Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

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

February 5, 2008

CHANGE NOTICE NO. 9
TO
CONTRACT NO. 071B7200042
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE (517) 684-4111 **James Olson**
Maximus, Inc. **2343 Delta Road** **Bay City, MI 48706** jamesolson@maximus.com	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-1080 **Melissa Castro, CPPB**
Contract Compliance Inspector: Doug Ringler **Central Cost Analysis and SWCAP Preparation – Department of Management and Budget**	
CONTRACT PERIOD: From: **November 9, 2006** To: **October 31, 2008**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	
MISCELLANEOUS INFORMATION:	

NATURE OF CHANGE(S):

The following departments are hereby added to this Contract:

- **Attorney General for $14,400.00 for FY07 Actual Departmental Cost Allocation Plan and Indirect Cost Rate Proposal.**
- **Department of Natural Resources for $24,600.00 for Cost Allocation Plan for FY07.**
- **Department of Transportation $195,600.00 for Cost Allocation Plan.**
- **Department of Labor and Economic Growth (OFIS) for 24,000.00 for Actual Administrative Cost Allocation Plan.**

Total Value of Proposal: $258,600.00
Remaining Amount Available on Contract: $175,000.00

All other terms, conditions, specifications, and pricing remain unchanged.

AUTHORITY/REASON:

Per agency/vendor agreement and Purchasing Operations' approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $925,000.00

Proposal to
The Michigan Attorney General
For the Preparation of an FY 07 Actual
Departmental Cost Allocation Plan
& Indirect Cost Rate Proposal

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Attorney General (AG) for the preparation and negotiation of the FY 07 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, 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, formerly known as David M. Griffith & Associates (**DMG**). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 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 Attorney General receives substantial funding for the operation of various programs it administers from the Federal Government. The Attorney General 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 Attorney General submitted a Cost Allocation Plan and an Indirect Cost Rate Proposal based on actual expenditures for the year ended on September 30, 2005. Based on these submissions, the Department of Health and Human Services (HHS) approved provisional indirect cost rates for the Attorney General for FY 07.

Provisional indirect cost rates must be "finalized", or reconciled to actual costs, at the end of each year. As such, the Attorney General needs to prepare a cost allocation plan and indirect cost rate proposal based on actual costs for FY 07 and submit the plan to HHS for review and approval.

DESCRIPTION OF SERVICES

MAXIMUS proposes to provide the following services for the Michigan Attorney General:

1. Preparation of the DCAP based on actual costs for the year ended September 30, 2007. The DCAP would be prepared utilizing ***NGCS2***, 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 2007 actual circumstances.

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2007. Actual FY 07 costs will be used as the basis for establishing a new fixed or provisional rate for use in FY 09. The type of rate that will be proposed will be determined through discussions with Michigan Attorney General representatives during the course of the engagement.

3. Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's Federal Cognizant Agency, the U.S. Department of Health and Human Services, Division of Cost Allocation (DCA), in Dallas, Texas.

PLAN DEVELOPMENT

MAXIMUS proposes to develop for the Michigan Attorney General 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 and other department programs 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 Attorney General.

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 the U.S. Department of Health and Human Services for review and approval. **MAXIMUS** will negotiate the plan with HHS personnel on behalf of the Department. We have negotiated

several plans HHS 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 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 Attorney General 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 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 120 consultant hours to complete. At our standard hourly rate of $120, we are prepared to quote a fixed fee of $14,400 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 2007 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, 2008. 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 Attorney General 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 Attorney General on this very important engagement.

MAXIMUS, Inc.

PROPOSAL TO THE MICHIGAN DEPARTMENT OF NATURAL RESOURCES

FOR A COST ALLOCATION PLAN

BASED ON ACTUAL COSTS FOR

THE YEAR ENDED SEPTEMBER 30, 2007

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Department of Natural Resources for the preparation of a Departmental Cost Allocation Plan based on actual costs for the year ending September 30, 2007.

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, formerly known as David M. Griffith & Associates (**DMG**). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 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 (DNR) 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,

- 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, 2007. Current indirect cost rates for the DNR are approved on a fixed with carry-forward basis. As such, the proposal will include the calculation of appropriate FY 07 carry-forwards and the incorporation of these amounts into proposed rates for use during state fiscal year 2008/09. The proposal will include the calculation of two DNR rates:

- 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 consultant assigned to our Lansing office. Mr. Bohac would assist Mr. Maxwell as needed with development of the plan and 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	-	125 hrs
Revised DCAP for Restricted Funds	-	80 hrs
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 - $15,000
- Delivery and Acceptance of Revised DCAP for Restricted Funds - $9,600

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.

INTRODUCTION

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Department of Transportation for the preparation of a cost allocation plan for the purpose of distributing administrative costs to the various programs and projects of the department. The following information outlines our qualifications, experience and detailed information regarding the scope of services.

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. Financial Services was been providing cost accounting and grants management services to state and local governments since 1976. The Division has grown to 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 Michigan Department of Transportation (MDOT) has responsibility for the design, construction and maintenance of the state highway system. MDOT operates out of numerous locations throughout the state and is organized into seven regions and central office support areas.

MDOT's gross appropriation for FY 07 was approximately $3.4 billion. A significant portion of the funding relates to the highways component of the Department, i.e. road construction, maintenance, design, traffic safety, and real

estate. Much of the work on state highway is completed by MDOT using MDOT staff and resources, while some is contracted to private or public agencies, e.g. county road commissions, cities, etc. In addition, local units of government receive funding for projects related to their roads. MDOT assists the local units by collecting and distributing funds, taking bids, making payments, and in most instances contracting for local projects. MDOT also provides services for other modes of transportation.

STATEMENT OF PROBLEM

As state and local governments face increasingly more accountability for the use of funds, it becomes more and more important to assure that services are being provided in the most cost effective manner. Whether to contract with private or public agencies for various state transportation projects or to perform the services in-house with MDOT staff and resources becomes a critical concern. MDOT wishes to be able to determine its full cost of providing services, including indirect costs, so that the Department can make more informed decisions regarding the cost effectiveness of the Department's transportation programs. In addition, MDOT wishes to be able to compare internal costs within the various regions of the state.

In order to identify the full cost of service, both direct and indirect costs need to be accounted for. Direct costs are currently captured by the Department's accounting systems. Costs associated with construction projects are accounted for in the Department's project accounting system. Costs associated with maintenance projects are captured within MAIN by the use of object code, PCA, Grant and Phase coding fields. Object codes identify the type of expenditure; PCAs the type of work; and Grant and Phase are used identify the location of the work.

Administrative costs are not identified by project. Administrative costs are captured in various PCA codes, as well as in some instances location codes. In order to determine the full cost of service, an allocation methodology for all levels

of administration needs to be developed. This needs to include all departmental administration, bureau level administration, regional administration, and statewide central services.

The administrative cost allocation methodology should result in indirect cost rates applicable to various categories of projects detailed by project type, e.g. maintenance, design, construction, etc., by region, and finally by in-house or contracted. Indirect cost rates will allow the Department to compute indirect costs applicable to any project, and to combine the indirect costs with the direct costs to arrive at the full cost of service. In addition, the indirect cost rates should be componentized, or detailed by category of indirect cost. This will allow the Department to determine the portion of indirect costs attributable to each overhead cost pool, and to, if desired, exclude any particular category of costs from its full cost analysis.

Along with the indirect cost rates applicable to various transportation projects performed by the Department, MDOT is also interested in determining a separate set of rates that relate to work perform by the administrative units of the Department. The MDOT administrative staff is often asked to assist local units of government, or to perform work chargeable to special funding sources. Where possible, the Department charges the direct cost of providing these services. However, MDOT wishes to be able to include indirect costs in these charges. As such, administrative indirect cost rates are required for all administrative operations.

MAXIMUS has developed a work plan to meet the goals of the Department and to determine indirect cost rates for various types of work performed across the State.

GOALS AND OBJECTIVES

The primary goals as we perceive them for the Michigan Department of Transportation for this project are as follows:

1. Develop indirect cost rates which are applicable to projects based on the type of work:
    - Maintenance Work – Highways
    - Construction Work – Highways
    - Highway Design – Highways
    - Real Estate - Highways
    - Traffic and Safety - Highways
    - Aeronautics Projects – Multi-Modal
    - Transit & Freight Projects – Multi-Modal

This list may be expanded or consolidated dependent upon the information available. During the course of the engagement, changes to the list would be presented to MDOT administration for discussion and approval.

2. Develop indirect cost rates which are applicable to projects based on method of service delivery:
    - In-House (MDOT) Projects
    - Contracted Projects

3. Develop indirect cost rates that are applicable to projects based on the region in which the project is performed.

4. Develop indirect cost rate that are applicable to work performed by the Administrative operations of the Department.

In order to achieve these goals, specific objectives or tasks must be completed. It is our intention to develop a series of cost allocation plans to achieve these goals. Each cost allocation plan will be designed to distribute overhead costs to specific project categories. Separate cost allocation plans will be prepared to allocate appropriate administrative costs for Department

Administration, Bureau of Highways Administration, and Regional Administration for each of the seven regions of the state.

APPROACH AND WORKPLAN

The approach we have defined for this project is clearly focused on satisfying the Department's goals. The approach has been designed to emphasize three key elements:

- Assignment of MAXIMUS professionals who have in-depth experience in preparing and negotiating cost allocation plans.
- A sound work plan which includes working closely with the MDOT staff to assure a thorough understanding of the Department's organizational structure, as well as the short and long range objectives.
- The use of copyrighted cost allocation software developed by MAXIMUS specifically for application to state and local governments.

The development of the cost allocation plan will be an extremely complex undertaking. In order to meet the goals and objectives for this project, we have defined a work plan consisting of nineteen tasks that must be successfully accomplished. The following paragraphs provide a brief description of each task.

Task 1 - Project Initiation. At the outset of the project, the MAXIMUS consulting team will meet with MDOT representatives in order to confirm the objectives, plans and schedule for the project. A critical issue that needs to be addressed at this point is the fiscal year on which the project is to be based. It is presently our understanding that FY 07 actual cost information will be used. As appropriate, any refinements in our approach as presented in this proposal will be identified and incorporated into our plans.

Task 2 - Review Background and Accounting Information. All relevant background material will be reviewed, including annual reports, organization charts, budget documents, other similar studies which may have been completed, etc. In addition, the MAIN accounting structure will be reviewed and various R*STARS/MIDB reports will be examined to determine which reports will generate financial reports in the format necessary to complete the project. Depending on the structure, it may be necessary to request reports with detail by object code, program, organization, PCA, and appropriation. Once accounting reports are selected, if they are not routinely generated, it will be necessary to request the reports from MDOT, or if appropriate DMB.

Task 3 - Review Project Accounting Information. As many of the allocation bases in the administrative cost allocation plans may relate to direct project costs, it will be necessary to familiarize ourselves with the format and availability of the various project accounting reports. As with the R*STARS reports, it may be necessary to request project information sorted or summarized in particular manners to provide the detail needed to develop recommended allocation bases.

Task 4 - Develop a Departmental Administration (Central Services) Cost Allocation Plan. A central services cost allocation plan that allocates centrally budgeted support costs will be developed. The plan will be prepared utilizing proprietary software developed by MAXIMUS. It is anticipated that this plan will include the allocation of the following MDOT programs or cost pools:

- Executive Office
- Human Resources
- Bureau of Finance and Administration
- Office of Information Management (DIT)
- Communications
- Commission Audits
- Transportation Planning
- Attorney General Costs

- Building Depreciation
- Statewide Central Services

The purpose of the central services cost allocation plan is to allocate those programs which may not be directly involved in the delivery of services, but provide overall support to the direct program areas of the Department. Each central service program will be analyzed to determine the nature of the services provided. Costs within each program may be subdivided into multiple cost pools that represent discrete activity areas. Selective allocations of each cost pool will be made by applying the allocation base most appropriate to each circumstance. It is not anticipated that departmental administrative costs will be allocated on a regional or project type basis, however this possibility will be further discussed during this task. It is projected that most departmental administrative costs will be allocated as statewide support, and uniformly incorporated into indirect cost rates for all MDOT programs. Where possible, costs may be allocated to specific program areas, e.g. local projects, contacted work, in-house work, etc., and incorporated into indirect cost rates applicable to only specific program areas. Each selected allocation base will be discussed with MDOT staff to insure its acceptability and the availability of the information.

Task 5 - Develop a Bureau of Highways Administration Cost Allocation Plan. The Bureau of Highways Administration cost allocation plan will allocate administrative costs incurred at the Central Office level. Allocated costs will include the Bureau Director's Office, Administrative Services, and any administrative costs within other program areas of the bureau that are generally not accounted for as direct project costs. It is anticipated that administrative costs will be allocated on a project type basis to the following categories:

- Maintenance – Central Office Projects
- Construction and Technology – Central Office Projects
- Design – Central Office Projects
- Real Estate – Central Office Projects
- Traffic and Safety – Central Office Projects

- Statewide Highways Administration
- Maintenance – Statewide Support
- Construction and Technology – Statewide Support
- Design – Statewide Support
- Real Estate – Statewide Support
- Traffic and Safety – Statewide Support
- Local Projects – Statewide Support
- In-house Projects – Statewide Support
- Contracted Projects – Statewide Support
- Contracted Maintenance – Statewide Support
- Contracted Design – Statewide Support
- Contracted Traffic & Safety – Statewide Support

Administrative costs will be segregated, as necessary, into discrete cost pools for allocation. As with the central services cost plan, each selected allocation base will be discussed with MDOT staff to insure its acceptability and the availability of the information, and the plan will be prepared utilizing the MAXIMUS proprietary cost allocation software.

Tasks 6 thru 12 - Develop Regional Administration Cost Allocation Plans for each of the seven Highways Regions. MAXIMUS consultants will develop a cost allocation plan to allocate all administrative costs incurred within each of the seven Highways regions. Allocated costs will include any regional level administrative costs that are generally not identified as direct project costs. It is anticipated that costs will be allocated on a project type basis to the following categories:

- Maintenance - MDOT In-House Projects
- Maintenance - Contracted Projects
- Design - MDOT In-House Projects
- Design - Contracted Projects
- Construction and Technology - MDOT In-House Projects
- Construction and Technology - Contracted Projects

- Real Estate - MDOT In-House Projects
- Real Estate - Contracted Projects
- Traffic and Safety - MDOT In-House Projects
- Traffic and Safety- Contracted Projects
- Local Projects
- Regional Overhead

Administrative costs will be segregated, as necessary, into discrete cost pools for allocation. As with all plans, each selected allocation base will be discussed with MDOT staff to insure its acceptability and the availability of the information, and the plan will be prepared utilizing the MAXIMUS proprietary cost allocation software.

Task 13 – Develop Multi-Modal Cost Allocation Plan – MAXIMUS consultants will develop a cost allocation plan to allocate all administrative costs incurred within the Multi-Modal programs. Allocated costs will include any administrative costs that are generally not identified as direct project costs. It is anticipated that costs will be allocated on a project type basis to the following categories:

Aeronautics – MDOT In-House Projects
Aeronautics – Local Projects
Aeronautics – Statewide Support
CTF – MDOT In-House Projects
CTF – Local Projects
CTF – Statewide Support

Task 14 - Calculate Indirect Cost Rates. Indirect cost rates will be computed for each of the cost allocation plans and result in three levels of rates that will be applicable to projects:

- **Central Service Indirect Cost Rates –** A rate for central services will be determined for each project category. The rates will be detailed by central

services cost component, e.g. Department Administration, Human Resources, Financial Operations, etc.

- **Bureau of Highways Administration Rates** – A rate for administrative costs incurred within the Central Office will be determined for each project category.

- **Regional Administrative Rates** – Regional rates will be determined for maintenance, construction and design work within each of the seven regions of the state. For other project categories such as Real Estate, Traffic and Safety, Construction and Technology, and contacted work, rates may only be determined at the statewide level. These activities are much more centralized and it may not be practical to determine rates at the region level. However, this issue will be further addressed during the project.

Rates will also be developed for Aeronautics and the Comprehensive Transportation Fund (CTF). Rates will incorporate appropriate amounts from the central services plan as well as the Multi-Modal administrative costs discussed in task 13.

The bases used to compute each rate will be discussed with MDOT staff during the course of the engagement. The most likely bases would be either direct salaries and wages or total direct project costs.

