

## DETERMINATION OF REASONABLENESS OF PROFIT

Assign an overall rating of low, medium, or high to each criterion, after analyzing each of the elements.

- A **Low** rating indicates a low level of effort; low profit justified.
- A **Medium** rating indicates an ordinary effort, *e.g.*, a standard curriculum, some assistance in program delivery, etc.; medium level of profit justified.
- A **High** rating indicates an extraordinary level of effort will be needed for program delivery, *e.g.*, innovative program, strong service to groups with barriers, etc.; high profit justified.

OFFEROR \_\_\_\_\_ Overall Rating \_\_\_\_\_

Rating completed by: \_\_\_\_\_ Date: \_\_\_\_\_

1. **Complexity of Work**      Low \_\_\_\_\_      Medium \_\_\_\_\_      High \_\_\_\_\_

Will the offeror be responsible for the full range of services for program participants, *i.e.*, recruitment, certification, assessment, case management, training, placement, follow-up through retention?

Yes \_\_\_\_\_      No \_\_\_\_\_      Somewhat \_\_\_\_\_

Will the offeror provide multiple training through several components, *i.e.*, basic skills, pre-employment skills, vocational skills, work-based training, job search?

Yes \_\_\_\_\_      No \_\_\_\_\_      Somewhat \_\_\_\_\_

Will the training be in higher skills, and will the offeror be required to serve a high number of individuals with multiple barriers?

Yes \_\_\_\_\_      No \_\_\_\_\_      Somewhat \_\_\_\_\_

Will the offeror be expected to achieve a high level of coordination in providing training or services?

Yes \_\_\_\_\_      No \_\_\_\_\_      Somewhat \_\_\_\_\_

Will the offeror be required to have an accounting system capability to make direct participant payments or reimburse employers directly?

Yes \_\_\_\_\_ No \_\_\_\_\_ Somewhat \_\_\_\_\_

2. **Contract Risk**      **Low** \_\_\_\_\_    **Medium** \_\_\_\_\_    **High** \_\_\_\_\_

Will the offeror be reimbursed for all expenses incurred in program delivery?

Yes \_\_\_\_\_ No \_\_\_\_\_ Somewhat \_\_\_\_\_

Is the program design new and/or innovative?

Yes \_\_\_\_\_ No \_\_\_\_\_ Somewhat \_\_\_\_\_

Will the offeror be required to achieve multiple program outcomes?

Yes \_\_\_\_\_ No \_\_\_\_\_ Somewhat \_\_\_\_\_

Is a high level of service required to hard to serve groups?

Yes \_\_\_\_\_ No \_\_\_\_\_ Somewhat \_\_\_\_\_

Are placement and retention goals high?

Yes \_\_\_\_\_ No \_\_\_\_\_ Somewhat \_\_\_\_\_

3. **Contractor Investment**      **Low** \_\_\_\_\_    **Medium** \_\_\_\_\_    **High** \_\_\_\_\_

Was the offeror required to develop an innovative, complex program design?

Yes \_\_\_\_\_ No \_\_\_\_\_ Somewhat \_\_\_\_\_

Will the offeror be responsible for managing services at multiple sites?

Yes \_\_\_\_\_ No \_\_\_\_\_ Somewhat \_\_\_\_\_

Will the complexity of the program require complex accounting and participant recordkeeping?

Yes \_\_\_\_\_ No \_\_\_\_\_ Somewhat \_\_\_\_\_

Will costs be reimbursed on a regular basis, or payments for performance made intermittently?

Yes \_\_\_\_\_ No \_\_\_\_\_ Somewhat \_\_\_\_\_

4. **Subcontracting**                      **Low** \_\_\_\_\_    **Medium** \_\_\_\_\_    **High** \_\_\_\_\_

Will the offeror rely on subcontracts for program delivery?

Yes \_\_\_\_\_ No \_\_\_\_\_ Somewhat \_\_\_\_\_

Could the level of subcontracting impact negatively the offeror's performance, *i.e.*:

- If OJT or customized training, the employer commits to hire prior to subcontracting; therefore, any negative impact would more likely be related to the offeror's inability to counsel and motivate the participant.
- If other types of training are subcontracted, with the offeror responsible for placement, poor training could negatively impact the offeror's ability to place the participant.
- If only support services are contracted, they would bear no impact on performance.

Yes \_\_\_\_\_ No \_\_\_\_\_ Somewhat \_\_\_\_\_

5. **Past Performance**                      **Low** \_\_\_\_\_    **Medium** \_\_\_\_\_    **High** \_\_\_\_\_

Past performance should be rated in terms of rewarding high performance with higher profit.

Give a **High** rating if in the previous year the offeror achieved all performance goals at a level of 90% - 100%.

Give a **Medium** rating if in the previous year the offeror achieved all performance goals at a level of 80% - 89%.

Give a **Low** rating if in the previous program year the offeror achieved only 70% - 79% of its performance goals.

If in the previous program year the offeror achieved less than 70% of its performance goals, its past performance should be considered unsatisfactory and negative consideration given to this criterion in determining reasonableness of profit/program income.

If the offeror did not have a contract in the previous program year, the lack of rating for this criterion should not negatively impact the determination of reasonable profit.

6. **Industry Profit Rates**

7. **Market Conditions**

**After a consideration of the aforementioned criteria, the rating schedule below will be used to determine a reasonable level of profit.**

- **LOW** Rating: A profit equal to 3% - 5% of proposed operating costs is considered reasonable.
- **MEDIUM** Rating: A profit equal to 6% - 8% of proposed operating costs is considered reasonable.
- **HIGH** Rating: A profit equal to 9% - 12% of proposed operating costs is considered reasonable.