

**STATE OF MICHIGAN**  
**DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET** November 16, 2011  
**PURCHASING OPERATIONS**  
**P.O. BOX 30026, LANSING, MI 48909**  
 OR  
**530 W. ALLEGAN, LANSING, MI 48933**

**CHANGE NOTICE NO. 9**  
**TO**  
**CONTRACT NO. 071B1300076**  
 (Supersedes Contract #071B7200042)  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR		TELEPHONE (517) 484-4240 <b>Bill Maxwell</b>
<b>Maximus Consulting Services, Inc.</b> <b>935 North Washington Avenue</b> <b>Lansing, MI 48906</b>  <b>billmaxwell@maximus.com</b>		
		BUYER/CA (517) 373-0325 <b>Angela Buren</b>
Contract Compliance Inspector: Tim Becker (517) 373-0447 becker1@michigan.gov <b>Central Cost Analysis and SWCAP Preparation</b> <b>Department of Technology, Management and Budget</b>		
CONTRACT PERIOD:		From: <b>October 14, 2010</b> To: <b>April 30, 2012</b>
TERMS	<b>N/A</b>	SHIPMENT <b>N/A</b>
F.O.B.	<b>N/A</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS		<b>N/A</b>

**NATURE OF CHANGE(S):**

Effective immediately, the following proposals are hereby INCORPORATED into this Contract (see attachments):

- DTMB – Building Occupancy Cost Allocation Plan - FY 11 Actual Costs \$ 24,000.00
- MDOT – FY 11 Actual Cost Allocation Plan & Indirect Cost Rate Proposal \$ 36,000.00

Total Value of Proposal: \$ 60,000.00  
 Remaining Amount Available on Contract: \$145,280.00

All other terms, conditions, specifications, and pricing remain the same.

**AUTHORITY/REASON:**

Per Agency/Contractor agreement and DTMB/Purchasing Operations' approval.

**TOTAL CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$2,325,000.00**

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**PROPOSAL TO THE  
MICHIGAN DEPARTMENT OF  
TECHNOLOGY, MANAGEMENT & BUDGET  
FOR A BUILDING OCCUPANCY  
COST ALLOCATION PLAN  
FY 11 ACTUAL COSTS**

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OCTOBER 2011

*CERTAIN PARTS OF THIS PROPOSAL MAY CONTAIN PROPRIETARY INFORMATION.  
PLEASE CONTACT MAXIMUS BEFORE RELEASING ANY PAGES MARKED PROPRIETARY*

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**PROPOSAL TO THE MICHIGAN DEPARTMENT OF  
TECHNOLOGY, MANAGEMENT AND BUDGET  
FOR A BUILDING OCCUPANCY  
COST ALLOCATION PLAN  
BASED ON ACTUAL COSTS FOR THE YEAR ENDED  
SEPTEMBER 30, 2011**

MAXIMUS Consulting Services, Inc. is pleased to present this proposal to the Department of Technology, Management and Budget for a Building Occupancy Cost Allocation Plan based on actual costs for the year ended September 30, 2011.

**BUSINESS ORGANIZATION**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary corporation of MAXIMUS, Inc. (MAXIMUS) is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division which specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has over 40 offices across the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

M.A.C. Building  
935 North Washington Avenue  
Lansing, MI 48906  
517-484-4240

**BACKGROUND**

The Facilities Management Division of the Department of Technology, Management and Budget is responsible for the management of several buildings and parking facilities at various locations around the State. These divisions receive no general fund appropriation to fund these

activities, but operate on revenues generated from building occupancy charges and parking rentals. Since building rental fees are charged to federal programs, the US Department of Health and Human Services has listed building occupancy as a Section II, billed cost, on negotiation agreements for the Statewide Cost Allocation Plan (SWCAP). As such, the Department must document to the Federal government the cost of providing services each year. In order to do so, the State must prepare a building occupancy cost allocation plan based on actual expenditures for each fiscal year.

### DESCRIPTION OF SERVICES

To meet the needs of the Department, MAXIMUS proposes to provide the following services:

Prepare the Building Occupancy Cost Allocation Plan (CAP) based on actual expenditures for the year ended September 30, 2011. MAXIMUS has prepared this plan for the past several years and will develop the FY 11 plan in a consistent manner with prior year plans. Preparation of the plan will include the following tasks:

- Building inventories will be reviewed and updated, including any changes to the square footage of any facility.
- Financial reports will be reviewed, and allocation bases for each index will be updated.
- Fixed asset reports will be reviewed and use charges will be developed for each facility.
- Work order projects will be reviewed and amortization schedules updated.
- The cost plan will be processed on the MAXIMUS proprietary system, *MaxCars*.
- A summary of cost vs. revenue for each building will be prepared, along with the federally required A-87 balance sheet.
- The cost plan and A-87 balance sheet will be submitted to the Department of Health and Human Services in Dallas Texas and negotiated by MAXIMUS on behalf of the State.

### DELIVERABLES

MAXIMUS will deliver three bound and one reproducible copy of the following document:

- Building Occupancy Cost Allocation Plan based on actual expenditures for year ended September 30, 2011 (including the A-87 Balance Sheet).

### EXPERIENCE AND QUALIFICATIONS

MAXIMUS is the nation's leading firm in providing cost allocation services to state and local governments. MAXIMUS currently serves nearly two thousand government cost allocation clients annually and can bring to this engagement a uniquely qualified staff of professionals with extensive experience in preparing cost allocation plans and other cost accounting services for state and local governments.

Furthermore, MAXIMUS has extensive experience in working with agencies of the State of Michigan. Since 1987, MAXIMUS has prepared the Statewide Cost Allocation Plan (SWCAP) through the Department of Technology, Management and Budget, Office of Financial Management. In addition, MAXIMUS has prepared numerous departmental cost allocation plans and indirect cost rate proposals, installed several random moment sampling systems, and worked on many other cost accounting projects for agencies of the State of Michigan. Attached is a partial listing of State of Michigan clients and references. A complete client listing for MAXIMUS is available upon request.

### STAFFING

MAXIMUS will assemble an experienced team of consultants to assist the Department of Technology, Management and Budget in this engagement. All staff will have experience in preparing cost allocation plans for agencies of the State of Michigan. The project director will be Mr. William Maxwell, the manager of our MAXIMUS Lansing office. Other staff will be assigned to the project as needed by Mr. Maxwell. The resume for Mr. Maxwell is included at the end of this proposal.

### TIMING AND FEES

MAXIMUS is prepared to begin work on the FY 11 actual building rental rate CAP as soon as the State can provide final financial information. It is anticipated that approximately three to four months will be necessary to complete the draft of the actual building occupancy costs. The actual building occupancy plan and A-87 balance sheet should be completed by June

30, 2012, the projected date for federal submission of the SWCAP. Federal negotiations of the plan will begin after submission. MAXIMUS will make every effort to expedite the process; however final approval of the plan can often take several months to a year.

Our contract with DTMB for preparation of the Statewide Cost Allocation Plan provides for other cost allocation projects to be completed under the provisions of that contract. We believe that this can be performed under the terms of this contract. Based upon 200 projected consultant hours at a rate of \$120 per hour, we are prepared to quote a fixed fee of \$24,000, including all expenses incurred by us. Our fees are based upon the following projected hours:

Project	Projected Hours	Hourly Rate	Amount
Building Rates Actual	200	\$120	\$ 24,000

- Payment would be due upon the submission of the plan to the Department of Health and Human Services in Dallas.

MAXIMUS appreciates the opportunity to submit this proposal. We look forward to assisting the Department of Technology, Management and Budget on this very important engagement. If you have any questions or require any additional information, do not hesitate to contact us at our Lansing office.

*No contractual commitments shall be established as the result of this proposal until the parties have executed in writing a mutually agreeable Agreement containing negotiated terms and conditions, or in this instance, the SWCAP contract has been amended to include this project.*

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MAXIMUS Consulting Services, Inc.

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**PROPOSAL TO THE  
MICHIGAN DEPARTMENT OF  
TRANSPORTATION  
FOR A CENTRAL SERVICES COST ALLOCATION  
PLAN AND FEDERAL INDIRECT COST RATE  
PROPOSAL  
FISCAL 2011 ACTUAL**

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OCTOBER 2011

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**Proposal to  
The Michigan Department of Transportation  
For Preparation of an FY 11 Actual  
Cost Allocation Plan & Indirect Cost Rate Proposal**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary of MAXIMUS, Inc. (MAXIMUS) is pleased to present this proposal to the Michigan Department of Transportation (MDOT) for the preparation and negotiation of the FY 11 Actual Departmental Cost Allocation Plan and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

MAXIMUS Consulting Services, Inc. is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division which specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has over 40 offices in the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

M.A.C. Building  
935 North Washington Avenue  
Lansing, MI 48906  
(517) 484-4240

**BACKGROUND**

The Michigan Department of Transportation receives substantial funding for the operation of various programs it administers from the Federal Government. The Department of Transportation spends considerable resources to administer these programs. These costs include administration, accounting services, personnel services, etc. plus the costs incurred by the State of Michigan and identified in the State's annual Statewide Cost Allocation Plan (SWCAP). The Federal government will reimburse the State a portion or all of the costs spent in supporting Federal programs if the State can document the expenses to the Federal Government.

In order to accomplish the actual recovery of the costs attributed to any particular program within the Department, a Departmental Cost Allocation Plan (DCAP) and Indirect Cost Rate Proposal must be prepared in accordance with OMB Circular A-87, Cost Principles for State and Local Governments.

The Department of Transportation submitted a Cost Allocation Plan and an Indirect Cost Rate Proposal based on actual expenditures for the year ended on September 30, 2009. Based on this submission, the Federal Highways Administration (FHWA) approved a fixed indirect cost rate for the Department of Transportation for FY 11.

Fixed indirect cost rates require that at the close of the fiscal year rates are reconciled to actual costs, and that adjustments be made to a subsequent year's rate to account for any difference or carry-forward. As such, the Department of Transportation needs to prepare a cost allocation plan and indirect cost rate proposal based on actual costs for FY 11 and submit the plan to FHWA for review and approval.

#### DESCRIPTION OF SERVICES

MAXIMUS proposes to provide the following services for the Michigan Department of Transportation:

1. Preparation of the DCAP based on actual costs for the year ended September 30, 2011. The DCAP would be prepared utilizing *MAXCARS*, software developed by MAXIMUS for the specific purpose of preparing cost allocation plans. As much as possible, the plan will be prepared consistent with the Department's most recent submission in that the same pools of indirect costs will be allocated. However, the cost pools will be amended as necessary to reflect 2011 actual circumstances.
2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2011. Actual FY 11 costs will be used as the basis for establishing a new fixed rate for use in FY 13.
3. Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's Federal Cognizant Agency, FHWA of the U.S. Department of Transportation.

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PLAN DEVELOPMENT

MAXIMUS proposes to develop for the Michigan Department of Transportation a departmental cost allocation plan by carefully applying the same proven work methods we use annually for over one thousand other cost plan clients across the nation.

Essentially, we critically review the prior year plans of the Department to assure that all allowable costs are included in the plan and that the plan conforms to the provisions of OMB Circular A-87. We will review all relevant prior audits and federal negotiation agreements to determine any changes agreed to and to correct any deficiencies that may have been identified.

After our review of prior information, we will collect appropriate current information for the development of the plan. Data to be collected includes appropriate organizational charts with adequate detail to identify divisions, bureaus and programs; appropriate financial records including detail appropriation and expenditure reports; and any required allocation statistics. MAXIMUS consultants will work with designated representatives of Financial Services to gather all necessary data.

After all the information is collected and any interviews conducted, our fieldwork will be completed. MAXIMUS consultants will then finalize the plan at our office. This minimizes any disruption to the normal operations of the Department. Upon completion of the plan we will develop an indirect cost rate proposal for the Michigan Department of Transportation.

When the plan and departmental rate proposal are complete, we will present draft documents to the appropriate Department officials for review and approval. The plan will be modified as necessary to incorporate any agreed to changes. After acceptance of the plan by the Department, we will finalize the plan and submit the documents to FHWA for review and approval.

EXPERIENCE AND QUALIFICATIONS

MAXIMUS is the nation's leading firm in providing cost allocation services to state and local governments. MAXIMUS currently serves nearly two thousand government cost allocation clients annually and can bring to this engagement a uniquely qualified staff of professionals with extensive experience in preparing cost allocation plans and other cost accounting services for state and local governments.