Task 15 - Consolidate Indirect Cost Rates. Once all the rates are computed, the total indirect cost rate applicable to any project or contract would be determined by totaling the appropriate rates for the three levels of administration. For example, the final indirect cost rate for in-house maintenance by the Bureau of Highways in the Metro Region would be the sum of:

1. Central Services indirect cost rates for In-House Maintenance,

2. Bureau of Highways Central Office rate for In-House Maintenance, and
3. Metro Region rate for In-House Maintenance.

Similarly, the final indirect cost rate for in-house design by the Bureau of Highways in the Metro Region would be the sum of:

1. Central Services indirect cost rates for In-House Design,
2. Bureau of Highways Central Office rate for In-House Design, and
3. Metro Region rate for In-House Design.

MAXIMUS will prepare a schedule that summarizes the indirect cost rates for each category of project. The summary schedule would identify the total indirect cost rate applicable for each, and would further detail the total by component or level of administration.

Task 16 - Compile and Present Draft and Final Results. Once all cost allocation plans are completed, a draft report will be prepared which explains the cost allocation procedures employed in developing each plan. The draft report will include the summary of indirect costs. The draft report will be presented to MDOT staff for final approval. As necessary, changes to the draft report will be addressed and the final report will be bound and delivered.

Task 17 – Prepare the Administrative Cost Allocation Plan and Rates. A separate cost plan will be prepared for the purpose of determining indirect costs applicable to the various administrative programs of the Department. This plan will be developed by utilizing the central services cost allocation plan as the basis. The central services plan will be revised to further detail costs by activity area and to incorporate a multiple step-down approach. The central services plan prepared for the development of the regional rates will allocate all administrative costs to the direct program areas for incorporation into the regional rates. This plan will include other central service programs in each allocation basis. This will allow indirect costs associated with each administrative program to be separately identified. The identified indirect cost will then be used

compute indirect cost rates associated with each program area. This plan and rate proposal will be delivered as a separate document from the other plans and rates.

Task 18 - Progress Meetings. It is our recommendation that periodic progress meetings, approximately every two to three weeks, be scheduled with MDOT staff assigned to oversee the project. The purpose of the meetings would be to discuss progress and any relevant issues regarding the development of each cost plan. The proposed methodology for the allocation of each cost pool could be presented and discussed. This would help assure that MDOT understands and approves the rationale for the allocation of each cost pool.

Task 19 - Project Close Out. Upon completion of all tasks, MAXIMUS consultants will meet with MDOT administration to assure that all goals have been met. In addition, MAXIMUS consultants will be certain that MDOT has a clear understanding of what each indirect rate represents and how it should be applied.

DELIVERABLES

MAXIMUS will deliver to the Michigan Department of Transportation the following documents as part of this engagement.

Document	Bound Copies	Clipped Copies
Departmental Central Services Cost Allocation Plan	2	1
Bureau of Highways Central Office Cost Allocation Plan	2	1
Regional Administration Cost Allocation Plans (seven)	2 each	1 each
Multi-Modal Cost Allocation Plan	2	1
Draft Report	n/a	10
Administrative Cost Plan and Rates	2	1
Final Report (Including Indirect Rate Summary)	10	1

EXPERIENCE AND QUALIFICATIONS

MAXIMUS is the nation's leading firm in providing cost allocation services to state and local governments. MAXIMUS Financial Services Division currently serves over two thousand governmental cost allocation clients through over forty offices. MAXIMUS brings to this engagement a uniquely qualified staff of professionals with extensive experience in preparing central service 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, we have prepared all Statewide Cost Allocation Plans through the Department of Management and Budget, Office of Financial Management. In addition, MAXIMUS has prepared numerous departmental cost allocation plan, indirect cost rate proposal, RMS systems, and related cost accounting projects for State agencies.

Most importantly, in 1998 and in 2004, MAXIMUS prepared similar cost allocation projects for the Michigan Department of Transportation. These projects resulted in calculation of overhead rates in a similar manner as described in this proposal. In addition, the 1998 project entailed a review of data collection and coding of maintenance activities into the accounting system. MAXIMUS made several recommendations for changing the data collection and coding to more effectively capture and identify "true" overhead costs and to capture a greater portion of costs as direct project costs.

Over the past few years, MDOT has implemented measures to better capture costs and to reduce overhead. In order to assess the impact of these measures, it is critical that the current project be prepared in a manner as consistently as possible with the earlier studies. MAXIMUS is uniquely qualified to satisfy this requirement and to ensure that consistent, meaningful results are obtained at the conclusion of the project.

The primary consulting team assigned to this project will include consultants from our Lansing, Michigan office. However, if a particular area of expertise is required, we will use consultants from other offices. The MAXIMUS Lansing staff has extensive experience in developing central services cost allocation and indirect cost rate proposals for agencies of the State of Michigan. In addition, the Lansing staff was instrumental in the development of the 1998 and 2004 rates for MDOT. Attachment A provides a listing of some our State of Michigan clients and references. All of these projects were completed by our Lansing staff.

STAFFING

MAXIMUS will assemble an outstanding team of consultants to assist the Department of Transportation in this engagement. Staff members assigned will have extensive experience in developing cost allocation plans. The key members of the project team are as follows:

- James Olson - Mr. Olson is the Vice President in charge of all MAXIMUS Michigan offices and will serve as the Project Director. He will be responsible for project oversight and staffing.

- William Maxwell - Mr. Maxwell is the director of the Lansing office of our Financial Services Division, and will be the Project Manager. He will be responsible for coordinating and managing the development of all cost allocation plans and other aspects of the project. Mr. Maxwell was also the Project Manager for the 1998 and 2004 projects.

- Marvin Goldstein - Mr. Goldstein is the former Deputy Director for Administration for the Michigan Department of State. Since he left state government he has worked for MAXIMUS as a contractor on several cost allocation projects for our State of Michigan clients. Mr. Goldstein was one of the principle consultants assigned to the previous MDOT projects. He will be primarily responsible for the development of the Highways Central Office

cost allocation plan and to perform review, analysis and summary of all financial data. Mr. Goldstein has extensive experience with information technology systems and will be responsible for summarizing all financial reports into formats necessary for the completion of all cost plans

- Nick Bohac - Mr. Bohac is a senior consultant assigned to our Lansing Office. He has worked with a number of State of Michigan agencies in preparing cost allocation plans, including the 2004 MDOT project. He will assist as needed in the preparation all cost allocation plans associated with this project.

Other MAXIMUS consultants may also be assigned as necessary. Resumes for the key individuals are included as Attachment B.

MAXIMUS may also request to use contractors for certain tasks. However, the use of any contractors will be presented to MDOT administration for approval.

COMPENSATION

Based on our prior experience, we have estimated that this project will require 1,630 hours of MAXIMUS consultant time to complete. At an average hourly billing rate of $120 (SWCAP Negotiated Rate), we are prepared to quote a fixed fee of $195,600, including all expenses incurred by us. However, if in the course of the engagement the scope of any of the tasks changes to materially increase the number of hours, MAXIMUS reserves the right to request an amendment to the proposed fee. Billings will be based upon deliverables as follows:

Project Initiation	$ 10,000
Central Services Cost Allocation Plan	$ 15,000
Bureau of Highways Cost Allocation Plan	$ 15,000
7 Regional Cost Allocation Plans @ $15,000 each	$ 105,000
Multi-Modal Cost Summary	$ 15,000

Administrative CAP and Rates	$ 15,000
Draft Report	$ 10,000
Final Report	$ 10,600
Total	**$ 195,600**

TIMING

MAXIMUS is prepared to begin work within 10 working days of the issuance of a contract by MDOT. It is anticipated that approximately nine months will be required to complete the draft report. While preliminary interviews can begin immediately, no substantial progress can be made until the 2007 fiscal year has been closed out and financial reports can be made available, which will probably not occur until early 2008. As such, we project that the draft information will be available approximately September 30, 2008. Once the draft report is accepted, bound copies of the final report can be delivered within two weeks. Attachment C provides an outline of the projected time frames for each task.

MAXIMUS, Inc. 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.

MAXIMUS, Inc.

PROPOSAL TO THE DLEG OFFICE OF FINANCIAL AND INSURANCE SERVICES FOR PREPARATION OF AN FY 07 ACTUAL ADMINISTRATIVE COST ALLOCATION PLAN

MAXIMUS, INC. is pleased to present this proposal to the Office of Financial and Insurance Services (OFIS) of the Michigan Department of Labor and Economic Growth (DLEG) for the preparation of an FY 07 Actual Administrative Cost Allocation Plan. 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 the State of Virginia and licensed to do business in Michigan. This project would be performed by our Cost Services Division, formerly known as David M. Griffith & Associates (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 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:

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

BACKGROUND

The Office of Financial and Insurance Services 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. OFIS 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, OFIS spends considerable resources to administer these programs. These costs include administration, human resources, budget, consumer complaint processing, policy development, etc. OFIS 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 OFIS has complicated the process of determining the appropriate mix of funding for the administrative operations of the Office. The office has historically allocated the costs associated with several administrative cost pools solely on the ratio expenditures. OFIS 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 to allocating costs to benefited programs, and ultimately funding sources of OFIS. The plan should be based upon actual costs for the fiscal year ended September 30, 2007 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 Services:

1. Preparation of an Administrative Cost Allocation Plan based on actual costs for the year ended September 30, 2007. 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 of Financial Evaluation
Chief Deputy of Policy, Conduct and Consumer Assistance
Enterprise Monitoring Administration
Charter Review
Consumer Services
Policy
Market Conduct Administration
Office of General Counsel

2. Preparation of the Administrative Funding Rate Proposal based on actual costs for the year ended September 30, 2007. 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. The proposed funding ratios will include the proposed mix for the next year, plus an adjustment or carry-forward to reconcile FY 07 funding.

PLAN DEVELOPMENT

MAXIMUS proposes to develop for the Office of Financial and Insurance Services 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 OFIS 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 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 reconcile FY 07 funding rates and to propose a new funding mix for either FY 09 or FY 10. The timing of the rates will be discussed with OFIS officials as we proceed.

When the plan and rate proposal are complete, we will present all the documents to the appropriate OFIS officials. After acceptance of the plan by OFIS, 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 OFIS 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 contact. 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 07 Actual Cost Allocation Plan
& Administrative Funding Rate Proposal

TIMING

MAXIMUS is prepared to begin preparation of the cost plan and funding rate proposal within 10 working days of securing a contract or change notice to our SWCAP contract. However, work cannot begin until the FY 07 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 OFIS staff for interviews and the availability of all selected allocation statistics. Once the draft is approved by OFIS, 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 Services on this very important engagement.

MAXIMUS, INC.

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

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

January 15, 2008

CHANGE NOTICE NO. 8
TO
CONTRACT NO. 071B7200042
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE (517) 684-4111 **James Olson**
Maximus, Inc. **2343 Delta Road** **Bay City, MI 48706** jamesolson@maximus.com	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-1080 **Melissa Castro, CPPB**
Contract Compliance Inspector: Doug Ringler **Central Cost Analysis and SWCAP Preparation – Department of Management and Budget**	
CONTRACT PERIOD: From: **November 9, 2006**	To: **October 31, 2008**
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	
MISCELLANEOUS INFORMATION:	

NATURE OF CHANGE(S):

The following departments are hereby added to this Contract:

- **Department of Agriculture for $10,200.00 for FY07 Actual Departmental Cost Allocation Plan.**
- **Department of Environmental Quality for $7,200.00 for FY07 Departmental Cost Allocation Plan and Indirect Cost Rate Proposal.**
- **Department of Management and Budget for $24,000.00 for Building Occupancy Cost Allocation Plan.**
- **Michigan Judiciary for $9,600.00 for FY07 Actual Cost Allocation Plan and Indirect Cost Rate Proposal.**

Total Value of Proposal: $51,000.00
Remaining Amount Available on Contract: $433,600.00

All other terms, conditions, specifications, and pricing remain unchanged.

AUTHORITY/REASON:

Per agency/vendor agreement and Purchasing Operations' approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $925,000.00

PROPOSAL TO THE MICHIGAN DEPARTMENT OF MANAGEMENT AND BUDGET FOR A BUILDING OCCUPANCY COST ALLOCATION PLAN BASED ON ACTUAL COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

MAXIMUS, Inc. is pleased to present this proposal to the Department of Management and Budget for a Building Occupancy Cost Allocation Plan based on actual costs for the year ended September 30, 2007.

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, previously known as David M. Griffith & Associates **(DMG)**. **DMG** was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. Since its inception, the Division has grown to 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 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, 2007. MAXIMUS has prepared this plan for the past several years and will develop the FY 07 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, NGCS2.
- 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 is 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, 2007 (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 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 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 06 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, 2008, 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 DMB 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, INC. appreciates the opportunity to submit this proposal. We look forward to assisting the Department of 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.

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MAXIMUS, INC.

PROPOSAL TO THE MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY FOR PREPARATION OF THE FY 07 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 07 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 proposal is typically based on historical information for the most recently completed fiscal year, and proposes new rates to be established for a subsequent period (generally two fiscal years later than the historical period).

Current 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. These carry-forwards then need to be incorporated into rates proposed for a subsequent period. Accordingly, in order to keep rates current, it is necessary for the DEQ to prepare and submit cost allocation plans and indirect cost rate proposals based on actual expenditures for each year.

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, 2007.

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2007. The FY 07 proposal will be used to reconcile FY 07 rates and to establish new rates for use in state fiscal year 2008/09. Computed rates will be applicable to all federal awards based upon total direct personal service costs, i.e. salaries, wages, longevity, retirement, insurance and other fringe benefits.

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:

- **Indirect Cost Rate Proposal - based on actual expenditures for the year ended September 30, 2007 and proposing a fixed rate for DEQ for use during FY 2008/09.**

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 2006/07 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, 2008. 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.

MAXIMUS, INC.

PROPOSAL TO THE MICHIGAN DEPARTMENT OF AGRICULTURE FOR PREPARATION OF THE FY 07 ACTUAL DEPARTMENTAL COST ALLOCATION PLAN

MAXIMUS, INC. is pleased to present this proposal to the Michigan Department of Agriculture for the preparation and negotiation of the FY 07 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, 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 Cost Services Division, formerly known as David M. Griffith & Associates (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 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:

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

BACKGROUND

The Michigan Department of Agriculture receives substantial funding for the operation of various programs it administers from the Federal Government. The Department of Agriculture 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 Agriculture, 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 Michigan Department of Agriculture annually submits a cost allocation plan and indirect cost rate proposal to its cognizant federal agency, the U.S. Department of Agriculture. The proposal is typically based on historical information for the most recently completed fiscal year, and proposes indirect cost rates to be established for a subsequent period (generally two fiscal years later than the historical period).

Current rates were approved on a fixed with carry-forward basis. This requires that fixed indirect cost rates employed during the 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. These carry-forwards then need to be incorporated into rates approved for a subsequent period. Accordingly, in order to keep rates current, it is necessary for the Department to prepare and submit cost allocation plans and indirect cost rate proposals based on actual expenditures for each year.

DESCRIPTION OF SERVICES

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

1. Preparation of the DCAP based on actual costs for the year ended September 30, 2007. The DCAP would be prepared utilizing ***NGCS2***, software developed by **MAXIMUS** for the specific purpose of preparing cost allocation plans, and it will be consistent with the Department's most recent submission in that the same pools of indirect costs will be allocated. The following is a listing of the indirect cost pools and centrally budgeted items that we anticipate will be allocated. However, the cost pools will be amended as necessary to reflect FY 07 actual circumstances.

   Executive Administration
   Affirmative Action
   Personnel Office
   Financial & Administrative Services - Financial Services
   Finance & Administrative Services - DIT
   Finance & Administrative Services - Regional Offices
   Finance & Administrative Services - Central Postage
   Internal Operations
   Statewide Costs per SWCAP

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2007. Actual FY 07 costs will be used to finalize current rates approved by USDA for use during fiscal 2007, and will also be used to propose new fixed or provisional rates for use in fiscal 2009. It is anticipated that fixed rates will be proposed, however the type of rate that will be proposed will be

determined through discussions with Michigan Department of Agriculture representatives during the course of the engagement.

3. Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's Federal Cognizant Agency, the U.S. Department of Agriculture, in Washington D.C.

PLAN DEVELOPMENT

MAXIMUS proposes to develop for the Michigan Department of Agriculture 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 the indirect cost rate proposal for the Michigan Department of Agriculture. The rate proposal will be used to finalize FY 07 rates and to propose a single departmental rate for use in FY 09.

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 U.S. Department of Agriculture for review and approval. **MAXIMUS** will negotiate the plan with USDA personnel 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 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 Agriculture 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 contact. Based upon prior experience in preparing the plan for your Department, we anticipate that the project will require 85 hours to complete. At our standard hourly rate of $120 we are prepared to quote a fixed fee of $10,200, including all expenses incurred by **MAXIMUS**.

Payment would be due upon submission of the cost allocation plan and indirect cost rate proposal to the appropriate federal cognizant agency.

