of the vendor's estimates; for example, certain categories of materials, salaries of contractor personnel, or the actual cost elements may have contributed to an overhead rate. The auditor should also tell you of all prohibited costs included in the contractor's proposal.

PROJECT DESCRIPTION
INDEPENDENT COST ESTIMATE

DIRECT LABOR:

	CLASSIFICATION	PERSONAL HOURS	x	HOURLY RATE	=	LABOR COSTS
Total Hours						
Total Labor Costs						

OVERHEAD:

TOTAL LABOR	x	PERCENTAGE <small>(Enter as a percent, i.e. 25)</small>	=	TOTAL OVERHEAD

FACILITIES COST OF CAPITAL

TOTAL LABOR	x	PERCENTAGE <small>(Enter as a percent, i.e. 25)</small>	=	TOTAL FCC

DIRECT EXPENSES (List by item at Actual Cost to you - NO MARKUP)

	ITEM	TOTAL DIRECT COSTS
Total Direct Expenses		

FIXED FEE:

TOTAL LABOR	+	TOTAL OVERHEAD	x	PERCENTAGE <small>(Enter as a percent, i.e., 10) May not exceed 11 percent for consultant contracts.</small>	TOTAL FIXED FEE
GRAND TOTAL					

PROVIDE A SUMMARY OF YOUR COST ANALYSIS INCLUDING THE TOOLS UTILIZED AND THE BASIS ON WHICH YOU DETERMINE THE COST IS FAIR AND REASONABLE:

Negotiations - Required for A & E Procurements and may be appropriate for other RFP Procurements

For RFP procurements - were negotiations conducted with the selected vendor? Yes No

IF NO, WHY NOT?

FOR ALL A & E AND OTHER RFP PROCUREMENTS THAT CONDUCTED NEGOTIATIONS, DESCRIBE THE NEGOTIATIONS THAT OCCURED

PRINT NAME

Please print this form, sign and send to your OPT project manager

SIGNATURE	TITLE	DATE
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