Furthermore, MAXIMUS has extensive experience in working with agencies of the State of Michigan. Since 1987, MAXIMUS has prepared the Statewide Cost Allocation Plan (SWCAP) through the Department of Technology, Management and Budget, Office of Financial Management. In addition, MAXIMUS has prepared numerous departmental cost allocation plans and indirect cost rate proposals, installed random moment sampling systems, and worked on many other cost accounting projects for the State of Michigan. A list of references from agencies of the State of Michigan is attached. A complete listing of all of our clients is available upon request.

### STAFFING

MAXIMUS will assemble an experienced team of consultants to assist the Department of Transportation in this engagement. The project team has prepared numerous cost allocation plans and indirect cost rate proposals for state agencies. Moreover, the team has extensive experience in negotiating cost allocation plans with cognizant Federal agencies on behalf of clients. The key members of the project team are as follows:

William Maxwell - Mr. Maxwell is the Director of our Lansing, Michigan office and is responsible for managing our clients with agencies of the State of Michigan. Mr. Maxwell would be the project manager and be responsible for project design, quality and oversight of the day-to-day development of the plan.

Nick Bohac - Mr. Bohac is a senior consultant assigned to our Lansing office. Mr. Bohac would assist Mr. Maxwell as needed with development of the plan and proposal.

Each of these individuals has extensive experience in preparing cost allocation plans and indirect cost rate proposals. Resumes for the key consulting team are included at the end of this proposal.

### COMPENSATION

Based upon our experience in preparing the last submission, we anticipate that the project will require a total of 300 consultant hours to complete. At our standard hourly rate of \$120, we are prepared to quote a fixed fee of \$36,000 including all expenses incurred by us. Payment would be due upon delivery of the final bound report.

**DELIVERABLES**

The Department would be provided with three (3) bound and one (1) clipped copy of the following:

**FY 2011 Actual Cost Allocation Plan & Indirect Cost Rate Proposal**

**TIMING**

Work cannot begin until the current fiscal year is closed and final financial reports are available. Therefore we do not anticipate a start date until sometime after January 1, 2012. After all necessary financial information is obtained, approximately three to four months will be necessary for completion of the draft. Preparation of the final report and their submission to the HHS will be at the discretion of the Department. Once submitted, negotiation and approval of the documents can take anywhere from several weeks to several months. We will make every attempt to expedite the process, but we must advise the Department of Transportation that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87.

MAXIMUS is pleased to have the opportunity to present this proposal. We look forward to assisting the Michigan Department of Transportation on this very important engagement.

*No contractual commitments shall be established as the result of this proposal until the parties have executed in writing a mutually agreeable Agreement containing negotiated terms and conditions, or in this instance, the SWCAP contract has been amended to include this project.*

**MAXIMUS Consulting Services, Inc.**

**STATE OF MICHIGAN**  
**DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET**    September 2, 2011  
**PURCHASING OPERATIONS**  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

**CHANGE NOTICE NO. 8**  
**TO**  
**CONTRACT NO. 071B1300076**  
 (Supersedes Contract #071B7200042)  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR		TELEPHONE (517) 484-4240 <b>Bill Maxwell</b>
<b>Maximus Consulting Services, Inc.</b> <b>935 North Washington Avenue</b> <b>Lansing, MI 48906</b>  <b>billmaxwell@maximus.com</b>		
		BUYER/CA (517) 373-0325 <b>Angela Buren</b>
Contract Compliance Inspector: Tim Becker (517) 373-0447 becker1@michigan.gov <b>Central Cost Analysis and SWCAP Preparation</b> <b>Department of Technology, Management and Budget</b>		
CONTRACT PERIOD:		From: <b>October 14, 2010</b> To: <b>April 30, 2012</b>
TERMS	<b>N/A</b>	SHIPMENT <b>N/A</b>
F.O.B.	<b>N/A</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS		<b>N/A</b>

**NATURE OF CHANGE(S):**

Effective October 31, 2011, this Contract is hereby EXTENDED through April 30, 2012. Additionally, funds in the amount of \$200,000.00 are hereby ADDED to this Contract.

All other terms, conditions, specifications, and pricing remain the same.

**AUTHORITY/REASON:**

Per Agency/Contractor agreement, Ad Board approval on 9/15/2011, and DTMB/Purchasing Operations' approval.

REVISED TOTAL CURRENT AUTHORIZED SPEND LIMIT:                    \$2,325,000.00  
 TOTAL REMAINING VALUE ON CONTRACT:                                 \$ 205,280.00

**Contract #071B1300076  
Change Notice No. 8  
Signature Block**

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**FOR THE CONTRACTOR:**

**Maximus Consulting Services, Inc.**

Firm Name

Authorized Agent Signature

Authorized Agent (Print or Type)

Date

**FOR THE STATE:**

Signature

**Jeff Brownlee, Chief Procurement Officer**

Name/Title

**DTMB-Purchasing Operations**

Division

Date

**STATE OF MICHIGAN**  
**DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET**  
**PURCHASING OPERATIONS**  
**P.O. BOX 30026, LANSING, MI 48909**  
 OR  
**530 W. ALLEGAN, LANSING, MI 48933**

August 9, 2011

**CHANGE NOTICE NO. 7**  
**TO**  
**CONTRACT NO. 071B1300076**  
 (Supersedes Contract #071B7200042)  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR  <b>Maximus Consulting Services, Inc.</b> <b>935 North Washington Avenue</b> <b>Lansing, MI 48906</b>  billmaxwell@maximus.com		TELEPHONE (517) 484-4240 <b>Bill Maxwell</b>
		BUYER/CA (517) 373-0325 <b>Angela Buren</b>
Contract Compliance Inspector: Tim Becker (517) 373-0447 beckert1@michigan.gov <b>Central Cost Analysis and SWCAP Preparation</b> <b>Department of Technology, Management and Budget</b>		
CONTRACT PERIOD:		From: <b>October 14, 2010</b> To: <b>October 31, 2011</b>
TERMS  N/A	SHIPMENT  N/A	
F.O.B.  N/A	SHIPPED FROM  N/A	
MINIMUM DELIVERY REQUIREMENTS  N/A		

**NATURE OF CHANGE(S):**

Effective immediately, the following proposal is hereby INCORPORATED into this Contract (see attachments):

- **MEDC Strategic Fund – FY 12 Central Services Cost Allocation Plan,  
 FY 12 Budgeted Costs and Quarter 1 RMS** **\$ 26,400.00**
- **LARA – Random Moment Sampling (RMS) Maintenance** **\$ 3,600.00**
- **MDCH - Random Moment Sampling (RMS) Maintenance** **\$ 2,400.00**

**Total Value of Proposal: \$ 32,400.00**  
**Remaining Amount Available on Contract: \$ 5,280.00**

All other terms, conditions, specifications, and pricing remain the same.

**AUTHORITY/REASON:**

Per Agency/Contractor agreement and DTMB/Purchasing Operations' approval.

**TOTAL CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$2,125,000.00**

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**PROPOSAL TO THE  
MICHIGAN ECONOMIC DEVELOPMENT  
CORPORATION - STRATEGIC FUND  
FOR THE PREPARATION OF AN FY 2012  
CENTRAL SERVICES COST ALLOCATION PLAN  
FY 12 BUDGETED COSTS**

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**JUNE 2011**

**CERTAIN PARTS OF THIS PROPOSAL MAY CONTAIN PROPRIETARY INFORMATION. PLEASE  
CONTACT MAXIMUS BEFORE RELEASING ANY PAGES MARKED PROPRIETARY.**

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**PROPOSAL TO THE  
MICHIGAN ECONOMIC DEVELOPMENT CORPORATION  
STRATEGIC FUND  
FOR PREPARATION OF AN  
FY 2012 BUDGET COST ALLOCATION PLAN**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary of MAXIMUS, Inc. (MAXIMUS), is pleased to present this proposal to the Michigan Economic Development Corporation (MEDC) for the development of a departmental cost allocation plan and indirect cost rate proposal based on projected expenditures for the year ending September 30, 2012. In addition, the proposal includes the initial design and implementation of a Random Moment Sampling (RMS) system within several administrative programs, as well as operating the system for the first quarter of fiscal 2012. The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

MAXIMUS Consulting Services, Inc. is a public sector consulting firm incorporated in the State of Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division that specializes in assisting state and local governments in matters related to grant management and cost accounting. The Division has over 40 offices within the continental United States, including two offices in the state of Michigan. This project would be performed out of Lansing, Michigan office at the following address:

M.A.C. Building  
935 N. Washington Ave.  
Lansing, MI 48906  
517-484-4240

**BACKGROUND**

The Michigan Strategic Fund of the MEDC receives substantial funding for the operation of various programs it administers from the Federal government, including the Community Development Block Grant. The Fund spends considerable resources to administer these

programs. These costs include administration, accounting services, purchasing, information technology, budgeting, etc. plus the costs incurred by the State of Michigan and identified in the State's annual Statewide Cost Allocation Plan (SWCAP). The Federal government will reimburse the State a portion or all of the costs spent in supporting Federal programs if the State can document the expenses to the Federal government. These costs are typically recovered through the application of a federally negotiated indirect cost rate prepared in accordance with the principles of OMB Circular A-87, Cost Principles for State and Local Governments.

The MEDC was initially created by Executive Order 1999-1. MEDC is a public corporation created through an interlocal agreement between state and local governments. The State of Michigan's portion of the corporation is accounted for in the Michigan Strategic Fund (MSF). Several programs operated by the State of Michigan that relate to economic development were transferred to the MSF under the executive order. Recently, Executive Order 2011-4 was issued. This order reorganizes many departments within state government. Several programs are being transferred to the MEDC, including several federally funded programs currently residing in the Department of Licensing and Regulatory Affairs (LARA).

#### STATEMENT OF PROBLEM

The reorganization creates several cost allocation issues for the MEDC.

- MEDC has been preparing and negotiating its annual indirect cost rate with the Department of Housing and Urban Development (HUD). The programs being transferred from LARA will shift the preponderance of federal funding to the U.S. Department of Labor (DOL). As such, cognizance for the review and approval of the MEDC indirect cost rates and other central service cost allocations should now be transferred to DOL.
- Along with the direct program staff associated with the DOL programs, a number of accountants and other administrative staff have also been transferred from LARA to MEDC. LARA utilizes an RMS system to document direct charges for much of their administrative staff across department programs. As such, the transferred administrative staff are not funded with general fund dollars, but are funded with federal and special revenue funds within LARA. As such, the MEDC did not receive an additional general fund appropriation to fund these positions. On the other hand, MEDC accountants and administrative staff are currently funded by the general fund and included in the MEDC

indirect cost rate. Therefore, it will be necessary for the MEDC to develop a time accounting model for direct charging the additional positions to federal grants. In order to provide consistent treatment across all programs within the MEDC, it is desirable to develop a system that allows for the direct charging of all administrative staff.

- The current indirect cost rate for MEDC will be materially impacted by these changes. The direct charging of administrative staff and the large increase in the direct expenditure base should significantly lower rates. As such, the MEDC needs to prepare an indirect cost rate proposal based on projected expenditures for fiscal year 2012 that reflects the changes and submit the proposal to its cognizant federal agency.