DELIVERABLES

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

FY 07 Actual Cost Allocation Plan
& Indirect Cost Rate Proposal

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 Agriculture. However, work cannot begin until the FY 07 fiscal year is closed out and final financial reports are available. Once the necessary financial information is obtained, approximately twelve weeks will be necessary for preparation of the draft documents. Upon review and approval of the draft, **MAXIMUS** will finalize the plan and prepare the submission to the U.S. Department of Agriculture. The anticipated submission date is June 30, 2008. Based upon our experience, 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 Agriculture 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.

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

MAXIMUS, INC.

PROPOSAL TO THE MICHIGAN JUDICIARY FOR THE PREPARATION OF AN FY 07 ACTUAL COST ALLOCATION PLAN AND INDIRECT COST RATE PROPOSAL

MAXIMUS is pleased to present this proposal to the Michigan Judiciary for the preparation and negotiation of the FY 07 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 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, formerly known as David M. Griffith & Associates (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 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 Judiciary, particularly the State Court Administrative Office (SCAO), receives substantial funding for the operation of various programs it administers from the Federal Government. The Court 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 Supreme Court, 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 2000, the Michigan Judiciary had not developed an indirect cost rate proposal, and as such, had not assessed indirect costs to federally funded programs. The Office of the Auditor General recommended that the Court prepare and negotiate an indirect cost rate with the appropriate Federal agency and begin to charge indirect costs to Federal grants and contracts.

The Court prepared and submitted to the Department of Health and Human Services (DHHS) its initial cost allocation plan and indirect cost rate proposal based on actual expenditures for the year ending September 30, 2000. Subsequent proposals have been submitted each year since. Based upon these prior submissions, the U.S. Department of Health and Human Services (DHHS) issued a federal negotiation agreement approving provisional indirect cost rates for use in FY 07. As the rates were approved provisionally, federal guidelines require that they be "finalized" or reconciled to actual costs to determine any over or under charges to Federal programs. Accordingly, the Court needs to submit a cost allocation plan and indirect cost rate proposal based on actual costs for the year ending September 30, 2007. The FY 07 cost allocation plan will be used to finalize the FY 07 provisional rates, and to propose new rates for use beginning with FY 09.

DESCRIPTION OF SERVICES

MAXIMUS proposes to provide the following services for the Michigan Judiciary:

1. Preparation of the cost allocation plan based on actual costs for the year ended September 30, 2007. 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 ***NGCS2***, 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 basis.

- **Reconciliation of the financial reports**. As salaries and wages will most likely be used as the direct cost basis upon which any indirect cost rate will be computed, it will be necessary to reconcile salaries and wages by organization within the Court.

- **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.

- **Identification of Statewide Costs** - The cost plan also needs to include statewide costs allocated to the Judiciary 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.

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2007. Based upon the results of the cost plan, an indirect cost rate proposal will be computed. As stated earlier, indirect cost rates were approved by the Department of Health and Human Services in Dallas for use during FY 07. This proposal will calculate final rates for FY 07 and also propose new provisional rates for use by the Court.

3. Negotiation of the DCAP and Indirect Cost Rate Proposal. Upon approval of the Court, MAXIMUS will submit the cost plan and rate proposal to the Department of Health and Human Services, Division of Cost Allocation, in Dallas, Texas. Once the plan is submitted, MAXIMUS will begin 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 Judiciary 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 consultant assigned to our Lansing office. Mr. Bohac would assist Mr. Maxwell as needed with development of the plan and proposal.

Court 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.

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

MAXIMUS, Inc.

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

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

November 26, 2007

CHANGE NOTICE NO. 7
TO
CONTRACT NO. 071B7200042
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **Maximus, Inc.** **2343 Delta Road** **Bay City, MI 48706** jamesolson@maximus.com	TELEPHONE (517) 684-4111 **James Olson** VENDOR NUMBER/MAIL CODE BUYER/CA (517) 373-1080 **Melissa Castro, CPPB**
Contract Compliance Inspector: Doug Ringler **Central Cost Analysis and SWCAP Preparation – Department of Management and Budget**	
CONTRACT PERIOD: From: **November 9, 2006**	To: **October 31, 2008**
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	
MISCELLANEOUS INFORMATION:	

NATURE OF CHANGE(S):

DMB is hereby added to this Contract in the amount of $48,000.00 for preparation of the FY07 SWCAP.

The Michigan Economic Development Corporation is hereby added to this Contract in the amount of $9,600.00 for Cost Allocation Plan and Indirect Cost Rate Proposal FY07 Actual.

Total Value of Proposal: $57,400.00
Remaining Amount Available on Contract: $484,600.00

All other terms, conditions, specifications, and pricing remain unchanged.

AUTHORITY/REASON(S):

Per agency/vendor agreement and Purchasing Operations approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $925,000.00

PROPOSAL TO THE MICHIGAN ECONOMIC DEVELOMENT CORPORATION STRATEGIC FUND FOR PREPARATION OF A COST ALLOCATION PLAN AND INDIRECT COST RATE PROPOSAL FY 07 ACTUAL

MAXIMUS, Inc. 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, 2007. 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 the State of Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division, previously known as David M. Griffith & Associated (**DMG**). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to nearly 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 will receive substantial funding for the operation of various programs it will administer from the Federal government, including the Community Development Block Grant. The Fund will spend 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 that reorganized the Michigan Jobs Commission (MJC). Those programs of the MJC that related to career preparation and training were transferred to the Department of Career Development. These include the programs of the Office of Workforce Development, Michigan Rehabilitative Services, and the Employment Service Agency. Those MJC programs that related to economic development were transferred to the Michigan Strategic Fund (MSF) under the direction of the Michigan Economic Development Corporation.

Beginning with FY 99/00, 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 2007.

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 07 and submit the plan to HUD for review and approval.

DESCRIPTION OF SERVICES

MAXIMUS, Inc. 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, 2007. 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 whether 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, 2007. The proposal will be used to finalize FY 07 rates and to also propose an indirect cost rate for use during FY 09.

- Negotiations for approval of the cost plan and indirect cost rate proposal with 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 2008/09.

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

Based on our experience in preparing this plan is 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:

FY 07 Actual DCAP and Rate Proposal - $ 9,600

Our fee for 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, 2008. 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 is 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.

MAXIMUS, Inc.

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

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

October 19, 2007

CHANGE NOTICE NO. 6
TO
CONTRACT NO. 071B7200042
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE (517) 684-4111 **James Olson**
Maximus, Inc. **2343 Delta Road** **Bay City, MI 48706** jamesolson@maximus.com	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-1080 **Melissa Castro, CPPB**
Contract Compliance Inspector: Doug Ringler **Central Cost Analysis and SWCAP Preparation – Department of Management and Budget**	
CONTRACT PERIOD: From: **November 9, 2006**	To: **October 31, 2008**
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	
MISCELLANEOUS INFORMATION:	

NATURE OF CHANGE(S):

The Department of Labor and Economic Growth is hereby ADDED to this Contract in the amount of $38,400.00 for actual FY07 Cost Allocation Plan and FY08 RMS Maintenance (see attached).

The Department of Community Health is hereby ADDED to this Contract in the amount of $33,600.00 for Actual FY07 Indirect Cost Allocation Plan and FY08 RMS Maintenance (see attached).

Total value of proposal: $72,000.00
Remaining amount available on Contract: $542,200.00

All other terms, conditions, specifications, and pricing remain unchanged.

AUTHORITY/REASON(S):

Per agency/vendor agreement and Purchasing Operations approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $925,000.00

Proposal to
The Michigan Department of Labor and Economic Growth
For Preparation of an Actual FY 07
Departmental Cost Allocation Plan
And FY 08 RMS Maintenance

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Department of Labor and Economic Growth (DLEG) for cost allocation services to be performed during State fiscal year 2007/08. This proposal includes preparation and negotiation of a Departmental Cost Allocation Plan (DCAP) and Indirect Cost Rate Proposal based on actual costs for the year ending September 30, 2007, as well as 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, 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, formerly know as David M. Griffith & Associates, (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 34 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 Labor and Economic Growth 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 indirect costs attributed to any particular program within the Department of Labor and Economic Growth, a Departmental Cost Allocation Plan (DCAP) must be prepared in accordance with OMB Circular A-87, Cost Principles for State and Local Governments. Furthermore, if any of the administrative costs are to be charged directly, the distribution of costs must be supported by acceptable time accounting records, again in accordance with A-87.

STATEMENT OF PROBLEM

The Michigan Department of Labor and Economic Growth was created by Executive Order in October of 2003. According to this order, the previous Department of Consumer and Industry Services (CIS) was renamed the Department of Labor and Economic Growth. Most of the CIS programs were reassigned to DLEG, however some were transferred to other state agencies. In addition, several other state programs were transferred to DLEG. These include, among others, the Department of Career Development (DCD), the Employment Services Agency (ESA), and the Unemployment Agency (UA).

While DLEG was officially created at the beginning of FY 03/04, the accounting and HR structure was not in place, and as such, program costs continued to be accounted for in their previous agencies for most of the year, and continued to use the federally approved indirect cost rates for CIS and DCD. However, beginning with fiscal year FY 05 a separate indirect cost rate was negotiated with the US Department of Labor applicable to all DLEG

programs. FY 07 rates were approved provisionally and federal guidelines require that they be "finalized" or reconciled to actual cost to determine any over or under charges to Federal programs. Accordingly, the DLEG will need to prepare a cost allocation plan and indirect cost rate proposal based on actual costs for fiscal 07. This plan will be used to finalize the FY 07 indirect cost rates and to establish a new rate for fiscal year 09.

Also during 2004, the Department of Labor and Economic Growth 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, Human Resources, 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 in fiscal 08, the Department of Labor and Economic Growth 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 Labor and Economic Growth:

1. Preparation of the Department of Labor and Economic Growth DCAP based on actual costs for the year ending September 30, 2007. Organizational charts and financial information will be needed for this task. R*STARS reports will be required which will provide financial information at the appropriate level. Depending on the accounting structure, either program or organization reports will most likely be required. **MAXIMUS** consultants will review the program and org structure and work with the Finance Division to determine which reports will need to be scheduled.

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2007. As discussed earlier, the FY 07 indirect cost rates were approved on a provisional basis. This proposal will calculate final rates for FY 07, and will also propose new rates for use in fiscal year 09.

3. Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's Federal cognizant agency. Once completed, the plan will be submitted to the appropriate Federal agency for approval. The U.S. Department of Labor is currently the cognizant agency responsible for DLEG.

4. RMS maintenance and administration for fiscal year 08. **MAXIMUS** will provide the following services necessary to maintain the RMS system currently utilized by the Bureau of Administrative Services:

- Quarterly 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.
- Calculation of cumulative year-to-date program results at the end of each quarter.
- 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 Labor and Economic Growth 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 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

- **Actual FY 07 DCAP** (Including indirect cost rate proposal and Federal negotiations) – We estimate the actual DCAP, rate proposal and negotiations will require 200 hours to complete. Based on an hourly billing rate of $120, including all administrative overhead, our proposed fee is a fixed amount of $24,000.

- **FY 08 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 per quarter ($14,400 annually).

- **TOTAL FOR FISCAL 07 - $38,400 – Including all Expenses**

PAYMENT SCHEDULE

Payment of our fees would be according to the following schedule:

- **DCAP** - $24,000 due upon completion and submission to the appropriate Federal cognizant agency. The plan cannot be completed until fiscal 2007 is closed out, and as such, the submission is not projected until approximately June 30, 2008.

- **RMS Maintenance** - $14,400, billed quarterly at $3,600.

DELIVERABLES

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

Actual DCAP

Indirect Cost Rate Proposal

In addition, on a quarterly basis, the Department will be provided with the following RMS reports:

Quarterly personnel listing of sampling universe

Chronological listing of all quarterly samples

Chronological listing of samples by sampling location

RMS labels - sorted by sampling location

Quarterly program summary results

Quarterly activity summary results

Quarterly service summary results

Quarterly service by activity summary results

Quarterly activity by service summary results

Quarterly listing of actual RMS responses

Cumulative year-to-date program results each quarter

TIMING

MAXIMUS cannot begin preparation of the FY 07 actual DCAP until the fiscal year is closed out and final financial reports are available. As such we do not project a start date until sometime early next calendar year. It is anticipated that approximately six months will be required to complete a draft of the plan, review the plan with Department of Labor and Economic Growth administration, and prepare the plan for Federal submission. The projected submission date would be approximately June 30, 2008.

Upon completion and federal submission of the plan and indirect cost rate proposal **MAXIMUS** will begin negotiations for approval. 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 Michigan Department of Labor and Economic Growth 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.

As the RMS sampling will need to begin on October 1, 2007, **MAXIMUS** will need to begin updating the sampling universe and making any required changes to the system by the end of September. The RMS maintenance activities will be provided on an on-going basis throughout the fiscal year. Final reports for the last quarter of the fiscal year will be delivered around October 15, 2008.

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

MAXIMUS, Inc.

PROPOSAL TO THE MICHIGAN DEPARTMENT OF COMMUNITY HEALTH FOR PREPARATION OF AN ACTUAL FY 07 DEPARTMENTAL INDIRECT COST ALLOCATION PLAN AND FY 08 RMS MAINTENANCE

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Department of Community Health for cost allocation services to be performed during State fiscal year 2007/08. This proposal includes preparation and negotiation of a Departmental Cost Allocation Plan and Indirect Cost Rate Proposal based on actual costs for the year ending September 30, 2007, as well as 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, 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, formerly known as David M. Griffith & Associates (**DMG**). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 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 Community Health 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 indirect costs attributed to any particular program within the Department of Community Health, a Departmental Cost Allocation Plan (DCAP) must be prepared in accordance with OMB Circular A-87, Cost Principles for State and Local Governments. Furthermore, if any of the administrative costs are to be charged directly, the distribution of costs must be supported by acceptable time accounting records, again in accordance with A-87.

STATEMENT OF PROBLEM

The Michigan Department of Community Health (DCH) was created by Executive Order in 1996, and essentially represents the consolidation of the previous departments of Mental Health and Public Health and the Medical Services Administration (MSA) previously housed within the Family Independence Agency. Since that time DCH has been required to submit an annual cost allocation plan and indirect cost rate proposal to its cognizant federal agency, the Department of Health and Human Services (DHHS).

The Department of Community Health prepared and submitted to DHHS a cost allocation plan and indirect cost rate proposal based on actual expenditures for the year ending September 30, 2005. Based upon this proposal, DHHS issued a federal negotiation agreement approving provisional indirect rates for use during fiscal 07. As the rates were approved provisionally, federal guidelines require that they be "finalized" or reconciled to actual cost to determine any over or under charges to Federal programs. Accordingly, the Department of Community Health needs to submit a cost allocation plan and indirect cost

rate proposal based on actual costs for fiscal year 07. The FY 07 cost allocation plan will be used to finalize the FY 07 provisional rates, and to propose new rates for use during FY 09.

Also 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 in fiscal 08, 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:

1. Preparation of the Department of Community Health DCAP based on actual costs for the year ending September 30, 2007. Organizational charts and financial information will be needed for this task. R*STARS reports will be required that will provide financial information at the appropriate level. Depending on the accounting structure, either program or organization reports will most likely be required. **MAXIMUS** consultants will review the program and org structure and work with the Accounting Section to determine which reports will need to be scheduled.

The plan will be prepared in a manner consistent with the FY 06 actual plan. Indirect costs will be identified and segregated into discrete cost pools. Selective allocations of each pool will be made by applying the 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 that benefit from the services. The plan will allocate any indirect costs accounted for in following organizations:

Statewide Costs

Executive Administration

Health Advisory Council

Resources Services

Workers' Compensation

Moving Costs

Operations Administration

Information Technology

Budget & Audit Administration

Budget and Contracts

Finance

Audit Division

Bureau Administration

Terminal Leave

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2007. As discussed earlier, FY 07 indirect cost rates are currently approved on a provisional basis. The proposal will calculate final rates for FY 07, and will also propose new rates for use during FY 09.

3. Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's Federal cognizant agency. Once completed, the plans will be submitted to the appropriate Federal agency for approval. The cognizant federal agency of DCH is the Department of Health and Human Services, Division of Cost Allocation, in Dallas, Texas.

*4. **RMS maintenance and administration for fiscal year 08.*** **MAXIMUS** will provide the following services necessary to maintain the RMS system currently utilized by Budget and Finance:

- Quarterly 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.
- Calculation of cumulative year-to-date program results at the end of each quarter.
- 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

- **Actual FY 07 DCAP** (Including indirect cost rate proposal and Federal negotiations) - We estimate the actual FY 07 DCAP, rate proposal and negotiations will require approximately 200 hours to complete. Based on an hourly billing rate of $120, including all administrative overhead costs, our proposed fee is a fixed amount of $24,000.