### DESCRIPTION OF SERVICES

MAXIMUS proposes to provide the following services for the MEDC Strategic Fund:

- Contact the U.S. Department of Labor, Office of Cost Determination to describe the cost allocation issues and proposed solutions resulting from the reorganization, and to request that DOL accept cognizance for the MEDC beginning with fiscal year 2012.
- Preparation of a departmental cost allocation plan (DCAP) for the MEDC Strategic Fund based on projected expenditures for the fiscal year ending September 30, 2012. MAXIMUS consultants will work with MEDC financial staff to develop a fiscal 2012 spending plan upon which to base the plan. The plan will reflect the effects of any direct charging of administrative staff.
- Preparation of an indirect cost rate proposal for the MEDC based on projected expenditures for the fiscal year ending September 30, 2012. The proposal will be used to propose rates for use by MEDC in both fiscal 2012 and 2013. It is anticipated that a single indirect cost rate applicable to all MEDC programs will be proposed.
- Negotiations for approval of the cost plan and indirect cost rate proposal with the cognizant Federal agency.
- Design and implementation of a Random Moment Sampling system for direct charging administrative staff to federally funded programs. In order to directly charge costs to Federal

programs, standards regarding time distribution as outlined in Attachment B, Section 11.h of A-87 must be met. RMS is specifically mentioned as a viable substitute system for the support of time distribution. RMS is an on-going system, which through periodic sampling over an extended period of time can accurately determine the work effort of a group of workers. The sampling universe will include staff within Accounting, Budget, Human Resources, Information Technology, and Customer Relations Management. MAXIMUS consultants will perform the following tasks in the RMS implementation:

- ✓ Identify sampling universe and enter names into our proprietary RMS software.
  - ✓ Determine the necessary number of quarterly samples required to meet federal guideline for statistical precision and confidence.
  - ✓ Identify the activities, services and final cost objectives for the application and enter all into the software.
  - ✓ Design the RMS observation form that will be used for the application.
  - ✓ Design the allocation matrices and structure the software to function and allocate time according to the matrices.
  - ✓ Test the system to assure that it is correctly structured and allocates time to the appropriate cost objective.
  - ✓ Develop sample instructions and train staff on sampling procedures.
- Prepare an RMS implementation plan and submit it to the cognizant federal agency. The implementation plan will describe the RMS system; sampling universe, allocation matrices, sampling procedures, and application of results.
- 
- MAXIMUS will provide RMS maintenance and processing for the quarter October 1, 2011 through December 31, 2011. MAXIMUS will perform the following tasks associated with quarterly maintenance.
    - ✓ Generation of quarterly samples, sample control lists, and sample labels.
    - ✓ Processing of sample responses including data entry into the MAXIMUS proprietary RMS software.
    - ✓ Tabulation of quarterly RMS results including the following system reports; Program Summary, Activity Summary, Service Summary, Service by Activity, Activity by Services, and a detailed listing of sample responses.

The RMS system will be processed using a paper observation form. MAXIMUS will generate the sample list and printed labels for each sample. However, the MEDC will be responsible for the distribution of the observation forms on or about the time of each sample and for returning the completed forms to MAXIMUS for tabulation.

### **EXPERIENCE AND QUALIFICATIONS**

MAXIMUS is the nation's leading firm in providing cost allocation services to state and local governments. MAXIMUS currently serves nearly two thousand government cost allocation clients annually and can bring to this engagement a uniquely qualified staff of professionals with extensive experience in preparing cost allocation plans and other cost accounting services for state and local governments.

Furthermore, MAXIMUS has extensive experience in working with agencies of the State of Michigan. Since 1987, MAXIMUS has prepared the Statewide Cost Allocation Plan (SWCAP) through the Department of technology, Management and Budget, Office of Financial Management. In addition, we have prepared numerous departmental cost allocation plans and indirect cost rate proposals, installed several random moment sampling systems, and worked on many other cost accounting projects for agencies of the State of Michigan. Attached is a partial listing of State of Michigan clients and references. A complete client listing for MAXIMUS is available upon request.

### **STAFFING**

MAXIMUS will assemble an experienced team of consultants to assist the Michigan Strategic Fund in this engagement. All staff will have experience in preparing cost allocation plans and indirect cost rate proposals. The project manager will be Mr. William Maxwell, the director of our MAXIMUS Lansing office. Other staff will be assigned to the project as needed by Mr. Maxwell. The resume for Mr. Maxwell is included at the end of this proposal.

### **DELIVERABLES**

MAXIMUS will provide the MEDC with the following documents:

- Two bound copies of the Cost Allocation Plan and Indirect Cost Rate Proposal,
- Two bound copies of the RMS Implementation Plan,

- Quarterly RMS sample list and labels,
- Quarterly RMS results.

**COMPENSATION**

Our current contract with the State of Michigan for the preparation of the Statewide Cost Allocation Plan (SWCAP) includes provisions for other State agencies to contract for cost allocation plans. We believe this project can be performed under the provisions of this contract. However, to do so, Office of Financial Management approval will need to be obtained.

Based upon our negotiated hourly billing rate of \$120 for consultant time we are prepared to quote the following fixed fee:

Task	Hours
Contact DOL regarding cognizance and proposed cost allocation practices	4
Prepare and negotiate Cost Allocation Plan and Indirect Cost Rate Proposal	80
Design and structure RMS application on proprietary RMS software	80
Prepare and submit RMS Implementation Plan to cognizant federal agency	40
RMS maintenance and administration for October 1, 2011 through December 31, 2011	16
Total Consultant Hours	220
Hourly Rate	\$120
<b>Total Fixed Fee</b>	<b>\$26,400</b>

*It is important to note that our fee does not include licensing on our RMS system.*

Our fee assumes that all Federal negotiations can be conducted via phone or mail with the Federal cognizant agency. In the event negotiations would require additional travel costs, these would be billed in addition to the above fees.

Payment would be due according to the following schedule:

- \$10,000 due upon submission of the cost allocation plan and indirect cost rate proposal to the cognizant federal agency.
- \$10,000 due upon submission of the RMS Implementation Plan.

- \$6,400 due upon delivery of the RMS results for the quarter ending December 31, 2012.

### TIMING

MAXIMUS proposes to begin work on this project within ten working days of receiving a contract or purchase order. Once work begins, it is anticipated that the DCAP, indirect cost rate proposal and RMS implementation plan will require about 12 weeks to complete. Therefore we would not expect to have the MEDC plan ready for federal submission until about September 30, 2011. Federal negotiations will begin upon submission of the proposal to the appropriate Federal agency. RMS sampling would begin on October 1, 2011, or as soon as possible thereafter, and conclude on December 31, 2011

MAXIMUS Consulting Services, Inc. is pleased to have the opportunity to present this proposal. We look forward to assisting the Michigan Economic Development Corporation on this very important engagement.

*No contractual commitments shall be established as the result of this proposal until the parties have executed in writing a mutually agreeable Agreement containing negotiated terms and conditions, or in this instance, the SWCAP contract has been amended to include this project.*

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**MAXIMUS Consulting Services, Inc.**

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**PROPOSAL TO THE  
MICHIGAN DEPARTMENT OF LICENSING &  
REGULATORY AFFAIRS  
FOR RMS MAINTENANCE  
OCTOBER – DECEMBER 2011**

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**JUNE 2011**

**CERTAIN PARTS OF THIS PROPOSAL MAY CONTAIN PROPRIETARY INFORMATION.  
PLEASE CONTACT MAXIMUS BEFORE RELEASING ANY PAGES MARKED PROPRIETARY.**

**MAXIMUS**  
*HELPING GOVERNMENT SERVE THE PEOPLE™*

**Proposal to**  
**The Michigan Department of Licensing and Regulatory Affairs**  
**For RMS Maintenance**  
**Quarter October – December 2011**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary of MAXIMUS, Inc. (MAXIMUS) is pleased to present this proposal to the Michigan Department of Licensing and Regulatory Affairs (LARA) for maintenance of the random moment sampling (RMS) system currently being utilized by the Bureau of Administrative Services. The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

MAXIMUS Consulting Services, Inc. is a public sector consulting firm incorporated in the State of Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division which specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has more than 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

M.A.C. Building  
935 North Washington Avenue  
Lansing, MI 48906  
(517) 484-4240

**STATEMENT OF PROBLEM**

During 2004, the Department of Licensing and Regulatory Affairs (then DELEG) installed a random moment sampling (RMS) system to document the direct charging to Federal programs of some of the divisions of Administrative Services, including Financial Services, Purchasing, and Office Services. In order to directly charge costs to Federal

programs, standards regarding time distribution as outlined in Attachment B, Section 11.h of A-87 must be met. RMS is specifically mentioned as a viable substitute system for the support of time distribution. RMS is an on-going system, which through periodic sampling over an extended period of time, can accurately determine the work effort of a group of workers. In order to continue charging Federal programs the Department will need to continue to generate and tabulate sampling data on a quarterly basis throughout the fiscal year.

### **DESCRIPTION OF SERVICES**

**MAXIMUS** proposes to provide the following services for the Michigan Department of Licensing and Regulatory Affairs:

*RMS maintenance and administration for the quarter October 1, 2011 through December 31, 2011.* **MAXIMUS** will provide the following services necessary to maintain the RMS system currently utilized by the Bureau of Administrative Services:

- Updating of personnel rosters for the sampling universe.
- Generation of quarterly samples, sample control lists, and sample labels.
- Processing of sample responses including data entry into the **MAXIMUS** proprietary RMS software.
- Tabulation of quarterly RMS results including the following system reports; Program Summary, Activity Summary, Service Summary, Service by Activity, Activity by Services, and a detailed listing of sample responses.
- Minor changes to the RMS software allocation matrices and observation form necessary to operate and maintain the system as originally designed, i.e. changes in personnel, renaming of programs or activities.

However, it should be noted that the annual maintenance does not include a redesign of the system to reflect any organizational or procedural changes requiring major

modifications to the allocation bases, programs or activities. Major changes to the original design of the system will be billed at our standard hourly rate.

#### **EXPERIENCE AND QUALIFICATIONS**

**MAXIMUS** is the nation's leading firm in providing cost allocation services to state and local governments. **MAXIMUS** currently serves nearly two thousand government cost allocation clients annually and can bring to this engagement a uniquely qualified staff of professionals with extensive experience in preparing cost allocation plans and other cost accounting services for state and local governments.

Furthermore, **MAXIMUS** has extensive experience in working with agencies of the State of Michigan. Since 1987, **MAXIMUS** has prepared the Statewide Cost Allocation Plan (SWCAP) through the Department of Management and Budget, Office of Financial Management. In addition, **MAXIMUS** has prepared numerous departmental cost allocation plans and indirect cost rate proposals, installed several random moment sampling systems, and worked on many other cost accounting projects for agencies of the State of Michigan. Attached is a partial listing of State of Michigan clients and references. A complete client listing for **MAXIMUS** is available upon request.

#### **STAFFING**

**MAXIMUS** will assemble an experience team of consultants to assist the Department of Licensing and Regulatory Affairs in this engagement. All staff will have experience in preparing cost allocation plans, indirect cost rate proposals and installing and maintaining random moment sampling systems. The project manager will be Mr. William Maxwell, the director of our **MAXIMUS** Lansing office. Other staff will be assigned to the project as needed by Mr. Maxwell. The resume for Mr. Maxwell is included at the end of this proposal.

### COMPENSATION

Our contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan (071B1300076) provides for an hourly rate for additional cost allocation projects. We believe this project can be performed under the terms of this contract. To do so, Please contact Tim Becker, our contract administrator with the Office of Financial Management. Based upon our current negotiated rates we are prepared to quote the following fees:

- **RMS Maintenance** - Based upon our experience during the past year, we anticipated 30 hours of consultant time per quarter to maintain the RMS system. Based on an hourly billing rate of \$120, including all administrative overhead, our proposed fee is a fixed amount of \$3,600.

Payment of our fees would be due upon delivery of the RMS results for the quarter.

### TIMING

As the RMS sampling will need to begin on October 1, 2011, MAXIMUS will need to begin updating the sampling universe and making any required changes to the system by the end of September. Final reports for the quarter will be delivered around January 15, 2012.

MAXIMUS is pleased to have the opportunity to present this proposal. We look forward to assisting the Michigan Department of Licensing and Regulatory Affairs on this very important engagement.

*No contractual commitments shall be established as the result of this proposal until the parties have executed in writing a mutually agreeable Agreement containing negotiated*

**MAXIMUS, Inc.**

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*terms and conditions, or in this instance, the SWCAP contract has been amended to include this project.*

**MAXIMUS**

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**PROPOSAL TO THE  
MICHIGAN DEPARTMENT OF COMMUNITY  
HEALTH  
FOR RMS MAINTENANCE  
OCTOBER – DECEMBER 2011**

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**JUNE 2011**

**CERTAIN PARTS OF THIS PROPOSAL MAY CONTAIN PROPRIETARY INFORMATION.  
PLEASE CONTACT MAXIMUS BEFORE RELEASING ANY PAGES MARKED PROPRIETARY.**

**MAXIMUS**  
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**PROPOSAL TO  
THE MICHIGAN DEPARTMENT OF COMMUNITY HEALTH  
FOR RMS MAINTENANCE  
QUARTER OCTOBER 1, 2011 – DECEMBER 31, 2011**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary of MAXIMUS, Inc. (MAXIMUS) is pleased to present this proposal to the Michigan Department of Community Health for maintenance of the random moment sampling (RMS) system currently being utilized by Budget and Finance. The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

MAXIMUS Consulting Services, Inc. is a public sector consulting firm incorporated in the State of Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division which specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has more than 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

M.A.C. Building  
935 North Washington Avenue  
Lansing, MI 48906  
(517) 484-4240

**STATEMENT OF PROBLEM**

During 1997, the Department of Community Health installed a random moment sampling (RMS) system to document the direct charging to Federal programs of some of the divisions of Budget and Finance, including Accounting, Budget, Grants and Contracts. In order to directly charge costs to Federal programs, standards regarding time distribution as outlined in

Attachment B, Section 11.h of A-87 must be met. RMS is specifically mentioned as a viable substitute system for the support of time distribution. RMS is an on-going system, which through periodic sampling over an extended period of time can accurately determine the work effort of a group of workers. In order to continue charging Federal programs the Department of Community Health will need to continue to generate and tabulate sampling data on a quarterly basis throughout the fiscal year.

### **DESCRIPTION OF SERVICES**

**MAXIMUS** proposes to provide the following services for the Michigan Department of Community Health:

*RMS maintenance and administration for the quarter October 1, 2011 through December 31, 2011.* **MAXIMUS** will provide the following services necessary to maintain the RMS system currently utilized by Budget and Finance:

- Updating of personnel rosters for the sampling universe.
- Generation of quarterly samples, sample control lists, and sample labels.
- Processing of sample responses including data entry into the **MAXIMUS** proprietary RMS software.
- Tabulation of quarterly RMS results including the following system reports; Program Summary, Activity Summary, Service Summary, Service by Activity, Activity by Services, and a detailed listing of sample responses.
- Minor changes to the RMS software allocation matrices and observation form necessary to operate and maintain the system as originally designed, i.e. changes in personnel, renaming of programs or activities.

However, it should be noted that the annual maintenance does not include a redesign of the system to reflect any organizational or procedural changes requiring major modifications to the allocation bases, programs or activities. Major changes to the original design of the system will be billed at our standard hourly rate.

### **EXPERIENCE AND QUALIFICATIONS**

**MAXIMUS** is the nation's leading firm in providing cost allocation services to state and local governments. **MAXIMUS** currently serves nearly two thousand government cost allocation clients annually and can bring to this engagement a uniquely qualified staff of professionals with extensive experience in preparing cost allocation plans and other cost accounting services for state and local governments.

Furthermore, **MAXIMUS** has extensive experience in working with agencies of the State of Michigan. Since 1987, **MAXIMUS** has prepared the Statewide Cost Allocation Plan (SWCAP) through the Department of Management and Budget, Office of Financial Management. In addition, **MAXIMUS** has prepared numerous departmental cost allocation plans and indirect cost rate proposals, installed several random moment sampling systems, and worked on many other cost accounting projects for agencies of the State of Michigan. Attached is a partial listing of State of Michigan clients and references. A complete client listing is available upon request.

### **STAFFING**

**MAXIMUS** will assemble an experienced team of consultants to assist the Michigan Department of Community Health in this engagement. All staff will have experience in preparing cost allocation plans, indirect cost rate proposal and installing and maintaining random moment sampling systems. The project director will be Mr. William Maxwell, the manager of our **MAXIMUS** Lansing office. The resume for Mr. Maxwell is included at the end of this proposal.

### **COMPENSATION**

Our current contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan (071B1300076) provides for an hourly rate for additional cost allocation projects. We believe this project can be performed under the terms of this contact. To do so,

please contact Tim Becker our contract administrator with the Office of Financial Management. Based upon our current negotiated rates we are prepared to quote the following fees:

- **RMS Maintenance** - Based upon our experience during the past year, we anticipated 20 hours of consultant time per quarter to maintain the RMS system. Based on an hourly billing rate of \$120, including all administrative overhead, our proposed fee is a fixed amount of \$2,400.

#### **PAYMENT SCHEDULE**

Payment of our fees would be due upon deliver of the RMS results for the quarter.

#### **TIMING**

As the RMS sampling will need to begin October 1, 2011, **MAXIMUS** will need to begin updating the sample universe and making any required changes to the system by the end of September. Final reports for the quarter will be delivered around January 15, 2012.

**MAXIMUS, Inc.** is pleased to have the opportunity to present this proposal. We look forward to assisting the Michigan Department of Community Health on this very important engagement.

*No contractual commitments shall be established as the result of this proposal until the parties have executed in writing a mutually agreeable Agreement containing negotiated terms and conditions, or in this instance, the SWCAP contract has been amended to include this project.*

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**MAXIMUS Consulting Services, Inc.**

**STATE OF MICHIGAN**  
**DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET**  
**PURCHASING OPERATIONS**  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

June 10, 2011

**CHANGE NOTICE NO. 6**  
**TO**  
**CONTRACT NO. 071B1300076**  
 (Supersedes Contract #071B7200042)  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR  <b>Maximus Consulting Services, Inc.</b> <b>935 North Washington Avenue</b> <b>Lansing, MI 48906</b>  billmaxwell@maximus.com		TELEPHONE (517) 484-4240 <b>Bill Maxwell</b>
		BUYER/CA (517) 373-0325 <b>Angela Buren</b>
Contract Compliance Inspector: Tim Becker (517) 373-0447 beckert1@michigan.gov <b>Central Cost Analysis and SWCAP Preparation</b> <b>Department of Technology, Management and Budget</b>		
CONTRACT PERIOD: From: <b>October 14, 2010</b> To: <b>October 31, 2011</b>		
TERMS  N/A	SHIPMENT  N/A	
F.O.B.  N/A	SHIPPED FROM  N/A	
MINIMUM DELIVERY REQUIREMENTS  N/A		

**NATURE OF CHANGE(S):**

Effective immediately, the following proposal is hereby INCORPORATED into this Contract (see attachments):

- DTMB – Building Occupancy Cost Allocation Plan FY 13 Budgeted Costs \$ 24,000.00

Total Value of Proposal: \$ 24,000.00  
 Remaining Amount Available on Contract: \$ 37,680.00

All other terms, conditions, specifications, and pricing remain the same.

**AUTHORITY/REASON:**

Per Agency/Contractor agreement and DTMB/Purchasing Operations' approval.

**TOTAL CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$2,125,000.00**

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**PROPOSAL TO THE  
MICHIGAN DEPARTMENT OF  
TECHNOLOGY, MANAGEMENT & BUDGET  
FOR A BUILDING OCCUPANCY  
COST ALLOCATION PLAN  
FY 13 BUDGETED COSTS**

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**APRIL 2011**

*CERTAIN PARTS OF THIS PROPOSAL MAY CONTAIN PROPRIETARY INFORMATION.  
PLEASE CONTACT MAXIMUS BEFORE RELEASING ANY PAGES MARKED PROPRIETARY*

**MAXIMUS**  
*HELPING GOVERNMENT SERVE THE PEOPLE™*

935 N. WASHINGTON AVE. • LANSING, MI 48906 • 517.484.4240 • FAX 517.484.3011

**PROPOSAL TO THE MICHIGAN DEPARTMENT OF  
TECHNOLOGY, MANAGEMENT AND BUDGET  
FOR A BUILDING OCCUPANCY  
COST ALLOCATION PLAN  
BASED ON BUDGETED COSTS FOR THE YEAR ENDING  
SEPTEMBER 30, 2013**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary of MAXIUS, Inc. (MAXIMUS) is pleased to present this proposal to the Department of Technology, Management and Budget for a Building Occupancy Cost Allocation Plan based on budgeted costs for the year ending September 30, 2013.

**BUSINESS ORGANIZATION**

MAXIMUS Consulting Services, Inc. is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division that specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has nearly 40 offices across the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

M.A.C. Building  
935 North Washington Avenue  
Lansing, MI 48906  
517-484-4240

**BACKGROUND**

The Building Operations Division of the Department of Technology, Management and Budget is responsible for the management of several buildings and parking facilities at various locations around the State. The division receives no general fund appropriation to fund these activities, but operates on revenues generated from building occupancy charges and parking rentals. Since building rental fees are charged to federal programs, the US Department of Health and Human Services has listed building occupancy as a Section II, billed cost, on negotiation

agreements for the Statewide Cost Allocation Plan (SWCAP). As such, the Department must document to the Federal government the cost of providing services each year. In order to do so, the State must prepare a Building Occupancy Cost Allocation Plan based on actual expenditures for each fiscal year. In addition, DTMB needs to project building rental rates for upcoming years. Therefore, a second cost allocation plan must be prepared. This plan is based on projected expenditures and facility inventories and is used to establish rental rates for a subsequent appropriation year.

## DESCRIPTION OF SERVICES

To meet the needs of the Department, MAXIMUS proposes to provide the following services:

**Prepare the Building Occupancy Cost Allocation Plan (CAP) based on budgeted expenditures for the year ending September 30, 2013.** MAXIMUS has prepared this plan for the past several years and will develop the FY 13 budget plan in a consistent manner with prior year plans. Preparation of the plan will include the following tasks:

- Building inventories will be reviewed and updated, including any changes to the square footage of any facility.
- Projected expenditure reports will be reviewed, and allocation bases for each index will be updated.
- Fixed asset reports will be reviewed and use charges will be developed for each facility.
- Work order projects will be reviewed and amortization schedules updated.
- The cost plan will be processed on the MAXIMUS proprietary system, MAXCars.
- A summary of projected costs for each building will be prepared, along with the calculation of the projected rental rates necessary to generate sufficient revenues to meet operating expenses for each facility.

## DELIVERABLES

MAXIMUS will deliver three bound and one reproducible copy of the following document:

- Building Occupancy Cost Allocation Plan based on budgeted expenditures for year ending September 30, 2013. (Including summary schedule showing the full operating cost and projected rental rate for each facility.)

## **EXPERIENCE AND QUALIFICATIONS**

MAXIMUS is the nation's leading firm in providing cost allocation services to state and local governments. MAXIMUS currently serves nearly two thousand government cost allocation clients annually and can bring to this engagement a uniquely qualified staff of professionals with extensive experience in preparing cost allocation plans and other cost accounting services for state and local governments.

Furthermore, MAXIMUS has extensive experience in working with agencies of the State of Michigan. Since 1987, MAXIMUS has prepared the Statewide Cost Allocation Plan (SWCAP) through the Department of Technology, Management and Budget, Office of Financial Management. In addition, MAXIMUS has prepared numerous departmental cost allocation plans and indirect cost rate proposals, installed several random moment sampling systems, and worked on many other cost accounting projects for agencies of the State of Michigan. Attached is a partial listing of State of Michigan clients and references. A complete client listing for MAXIMUS is available upon request.

## **STAFFING**

MAXIMUS will assemble an experienced team of consultants to assist the Department in this engagement. All staff will have experience in preparing cost allocation plans for agencies of the State of Michigan. The project director will be Mr. William Maxwell, the director of our MAXIMUS Lansing office. Other staff will be assigned to the project as needed by Mr. Maxwell. The resume for Mr. Maxwell is included at the end of this proposal.

## **TIMING AND FEES**

MAXIMUS is prepared to begin work on the FY 13 budgeted building rental rate CAP as soon as the State can provide the projected financial information and building inventories. It is anticipated that approximately two to three months will be necessary to complete the draft of the building occupancy cost plan and rate summary. The draft report will be delivered to DTMB for

review and will be revised as necessary to reflect any necessary changes. Delivery of the final report will be contingent upon the review and approval of the draft report. However, we anticipate that the final report will be delivered within four months of the outset of the project.

Our current contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan (071B1300076) provides an hourly rate for additional cost allocation projects. We believe this project can be performed under the terms of this contract. Based on our experience in preparing this plan in previous years, we anticipate that the project will require 200 consultant hours to complete. At the current negotiated billing rate for the SWCAP of \$120 per hour, we are prepared to quote a fixed fee of \$24,000, including all expenses incurred by us. Please contact Mr. Mike Moody, our contact administrator at the Office of Financial Management to get approval to contract under the SWCAP agreement.

Payment would be due upon delivery of the final report to the DTMB Office of Financial Services.

MAXIMUS appreciates the opportunity to submit this proposal. We look forward to assisting the Department of Technology, Management and Budget on this very important engagement. If you have any questions or require any additional information, do not hesitate to contact us at our Lansing office.