- **Fiscal 08 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 per quarter ($9,600 annually).

- **TOTAL FOR FISCAL 2008 - $33,600 - including all expenses**

TIMING

MAXIMUS is prepared to begin preparation of the FY 07 actual DCAP when the fiscal year is closed out and financial reports are available. As such, we project a start date during January of 2008. It is anticipated that approximately three months will be required to complete a draft of the plan, with another four weeks for review of the plan with Department of Community Health administration, and preparing the plan for Federal submission. The projected submission date would be approximately June 30, 2008. However, every effort will be made to submit the plan at the earliest possible date.

Upon completion and federal submission of the 2007 actual plan and indirect cost rate proposal **MAXIMUS** will begin negotiations for approval. 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 must advise the Michigan Department of Community Health 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.

The RMS maintenance activities will be provided on an on-going basis throughout the fiscal year. Final reports for the last quarter of the fiscal year will be delivered around October 15, 2008.

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.

MAXIMUS, Inc.

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

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

September 26, 2007

CHANGE NOTICE NO. 5 (Revised)
TO
CONTRACT NO. 071B7200042
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **Maximus, Inc.** **2343 Delta Road** **Bay City, MI 48706** jamesolson@maximus.com	TELEPHONE (517) 684-4111 **James Olson** VENDOR NUMBER/MAIL CODE BUYER/CA (517) 373-1080 **Melissa Castro, CPPB**
Contract Compliance Inspector: Doug Ringler **Central Cost Analysis and SWCAP Preparation – Department of Management and Budget**	
CONTRACT PERIOD: From: **November 9, 2006** To: **October 31, 2008**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	
MISCELLANEOUS INFORMATION:	

NATURE OF CHANGE(S):

Effective immediately, this Contract is hereby EXTENDED until October 31, 2008.

Additionally, the Department of Corrections is hereby ADDED to this Contract in the amount of $14,400.00 for the FY06 Cost Allocation Plan and Indirect Cost Rate Proposal (see attached language).

The Department of Management and Budget is hereby ADDED to this Contract in the amount of $24,000.00 for the Building Occupancy Cost Allocation Plan FY09 (see attached language).

Total value of proposal: $38,400.00
Remaining amount available on Contract: $614,200.00

All other terms, conditions, specifications, and pricing remain unchanged.

AUTHORITY/REASON(S):

Per agency/vendor agreement and Purchasing Operations approval.

INCREASE: $475,000.00

TOTAL REVISED ESTIMATED CONTRACT VALUE: $925,000.00

PROPOSAL TO THE MICHIGAN DEPARTMENT OF CORRECTIONS FOR THE PREPARATION OF AN FY 06 ACTUAL COST ALLOCATION PLAN AND INDIRECT COST RATE PROPOSAL

MAXIMUS is pleased to present this proposal to the Michigan Department of Corrections for the preparation and negotiation of an FY 06 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 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, formerly known as David M. Griffith & Associates (**DMG**). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 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 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 prepared and submitted to the U.S. Department of Justice its initial cost allocation plan and indirect cost rate proposal based on actual expenditures for the year ending September 30, 2005. Based upon this submission, indirect cost rates were proposed for use in fiscal year 2006. 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, 2006. The FY 06 cost allocation plan will be used to finalize the FY 06 provisional rates, and to propose new rates for use beginning with FY 08.

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, 2006. 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 ***NGCS2***, 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, 2006. Based upon the results of the cost allocation plan, an indirect cost rate proposal will be prepared. The number of rate pools will be discussed during the engagement. Multiple rates for various DOC programs will be computed; however it may be desirable to roll up rates at a much higher level for presentation to the Department of Justice. The final number of rates will be determined as we finalize the proposal for submission.

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 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 report, with narrative, to DOC for review and approval.	16

Task	Consultant Hours
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
Total Consultant Hours	**120**

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 06 within ten working days of receiving a purchase order or contract acceptable to MAXIMUS and the Department. 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.

MAXIMUS, Inc.

PROPOSAL TO THE MICHIGAN DEPARTMENT OF MANAGEMENT AND BUDGET FOR A BUILDING OCCUPANCY COST ALLOCATION PLAN BASED ON BUDGETED COSTS FOR THE YEAR ENDING SEPTEMBER 30, 2009

MAXIMUS, Inc. is pleased to present this proposal to the Department of Management and Budget for a Building Occupancy Cost Allocation Plan based on budgeted costs for the year ending September 30, 2009.

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, previously known as David M. Griffith & Associates (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. Since its inception, the Division has grown to 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 Building Operations Division of the Department of 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, DMB 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, 2009. MAXIMUS has prepared this plan for the past several years and will develop the FY 09 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, NGCS2.
- 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.

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 09 budgeted building rental rate CAP as soon as the State can provide projected financial information and building inventories. It is anticipated that approximately three to four months will be necessary to complete the draft of the building occupancy cost plan and rate summary. The draft report will be delivered to DMB 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 six months of the outset of the project.

Based on our experience in preparing this plan in previous years, we anticipate that the project will require 200 consultant hours to complete. Based upon a billing rate of $120 per hour, we are prepared to quote a fixed fee of $24,000, including all expenses incurred by us.

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

MAXIMUS, Inc. appreciates the opportunity to submit this proposal. We look forward to assisting the Department of 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.

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MAXIMUS, INC.

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

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

May 22, 2007

CHANGE NOTICE NO. 4
TO
CONTRACT NO. 071B7200042
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **Maximus, Inc.** **2343 Delta Road** **Bay City, MI 48706** jamesolson@maximus.com	TELEPHONE (517) 684-4111 **James Olson** VENDOR NUMBER/MAIL CODE BUYER/CA (517) 373-1080 **Melissa Castro, CPPB**
Contract Compliance Inspector: Doug Ringler **Central Cost Analysis and SWCAP Preparation – Department of Management and Budget**	
CONTRACT PERIOD: From: **November 9, 2006** To: **October 31, 2007**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	
MISCELLANEOUS INFORMATION:	

NATURE OF CHANGE(S):

The Department of State is hereby ADDED to this Contract in the amount of $72,000.00 for the FY06 cost Allocation Plan for Motor Vehicle Program per the attached proposal.

Total value of proposal: $72,000.00

Remaining amount available on Contract: $177,600.00

AUTHORITY/REASON(S):

Per agency/vendor agreement and Purchasing Operations approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $450,000.00

Proposal to
The Michigan Department of State
To Prepare the FY 05/06 Cost Allocation Plan
For Motor Vehicle Program Costs

INTRODUCTION

MAXIMUS, Inc is pleased to present this proposal to the Michigan Department of State to develop a cost allocation plan for the purpose of documenting the cost of operating motor vehicle programs. The plan will be based on actual expenditure and statistical information for fiscal year 2005/06. The following information outlines our qualifications, experience and details information regarding the scope of services.

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, formerly known as David M. Griffith & Associates (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 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 N. Washington Avenue

Lansing, MI 48906

(517) 484-4240

BACKGROUND

The Department of State (DOS) has responsibility for administering Michigan's motor vehicle programs as provided in the Motor Vehicle Code, PA 300 of 1949. The DOS is designated to collect fees and taxes for all motor vehicle programs. The expenses incurred in the administration of motor vehicle programs are funded from a variety of sources, including a significant portion from a grant appropriated from the Michigan Transportation Fund (MTF). It is necessary for the Department of State to periodically examine the cost of operating motor vehicle programs, and to determine a cost allocation methodology to allocate costs between the various funding sources, in particular, the MTF.

STATEMENT OF PROBLEM

The Michigan Department of State receives substantial funding for the operation of various motor vehicle programs it administers from the Michigan Transportation Fund. The Department spends considerable resources to operate and administer these programs. Prior to 1996, the Auditor General of the State of Michigan found that the DOS did not have an adequate cost allocation methodology and could not substantiate the appropriateness of its allocation of costs to the MTF. However, during 1997, the DOS contracted with MAXIMUS to develop a cost allocation methodology. The original study was based upon FY 95/96 cost and statistical data. The model was subsequently updated by MAXIMUS each of the past fiscal years. The DOS now desires to have the allocation plan updated based upon FY 05/06 cost information.

OBJECTIVES

1. The Michigan Department of State's primary goal for this project is to update the cost allocation model based upon fiscal 2005/06 financial and statistical information to determine the appropriateness of the MTF funding for the year.

2. Secondly, the Department wishes to have a cost of service analysis completed for various services provided by the Department. This includes the development of a cost allocation model to accumulate direct program costs as well as overhead or central service costs.

3. Finally, the Department wishes to include preparation and submission of a federal indirect cost rate in compliance with the provisions of OMB Circular A-87.

In order to achieve these goals, specific objectives or tasks must be completed. MAXIMUS has developed a cost allocation methodology that will achieve both goals above. A cost allocation plan for each program will be designed to distribute costs to specific fee or service areas within the Department. The cost allocation plan can therefore be used to determine the full cost of providing each service area. Additionally, those fee or service areas that relate to the Michigan Transportation Fund can be accumulated to determine the recommended level of MTF funding. The tasks that MAXIMUS sees as necessary to meet the goals of the Department of State are outlined in the following section.

APPROACH AND WORKPLAN

The approach we have defined for this project is clearly focused on satisfying the Department's goals. The approach has been designed to emphasize three key elements:

- Assignment of MAXIMUS professionals who have in-depth experience in preparing and negotiating cost allocation plans.

- A sound workplan that includes working closely with the DOS staff to assure a thorough understanding of the Department's organizational structure, as well as the short and long-range objectives.

- The use of copyrighted cost allocation software developed by MAXIMUS specifically for application to state and local governments.

The development of the cost allocation plan will be an extremely complex undertaking. In order to meet the goals and objectives for this project, we have defined a workplan that must be successfully accomplished. The following paragraphs provide a brief description of each task.

Task 1 - Project Initiation. At the outset of the project, the MAXIMUS consulting team will meet with DOS representatives in order to confirm the objectives, plans and schedule for the project. As appropriate, any refinements in our approach as presented in this proposal will be identified and incorporated into our plans.

Task 2 - Review Background and Accounting Information. All relevant background material will be reviewed. In addition, the MAIN accounting structure will be reviewed and various R*STARS reports will be examined to determine which reports will generate financial reports in the format necessary to complete the project.

Task 3 - Develop Individual Bureau Cost Allocation Plans. The cost allocation model requires the development of a series of cost allocation plans, which cover all bureaus and programs that are involved either directly or indirectly with the administration of motor vehicle programs. Each cost allocation plan will be prepared in a manner as consistently as possible with the FY 04/05 plans in that cost pools will be created and allocated using the same methodology, but updated with current year expenditure and statistical information. However, it may be necessary to change allocation procedures for a number of reasons. For example:

- Department reorganization
- Changes in the functional responsibilities of allocated cost pools

- Unavailability of required statistical information used as the allocation bases

Each cost plan will be prepared utilizing proprietary cost allocation software developed by MAXIMUS, *NGCS2*. Following is a listing of the individual bureau cost allocation plans that need to be developed.

- Central Services (including Department Administration, Administrative Services, Organizational Services, and DIT)
- Bureau of Branch Office Services
- BDVR (Including the Office of Customer Services)
- LRSA Legal Policy
- LRSA Information Security
- LRSA Regulatory Services

Upon delivery of all draft cost plans for DOS review, MAXIMUS will provide a summary of any changes from the prior year's plan that needed to be made.

It should be noted that the Bureau of Branch Office Services (BBOS) has been allocated according to staff effort developed by conducting a short-term random moment sampling (RMS) project a branch offices across the State. Based upon this study, a unit transaction time equivalent for each service area was developed. The unit transaction times were weighed by annual statewide volume to arrive at the final percent of effort for each service. MAXIMUS does not propose to update the unit transaction times developed by the random moment sampling project. However, annual transaction information will be reviewed and the RMS results will be adjusted and annualized to reflect changes in the volume of transactions and consequently the percent of time allocated to each service area.

Task 4 - Prepare a Summary of Cost by Service Cost Allocation Plan. The individual bureau plans allocate costs wherever possible into specific service areas. However, in many instances costs will need to be allocated into more general service categories, e.g. titles, registrations, or general support to specific bureaus of the Department. These general categories ultimately need to be reallocated into specific service areas, e.g. motorcycle titles, motor vehicle registrations, and recreation vehicle titles. The purpose of the Summary of Cost by Service plan is to reallocate all general cost pools and to summarize the full cost of providing each service on a departmentwide basis. The Summary of Cost by Service cost plan incorporates the results of each of the individual bureau cost plans into a single document. The plan summarizes the full annual cost of each service area, as well as identifies the distribution of cost across the various DOS programs.

Task 5 - Prepare a Summary of Cost by Fund Cost Allocation Plan. A final cost plan, the Summary of Cost by Fund, will be prepared. This plan will incorporate the results of the Summary of Cost by Service plan, reallocating the costs associated with each service to either an MTF or "Other Funds" cost pool. The rationale used for determining costs allocated to the MTF will be consistent with that approved by the Project Steering Committee during development of the initial plan. The end result is that the Summary of Cost by Fund plan accumulates total MTF funding for the entire Department and further details the distribution of funding across the Department's organizational units.

Task 6 - Prepare Final Report Regarding MTF Funding. A final report, or Executive Summary, will be prepared which summarizes our findings and conclusions. The Executive Summary will include the following summary schedules:

- Summary of Costs by Service Area
- Summary of MTF Funding by Service Area

- Summary of MTF Funding by DOS Organization
- Percent of MTF Funding by DOS Organization
- Calculation of Cumulative Carry-forward (over or under MTF funding)

Task 7 - Prepare Final Report Regarding the Cost of Service, or User Fees. The cost allocation methodology provides the framework to address two other issues:

- A review of the level of funding provided by other funding sources to support non-MTF activities.
- A review of the effectiveness of user fees in recovering the cost of providing services.

Each of these issues will be addressed in the Cost of Service Report. The results of the Cost of Service, or User Fee, Analysis will be delivered as a separate document.

Task 8 – Preparation of A-87 Indirect Cost Rate. A federal indirect cost rate proposal prepared in accordance with OMB Circular A-87, Cost Principles for State and Local Governments, will be prepared. The rate will incorporate departmentwide administrative costs such as Executive Direction, Administrative Services and Human Resources. In addition the rate will include statewide central services approved in the statewide cost allocation plan (SWCAP), and will, as appropriate, incorporate costs associated with the Department of Information Technology. Once approved by the Department, the proposal will be submitted to the Department's cognizant federal agency for approval. MAXIMUS consultants will handle negotiations associated with acquiring federal approval of the indirect cost rate.

Task 9 - Project Close Out. Upon completion of all tasks, MAXIMUS consultants will meet with DOS administration to assure that all goals have been met.

DELIVERABLES

MAXIMUS will deliver five bound and one reproducible copy of each of the following documents as part of this engagement.

- Final Report on MTF Funding
- Final Report on User Fees

In addition, MAXIMUS will provide the Department with two bound copies of each of the individual bureau cost allocation plans and the federal indirect cost rate proposal.

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 governmental cost allocation clients annually and can bring to this engagement a uniquely qualified staff of professionals with extensive experience in preparing central service 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 proposal, installed random moment sampling systems, and worked on numerous other cost accounting projects for State agencies.

Moreover, the original DOS cost allocation methodology was developed by MAXIMUS. This makes MAXIMUS uniquely qualified to update the model for the 2005/06 fiscal year.

The primary consulting team assigned to this project will include consultants with our Cost Services Division from our Lansing, Michigan office. However, if a particular area of expertise is required, we will use consultants from other offices. The Lansing staff has extensive experience in developing central services cost allocation plans and indirect cost rate proposals for agencies of the State of Michigan. The Lansing staff has also prepared numerous cost of service studies for local governments. Attachment A provides a listing of some our State of Michigan clients and references. All of these projects were completed by our Lansing staff.

STAFFING

MAXIMUS will assemble an outstanding team of consultants to assist the Department of State in this engagement. Staff members assigned all have extensive experience in developing cost allocation plans, cost of service studies and designing random moment sampling systems. The key members of the project team are as follows:

- William Maxwell - Mr. Maxwell is the director of the Lansing office of our Financial Services Division, and will be the project director. He will be responsible for overseeing and coordinating the development of all cost allocation plans, time studies and all other aspects of the project.

- Nick Bohac – Mr. Bohac is a consultant assigned to the Lansing office. He has worked with several State of Michigan agencies in preparing cost allocation plans. Mr. Bohac will be responsible for managing much of the actual preparation of the various cost allocation plans.