*No contractual commitments shall be established as the result of this proposal until the parties have executed in writing a mutually acceptable Agreement containing negotiated terms and conditions, or in this instance, the SWCAP contract is amended to include this project.*

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**MAXIMUS Consulting Services, Inc.**

**STATE OF MICHIGAN**  
**DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET**  
**PURCHASING OPERATIONS**  
**P.O. BOX 30026, LANSING, MI 48909**  
 OR  
**530 W. ALLEGAN, LANSING, MI 48933**

May 12, 2011

**CHANGE NOTICE NO. 5**  
**TO**  
**CONTRACT NO. 071B1300076**  
 (Supersedes Contract #071B7200042)  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR		TELEPHONE (517) 484-4240 <b>Bill Maxwell</b>
<b>Maximus Consulting Services, Inc.</b> <b>935 North Washington Avenue</b> <b>Lansing, MI 48906</b>  <b>billmaxwell@maximus.com</b>		
		BUYER/CA (517) 373-0325 <b>Angela Buren</b>
Contract Compliance Inspector: Tim Becker (517) 373-0447 becert1@michigan.gov <b>Central Cost Analysis and SWCAP Preparation</b> <b>Department of Technology, Management and Budget</b>		
CONTRACT PERIOD:		From: <b>October 14, 2010</b> To: <b>October 31, 2011</b>
TERMS	<b>N/A</b>	SHIPMENT <b>N/A</b>
F.O.B.	<b>N/A</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS		<b>N/A</b>

**NATURE OF CHANGE(S):**

Effective immediately, the following proposal is hereby INCORPORATED into this Contract (see attachments):

- **DEQ – FY 10 Central Services Cost Allocation Plan and Indirect Cost Rate Proposal** **\$ 7,200.00**
- Total Value of Proposal:** **\$ 7,200.00**
- Remaining Amount Available on Contract:** **\$ 61,680.00**

All other terms, conditions, specifications, and pricing remain the same.

**AUTHORITY/REASON:**

Per Agency/Contractor agreement and DTMB/Purchasing Operations' approval.

**TOTAL CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$2,125,000.00**

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**PROPOSAL TO THE  
MICHIGAN DEPARTMENT OF  
ENVIRONMENTAL QUALITY  
FOR AN FY 10 CENTRAL SERVICES COST  
ALLOCATION PLAN AND  
INDIRECT COST RATE PROPOSAL**

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**SEPTEMBER 2010**

**CERTAIN PARTS OF THIS PROPOSAL MAY CONTAIN PROPRIETARY INFORMATION.  
PLEASE CONTACT MAXIMUS BEFORE RELEASING ANY PAGES MARKED PROPRIETARY.**

**MAXIMUS**  
*HELPING GOVERNMENT SERVE THE PEOPLE™*

935 N. WASHINGTON AVE. • LANSING, MI 48906 • 517.484.4240 • FAX 517.484.3011

**PROPOSAL TO  
THE MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY  
FOR PREPARATION OF THE FY 10  
DEPARTMENTAL COST ALLOCATION PLAN  
AND INDIRECT COST RATE PROPOSAL**

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Department of Environmental Quality for the preparation and negotiation of an FY 10 Actual Departmental Cost Allocation Plan and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

**BACKGROUND**

The Michigan Department of Environmental Quality (DEQ) receives substantial funding for the operation of various programs it administers from the Federal Government. The DEQ spends considerable resources to administer these programs. These costs include administration, accounting services, personnel services, etc. plus the costs incurred by the State of Michigan and identified in the State's annual Statewide Cost Allocation Plan (SWCAP). The Federal government will reimburse the State a portion or all of the costs spent in supporting Federal programs if the State can document the expenses to the Federal Government. In order to accomplish the actual recovery of the costs attributed to any particular program within Environmental Quality, a Departmental Cost Allocation Plan (DCAP) must be prepared in accordance with OMB Circular A-87, Cost Principles for State and Local Governments.

**STATEMENT OF PROBLEM**

The Department of Environmental Quality annually submits a proposal and negotiates an indirect cost rate agreement with its cognizant federal agency, the U.S. Environmental Protection Agency. The proposals are based on historical information for the most recently completed fiscal year, and generally propose new rates to be established for a subsequent period.

However, at the close of fiscal 2010, the Department of Environmental Quality will no longer exist as a separate state agency. The Department of Environmental

Quality and the Department of Natural Resources have been consolidated into a new state agency; The Department of Natural Resources and Environment (DNRE). Beginning with FY 11 DNRE will be submitting and negotiating a cost allocation plan and rate proposal to its cognizant federal agency. As such, DEQ will not be proposing rates for 2011 and beyond, but will still need to finalize, or reconcile to actual costs, the rates used during FY 10.

FY 10 rates were approved on a fixed with carry-forward basis. This requires that fixed indirect cost rates employed during a fiscal year be reconciled to actual cost at the end of the period. Differences between fixed rates and actual rates, or carry-forwards, are computed and incorporated into future rates. However, since no new rates are to be proposed, the FY 10 rates need to be "finalized". This requires that rates based upon actual costs for the year and incorporating any outstanding carry-forwards need to be computed. The final rates can be used to adjust indirect claims and close out DEQ grants.

### **DESCRIPTION OF SERVICES**

**MAXIMUS** proposes to provide the following services for the Michigan Department of Environmental Quality:

1. Preparation of a DEQ departmental indirect cost allocation plan (DCAP) based on actual costs for the year ended September 30, 2010.
2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2010. The FY 10 proposal will be used to reconcile FY 10 rates and to propose final rates for the year.
3. Negotiation of the Indirect Cost Rate Proposal with the Department's Federal Cognizant Agency, the EPA in Washington, DC

### **PLAN DEVELOPMENT**

**MAXIMUS** proposes to develop for the Michigan Department of Environmental Quality a departmental cost allocation plan by carefully applying the same proven work methods we use annually for over one thousand other cost plan clients across the nation.

Essentially, we critically review the prior year plans of the Department to assure that all allowable costs are included in the plan and that the plan conforms to the provisions of OMB Circular A-87. We will review all relevant prior audits and federal negotiation agreements to determine any changes agreed to and to correct any deficiencies that may have been identified.

After our review of prior information, we will collect appropriate current information for the development of the plan. Data to be collected includes appropriate organizational charts with adequate detail to identify divisions, bureaus and programs. Also required are appropriate financial records including detailed appropriation and expenditure reports.

After all the information is collected and any interviews conducted, our fieldwork will be completed. **MAXIMUS** consultants will then finalize the plan at our office. This minimizes any disruption to the normal operations of the Department.

When the plan and departmental rate proposal are complete, we will present all the documents to the appropriate Department officials. After acceptance of the plan by the Department, we will submit the documents to the US Environmental Protection Agency for review and approval. **MAXIMUS** will negotiate the plan on behalf of the Department.

### **EXPERIENCE AND QUALIFICATIONS**

**MAXIMUS** is the nation's leading firm in providing cost allocation services to state and local governments. **MAXIMUS** currently serves nearly two thousand government cost allocation clients annually and can bring to this engagement a uniquely qualified staff of professionals with extensive experience in preparing cost allocation plans and other cost accounting services for state and local governments.

Furthermore, **MAXIMUS** has extensive experience in working with agencies of the State of Michigan. Since 1987, **MAXIMUS** has prepared the Statewide Cost Allocation Plan (SWCAP) through the Department of Management and Budget, Office of Financial Management. In addition, **MAXIMUS** has prepared numerous departmental cost allocation plans and indirect cost rate proposals, installed several random moment sampling systems, and worked on many other cost accounting projects for agencies of the

State of Michigan. Attached is a partial listing of State of Michigan clients and references. A complete client listing for **MAXIMUS** is available upon request.

### **STAFFING**

**MAXIMUS** will assemble an experienced team of consultants to assist the Department of Environmental Quality in this engagement. All staff will have experience in preparing cost allocation plans and indirect cost rate proposals. The project director will be Mr. William Maxwell, the manager of our **MAXIMUS** Lansing office. Other staff will be assigned to the project as needed by Mr. Maxwell. The resume for Mr. Maxwell is included at the end of this proposal.

### **COMPENSATION**

We project that this project will require 60 hours of consultant time to complete. Based upon our standard hourly billing rate of \$120 we are prepared to quote a fixed fee of \$7,200, including all expenses incurred by **MAXIMUS**. Payment would be due upon the submission of the cost allocation plan and indirect cost rate proposal to the appropriate federal agency.

### **DELIVERABLES**

The Department would be provided with three (3) bound and one (1) clipped copy of the following:

- **Cost Allocation Plan and Indirect Cost Rate Proposal - based on actual expenditures for the year ended September 30, 2010 and proposing final rates for DEQ.**

### **TIMING**

**MAXIMUS** is prepared to begin preparation of the cost plan and indirect cost rate proposal within 10 working days of approval by the Department of Environmental Quality. However, we cannot begin work until the 2010 fiscal year has been closed. After necessary financial information is obtained, approximately six to eight weeks will be necessary for preparation of the draft documents. Upon review and approval of the

draft report, **MAXIMUS** will finalize the plan and prepare the submission to the US Environmental Protection Agency in Washington DC. The anticipated submission date is June 30, 2011. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months. **MAXIMUS** will make every attempt to expedite the process, but we must advise the Department of Environmental Quality that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87, and **MAXIMUS** is available to defend the plan against audit for a three-year period at no additional charge.

### **PAYMENT SCHEDULE**

Payment will be due upon submission of the plan and supporting documentation to the appropriate cognizant federal agency.

**MAXIMUS** is pleased to have the opportunity to present this proposal. We look forward to assisting the Michigan Department of Environmental Quality on this very important engagement.

*No contractual commitments shall be established as the result of this proposal until the parties have executed in writing a mutually agreeable Agreement containing negotiated terms and conditions, or in this instance, the SWCAP contract has been amended to include this project.*

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**MAXIMUS, INC.**

**STATE OF MICHIGAN**  
**DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET**  
**PURCHASING OPERATIONS**  
**P.O. BOX 30026, LANSING, MI 48909**  
 OR  
**530 W. ALLEGAN, LANSING, MI 48933**

April 1, 2011

**CHANGE NOTICE NO. 4**  
**TO**  
**CONTRACT NO. 071B1300076**  
 (Supersedes Contract #071B7200042)  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR  <b>Maximus Consulting Services, Inc.</b> <b>935 North Washington Avenue</b> <b>Lansing, MI 48906</b>  billmaxwell@maximus.com		TELEPHONE (517) 484-4240 <b>Bill Maxwell</b>
		BUYER/CA (517) 373-0325 <b>Angela Buren</b>
Contract Compliance Inspector: Tim Becker (517) 373-0447 becker1@michigan.gov <b>Central Cost Analysis and SWCAP Preparation</b> <b>Department of Technology, Management and Budget</b>		
CONTRACT PERIOD:		From: <b>October 14, 2010</b> To: <b>October 31, 2011</b>
TERMS	N/A	SHIPMENT N/A
F.O.B.	N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A		

**NATURE OF CHANGE(S):**

Effective immediately, the following proposals are hereby **INCORPORATED** into this Contract (see attachments):

- **MDOC – FY 10 Cost Allocation Plan and Indirect Cost Rate Proposal** **\$ 14,400.00**
  - **DELEG – FY 10 Administrative Cost Allocation Plan and Funding Rate Proposal** **\$ 24,000.00**
- Total Value of Proposal: \$ 38,400.00**  
**Remaining Amount Available on Contract: \$ 68,880.00**

Effective 4/17/2011, the Contract Compliance Inspector for this Contract is:

Tim Becker (517) 373-0447

All other terms, conditions, specifications, and pricing remain the same.

**AUTHORITY/REASON:**

Per Agency/Contractor agreement and DTMB/Purchasing Operations' approval.

**TOTAL CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$2,125,000.00**

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**PROPOSAL TO THE  
MICHIGAN DEPARTMENT OF  
CORRECTIONS  
FOR AN FY 10 COST ALLOCATION PLAN  
AND INDIRECT COST RATE PROPOSAL**

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**MARCH 23, 2011**

**MAXIMUS**  
*HELPING GOVERNMENT SERVE THE PEOPLE™*

**PROPOSAL TO  
THE MICHIGAN DEPARTMENT OF CORRECTIONS  
FOR THE PREPARATION OF AN FY 10 ACTUAL  
COST ALLOCATION PLAN AND INDIRECT COST RATE PROPOSAL**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary of MAXIMUS, Inc. (MAXIMUS), is pleased to present this proposal to the Michigan Department of Corrections for the preparation and negotiation of an FY 10 Actual Departmental Cost Allocation Plan (DCAP) and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

MAXIMUS Consulting Services, Inc. is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division which specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has several offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

M.A.C. Building  
935 North Washington Avenue  
Lansing, MI 48906  
(517) 484-4240

**BACKGROUND**

The Michigan Department of Corrections (DOC) receives substantial funding for the operation of various programs it administers from the Federal Government. The Department spends considerable resources to administer these programs. These costs include administration, accounting services, personnel services, etc. plus the costs incurred by the State of Michigan and identified in the State's annual Statewide Cost Allocation Plan (SWCAP). The Federal government will reimburse the State a portion or all of the costs spent in supporting Federal programs if the State can document the

expenses to the Federal Government. In order to accomplish the actual recovery of the costs attributed to any particular program within DOC, a Departmental Cost Allocation Plan (DCAP) must be prepared in accordance with OMB Circular A-87, Cost Principles for State and Local Governments.

### STATEMENT OF PROBLEM

Prior to FY 2005, the Michigan Department of Corrections had not developed an indirect cost rate proposal, and as such, had not assessed indirect costs to federally funded programs. DOC now prepares and submits to the U.S. Department of Justice an annual cost allocation plan and indirect cost rate proposal based on actual expenditures for the year. Based upon these submissions, indirect cost rates were proposed for use in fiscal year 2010. As rates are provisionally established for the fiscal year, federal guidelines require that they be "finalized" or reconciled to actual costs to determine any over or under charges to Federal programs. Accordingly, the Department needs to submit a cost allocation plan and indirect cost rate proposal based on actual costs for the year ending September 30, 2010. The FY 10 cost allocation plan will be used to finalize the FY 10 provisional rates, and to propose new rates for use beginning with FY 12.

### DESCRIPTION OF SERVICES

MAXIMUS proposes to provide the following services for the Michigan Department of Corrections:

**1. Preparation of the cost allocation plan based on actual costs for the year ended September 30, 2010.** The cost allocation plan will serve as the documentation for the indirect costs included in the indirect cost rate proposal. The cost plan will be prepared utilizing *MAXCars*, proprietary software developed by MAXIMUS for the specific purpose of preparing cost allocation plans.

There are several tasks related to development of the cost plan.

- **Determining the appropriate financial reports to be used.** MAXIMUS consultants will meet with agency financial staff to review the various R\*STARS or other reports which are available. It will be necessary to select reports that roll-up or

report on an organizational or appropriation basis, which ever is more practical for the identification of cost pools.

- **Identifying the various indirect cost pools to be included.** Based upon a review of the financial reports, organizational charts and functional descriptions, various indirect cost pools will be identified. Selected indirect cost pools will be reviewed for allowability, and cost will be documented for inclusion in the cost plan.
- **Reconciliation of the financial reports.** Either total personnel costs or adjusted total expenditures will most likely be used as the direct cost basis upon which the indirect cost rate will be computed. It will be necessary to reconcile expenditures by organization and cost category within the Department to determine the appropriate costs.
- **Identification of Statewide Costs** - The cost plan also needs to include statewide costs allocated to the Department of Corrections in the Statewide Cost Allocation Plan (SWCAP). The appropriate federally approved SWCAP agreement will be reviewed and costs will be included in the cost plan.
- **Cost Plan Preparation** – MAXIMUS consultants will design the cost allocation schedules, develop of allocation statistics and perform data entry in the cost allocation software. In addition, our consultants will complete the required narrative description of the allocation methodology and functional description of the indirect cost pools.

**2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2010.** Based upon the results of the cost allocation plan, an indirect cost rate proposal will be prepared. A single indirect cost rate applicable to all DOC programs will be computed. The proposal will compute a “final” rate for fiscal 2010, and new rate for the fiscal year beginning October 1, 2011 will be proposed.

**3. Negotiation of the DCAP and Indirect Cost Rate Proposal.** Upon approval of the Department, MAXIMUS will submit the cost plan and rate proposal to the appropriate Federal agency. Once submitted, MAXIMUS will assist with negotiations on your behalf to secure approval.

## EXPERIENCE AND QUALIFICATIONS

MAXIMUS is the nation's leading firm in providing cost allocation services to state and local governments. MAXIMUS currently serves nearly two thousand government cost allocation clients annually and can bring to this engagement a uniquely qualified staff of professionals with extensive experience in preparing cost allocation plans and other cost accounting services for state and local governments.

Furthermore, MAXIMUS has extensive experience in working with agencies of the State of Michigan. Since 1987, MAXIMUS has prepared the Statewide Cost Allocation Plan (SWCAP) through the Department of Management and Budget, Office of Financial Management. In addition, MAXIMUS has prepared numerous departmental cost allocation plans and indirect cost rate proposals, installed random moment sampling systems, and worked on many other cost accounting projects for the State of Michigan. A list of references from agencies of the State of Michigan is attached. A complete listing of all of our clients is available upon request.

## STAFFING

MAXIMUS will assemble an experienced team of consultants to assist the Michigan Department of Corrections in this engagement. The project team has prepared a number of cost allocation plans and indirect cost rate proposals for state agencies. Moreover, the team has extensive experience in negotiating cost allocation plans with the cognizant Federal agencies on behalf of clients. The key members of the project team are as follows:

- William Maxwell - Mr. Maxwell is the Director of our Lansing, Michigan office and is responsible for managing our clients with agencies of the State of Michigan. Mr. Maxwell would be the project manager and be responsible for the day-to-day development of the plan.
  
- Nick Bohac – Mr. Bohac is a senior consultant assigned to our Lansing office. Mr. Bohac would assist Mr. Maxwell as needed with development of the plan and proposal.

Each of these individuals has extensive experience in preparing cost allocation plans and indirect cost rate proposals. Resumes for the key consulting team are included at the end of this proposal.

**COMPENSATION**

Our current contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan (SWCAP) provides for additional departmental cost allocation projects to be completed as amendments to the original contract. We believe this project can be performed under the provisions of this contact. However, to do so, Office of Financial Management approval is required.

Based upon prior experience in preparing similar cost plans, we anticipate that the project will require 120 hours of consultant time to complete. At our negotiated hourly rate of \$120, we are prepared to quote a fixed fee of \$14,400 including all expenses incurred by MAXIMUS. Payment would be due upon submission of the plan and proposal to the federal cognizant agency.

Task	Consultant Hours
Project Initiation – Review relevant background information including org charts, financial reports, and prior audit.	8
Determine Central Service Pools – Review the functional responsibilities of administrative programs. Determine allowable activity pools and unallowable costs. Meet with staff to determine most appropriate allocation methodology for each allowable central service.	16
Design and Prepare Cost Allocation Plan – Develop allocation statistics for each administrative activity pool. Prepare costing schedules and enter financial and statistical information in the cost allocation software.	56
Prepare Draft Cost Plan – Prepare a draft of the cost allocation plan, including narratives for each indirect cost pool, and present to DOC for review and approval.	16
Prepare Indirect Cost Rate Proposal – Determine the number of needed rate pools, determine direct cost base for each pool, compute rates and present draft	16

<b>Task</b>	<b>Consultant Hours</b>
report, with narrative, to DOC for review and approval.	
Final Report and Submission – Prepare final cost plan and rate proposal and submit, with supporting documentation, to the federal cognizant agency. Answer questions regarding plan and assist with negotiating the final rate agreement.	8
<b>Total Consultant Hours</b>	<b>120</b>

### **DELIVERABLES**

The Department would be provided with three (3) bound and one (1) clipped copy of each of the following:

**Actual Cost Allocation Plan**  
**Indirect Cost Rate Proposal**

### **TIMING**

MAXIMUS is prepared to begin preparation of the FY 10 cost allocation plan once we receive a contract change notice issued by the DTMB Office of Purchasing amending our SWCAP contract to include this project. Providing all information is available in a timely manner, it is anticipated that approximately 16 weeks will be required to complete a draft of the plan. After submitting the draft, we still need to review the plan with the Department financial staff, and prepare the plan for federal submission. This internal review process can sometimes take several weeks to complete. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months. MAXIMUS will make every attempt to expedite the process, but we must advise the Department that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87.

MAXIMUS is pleased to have the opportunity to present this proposal. We look forward to assisting the Michigan Department of Corrections on this very important engagement.

*No contractual commitments shall be established as the result of this proposal until the parties have executed in writing a mutually agreeable Agreement containing negotiated terms and conditions, or in this instance, the SWCAP contract has been amended to include this project.*

**MAXIMUS, Inc.**

OK  
to proceed  
MM  
3-28-11

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**PROPOSAL TO THE  
DELEG OFFICE OF  
FINANCIAL AND INSURANCE REGULATION  
FOR AN FY 10 ADMINISTRATIVE  
COST ALLOCATION PLAN  
AND FUNDING RATE PROPOSAL**

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**JANUARY 10, 2011**

**CERTAIN PARTS OF THIS PROPOSAL MAY CONTAIN PROPRIETARY INFORMATION. PLEASE  
CONTACT MAXIMUS BEFORE RELEASING ANY PAGES MARKED PROPRIETARY.**



**Proposal to  
The DELEG Office of Financial and Insurance Regulation  
For Preparation of the  
Fiscal 2010 Administrative  
Cost Allocation Plan**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary of MAXIMUS, Inc. (MAXIMUS) is pleased to present this proposal to the Office of Financial and Insurance Regulation (OFIR) of the Michigan Department of Energy, Labor and Economic Growth (DELEG) for preparation of an Administrative Cost Allocation Plan based on actual costs for the fiscal year ended September 30, 2010 . The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

MAXIMUS Consulting Services, Inc. is a public sector consulting firm incorporated in the State of Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division that specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has over 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

M.A.C. Building  
935 North Washington Avenue  
Lansing, MI 48906  
517-484-4240

**BACKGROUND**

The Office of Financial and Insurance Regulation represents the consolidation of the programs of the former Financial Institutions Bureau, Insurance Bureau and the Securities Division of the Corporation, Securities and Land Development Bureau. OFIR receives funding for its operation from a variety of restricted revenue sources, including among others, Insurance Regulatory Fees, Bank Regulation Fees, Credit Union Regulatory Fees, Consumer Finance Fees and Security Fees. In addition to direct program costs associated with these funding sources, OFIR spends considerable resources to administer these programs. These costs include administration, human resources, budget, consumer complaint processing, policy development, etc. OFIR needs

to justify the use of the various funding sources in supporting the administration operations of the Office.

### STATEMENT OF PROBLEM

The consolidation of the various activities into OFIR has complicated the process of determining the appropriate mix of funding for the administrative operations of the Office. The office had historically allocated the costs associated with several administrative cost pools solely on the ratio expenditures. OFIR desires to have a more detailed and defensible allocation methodology developed. In order to accomplish this, an administrative (central services) cost allocation plan needs to be prepared. The plan will need to examine the various administrative functions of the Office and develop a defensible approach for allocating costs to benefited programs, and ultimately funding sources of OFIR. The plan should be based upon actual costs for the fiscal year ended September 30, 2010 and be used to establish funding ratios for the next appropriation year.

### DESCRIPTION OF SERVICES

MAXIMUS proposes to provide the following services for the Office of Financial and Insurance Regulation:

1. Preparation of an Administrative Cost Allocation Plan based on actual costs for the year ended September 30, 2010. The plan would be prepared utilizing *MAXCARS*, software developed by MAXIMUS for the specific purpose of preparing cost allocation plans. The following is a listing of the administrative cost pools that we anticipate will be allocated.

Commission's Office  
Human Resources and Budget  
Chief Deputy  
Enterprise Monitoring Administration  
Charter Review  
Consumer Services  
Policy  
License and Product Review Administration  
Office of General Counsel

*The above programs represent the allocated programs in the fiscal 2009 cost plan. The plan will be modified as necessary to reflect any reorganization or other changes that impact the allocated pools.*

2. Preparation of the Administrative Funding Rate Proposal based on actual costs for the year ended September 30, 2010. The results of the cost allocation plan will be used to develop proposed administrative funding ratios for use during a subsequent period. The rates will indicate the recommended percent of funding that should be provided by each funding source of the Office in support of the administrative operations.

### PLAN DEVELOPMENT

MAXIMUS proposes to develop for the Office of Financial and Insurance Regulation an administrative cost allocation plan by carefully applying the same proven work methods we use annually for over two thousand other cost plan clients across the nation.