Other MAXIMUS consultants may also be assigned as necessary. Resumes for the key individuals are included as Attachment B.

Our contract with DMB for the Statewide Cost Allocation Plan (SWCAP) has recently been renewed to cover the next fiscal year. This contract contains provisions whereby other state agencies can contract with MAXIMUS to perform cost allocation projects. We believe this project can be completed under the terms of this contract – 071B7200042. However, to do so you must get approval from the DMB Office of Financial Management. Please contact our contract administrator, Mr. Doug Ringler at OFM, at 373-4010.

TIMING

MAXIMUS is prepared to begin work within 10 working days of the issuance of a contract by DOS. However we cannot begin the project until final financial reports are completed. Once we have financial reports, it is anticipated that approximately four to five months will be required to complete the draft report. Once the draft report is accepted by the Department of State, bound copies of the final report can be delivered within two weeks. Assuming a start date of April 1, final delivery is estimated to be approximately September 30, 2007. The federal indirect cost rate proposal will be submitted as soon as that task has been completed and accepted by the Department. It is anticipated that the federal proposal will be submitted by July 31, 2007. However, MAXIMUS has no control over the timing of the federal review and negotiations. We will make every effort to expedite the process, however we must advise the Department that negotiations generally require a minimum of three months and can often take as much as one year.

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

MAXIMUS, Inc.

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

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

February 23, 2007

CHANGE NOTICE NO. 3
TO
CONTRACT NO. 071B7200042
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **Maximus, Inc.** **2343 Delta Road** **Bay City, MI 48706** **jamesolson@maximus.com**	TELEPHONE (517) 684-4111 **James Olson** VENDOR NUMBER/MAIL CODE BUYER/CA (517) 373-1080 **Melissa Castro, CPPB**
Contract Compliance Inspector: Doug Ringler **Central Cost Analysis and SWCAP Preparation – Department of Management and Budget**	
CONTRACT PERIOD: From: **November 9, 2006** To: **October 31, 2007**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	
MISCELLANEOUS INFORMATION:	

NATURE OF CHANGE(S):

The Department of Environmental Quality is hereby ADDED to this Contract in the amount of $4,800.00 for Review of Drinking Water Laboratory Fee Rate Setting per the attached proposal. The Department of Natural Resources is hereby added to this Contract in the amount of $24,600.00 for a Cost Allocation Plan per the attached proposal.

Total value of proposal: $29,400.00

Remaining amount available on Contract: $249,600.00

AUTHORITY/REASON(S):

Per agency/vendor agreement and Purchasing Operations approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $450,000.00

PROPOSAL TO THE MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY FOR A REVIEW OF DRINKING WATER LABORATORY FEE RATE SETTING

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Department of Environmental Quality (DEQ) for consulting services associated with a review drinking water testing fee rate setting procedures employed by the Drinking Water Laboratory within the Environmental Science and Services Division. The following sections detail our qualifications, workplan, and the associated costs.

BUSINESS ORGANIZATION

MAXIMUS 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, formerly known as David M. Griffith & Associates (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 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:

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

BACKGROUND

The Laboratory Services Section of the DEQ Environmental Science and Services Division operates four programs, including the Drinking Water Unit. The Drinking Water Unit accepts samples from the public, state agencies, public water suppliers, and county health departments on a fee-based system. Supplies are tested to insure that environmental standards and/or Federal and State drinking water standards are met to protect public safety and health.

The Drinking Water Unit is funded by Water Analysis Fees, with little or no subsidy from the State's General Fund. The current fee structure was established in 2000 and consists of approximately 50 separate analytical testing fees. Fees were originally based upon costs directly attributable to laboratory services at that time. However,

procedural and budgetary changes and changes in the volume of tests performed have resulted in fees now being inadequate to recover the full cost service.

Analytical testing fees are required to be based upon the cost of providing the services. DEQ is currently in the process of revising the fee schedule to more fully recover costs. The rate setting will be performed internally by DEQ personnel, however the Department wishes to retain the services of MAXIMUS to review of their rate setting model and if appropriate, make recommendations for improvements.

TECHNICAL APPROACH RESPONSIVE TO DEQ'S NEEDS

MAXIMUS proposes to provide the following consulting services for DEQ:

- Cost Allocation Consulting – As DEQ is in the processes of developing the revised fee schedule, MAXIMUS consultants will be available to advise on cost allocation issues as they arise. MAXIMUS will not be responsible for performing any of the costing or rate setting, but will advise on methodology as questions arise.

- Rate Setting Review – Upon completion of the rate setting by DEQ, MAXIMUS consultants will perform a review of the proposed fee schedule. This review will include a review of the operating budget, the rate setting methodology, the assumptions regarding testing volumes, the proposed fee schedule, and the revenue projections.

DELIVERABLE PRODUCTS

Upon completion of our rate setting review, MAXIMUS will provide a written report outlining our findings and recommendations.

PROJECT STAFFING

The MAXIMUS team to be assigned to the agency engagement is thoroughly qualified and experienced in successfully working with governmental agencies. Our project team will be organized as follows:

Project Manager. Mr. William Maxwell is the director in charge of our MAXIMUS Lansing Office and manages our User Fee Practice in Michigan. He has managed numerous user fee projects and is additionally responsible for our Cost Allocation clients with the State of Michigan. Mr. Maxwell has a Bachelor of Science degree from Central Michigan University majoring in Mathematics with a minor in Business Administration. He also holds a Masters Degree from Michigan State University.

Additional Staff. Additional staff will be assigned as necessary. All consultants will be experienced in both cost allocation and costing government services.

QUALIFICATIONS

MAXIMUS is the nation's leading firm in providing cost accounting services to state and local governments. Our Financial Services Division serves over two thousand governmental clients and has performed user fee analyses for nearly two hundred governments in seventeen states. MAXIMUS is viewed as the innovators of such studies. Further, the user fee studies go beyond identifying problems and presenting solutions; they have led to governments actually realizing additional revenues.

PROFESSIONAL ARRANGEMENTS

We estimate that this project will require 40 hours of consultant time. Based upon our billing rate of $120 per hour, we are prepared to quote a fixed fee of $4,800, including all expenses incurred by us.

Payment would be due upon delivery of the final written report.

Our contract with DMB for the Statewide Cost Allocation Plan has recently been extended to cover the next fiscal year. This contract contains provisions for other state agencies to contract with MAXIMUS for cost allocation and cost accounting projects. Since this project entails a review of your internal cost allocation procedures, we believe that it can be performed under the provisions of this contract. To do so, please contact Doug Ringer, our Contract Administrator at OFM, at 373-4010.

MAXIMUS, Inc. 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.

MAXIMUS, Inc.

PROPOSAL TO THE MICHIGAN DEPARTMENT OF NATURAL RESOURCES

FOR A COST ALLOCATION PLAN

BASED ON ACTUAL COSTS FOR

THE YEAR ENDED SEPTEMBER 30, 2006

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Department of Natural Resources for the preparation of a Departmental Cost Allocation Plan based on actual costs for the year ending September 30, 2006.

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, formerly known as David M. Griffith & Associates (**DMG**). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 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 (DNR) 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.

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, 2006, 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 - 1104
- Program Assistance and Review – 1105
- Budget & Support Services – 1106
- Financial Services – 1107
- Grants, Contracts, Customer Systems - 1108
- Human Resources - 1126
- Information Services - 8914

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual expenditures for the year ended September 30, 2006. Current indirect cost rates for the DNR are approved on a fixed with carry-forward basis. As such, the proposal will include the calculation of appropriate FY 06 carry-forwards and the incorporation of these amounts into proposed rates for use during state fiscal year 2007/08. The proposal will include the calculation of two DNR rates:

- 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.

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.

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

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

January 31, 2007

CHANGE NOTICE NO. 2
TO
CONTRACT NO. 071B7200042
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR	TELEPHONE (517) 684-4111 **James Olson**
Maximus, Inc. **2343 Delta Road** **Bay City, MI 48706** **jamesolson@maximus.com**	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-1080 **Melissa Castro, CPPB**
Contract Compliance Inspector: Doug Ringler **Central Cost Analysis and SWCAP Preparation – Department of Management and Budget**	
CONTRACT PERIOD: From: **November 9, 2006**	To: **October 31, 2007**
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	
MISCELLANEOUS INFORMATION:	

NATURE OF CHANGE(S):

The Michigan Judiciary is hereby ADDED to this Contract in the amount of $9,600.00 for FY06 Actual Cost Allocation Plan and Indirect Cost Rate Proposal per the attached proposal.

AUTHORITY/REASON(S):

Per agency/vendor agreement and Purchasing Operations approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: $450,000.00

PROPOSAL TO THE MICHIGAN JUDICIARY FOR THE PREPARATION OF AN FY 06 ACTUAL COST ALLOCATION PLAN AND INDIRECT COST RATE PROPOSAL

MAXIMUS is pleased to present this proposal to the Michigan Judiciary for the preparation and negotiation of the FY 06 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 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, formerly known as David M. Griffith & Associates (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 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 Judiciary, particularly the State Court Administrative Office (SCAO), receives substantial funding for the operation of various programs it administers from the Federal Government. The Court 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 Supreme Court, 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 2000, the Michigan Judiciary had not developed an indirect cost rate proposal, and as such, had not assessed indirect costs to federally funded programs. The Office of the Auditor General recommended that the Court prepare and negotiate an indirect cost rate with the appropriate Federal agency and begin to charge indirect costs to Federal grants and contracts.

The Court prepared and submitted to the Department of Health and Human Services (DHHS) its initial cost allocation plan and indirect cost rate proposal based on actual expenditures for the year ending September 30, 2000. Subsequent proposals have been submitted each year since. Based upon these prior submissions, the U.S. Department of Health and Human Services (DHHS) issued a federal negotiation agreement approving provisional indirect cost rates for use in FY 06. As the rates were approved provisionally, federal guidelines require that they be "finalized" or reconciled to actual costs to determine any over or under charges to Federal programs. Accordingly, the Court needs to submit a cost allocation plan and indirect cost rate proposal based on actual costs for the year ending September 30, 2006. The FY 06 cost allocation plan will be used to finalize the FY 06 provisional rates, and to propose new rates for use beginning with FY 08.

DESCRIPTION OF SERVICES

MAXIMUS proposes to provide the following services for the Michigan Judiciary:

1. Preparation of the cost allocation plan based on actual costs for the year ended September 30, 2006. 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 ***NGCS2***, 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 basis.

- **Reconciliation of the financial reports**. As salaries and wages will most likely be used as the direct cost basis upon which any indirect cost rate will be computed, it will be necessary to reconcile salaries and wages by organization within the Court.

- **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.

- **Identification of Statewide Costs** - The cost plan also needs to include statewide costs allocated to the Judiciary 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.

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2006. Based upon the results of the cost plan, an indirect cost rate proposal will be computed. As stated earlier, indirect cost rates were approved by the Department of Health and Human Services in Dallas for use during FY 06. This proposal will calculate final rates for FY 06 and also propose new provisional rates for use by the Court.

3. Negotiation of the DCAP and Indirect Cost Rate Proposal. Upon approval of the Court, MAXIMUS will submit the cost plan and rate proposal to the Department of Health and Human Services, Division of Cost Allocation, in Dallas, Texas. Once the plan is submitted, MAXIMUS will begin 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 Judiciary 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 consultant assigned to our Lansing office. Mr. Bohac would assist Mr. Maxwell as needed with development of the plan and proposal.

Court 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.

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

MAXIMUS, Inc.

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

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

January 10, 2007

CHANGE NOTICE NO. 1 (REVISED*)
TO
CONTRACT NO. 071B7200042
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **Maximus, Inc.** **2343 Delta Road** **Bay City, MI 48706** **jamesolson@maximus.com**	TELEPHONE (517) 684-4111 **James Olson** VENDOR NUMBER/MAIL CODE BUYER/CA (517) 373-1080 **Melissa Castro, CPPB**
Contract Compliance Inspector: Doug Ringler **Central Cost Analysis and SWCAP Preparation – Department of Management and Budget**	
CONTRACT PERIOD: From: **November 9, 2006** To: **October 31, 2007**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	
MISCELLANEOUS INFORMATION:	

NATURE OF CHANGE(S):

The following agencies are hereby added per the attached proposals:

DLEG- $24,000.00* for FY 2006 Cost Allocation.
Michigan Strategic Fund - $9,600.00 for FY 2006 Indirect Cost.
DCH - $33,600.00 for FY 2006 Indirect Cost and FY 2007 RMS.
DLEG - $38,400.00* for FY 2006 Indirect Cost and FY 2007 RMS.
DEQ - $7,200.00 for FY 2006 Cost Allocation.
Department of Agriculture - $10,200.00 for FY 2006 Cost Allocation.
Attorney General - $14,400.00 for FY 2006 Cost Allocation
DMB - $24,000.00* for FY 2006 Cost Allocation.

Total Value of Proposals: $161,400.00
Amount Available on Contract: $288,600.00

AUTHORITY/REASON(S):

Per agency and Purchasing Operations agreement.

Estimated Contract Value Remains: $450,000.00

PROPOSAL TO THE DLEG OFFICE OF FINANCIAL AND INSURANCE SERVICES FOR PREPARATION OF AN FY 06 ACTUAL ADMINISTRATIVE COST ALLOCATION PLAN

MAXIMUS, INC. is pleased to present this proposal to the Office of Financial and Insurance Services (OFIS) of the Michigan Department of Labor and Economic Growth (DLEG) for the preparation of an FY 06 Actual Administrative Cost Allocation Plan. 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 the State of Virginia and licensed to do business in Michigan. This project would be performed by our Cost Services Division, formerly known as David M. Griffith & Associates (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 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:

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

BACKGROUND

The Office of Financial and Insurance Services 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. OFIS 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, OFIS spends considerable resources to administer these programs. These costs include administration, human resources, budget, consumer complaint processing, policy development, etc. OFIS 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 OFIS has complicated the process of determining the appropriate mix of funding for the administrative operations of the Office. The office is currently allocating the costs associated with several administrative cost pools solely on the ratio expenditures. The equitability of this approach has been questioned. OFIS 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 to allocating costs to benefited programs, and ultimately funding sources of OFIS. The plan should be based upon actual costs for the fiscal year ended September 30, 2006 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 Services:

1. Preparation of an Administrative Cost Allocation Plan based on actual costs for the year ended September 30, 2006. The plan would be prepared utilizing ***NGCS2***, 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 of Financial Evaluation
Chief Deputy of Policy, Conduct and Consumer Assistance
Enterprise Monitoring Administration
Charter Review
Consumer Services
Policy
Market Conduct Administration
Office of General Counsel

2. Preparation of the Administrative Funding Rate Proposal based on actual costs for the year ended September 30, 2006. 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. The proposed funding ratios will include the proposed mix for the next year, plus an adjustment or carry-forward to reconcile FY 06 funding.

PLAN DEVELOPMENT

MAXIMUS proposes to develop for the Office of Financial and Insurance Services 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 OFIS 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 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 reconcile FY 06 funding rates and to propose a new funding mix for either FY 07 or FY 08. The timing of the rates will be discussed with OFIS officials as we proceed.

When the plan and rate proposal are complete, we will present all the documents to the appropriate OFIS officials. After acceptance of the plan by OFIS, 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 OFIS 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 contact. Based upon our experience in preparing similar plans, 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 06 Actual Cost Allocation Plan
& Administrative Funding Rate Proposal

TIMING

MAXIMUS is prepared to begin preparation of the cost plan and funding rate proposal within 10 working days of approval by OFIS. However, work cannot begin until the FY 06 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 OFIS staff for interviews and the availability of all selected allocation statistics. Once the draft is approved by OFIS, 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 Services on this very important engagement.

MAXIMUS, INC.

PROPOSAL TO THE MICHIGAN STRATEGIC FUND FOR PREPARATION OF A COST ALLOCATION PLAN AND INDIRECT COST RATE PROPOSAL FY 06 ACTUAL

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Strategic Fund for the development of a departmental cost allocation plan and indirect cost rate proposal based on actual expenditures for the year ending September 30, 2006. 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 the State of Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division, previously known as David M. Griffith & Associated (**DMG**). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to nearly 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 will receive substantial funding for the operation of various programs it will administer from the Federal government, including the Community Development Block Grant. The Department will spend 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 Michigan Strategic Fund (MSF) was created by Executive Order 1999-1 that reorganized the Michigan Jobs Commission (MJC). Those programs of the MJC that related to career preparation and training were transferred to the Department of Career Development. These include the programs of the Office of Workforce Development, Michigan Rehabilitative Services, and the Employment Service Agency. Those MJC programs that related to economic development were transferred to the Michigan Strategic Fund (MSF). While the reorganization was effective in April of 1999, for the most part, the MJC continued to function as a single entity providing administrative support services to both the DCD and the MSF through September 30, 1999. Federal programs were assessed administrative charges either directly or indirectly according to the federally approved allocation procedures approved for the MJC for FY 98/99.

However, beginning with FY 99/00, the MSF began preparing and negotiating a separate indirect cost rate with the Department of Housing and Urban Development (HUD). Based upon previous submissions, HUD approved provisional indirect cost rates for MSF for FY 06.

Provisional indirect cost rates must be "finalized", or reconciled to actual costs, at the end of each fiscal year. As such, the MSF needs to prepare a cost allocation plan and indirect cost rate proposal based on actual costs for FY 06 and submit the plan to HUD for review and approval.

DESCRIPTION OF SERVICES

MAXIMUS, Inc. proposes to provide the following services for the Michigan Strategic Fund:

- Preparation of the departmental cost allocation plan (DCAP) for the Michigan Strategic Fund based on actual expenditures for the fiscal year ending September 30, 2006. 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 whether R*Stars or MIDB reports should be used.

- Preparation of an indirect cost rate proposal for the Michigan Strategic Fund based on actual expenditures for the fiscal year ending September 30, 2006. The proposal will be used to finalize FY 06 rates and to also propose an indirect cost rate for use during FY 08.

- Negotiations for approval of the cost plan and indirect cost rate proposal with cognizant Federal agency, the Department of Housing and Urban Development.

PLAN DEVELOPMENT

MAXIMUS proposes to develop for the Michigan 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 2007/08.

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 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 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 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 is 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:

FY 06 Actual DCAP and Rate Proposal - $ 9,600

Our fee for 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 MSF 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 MSF plan ready for federal submission until about June 30, 2007. 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 Strategic Fund that the process can is 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 Strategic Fund on this very important engagement.

MAXIMUS, Inc.

PROPOSAL TO
THE MICHIGAN DEPARTMENT OF COMMUNITY HEALTH
FOR PREPARATION OF AN ACTUAL FY 06
DEPARTMENTAL INDIRECT COST ALLOCATION PLAN
AND FY 07 RMS MAINTENANCE

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Department of Community Health for cost allocation services to be performed during State fiscal year 2006/07. This proposal includes preparation and negotiation of a Departmental Cost Allocation Plan and Indirect Cost Rate Proposal based on actual costs for the year ending September 30, 2006, as well as 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, 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 Cost Services Division, formerly known as David M. Griffith & Associates (**DMG**). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 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 Community Health 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 indirect costs attributed to any particular program within the Department of Community Health, a Departmental Cost Allocation Plan (DCAP) must be prepared in accordance with OMB Circular A-87, Cost Principles for State and Local Governments. Furthermore, if any of the administrative costs are to be charged directly, the distribution of costs must be supported by acceptable time accounting records, again in accordance with A-87.

STATEMENT OF PROBLEM

The Michigan Department of Community Health (DCH) was created by Executive Order in 1996, and essentially represents the consolidation of the previous departments of Mental Health and Public Health and the Medical Services Administration (MSA) previously housed within the Family Independence Agency. Since that time DCH has been required to submit an annual cost allocation plan and indirect cost rate proposal to its cognizant federal agency, the Department of Health and Human Services (DHHS).

The Department of Community Health prepared and submitted to DHHS a cost allocation plan and indirect cost rate proposal based on actual expenditures for the year ending September 30, 2004. Based upon this proposal, DHHS issued a federal negotiation agreement approving provisional indirect rates for use during fiscal 06. As the rates were approved provisionally, federal guidelines require that they be "finalized" or reconciled to actual cost to determine any over or under charges to Federal programs. Accordingly, the Department of Community Health needs to submit a cost allocation plan and indirect cost

rate proposal based on actual costs for fiscal year 06. The FY 06 cost allocation plan will be used to finalize the FY 06 provisional rates, and to propose new rates for use during FY 08.

Also 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 in fiscal 07, 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:

1. Preparation of the Department of Community Health DCAP based on actual costs for the year ending September 30, 2006. Organizational charts and financial information will be needed for this task. R*STARS reports will be required that will provide financial information at the appropriate level. Depending on the accounting structure, either program or organization reports will most likely be required. **MAXIMUS** consultants will review the program and org structure and work with the Accounting Section to determine which reports will need to be scheduled.

The plan will be prepared in a manner consistent with the FY 05 actual plan. Indirect costs will be identified and segregated into discrete cost pools. Selective allocations of each pool will be made by applying the 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 that benefit from the services. The plan will allocate any indirect costs accounted for in following organizations:

Statewide Costs

Executive Administration

Operations Administration

Resources Services

Budget & Audit Administration

Budget and Contracts

Audit Division

Finance

Administrative Tribunal

Information Technology

Bureau Administration

Workers' Compensation

Terminal Leave

*2. **Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2006.*** As discussed earlier, FY 06 indirect cost rates are currently approved on a provisional basis. The proposal will calculate final rates for FY 06, and will also propose new rates for use during FY 08.

*3. **Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's Federal cognizant agency.*** Once completed, the plans will be submitted to the appropriate Federal agency for approval. The cognizant federal agency of DCH is the Department of Health and Human Services, Division of Cost Allocation, in Dallas, Texas.

4. RMS maintenance and administration for fiscal year 07. **MAXIMUS** will provide the following services necessary to maintain the RMS system currently utilized by Budget and Finance:

- Quarterly 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.
- Calculation of cumulative year-to-date program results at the end of each quarter.
- 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

- **Actual FY 06 DCAP** (Including indirect cost rate proposal and Federal negotiations) - We estimate the actual FY 06 DCAP, rate proposal and negotiations will require approximately 200 hours to complete. Based on an hourly billing rate of $120, including all administrative overhead costs, our proposed fee is a fixed amount of $24,000.

- **Fiscal 07 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 per quarter ($9,600 annually).

- **TOTAL FOR FISCAL 2007 - $33,600 - including all expenses**

PAYMENT SCHEDULE

Payment of our fees would be according to the following schedule:

- **DCAP** - $24,000 due upon completion and submission to the appropriate Federal cognizant agency. The plan cannot be completed until fiscal 2006 is closed out, and as such, the submission is not projected until approximately June 30, 2007.

- **RMS Maintenance** - $9,600 total, billed quarterly at $2,400.

DELIVERABLES

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

Actual DCAP

Indirect Cost Rate Proposal

In addition, on a quarterly basis, the Department will be provided with the following RMS reports:

Quarterly personnel listing of sampling universe

Chronological listing of all quarterly samples

Chronological listing of samples by sampling location

RMS labels - sorted by sampling location

Quarterly program summary results

Quarterly activity summary results

Quarterly service summary results

Quarterly service by activity summary results

Quarterly activity by service summary results

Quarterly listing of actual RMS responses

Cumulative year-to-date program results each quarter

TIMING

MAXIMUS is prepared to begin preparation of the FY 06 actual DCAP when the fiscal year is closed out and financial reports are available. As such, we project a start date during January of 2007. It is anticipated that approximately four months will be required to complete a draft of the plan, with another four weeks for review of the plan with Department of Community Health administration, and preparing the plan for Federal submission. The projected submission date would be approximately June 30, 2007.

Upon completion and federal submission of the 2006 actual plan and indirect cost rate proposal **MAXIMUS** will begin negotiations for approval. 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 must advise the Michigan Department of Community Health 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.

The RMS maintenance activities will be provided on an on-going basis throughout the fiscal year. Final reports for the last quarter of the fiscal year will be delivered around October 15, 2007.

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.

MAXIMUS, Inc.

Proposal to
The Michigan Department of Labor and Economic Growth
For Preparation of an Actual FY 06
Departmental Cost Allocation Plan
And FY 07 RMS Maintenance

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Department of Labor and Economic Growth (DLEG) for cost allocation services to be performed during State fiscal year 2006/07. This proposal includes preparation and negotiation of a Departmental Cost Allocation Plan (DCAP) and Indirect Cost Rate Proposal based on actual costs for the year ending September 30, 2006, as well as 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, 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 Cost Services Division, formerly know as David M. Griffith & Associates, (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 34 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 Labor and Economic Growth 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 indirect costs attributed to any particular program within the Department of Labor and Economic Growth, a Departmental Cost Allocation Plan (DCAP) must be prepared in accordance with OMB Circular A-87, Cost Principles for State and Local Governments. Furthermore, if any of the administrative costs are to be charged directly, the distribution of costs must be supported by acceptable time accounting records, again in accordance with A-87.

STATEMENT OF PROBLEM

The Michigan Department of Labor and Economic Growth was created by Executive Order in October of 2003. According to this order, the previous Department of Consumer and Industry Services (CIS) was renamed the Department of Labor and Economic Growth. Most of the CIS programs were reassigned to DLEG, however some were transferred to other state agencies. In addition, several other state programs were transferred to DLEG. These include, among others, the Department of Career Development (DCD), the Employment Services Agency (ESA), and the Unemployment Agency (UA).

While DLEG was officially created at the beginning of FY 03/04, the accounting and HR structure was not in place, and as such, program costs continued to be accounted for in their previous agencies for most of the year, and continued to use the federally approved indirect cost rates for CIS and DCD. However, beginning with fiscal year FY 05 a separate indirect cost rate was negotiated with the US Department of Labor applicable to all DLEG

programs. As rates were approved provisionally, federal guidelines require that they be "finalized" or reconciled to actual cost to determine any over or under charges to Federal programs. Accordingly, the DLEG will need to prepare a cost allocation plan and indirect cost rate proposal based on actual costs for fiscal 06. This plan will be used to finalize the FY 06 indirect cost rates and to establish a new rate for fiscal year 08.

Also during 2004, the Department of Labor and Economic Growth 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, Human Resources, 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 in fiscal 07, the Department of Labor and Economic Growth 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 Labor and Economic Growth:

1. Preparation of the Department of Labor and Economic Growth DCAP based on actual costs for the year ending September 30, 2006. Organizational charts and financial information will be needed for this task. R*STARS reports will be required which will provide financial information at the appropriate level. Depending on the accounting structure, either program or organization reports will most likely be required. **MAXIMUS** consultants will review the program and org structure and work with the Finance Division to determine which reports will need to be scheduled.

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2006. As discussed earlier, the FY 06 indirect cost rates were approved on a provisional basis. This proposal will calculate final rates for FY 06, and will also propose new rates for use in fiscal year 08.

3. Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's Federal cognizant agency. Once completed, the plan will be submitted to the appropriate Federal agency for approval. The U.S. Department of Labor is currently the cognizant agency responsible for DLEG.

4. RMS maintenance and administration for fiscal year 07. **MAXIMUS** will provide the following services necessary to maintain the RMS system currently utilized by the Bureau of Administrative Services:

- Quarterly 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.
- Calculation of cumulative year-to-date program results at the end of each quarter.
- 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 Labor and Economic Growth 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 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

- **Actual FY 06 DCAP** (Including indirect cost rate proposal and Federal negotiations) – We estimate the actual DCAP, rate proposal and negotiations will require 200 hours to complete. Based on an hourly billing rate of $120, including all administrative overhead, our proposed fee is a fixed amount of $24,000.

- **FY 07 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 per quarter ($14,400 annually).

- **TOTAL FOR FISCAL 07 - $38,400**

PAYMENT SCHEDULE

Payment of our fees would be according to the following schedule:

- **DCAP** - $24,000 due upon completion and submission to the appropriate Federal cognizant agency. The plan cannot be completed until fiscal 2006 is closed out, and as such, the submission is not projected until approximately June 30, 2007.

- **RMS Maintenance** - $14,400, billed quarterly at $3,600.

DELIVERABLES

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

Actual DCAP

Indirect Cost Rate Proposal

In addition, on a quarterly basis, the Department will be provided with the following RMS reports:

Quarterly personnel listing of sampling universe

Chronological listing of all quarterly samples

Chronological listing of samples by sampling location

RMS labels - sorted by sampling location

Quarterly program summary results

Quarterly activity summary results

Quarterly service summary results

Quarterly service by activity summary results

Quarterly activity by service summary results

Quarterly listing of actual RMS responses

Cumulative year-to-date program results each quarter

TIMING

MAXIMUS cannot begin preparation of the FY 06 actual DCAP until the fiscal year is closed out and final financial reports are available. As such we do not project a start date until sometime early next calendar year. It is anticipated that approximately six months will be required to complete a draft of the plan, review the plan with Department of Labor and Economic Growth administration, and prepare the plan for Federal submission. The projected submission date would be approximately June 30, 2007.

Upon completion and federal submission of the plan and indirect cost rate proposal **MAXIMUS** will begin negotiations for approval. 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 Michigan Department of Labor and Economic Growth 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.

As the RMS sampling will need to begin on October 1, 2006, **MAXIMUS** will need to begin updating the sampling universe and making any required changes to the system by the end of September. The RMS maintenance activities will be provided on an on-going basis throughout the fiscal year. Final reports for the last quarter of the fiscal year will be delivered around October 15, 2007.

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

MAXIMUS, Inc.

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

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

November 17, 2006

NOTICE
TO
CONTRACT NO. 071B7200042
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR **Maximus, Inc.** **2343 Delta Road** **Bay City, MI 48706** **jamesolson@maximus.com**	TELEPHONE (517) 684-4111 **James Olson** VENDOR NUMBER/MAIL CODE BUYER/CA (517) 373-1080 **Melissa Castro, CPPB**
Contract Compliance Inspector: Doug Ringler **Central Cost Analysis and SWCAP Preparation – Department of Management and Budget**	
CONTRACT PERIOD: From: **November 9, 2006** To: **October 31, 2007**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	
MISCELLANEOUS INFORMATION:	

Estimated Contract Value: $450,000.00

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

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CONTRACT NO. 071B7200042
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MINIMUM DELIVERY REQUIREMENTS **N/A**	
MISCELLANEOUS INFORMATION: **Estimated Contract Value: $450,000.00**	

FOR THE VENDOR:	**FOR THE STATE:**
Maximus, Inc. Firm Name	Signature
Authorized Agent Signature	**Melissa Castro, CPPB, Buyer Manager** Name/Title
Authorized Agent (Print or Type)	**Services Division, Purchasing Operations** Department
Date	Date

STATE OF MICHIGAN
Department of Management and Budget
Purchasing Operations

Analysis of Central Service Costs and SWCAP Preparation

Buyer Name: Melissa Castro, CPPB
Telephone Number: 517-373-1080
E-Mail Address: castrom@michigan.gov

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Article 1 – Statement of Work (SOW)

1.0 Project Identification

1.001 Project Request

The purpose of this Contract is to obtain the analysis of central service costs and preparation of the State's plan for submission to the U.S. Department of Health and Human Services.

1.002 Background

The State of Michigan, like most governments receiving federal funding, is required to file a State-wide Cost Allocation Plan (SWCAP) with the U.S. Department of Health and Human Services (HHS). The Office of the State Budget, Office of Financial Management (OFM), has responsibility for the analysis, preparation, and submission of this complex plan.

Preparation of the plan requires analysis of central service costs, which are allocated to the various departments and agencies, in accordance with the U.S. Office of Management and Budget's Circular A-87, revision effective June 2004 (http://www.whitehouse.gov/omb/circulars/a087/a87_2004.pdf) .

1.1 Scope of Work and Deliverables

1.101 In Scope

The contractor will analyze, develop, submit, and negotiate the State of Michigan's State-wide Cost Allocation Plan with the federal government.

1.102 Out of Scope - Reserved

1.103 Environment - Reserved

The Contractor is required to analyze financial information derived from the State's accounting and financial management systems in order to accurately develop a cost application plan.

1.104 Work and Deliverable

Contractor shall provide Deliverables/Services and staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth below:

1. Review the prior year SWCAP and accompanying workpapers to become familiar with accounting and cost systems, agency personnel, billing systems and other matters related to the development of the SWCAP and supplementary reports. OFM will offer only minimal assistance with this task.

Contractor Response to Task:

A. **SWCAP Review** - MAXIMUS consultants will conduct a thorough review of the last three SWCAPs, SWCAP workpapers and related correspondence in order to assure a full understanding of the current plan structure and any outstanding issues or concerns. Special attention will be paid to the allowability of the allocated costs pools and the appropriateness of the allocation basis. The plan must be prepared in accordance with OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments". Any potential deficiencies will be addressed in writing to the State's designated contract administrator.