Essentially, we critically review any prior year plans to develop a thorough understanding of the existing methodology and to assure that all appropriate costs are included in the plan. We will review all relevant prior audits regarding the existing plans to determine any changes agreed to and to correct any deficiencies that may have been identified.

After our review of prior information, we will collect appropriate current information for the development of the plan. Data to be collected includes appropriate organizational charts with adequate detail to identify divisions, bureaus and programs. Appropriate financial records including detailed appropriation and expenditure reports, audits and budgets will also be needed.

MAXIMUS consultants will develop a listing of the cost pools to be allocated and review the list with OFIR officials. An allocation approach will be developed for each administrative cost pool. Interviews will be conducted with representatives of each administrative area to determine the nature of the work that is provided and to determine an allocation approach for distributing the cost pool to benefited programs of the Office. Costs may be allocated using a variety of statistical reports, e.g. expenditures, FTEs, purchase orders, case counts, etc. Individual cost pools, or indexes, may be sub-divided into smaller activity pools for allocation. For example, Human Resources and Budget could possibly be segregated into activity areas such as Personnel Reports, Labor Relations, Purchasing, Budgeting, and Accounts Payable; each allocated using a discrete allocation basis. The goal is to develop allocation bases that best reflect the benefit derived from the activity pool by the various program areas of the Office.

After all the information is collected and all interviews conducted, our fieldwork will be completed. MAXIMUS consultants will then finalize the plan at our office. This minimizes any disruption to the normal operations of the Office.

A multiple-phased approach will be necessary to achieve the ultimate objective of determining the appropriate mix of funding. Phase I will allocate the administrative cost pools to either the funding level, or in many cases to the program area. For those costs

allocated to the program level, a secondary cost plan (Phase II) will be needed to reallocate program level administrative charges to the appropriate funding sources for each program.

Upon completion of the cost plan(s) we will develop the Administrative Funding Rate Proposal. The proposal will be used to propose a new funding mix for either FY 12 or FY 13. The timing of the rates will be discussed with OFIR officials as we proceed.

When the plan and rate proposal are complete, we will present all the documents to the appropriate OFIR officials. After acceptance of the plan by OFIR, we will bind and deliver final copies of the report

### EXPERIENCE AND QUALIFICATIONS

MAXIMUS is the nation's leading firm in providing cost allocation services to state and local governments. MAXIMUS currently serves nearly two thousand government cost allocation clients annually and can bring to this engagement a uniquely qualified staff of professionals with extensive experience in preparing cost allocation plans and other cost accounting services for state and local governments.

Furthermore, MAXIMUS has extensive experience in working with agencies of the State of Michigan. Since 1987, MAXIMUS has prepared the Statewide Cost Allocation Plan (SWCAP) through the Department of Management and Budget, Office of Financial Management. In addition, MAXIMUS has prepared numerous departmental cost allocation plans and indirect cost rate proposals, installed several random moment sampling systems, and worked on many other cost accounting projects for agencies of the State of Michigan. Attached is a partial listing of State of Michigan clients and references. A complete client listing for MAXIMUS is available upon request.

### STAFFING

MAXIMUS will assemble an experienced team of consultants to assist OFIR in this engagement. All staff will have experience in preparing cost allocation plans and indirect cost rate proposals. The project director will be Mr. William Maxwell, the manager of our MAXIMUS Lansing office. Other staff will be assigned to the project as needed by Mr. Maxwell. The resume for Mr. Maxwell is included at the end of this proposal.

### COMPENSATION

Our current contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan (SWCAP) provides for additional departmental cost allocation

projects to be completed as amendments to the original contract. We believe this project can be performed under the provisions of this contract. Based upon our experience in preparing this plan in prior years, we anticipate that the project will require 200 consultant hours to complete. At our standard hourly rate of \$120 we are prepared to quote a fixed fee of \$24,000, including all expenses incurred by us. Payment will be due upon delivery of the final reports.

### **DELIVERABLES**

The Department would be provided with three (3) bound and one (1) clipped copy of the following:

#### **FY 10 Actual Cost Allocation Plan & Administrative Funding Rate Proposal**

### **TIMING**

MAXIMUS is prepared to begin preparation of the cost plan and funding rate proposal as soon as practical after securing a contract or change notice to our SWCAP contract. However, work cannot begin until the FY 10 fiscal year is closed out and final financial reports are available. Once the necessary financial information is obtained, approximately three months will be necessary for preparation of the draft documents. The timing of the draft is however contingent upon the availability of OFIR staff for interviews and the availability of all selected allocation statistics. Once the draft is approved by OFIR, the final report can be delivered within two weeks.

MAXIMUS is pleased to have the opportunity to present this proposal. We look forward to assisting the Office of Financial and Insurance Regulation on this very important engagement.

*No contractual commitments shall be established as the result of this proposal until the parties have executed in writing a mutually agreeable Agreement containing negotiated terms and conditions, or in this instance, the SWCAP contract has been amended to include this project.*

**MAXIMUS, Inc.**

**STATE OF MICHIGAN**  
**DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET**  
**PURCHASING OPERATIONS**  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933

March 2, 2011

**CHANGE NOTICE NO. 3**  
**TO**  
**CONTRACT NO. 071B1300076**  
 (Supersedes Contract #071B7200042)  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR		TELEPHONE (517) 484-4240 <b>Bill Maxwell</b>
<b>Maximus Consulting Services, Inc.</b> <b>935 North Washington Avenue</b> <b>Lansing, MI 48906</b>  billmaxwell@maximus.com		
		BUYER/CA (517) 373-0325 <b>Angela Buren</b>
Contract Compliance Inspector: Laura Mester (517) 373-0447 <b>Central Cost Analysis and SWCAP Preparation</b> <b>Department of Technology, Management and Budget</b>		
CONTRACT PERIOD:		From: <b>October 14, 2010</b> To: <b>October 31, 2011</b>
TERMS	<b>N/A</b>	SHIPMENT <b>N/A</b>
F.O.B.	<b>N/A</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>		

**NATURE OF CHANGE(S):**

Effective immediately, the following proposals are hereby **INCORPORATED** into this Contract (see attachments):

- **MEDC – Cost Allocation Plan and Indirect Cost Rate**  
 Proposal FY 10 Actual **\$ 9,600.00**
  - **DNRE – Cost Allocation Plan and Indirect Cost Rate**  
 Proposal FY 10 Actual **\$ 24,600.00**
- Total Value of Proposal: \$ 34,200.00**  
**Remaining Amount Available on Contract: \$ 107,280.00**

All other terms, conditions, specifications, and pricing remain the same.

**AUTHORITY/REASON:**

Per Agency/Contractor agreement and DTMB/Purchasing Operations' approval.

**TOTAL CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$2,125,000.00**

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**PROPOSAL TO THE  
MICHIGAN ECONOMIC DEVELOPMENT  
CORPORATION - STRATEGIC FUND  
FOR A COST ALLOCATION PLAN AND  
INDIRECT COST RATE PROPOSAL  
FY 10 ACTUAL**

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**NOVEMBER 2010**

CERTAIN PARTS OF THIS PROPOSAL MAY CONTAIN PROPRIETARY INFORMATION. PLEASE CONTACT **MAXIMUS** BEFORE RELEASING ANY PAGES MARKED PROPRIETARY.

**MAXIMUS**  
*HELPING GOVERNMENT SERVE THE PEOPLE™*

OK to process

LJM

2-15-11

**PROPOSAL TO THE  
MICHIGAN ECONOMIC DEVELOPMENT CORPORATION  
STRATEGIC FUND  
FOR PREPARATION OF A COST ALLOCATION PLAN  
AND INDIRECT COST RATE PROPOSAL  
FY 10 ACTUAL**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary of MAXIMUS, Inc. (MAXIMUS), is pleased to present this proposal to the Michigan Economic Development Corporation (MEDC) for the development of a departmental cost allocation plan and indirect cost rate proposal based on actual expenditures for the year ending September 30, 2010. The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

MAXIMUS Consulting Services, Inc. is a public sector consulting firm incorporated in the State of Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division that specializes in assisting state and local governments in matters related to grant management and cost accounting. The Division has over 40 offices within the continental United States, including two offices in the state of Michigan. This project would be performed out of Lansing, Michigan office at the following address:

M.A.C. Building  
935 N. Washington Ave.  
Lansing, MI 48906  
517-484-4240

**BACKGROUND**

The Michigan Strategic Fund of the MEDC receives substantial funding for the operation of various programs it administers from the Federal government, including the Community Development Block Grant. The Fund spends considerable resources to administer these programs. These costs include administration, accounting services, purchasing, information technology, budgeting, etc. plus the costs incurred by the State of Michigan and identified in the

State's annual Statewide Cost Allocation Plan (SWCAP). The Federal government will reimburse the State a portion or all of the costs spent in supporting Federal programs if the State can document the expenses to the Federal government. These costs are typically recovered through the application of a federally negotiated indirect cost rate prepared in accordance with the principles of OMB Circular A-87, Cost Principles for State and Local Governments.

### STATEMENT OF PROBLEM

The MEDC was created by Executive Order 1999-1. MEDC is a public corporation created through an interlocal agreement between state and local governments. The State of Michigan's portion of the corporation is accounted for in the Michigan Strategic Fund (MSF). Several programs operated by the State of Michigan that relate to economic development were transferred to the MSF under the executive order, including the Community Development Block Grant.

Beginning with fiscal year 2000, the MEDC began preparing and negotiating a separate indirect cost rate with the Department of Housing and Urban Development (HUD). Based upon the most recent submission to HUD, provisional indirect cost rates were approved for MEDC for use during state fiscal year 2010.

Provisional indirect cost rates must be "finalized", or reconciled to actual costs, at the end of each fiscal year. As such, the MEDC needs to prepare a cost allocation plan and indirect cost rate proposal based on actual costs for FY 10 and submit the plan to HUD for review and approval.

### DESCRIPTION OF SERVICES

MAXIMUS proposes to provide the following services for the MEDC Strategic Fund:

- Preparation of the departmental cost allocation plan (DCAP) for the MEDC Strategic Fund based on actual expenditures for the fiscal year ending September 30, 2010. The plan will be prepared as consistently as possible with the last submitted plan. Financial information with sufficient cost center and line item detail will be needed. MAXIMUS consultants will work with financial staff to determine which R\*Stars or MIDB reports should be used.

- Preparation of an indirect cost rate proposal for the MEDC based on actual expenditures for the fiscal year ending September 30, 2010. The proposal will be used to finalize FY 10 rates and to also propose an indirect cost rate for use during FY 12.
- Negotiations for approval of the cost plan and indirect cost rate proposal with the cognizant Federal agency, the Department of Housing and Urban Development.

### PLAN DEVELOPMENT

MAXIMUS proposes to develop for the MEDC Strategic Fund a departmental cost allocation plan by carefully applying the same proven work methods we use annually for over one thousand other cost plan clients across the nation.

Essentially, we critically review the prior year plans of the Department to assure that all allowable costs are included in the plan and that the plan conforms to the provisions of OMB Circular A-87. We will review all relevant prior audits and federal negotiation agreements to determine any changes agreed to and to correct any deficiencies that may have been identified.

After our review of prior information, we will collect appropriate current information for the development of the plan. Data to be collected includes appropriate organizational charts with adequate detail to identify divisions, bureaus and programs. Appropriate financial records including detailed appropriation and expenditure reports, audits and budgets will also be needed.

After all the information is collected and any interviews conducted, our fieldwork will be completed. MAXIMUS consultants will then finalize the plan at our office. This minimizes any disruption to the normal operations of the Department. Upon completion of the plan we will develop an indirect cost rate proposal. The rate proposal will be used to finalize current approved rates and to propose a single departmental rate for use in fiscal year 2012.

When the plan and departmental rate proposal are complete, we will present all the documents to the appropriate Department officials. After acceptance of the plan by the Department, we will submit the documents to the H.U.D for review and approval. MAXIMUS consultants will negotiate the plan on behalf of the Department. We have negotiated several plans with the Washington D.C. regional office and therefore they are quite familiar with our plans and the quality of our work.

**EXPERIENCE AND QUALIFICATIONS**

MAXIMUS is the nation's leading firm in providing cost allocation services to state and local governments. MAXIMUS currently serves nearly two thousand government cost allocation clients annually and can bring to this engagement a uniquely qualified staff of professionals with extensive experience in preparing cost allocation plans and other cost accounting services for state and local governments.