A-87 provides general principles for determining the allowability of costs that can be charged to federal grants and contacts. It also provides guidelines for the classification of costs as direct or indirect; however it does not prescribe the specific accounting treatment of any particular cost. Costs allocated in the SWCAP must therefore not only be allowable under the provisions of A-87, but the plan must reflect the accounting treatment used by the State. For example, in some states rent may be considered a statewide indirect cost. However in Michigan both rent and building occupancy charges are directly charged and accounted for in Section II costs.

It is essential that costs are given consistent treatment in the SWCAP. Costs that are being allocated as indirect costs in Section I of the SWCAP cannot also be charged directly to programs. A-87 also prescribes the documentation that is required, particularly for the distribution of salaries and wages. It also prescribes submission requirement and specific requirements for internal services funds and other billed services included in Section II.

B. **Review of Billed Services** - MAXIMUS will conduct an inventory of all Section II billed services and meet with DMB representatives to determine if there are any outstanding issues that may affect the preparation of the Section I SWCAP. For example, negotiation of internal service fund balances may require that balances from prior years be allocated as part of Section I. MAXIMUS will determine if any such agreements exist and revise the SWCAP as appropriate to accommodate these adjustments.

C. **Financial Reports** - Financial reports used as the source documents for the previous submission will be reviewed. MAXIMUS consultants will meet with DMB officials to determine the availability of the reports for FY 06. A comprehensive list of reports needed for FY 06 will be compiled and forwarded to the appropriate State personnel. These reports may include various R*STARS reports generated from the State's accounting system, or detailed program financial reports such as those currently prepared by DMB for all of its program areas.

D. **Org Charts** - MAXIMUS will review the FY 06 organizational charts for the State of Michigan. This will include statewide charts that identify the reporting structure for all State agencies, as well as more detailed departmental charts for those departments providing statewide services, e.g. DMB, Treasury, and Civil Service.

E. **Review of Allocations by Fund** - MAXIMUS will review the most recent cost allocation plans prepared to distribute the DMB central service allocations to a number of state restricted funding sources. The allocation bases used to distribute costs will be reviewed. Any additional financial reports needed to perform these secondary allocations will be determined and a request forwarded to the appropriate State personnel.

2. Review prior audit coverage and correspondence from (and to) the federal government relating to essential plan information.

Contractor Response to Task:

A. **Review of Prior Agreements** - MAXIMUS consultants will review the most recent negotiation agreements issued by DHHS regarding the State of Michigan SWCAP. A review of the agreement that fixes costs for FY 06 is essential. Approved fixed amounts for FY 06 need to be determined. In addition, any prior year (FY 04) carry-forwards that are incorporated into the FY 06 fixed amounts need to be determined so that they can be appropriately adjusted out of the FY 06 carry-forward calculations. Any subsequent agreements also need to be reviewed to determine if there are any issues or special circumstances identified that impact preparation of the FY 06 actual, or any other future SWCAP.

B. **Review of Correspondence** - Correspondence between the State and DHHS regarding these agreements will be reviewed to determine any agreed to adjustments or changes that need to be reflected in the FY 06 SWCAP. In addition to a review of the Section I SWCAP workpapers, this will require a review of the Section II billed services. MAXIMUS consultants will meet with representatives of DMB Financial Services to review any correspondence they have regarding internal service fund issues. Any issues that impact the development of Section I will be identified and incorporated into our plan development.

C. **Review of Auditor General Reports** - MAXIMUS will review any state audits regarding the SWCAP prepared by the Michigan Auditor General's Office. Any findings in the audits will be discussed with the Office of Financial Management to determine what, if any, action needs to be taken in preparations of the FY 06 plan.

3. Perform the necessary analysis of financial and accounting records, agency documentation, billing systems, budgets and any other information relevant to the SWCAP for the year under review.

Contractor Response to Task:

A. **Information Requests** - After ours reviews have been conducted, MAXIMUS will compile a list of information needs, including financial reports and various allocation statistics. Information request letters will be drafted and sent to the appropriate state officials. The requests will be sent directly to the appropriate information sources. OFM will not be asked to compile the data for us. For example, requests from Treasury for information on warrants and EFTs will be sent directly to Treasury officials. OFM will only be asked to provide assistance when the requested information is not being received in a timely manner.

B. **Analysis of Expenditure Information** - Once the information is gathered, our consultants will perform all data analysis at our local office. All financial information regarding central service cost pools will be reviewed. Unallowable costs such a capital outlay will be identified and allowable costs will be functionalized by activity pool for allocation. This means that central services programs may be broken down into multiple activity pools for allocation. For example, costs associated with the Office of Financial Management may be segregated into Payroll, Help Desk, MAIN Training, Financial Reporting, etc. In order to appropriately functionalize costs it will be necessary to analyze staff work efforts. Organization charts and payroll reports will be reviewed and interviews will be conducted as needed to determine the most appropriate functionalization of staff.

C. **Central Service Staff Interviews** - ***Interviews will generally be conducted on a face-to-face basis***. It is our opinion that meetings are more meaningful and productive when conducted in this manner. It allows for the MAXIMUS consulting team to meet with program manages and representatives of the various activity areas to most affectively define our approach and interact with state officials. We can have with us copies of previous studies, drafts of worksheets, copies of statistical reports, copies of previous workpapers and other similar items that are relevant to the issues being discussed. We generally leave these meetings with both parties having a clear understanding of what we are tying to accomplish, and how we intend to get accomplish it. Phone or e-mail meetings will be utilized only when requested to do so for meeting with a particular state official. Because our consulting team is located in our Lansing office, our consultants will be available to meet with state officials at any time from the project outset in October until federal submission in June. ***Meetings can be scheduled for the convenience of the state officials, rather than around the travel plans of the consultant*.**

D. **Allocation Base Review** - For each activity pool an allocation base must be determined. This could be employees, purchase orders, vendor warrants, or any number of quantifiable statistics. Allocation statistics should be selected that reflect the relative benefit derived from the activity. For example, costs associated with purchasing would typically be allocated on the number of purchase orders, or in the case of Michigan, weighted purchase orders. Generally the allocation statistics developed will be consistent with those approved by DHHS in the last SWCAP. However, in the event that a statistic is no longer available, or if the nature of the work performed within the activity pool has changed substantially, a new allocation base would need to be selected. Any proposed changes to allocation bases will be determined during our interviews with representatives of the central service program and we will submit all proposed changes to OFM for approval.

E. **Develop Allocation Bases** - Once selected, each allocation statistic must be developed. As mentioned above, request for allocation statistics will be forwarded to the appropriated state officials. However, the statistics received are typically not summarized in the format needed for the SWCAP. For example, the allocation base for DMB Administration is payroll costs by administered program. This base will need to be developed by MAXIMUS consultants by summarizing the payroll costs for all of Agency 07. The allocation base for DMB Budget is determined by summarizing the time reports that are maintained by the Budget Office analysts. All allocation statistics will be summarized by MAXIMUS consultants at our local office.

F. **Identify Any Billing Credits** - Any appropriate direct billing credits will be determined. Where state agencies have been billed or directly funded a portion of a central service cost pool a billing credit may be necessary. For example, state agencies are charged for services provided by the Civil Service HR Optimization Program. As such, these charges must be reflected in the allocation of the Civil Service Department. Similarly, the internal service funds provide funding for some of the DMB Administrative Services staff and must be given credit for this funding in the cost plan. In any event, all funding and charges for central service programs will be reviewed to determine if any billing credits are needed. It is important to note that not all charges or funding necessarily need to be reflected. The purpose of the funding needs to be determined. Charges may be for activities that are not allocated the plan, and as such no credits would be needed. Also funding provided by state restricted funding sources generally does not need to be credited since it does not impact the share that should be allocated to federal programs.

4. Prepare a preliminary SWCAP (based on actual and budgeted activity) for OFM review and approval. For each change in allocation of cost or determination of costs, the impact of each change will be fully documented in a separate memorandum for OFM review and approval.

Contractor Response to Task:

A. **Prepare Actual FY 06 SWCAP** - Once all of our reviews and interviews have been conducted, financial reports summarized, allocation statistics developed and billing credits determined, MAXIMUS consultants will prepare the FY 06 Actual SWCAP, which is based on actual costs and statistics for the year ending September 30, 2006. The plan will be prepared utilizing proprietary cost allocation software developed by MAXIMUS. MAXIMUS has been in the business of developing state-of-the-art cost allocation software since 1976. Our first system, the Griffith Cost System, was the first multiple step-down system widely used for governmental cost allocation plans. Since then we have developed three more generations of software; NGCS, NGCS2, and our most recent system MAXCARS which is an MS Windows based system. In addition we have begun development of a new web-based system. Each of our systems has provided us the tools to control the number of step-downs and the flexibility to design the cost pools in the most accurate and defensible manner for our clients. We prepare literally thousands of plans each year on our software and therefore are systems are fully tested, as well as being familiar to and accepted by federal cost negotiators across the country.

All data entry into the cost plan will be performed by MAXIMUS consultants at our local office. The plan will contain a narrative description of each central service program as well as detailed schedules for each service identifying the costs to be allocated, the costs by activity pool, the allocation statistics and allocation results. The plan will also contain summary schedules that identify the total allocated costs for each state agency and reconciliations of all costs allocated through the plan. Each allocated amount on the summary schedule can be traced to the detailed reports.

B. **Prepare Budget FY 08 SWCAP** - Once the FY 06 Actual SWCAP has been completed, the FY 08 Budget SWCAP will be prepared. Preparing the budget plan has two principle advantages:

1. Accelerate Cash Flow - Using FY 08 projected costs rather than FY 06 actual will increase the allocated costs for each agency. Fixing FY 08 costs at higher amounts means that the State will accelerate the recovery of central services from federal programs. Differences between fixed costs and final costs are recovered through the carry-forward process (discussed in more detail in the next section). However, recovering costs through the carry-forward occurs two years after the fiscal year has closed. Fixing costs at higher amounts reduces the carry-forward and allows the state to recover these costs two years sooner.

2. Reflect Reorganization - The budget plan also allows the State to reflect reorganization that may be occurring. Over the past 15 years there have been significant reorganizations in Michigan state government. These changes include the elimination of many state agencies such Labor, Commerce, Mental Health, Consumer and Industry Services, Career Development and Public Health; the creation of new departments including Community Health, Information Technology and Labor and Economic Growth; and the transfer of the Medical Services Administration from Social Services (now Human Services) to Community Health. All of these changes impact the structure of the SWCAP. Fixing costs on the budget basis allows any known reorganizations to be reflected. Otherwise SWCAP agreements could include fixed amounts for agencies that no longer exist, creating significant complication to the carry-forward calculations. It could also result in not having approved allocations for new agencies until actual plans are prepared, resulting in no statewide central services from new agencies for a two-year period.

The FY 08 budget plan will utilize the FY 06 actual plan as the basis and make any needed modifications. Expenditure information will be adjusted to reflect current inflationary information as determined by the Consumer Price Index for Urban Wage Earners published by the Bureau of Labor Statistics. Costs will inflated by twice the current rate since the budget plan is intended to represent costs two years after the actual. Other internal factors that my impact expenditures will be examined, such as the affect of the State's banked leave program. All amortization schedules used in preparing the actual SWCAP will be updated to reflect FY 08 amounts. Any known reorganizations will be analyzed and the SWCAP will be modified to include any new agencies and remove any dissolved agencies as appropriate. All allocation bases will also be revised to reflect the proposed reorganization.

C. Documentation of Changes - For each change in both the actual plan and the budget plan, MAXIMUS consultants will notify OFM in writing of the change, the reason for the change, the materiality of the change and impact on final allocated costs.

5. Prepare a report summarizing the carry-forward calculations on a service-by-service basis for each State agency.

Contractor Response to Task:

A. Determine Carry-Forward Amounts - Once the FY 06 Actual SWCAP is complete, MAXIMUS will prepare the FY 06 carry-forwards. SWCAP amounts are approved by DHHS on a fixed with carry-forward basis. This means that allocations are approved for use during a fiscal period based upon either historical information, or in the case of Michigan, on budgeted estimates. Once the year in closed, amounts approved for use during the year need to be reconciled to actual. The carry-forwards are prepared on a service-by-service basis, rather than in aggregate for each agency. Preparing them in this manner allows for a more detailed analysis of where costs have changed from year-to-year. We have found that most federal negotiators require SWCAP carry-forwards computed on this detailed level.

FY 06 Carry-forwards are computed by comparing the amounts approved for use during FY 06 for each agency with the actual allocation determined by the FY 06 Actual SWCAP. The differences represent the FY 06 carry-forward. For example, if $1,000,000 was fixed for Human Services for Purchasing for FY 06 and the FY 06 Actual SWCAP allocated $1,200,000 to Human Services for Purchasing, the carry-forward would be an under-recovery of $200,000. The carry-forwards will be computed externally from the cost allocation plan. Our software has the ability to incorporate the carry-forwards into the summary schedules, however we propose to prepare separate schedules for each allocated cost pool that identifies the fixed cost, the final cost, and the resultant carry-forward. External calculations provide for all carry-forward calculations to be viewed on a single schedule, which often makes them easier to review and negotiate with federal cost negotiators

6. Prepare a report summarizing the proposed fixed allocations for each State agency, including carry forwards, to be submitted to the federal government.

Contractor Response to Task:

A. Prepare Summary of Proposed Fixed Allocations - A final schedule that summarizes the proposed fixed allocations for each State agency for use in FY 08 will be prepared and submitted to DHHS. Proposed allocations are based upon the amounts allocated to each state agency in the Budget SWCAP, plus any carry-forwards from FY 06. Allocations will be proposed on fixed with carry-forward basis for FY 08. The schedule will identify the proposed fixed allocation for each state agency for each SWCAP service, e.g. DMB Budget, Civil Service, ID Mail, etc. In addition, the schedule will include the FY 06 carry-forward in arriving at the total proposed amount for FY 08.

Sample Schedule of Proposed FY 08 Fixed Allocations

SWCAP Service	DHS	DCH
DMB Budget	2,000,000	1,000,000
Civil Service	3,000,000	2,000,000
ID Mail	1,000,000	1,000,000
FY 08 Budget Allocations	6,000,000	4,000,000
FY 06 Carry-forward	1,000,000	1,000,000
Total Proposed FY 08	**7,000,000**	**5,000,000**

7. Prepare a report that identifies proper charges to various State restricted funding sources to support the Department of Management and Budget's legislative appropriation. This analysis will be prepared as an extension of both the budget and actual SWCAP documents. This special plan will be used to redistribute all of DMB's centralized services (allocated in the SWCAP) to specific State restricted funding sources.

Contractor Response to Task:

A. **Background / Purpose of Supplemental Plans** - Many of the central services allocated in the SWCAP are programs of the Department of Management and Budget. These include, among others, DMB Executive Office, DMB Financial Services, Office of Financial Management, Budget Office, and Purchasing. The appropriated funding for these operations is comprised of general fund revenue, plus funding provided by a number of state restricted funding sources. These restricted sources include such funds as Game and Fish, Michigan Transportation Fund, Marine Safety, Liquor Purchase Revolving Fund, and the State Lottery. These restricted funding sources are non-federal, receiving revenues from fees, charges, sales and special taxes. The revenues are restricted by legislation for particular purposes within state government. However, the funds are required to pay their fair share of administrative costs.

Michigan's approach for recovering administrative costs from these funds is to have revenue from these funds appropriated for the operation of central service programs. This is an entirely separate approach from that used by the State for recovering administrative costs from federal programs. Federal programs are assessed indirect costs based on rates that are computed at the agency level. The agency indirect cost rates should include all agency level administrative costs, plus the SWCAP allocations approved for use during the year. The revenues generated by the federal indirect cost rates are returned to the funding source, which for the most part is the state's general fund.

Federal indirect cost rates are not assessed to state restricted funds. The appropriations that the restricted funds provide for the operation of the central services are intended to reimburse the state's general fund for administrative costs. They are essentially paying for the same services that are charged to federal programs, only thorough a different cost recovery mechanism.

However, the State needs to have a method for determining the amount of the appropriations that the restricted funds contribute to central service operations. As part of the scope of this project, DMB wishes to have the contractor prepare separate cost allocation plans that support the legislative appropriations for each of the DMB central services allocated in the both the actual and budget SWCAPs.

B. **Prepare Supplement Plans to Allocate Service by Fund** - To do so, MAXIMUS will prepare supplemental cost allocation plans using the same proprietary software used for the SWCAP. The purpose of these plans will be to take the allocations for DMB services to another level. The SWCAP allocates costs to the agency level, which is how it needs to be prepared for federal purposes. These supplemental plans will take the costs allocated to the agencies, and redistribute them to the funding source level.