Furthermore, MAXIMUS has extensive experience in working with agencies of the State of Michigan. Since 1987, MAXIMUS has prepared the Statewide Cost Allocation Plan (SWCAP) through the Department of technology, Management and Budget, Office of Financial Management. In addition, we have prepared numerous departmental cost allocation plans and indirect cost rate proposals, installed several random moment sampling systems, and worked on many other cost accounting projects for agencies of the State of Michigan. Attached is a partial listing of State of Michigan clients and references. A complete client listing for MAXIMUS is available upon request.

**STAFFING**

MAXIMUS will assemble an experienced team of consultants to assist the Michigan Strategic Fund in this engagement. All staff will have experience in preparing cost allocation plans and indirect cost rate proposals. The project manager will be Mr. William Maxwell, the director of our MAXIMUS Lansing office. Other staff will be assigned to the project as needed by Mr. Maxwell. The resume for Mr. Maxwell is included at the end of this proposal.

**COMPENSATION**

Our current contract with the State of Michigan for the preparation of the Statewide Cost Allocation Plan (SWCAP) includes provisions for other State agencies to contract for cost allocation plans. We believe this project can be performed under the provisions of this contract. However, to do so, Office of Financial Management approval will need to be obtained.

Based on our experience in preparing this plan in the past, this project will require a minimum of 80 consultant hours to complete. Based upon an hourly billing rate of \$120 for consultant time we are prepared to quote the following fixed fee:

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**FY 10 Actual DCAP and Rate Proposal - \$ 9,600**

Our fee assumes that all Federal negotiations can be conducted via phone or mail with the Federal cognizant agency. In the event negotiations would require additional travel costs, these would be billed in addition to the above fees.

Payment would be due upon submission of cost plan and rate proposal to the appropriate Federal agency.

**TIMING**

MAXIMUS proposes to begin work on this project within ten working days of receiving a contract or purchase order. However, work on the MEDC plan cannot begin until the current fiscal year has been closed and final financial reports are available. Once work begins, it is anticipated that the DCAP and indirect cost rate proposal will require about two to three months to complete. Therefore we would not expect to have the MEDC plan ready for federal submission until about June 30, 2011. Federal negotiations will begin upon submission of the proposal to the appropriate Federal agency. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months to complete. MAXIMUS will make every attempt to expedite the process, but we must advise the MEDC that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiations agreement within the procedures set forth in OMB A-87.

MAXIMUS is pleased to have the opportunity to present this proposal. We look forward to assisting the Michigan Economic Development Corporation on this very important engagement.

*No contractual commitments shall be established as the result of this proposal until the parties have executed in writing a mutually agreeable Agreement containing negotiated terms and conditions, or in this instance, the SWCAP contract has been amended to include this project.*

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**MAXIMUS Consulting Services, Inc.**

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**PROPOSAL TO THE  
MICHIGAN DEPARTMENT OF  
NATURAL RESOURCES  
FOR A COST ALLOCATION PLAN AND  
INDIRECT COST RATE PROPOSAL  
FY 10 ACTUAL**

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**OCTOBER 2010**

*CERTAIN PARTS OF THIS PROPOSAL MAY CONTAIN PROPRIETARY INFORMATION.  
PLEASE CONTACT MAXIMUS BEFORE RELEASING ANY PAGES MARKED PROPRIETARY*

**MAXIMUS**  
*HELPING GOVERNMENT SERVE THE PEOPLE™*

*OK to process  
LJM  
2-15-11*

935 N. WASHINGTON AVE. • LANSING, MI 48906 • 517.484.4240 • FAX 517.484.3011

**PROPOSAL TO THE MICHIGAN  
DEPARTMENT OF NATURAL RESOURCES**

**FOR A COST ALLOCATION PLAN  
BASED ON ACTUAL COSTS FOR  
THE YEAR ENDED SEPTEMBER 30, 2010**

**MAXIMUS, Inc.** is pleased to present this proposal to the Michigan Department of Natural Resources (DNR) for the preparation of a Departmental Cost Allocation Plan based on actual costs for the year ending September 30, 2010.

The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

**MAXIMUS, Inc.** is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division that specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has over 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

M.A.C. Building  
935 North Washington Avenue  
Lansing, MI 48906  
(517) 484-4240

**BACKGROUND**

The Michigan Department of Natural Resources receives substantial funding for the operation of various programs it administers from the Federal government as well as several state restricted funding sources, i.e. Game and Fish Fund, Marine Safety Fund, State Waterways Fund, etc. The DNR spends considerable resources to administer these programs. These costs include administration, accounting services, personnel services, internal audit, etc. plus the costs incurred by the State of Michigan and identified in the

State's annual Statewide Cost Allocation Plan (SWCAP). The Federal government will reimburse the State a portion or all of the costs spent in supporting Federal programs if the State can document the expenses to the Federal government. In order to accomplish the actual recovery of indirect costs attributed to any particular program within the Department of Natural Resources, a Departmental Cost Allocation Plan (DCAP) must be prepared in accordance with the provision of OMB Circular A-87, Cost Principles for State and Local Governments. In addition, the Department is interested in determining the extent to which various state restricted funds should contribute to the funding of the various DNR administrative cost pools.

However, at the close of fiscal 2010, the Department of Natural Resources will no longer exist as a separate state agency. The Department of Environmental Quality and the Department of Natural Resources have been consolidated into a new state agency; The Department of Natural Resources and Environment (DNRE). Beginning with FY 11 DNRE will be submitting and negotiating a cost allocation plan and rate proposal to its cognizant federal agency. As such, DNR will not be proposing rates for 2011 and beyond, but will still need to finalize, or reconcile to actual costs, the rates used during FY 10.

FY 10 rates were approved on a fixed with carry-forward basis. This requires that fixed indirect cost rates employed during a fiscal year be reconciled to actual cost at the end of the period. Differences between fixed rates and actual rates, or carry-forwards, are computed and incorporated into future rates. However, since no new rates are to be proposed, the FY 10 rates need to be "finalized". This requires that rates based upon actual costs for the year and incorporating any outstanding carry-forwards need to be computed. The final rates can be used to adjust indirect claims and close out DNR grants.

### DESCRIPTION OF SERVICES

MAXIMUS proposes to provide the following services for the Michigan Department of Natural Resources:

1. **Preparation of the DCAP based on actual costs for the year ended September 30, 2010, prepared in accordance with OMB Circular A-87.** The DCAP

would be prepared using a "multiple rate" methodology, whereby indirect costs would be segregated into discrete cost pools and selective allocations of costs will be made by applying an allocation base most appropriate to each circumstance. The overall objective is to allocate indirect costs consistent with the manner in which services are actually provided to programs and bureaus which benefit from these services. A "multiple rate" DCAP provides for a much more accurate allocation of indirect costs than a single departmental rate as it recognizes differences in the level of support provided to various programs within the Department.

The DCAP will include allocation of the following administrative appropriation units. However, allocated appropriations will be revised to reflect any changes or additions for the current fiscal year.

- State Rent - 1345
- Private Rent - 1346
- Executive Commission - 1092
- Executive Unclassified - 1093
- Executive Direction – 1001
- Land & Facilities - 2020
- Internal Audit – 1105
- Budget & Support Services – 1106
- Financial Services – 1107
- Grants Management - 1108
- Human Resources – 1126
- HR Optimization - 1128
- Information Services - 8914

**2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual expenditures for the year ended September 30, 2010.** Current indirect cost rates for the DNR are approved on a fixed with carry-forward basis. As such, the proposal would typically include the calculation of appropriate FY 10 carry-forwards and the incorporation of these amounts into proposed rates for use during state fiscal year 2012. However, since beginning with FY 10 the Department of Natural Resources has been incorporated into a new state agency, the Department of Natural Resources and Environment, it will be necessary to "finalize" the FY 10 rates. Finalizing rates means

that actual rates for the period, incorporating and outstanding carry-forwards are calculated. Finalizing rates would require the Department to adjust claims to federal programs for FY 10 by applying the finalized rate.

- Game and Fish Rate - Applicable to Federal salaries and benefits within Wildlife Management, Fisheries, and Law Enforcement.
- All Other Programs - Applicable to all other Federal salaries and benefits.

**3. Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's Federal cognizant agency.** Once completed the cost plan and rate proposal will be submitted to the US Department of Interior, Office of Inspector General, for review and approval. **MAXIMUS** will be the initial point of contact with Interior regarding all questions regarding the preparation of the documents.

**4. Preparation of a revised cost plan for the documentation of charges to state restricted funding sources.** Another version of the DCAP will be prepared. The revised version will essentially allocate the same cost pools; however, it will be structured differently in order to identify indirect charges separately for the various bureaus of the department. In addition, costs allocated to individual bureaus will subsequently be reallocated to funding sources according to the ratio of funding within each bureau. The final result will be that the appropriateness of the level of funding provided by various state restricted funds for each administrative appropriation can be reviewed. As this plan is prepared for state funds only, it will not need to be submitted to the Federal government for review.

### EXPERIENCE AND QUALIFICATIONS

**MAXIMUS, Inc.** is the nation's leading firm in providing costs accounting services to state and local governments. We currently serve over two thousand governmental cost allocation clients through over forty offices across the continental United States, and can bring to this engagement a uniquely qualified staff of professionals with extensive experience in preparing cost allocation plans for state and local governments.

Furthermore, **MAXIMUS** has extensive experience in working with agencies of the State of Michigan. Since 1987, **MAXIMUS** has prepared the Statewide Cost Allocation Plan (SWCAP) through the Department of Management and Budget, Office of Financial Management. In addition, we have prepared numerous departmental cost allocation plans and indirect cost rate proposals, installed several random moment sampling systems, and worked on many other cost accounting projects for agencies of the State of Michigan. Attached is a partial listing of State of Michigan clients and references. A complete client listing for **MAXIMUS** is available upon request.

### **STAFFING**

**MAXIMUS** will assemble an experienced team of consultants to assist the Michigan Department of Natural Resources in this engagement. The project team has prepared a numerous cost allocation plans and indirect cost rate proposals for state agencies. Moreover, the team has extensive experience in negotiating cost allocation plans with the cognizant federal agencies on behalf of clients. The key members of the project team are as follows:

**William Maxwell** - Mr. Maxwell is the manager of our Lansing, Michigan office and is responsible for managing our clients with agencies of the State of Michigan. Mr. Maxwell would be the project manager and be responsible for the day-to-day development of the plan.

**Nicholas Bohac** – Mr. Bohac is a senior consultant assigned to our Lansing office. Mr. Bohac would assist Mr. Maxwell with development of the plan and rate proposal.

All of these individuals have extensive experience in preparing cost allocation plans and indirect cost rate proposals. Resumes are attached.

### **COMPENSATION**

Under the provisions of our current contract with DMB for preparation of the SWCAP, the contract can be amended to include departmental cost allocation plans for other state agencies. We believe this project can be performed under the provisions of

this contract. Based on our experience in preparing your departmental cost plan in the past, we project that the project will require the following consultant hours:

A-87 DCAP & Federal Indirect Cost Rate Proposal -	150 hrs
<u>Revised DCAP for Restricted Funds</u> -	<u>55 hrs</u>
Total Hours	205 hrs

Based on a billing rate of \$120 per hour, we are prepared to quote a fixed fee of \$24,600, including all expenses. MAXIMUS will bill the Department according to the following schedule:

- Submission of A-87 DCAP and Rate Proposal to Interior - \$18,000
- Delivery and Acceptance of Revised DCAP for Restricted Funds - \$6,600

**TIMING**

MAXIMUS is prepared to begin work on this project within 10 working days of receiving a purchase order or contract amendment notice. However, work cannot begin until the current fiscal year has been closed and final financial reports are available. Once work has begun, it is anticipated that it will require approximately twelve weeks to complete a draft of the A-87 plan and an additional eight weeks to complete the draft of the second plan. Once approved by DNR, the A-87 plan will be submitted to the Department of Interior and MAXIMUS will begin negotiations on your behalf to secure federal approval. MAXIMUS will make every attempt to expedite the process, but we must advise the Department of Natural Resources that in some instances the negotiation process can take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in A-87, and MAXIMUS is available to defend the plan against audit for a three year period at no additional cost.

MAXIMUS appreciates the opportunity to submit this proposal and looks forward to again working with the Michigan Department of Natural Resources.

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**MAXIMUS, Inc.**