The cost allocation plans will be structured so that each DMB central service is included as a separate cost plan section. Within each section separate allocation functions will be identified for the amount allocated to each affected agency. These amounts will be redistributed to various funding sources within the agency, in most cases based upon the ratio of salaries and wages. For example, the amount allocated to DLEG for OFM services will be distributed to various funds within DLEG, including the Liquor Purchase Fund, based on salary ratios.

The purpose of preparing the supplemental cost plans is to support the current legislative appropriations in the DMB central services. As such, not all agency allocations are affected. Only allocations to agencies that house funds providing funding for DMB services need to be included.

MAXIMUS has prepared these plans for the State for the past several years. It is important to note that during this time we not only supported the existing appropriations, but have expanded the scope to identify additional potential funding sources. In preparing the FY 05 actual plan for the State, MAXIMUS voluntarily expanded the plan to identify thirteen potential funding sources that the State was not currently including. This was done within our current contract, without amending our fee for preparation of the plan. The thirteen new funding sources identified by MAXIMUS represent nearly $1 million annually of additional revenue to the State's general fund.

8. Deliver one reproducible and three bound copies of each plan identified in the following list to OFM and DMB's Office of Financial Services, on the following schedule:

SWCAP and Allocated Cost by Fund

Period Covered	Due Date*
Initial Cycle:	
FY 2005/06 Actual	June 30, 2007
FY 2007/08 Budget	June 30, 2007

Subsequent Cycles (subject to contract extension)
FY 2006/07 Actual
FY 2008/09 Budget

FY 2007/08 Actual
FY 2009/10 Budget

FY 2008/09 Actual
FY 2010/11 Budget

FY 2009/10 Actual
FY 2011/12 Budget

* Due date assumes an approved extension from the federal government (beyond the due date prescribed in OMB Circular A-87. If extensions are not approved, the State will renegotiate appropriate due dates for the deliverables.

All reports, analyses, and recommendations associated with the tasks summarized above are due by the June 30th date of each cycle.

Contractor Response to Task:

A. **Deliverables** - MAXIMUS will deliver three bound and one reproducible copy of the following documents by June 30, 2007:

1. SWCAP based on actual costs for the year ending September 30, 2006,
2. SWCAP based on budgeted costs for the year ending September 30, 2008,
3. Carry-Forward for the year ending September 30, 2006,
4. Allocations by Fund based on actual costs for the year ending September 30, 2006,
5. Allocations by Fund based on budgeted costs for the year ending September 30, 2008.

B. **Submission Requirements** - OMB Circular A-87, Attachment C, under "Submission Requirements" states that "All central service cost allocation plans will be prepared and, when required, submitted within six months prior to the beginning of each of the governmental unit's fiscal years in which it proposes to claim central service costs". As such, the A-87 requirement for Michigan's submission of the proposed costs for FY 08 would be March 31, 2007. However, A-87 goes on to state the "Extensions may be granted by the cognizant agency on a case-by-case basis". Extensions for SWCAP submissions of 90 days are routinely granted by the DHHS Division of Cost Allocation, which is the cognizant agency for all statewide cost allocation plans. A formal request needs to be made by the State requesting the extension each year. At the outset of this project, MAXIMUS will notify the Office of Financial Management of the need to request an extension, and if requested to do so, will draft a letter for the State to submit under its letterhead and appropriate signature.

Every effort will be made to complete the SWCAP as early as possible. However, the completion date is contingent upon the receipt of the multitude of statistical reports that need to be requested. Our experience is that while all statistical reports may be requested soon after project initiation, some report are not prepared by the State until well after the close of the year and are not received by our consultants until as late as February. However, it is our goal to have a draft report submitted to the State for review by March 31. The extension of 90 days allows for sufficient time for internal review to assure federal submission by June 30. In addition to the allocated costs in section I of the SWCAP, federal submission must include all the information required in A-87 for internal service funds and other billed services. The DMB Office of Financial Services is responsible for accounting for all internal service funds. Generally, the internal service fund information is not ready for submission by March 31, and the 90-day extension will also give DMB additional time to compile this information.

In addition, for each annual cycle, the Contractor will:

- Prepare and submit all required documents (per OMB Circular A-87) to the federal government and provide necessary assistance to gain approval of the plan(s). This also includes assisting federal and State auditors should the plan, or any parts of the plan, be audited at a later date.

- Analyze the desirability of continuing the preparation of budgetary plans and offer a recommendation to OFM at the conclusion of each annual cycle. Should this practice be determined to not be cost effective, the State reserves the option of discontinuing contracting for budget-based SWCAP.

A supplemental schedule to the SWCAP will be prepared and included in the workpapers detailing the relevant supporting information used to allocate costs on the various plan schedules. Items such as employee counts, record counts, and the method(s) used to allocate costs, for example. One complete set of working papers (photocopy acceptable) shall remain with the State.

Any additional work related to departmental indirect cost agreements, departmental cost allocation plans and/or directly billed services of the central control agencies may be amended into this Contract at the current rates.

Contractor Response to Task:

A. **Federal Submission** - The submission to DHHS will include the Actual SWCAP, Budget SWCAP, Carry-forwards, and the schedule summarizing the proposed fixed allocations for FY 08. In addition, the submission will provide other supporting documentation as required by A-87.

1. Certification Letter – MAXIMUS will prepare the required certification letter and forward it to OFM for signature. Upon completing any internal reviews, the letter should be signed and returned to MAXIMUS for inclusion in the submission.

2. Copies of Financial Reports – MAXIMUS will make copies of all financial reports used as the source documents for preparing the plans and include them in the submission.

3. Financial Reconciliations – MAXIMUS will prepare a schedule that reconciles the costs allocated within the SWCAP to the various financial reports.

4. CAFR – MAXIMUS will include a copy of Comprehensive Annual Financial Report (CAFR) for fiscal ended September 30, 2006.

5. Org Chart – An org chart identifying the principle state agencies and their reporting structure will be included, if one is not included in the CAFR.

6. Coordinate Section II Submission – As discussed earlier, for most billed services identified under Section II of the federal agreements, the DMB Office of Financial Services compiles the required information. Generally, DHHS prefers that all SWCAP information be submitted at the same time. Therefore, MAXIMUS consultants will work with representatives of Financial Services to coordinate the submission of all required information for both Section I and Section II of the SWCAP.

B. **Federal Negotiations** - Once the plans and supporting documentation are submitted, MAXIMUS will be the initial point of contact regarding all questions by DHHS regarding Section I of the SWCAP. MAXIMUS will negotiate approval of the plan on behalf of the State. MAXIMUS will keep the Office of Financial Management informed of all communications we have regarding the plan and any issues that arise during the negotiations.

We prepare hundreds of plans each year that require submission to various federal agencies. Therefore federal cost negotiators are very familiar with our cost allocation software and the allocation schedules that are included. We have negotiated plans with many different negotiators so they are familiar with our approaches and the quality of our work. We will make every effort to secure an agreement at the earliest practicable time. However, a final agreement will not be sent to the State for signature until all issues have been resolved, including any issues related to Section II of the SWCAP. Based on our experience, negotiations can take anywhere from several weeks to several months. We will make every effort to expedite the process, but we must advise the State that the process can in some instance take up to a full year. In any case, we are committed to securing the fairest possible agreement within the procedures set forth in Circular A-87.

C. **Auditor General Assistance** - In addition to handling questions from all federal cost negotiators, MAXIMUS will be available to answer any questions that State auditors may have in any subsequent reviews of SWCAP. It has been our experience that every two years the SWCAP is reviewed by the State Auditor General. We will be available to answer questions and provide any documentation that the Auditor General's Office has in the course of its review. Since this project will be completed at our Lansing office, our consultants will be able to meet with State Auditor as necessary during their review. In fact, in past years we have provided work space in our local office for auditors to review work papers, and have had our SWCAP consultants available to answer any questions during their time at our office.

D. **Recommendations for Continuing with Budget Cycle** - As noted earlier, there are two principle benefits to preparing the budget SWCAP; to accelerate cash flow and to reflect state reorganization. Upon completion of the FY 08 budget plan, MAXIMUS will prepare a letter to OFM that identifies the differences between the FY 08 budget plan and the FY 06 actual plan. The letter will identify the specific benefits derived from the FY 08 budget plan and make recommendations to the State regarding continuing with the budget cycle.

E. **Supplemental Schedules of Allocation Bases** - The cost plan itself will include a summary schedule that identifies each allocated cost pool and the allocation basis use in distributing the cost pool to State agencies. The allocation bases could be such items as filled positions, salaries and wages, purchase orders, etc. The workpapers will include copies of the actual source documents used to derive the allocation bases. Copies of the workpapers will be submitted to OFM upon submission of the SWCAP to the DHHS Division of Cost Allocation.

F. **Additional Department Cost Allocation Plans** - It is our understanding that the State wishes to have an hourly rate provided that could be used to perform additional cost allocation projects for State agencies under the terms of this contract. Our proposed rate for additional work is included in Article I, Attachment A – Pricing.

It should be noted that the rate provided is a fully loaded rate for consultants that includes all consultant costs, administrative overhead, clerical support and supplies and materials. ***In addition, since our staff is located locally, the rate will include all travel costs for work performed in the Lansing area, including all of Ingham, Eaton, and Clinton counties.***

1.2 Roles and Responsibilities

1.201 Contractor Staff, Roles, and Responsibilities

The Contractor must provide a project manager to act as a central point of contact for all contractual activities. Below is a description of Contractor staff who will be involved and a description in detail their roles and responsibilities.

Contractor Response:

A. **Project Team** - MAXIMUS will provide a project team experienced in preparing cost allocation plans for state and local government, with specific experience within Michigan state government. All members of the project team are located at either our Lansing or Bay City, Michigan offices.

Project Manager – Mr. William Maxwell is the director in charge of our Lansing, Michigan office. Mr. Maxwell will serve as the Project Manager and will be the central point of contact for all contractual activities. Mr. Maxwell will also function as the lead consultant responsible for the day-to-day operations of the project. He will be responsible for all decisions regarding the design and development of the SWCAP. Mr. Maxwell will be responsible for all staff interviews and will be the initial point of contact regarding all negotiations of the plans with DHHS. Mr. Maxwell has nearly 20 years of experience in developing cost allocation plans, the majority of which has been for agencies of the State of Michigan. Mr. Maxwell has been the project manager assigned to the Michigan SWCAP each year since 1987, and has successfully negotiated each plan with DHHS.

Consultant – Mr. Nick Bohac is a senior consultant working in our Lansing office. Mr. Bohac will assist Mr. Maxwell as needed, primarily with summarizing financial information and statistical reports used to develop many of the allocation bases. Mr. Bohac has been assigned to several cost allocation projects for state agencies in Michigan, including assisting Mr. Maxwell on the SWCAP for the past three years.

Project Director – Mr. James Olson works from our Bay City, Michigan office and is the senior vice president in charge of the MAXIMUS Michigan/Ohio/Indiana Financial Services practice. Mr. Olson will be responsible for project oversight and quality control. He will also be responsible for assigning any additional staff as needed, and will assist Mr. Maxwell with federal negotiations. Mr. Olson has nearly 25 years of experience in preparing cost allocation plans for state and local governments.

Additional Staff – MAXIMUS has over 200 consultants in the Financial Services Division that have experience in preparing state and local cost allocation plans. In the event that additional staff would be needed, Mr. Olson could reassign experienced consultants to assist on the Michigan SWCAP. Before any additional staff would be assigned, MAXIMUS would notify OFM and request approval. The size and experience of our staff means that we have experienced staff with particular areas of expertise. If an issue arose that required a particular expertise, such as information technology issues, we have the ability to locate a consultant within our firm to assist with this area.

1.202 State Staff, Roles and Responsibilities

The Contractor will carry out this project under the direction of OFM.

Current staff dedicated to assistance with the project is Doug Ringler, Support Services Division Director.

1.203 Other Roles and Responsibilities -- Reserved

1.3 Project Plan

1.301 Project Plan Management

The Contractor will provide project plan detailing major tasks and proposed timelines for completion.

Contractor Response to Task:

A. **Approach** - The approach we have defined for this project clearly focuses on satisfying the Department's objectives. The approach has been designed to emphasis three key elements:

1. Assignment of MAXIMUS professionals who have in-depth experience in preparing and negotiating cost allocation plans and indirect cost rate proposal.

2. A sound workplan which includes working closely with the State officials to assure a thorough understanding of State's organizational structure, as well as the short and long range cost allocation objectives.

3. The use of copyrighted cost allocation software developed by MAXIMUS specifically for cost accounting applications for state and local governments.

B. **Detailed Workplan** - The preparation of each SWCAP is an extremely complicated undertaking. MAXIMUS proposes to develop each 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. Following is a brief description of the tasks which need to be completed in preparing each year's submission.

1. Project Initiation - At the outset of the project, MAXIMUS consultants will meet with OFM representatives in order to confirm our objectives, plans and schedules for the project. As appropriate, any refinements in our approach as presented in this proposal will be identified and incorporated into our plans.

2. Review Historical Information - Essentially, we critically review the prior year plans 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 which may have been identified. We also review the State's organizational structure in order to identify all central service and grantee departments.

3. Collect Current Year SWCAP Background Information - After our review of prior information, we will begin to collect current information for the development of the plan. Background data to be collected includes appropriate organizational charts with adequate detail to identify divisions, bureaus and programs. A chart of accounts or agency hierarchy reports will be reviewed for each central service area to determine the accounting structure. Appropriation bills for all central service programs will be gathered and reviewed to determine the source of funding.

4. Select the Source of Financial Information - Financial information for State agencies can be generated in a number of reporting formats, or R*STARS Reports. Reports can be generated that organize information according to appropriation, organization, program or funding source. In addition, the reports can be processed to collect information at various levels. For example, a report can be processed at level 3 which captures information summarized at the bureau level, while the same report processed at level 4 may capture information summarized at the division level. As it is not the practice of State agencies to maintain hard copies of all available reports, the decision must be made early on as to which reports will be required, and these reports must be scheduled to be run. In order to properly select the reporting format, MAXIMUS consultants will review the accounting structure for central service agencies to determine the reporting format that will allow the various central service costs to be identified. In all likelihood, as each State agency's accounting structure in unique, it will be necessary to use separate versions of the R*Stars reports for DMB, Treasury and Civil Service. This is a critical decision in the development of the SWCAP and needs to be coordinated with the DMB Office of Financial Management.

5. Conduct Appropriate Interviews - Personnel from each allocated cost pool will be interviewed to assure a full understanding of the functional responsibilities of each program and to determine appropriate allocation bases. The SWCAP currently includes 23 plan sections with 60 functionalized cost pools, each allocated according to a specific allocation statistic**.** MAXIMUS consultants will review each cost pool to assure the federal allowability of the cost pool as well as the appropriateness and availability of the selected allocation base. Functional groupings and allocation bases will be revised as necessary to reflect any changes in the functional responsibilities of the central service. All proposed changes will be presented to the Office of Financial Management.

6. Collect and Summarize Required Allocation Statistics - A variety of allocation bases are used in developing the plans, e.g. FTE's, purchase orders, administered salaries and wages, etc. MAXIMUS consultants will make written requests to appropriate State officials for information or reports containing specific allocation statistics that are not readily available or that must be generated from the Michigan Administrative Information Network (MAIN). For example, MAIN costs associated with financial reporting are allocated to State agencies based upon the actual number of R*STARS transactions processed by State agency. This information is available only through MAIN and cannot be developed by the SWCAP consultant. Other allocation statistics may be available in existing reports; however they may need to be summarized to provide the detail necessary for the SWCAP. For example, the number of current FTE's can be developed through existing payroll reports available at the Office of Financial Management and allocations bases using salaries and wages can be developed from the financial reports. In these instances, MAXIMUS consultants will request access to the reports only and will total and summarize the information as necessary.

7. Prepare Actual SWCAP - After all the information is collected and all interviews conducted, our field work will be completed. MAXIMUS consultants will then finalize the plan at our local office. This minimizes any disruption to the normal operations of the Department. The plans will be prepared utilizing our proprietary software*, MAXCARS*.

8. Prepare Budget SWCAP - After the SWCAP based on actual expenditures for FY 05/06 is complete, the Budget FY 07/08 SWCAP will be prepared. The Budget SWCAP is prepared in a similar manner to the actual SWCAP with the following adjustments:

* Expenditures for central services are adjusted to reflect increases for the upcoming fiscal year. This could include inflationary increases, adjustments for items such as the banked leave program, and adjustments to all amortization schedules.

* Allocation bases are adjusted to reflect any changes due to reorganization.

* Any new central service cost pools which are projected are included.

* Any central service programs which will no longer exist can be eliminated from the plan.

* Any changes resulting from a change in the accounting treatment of costs can be incorporated.

The purpose of the budget plan is to project Section I costs at levels which would be closer to actual costs than simply fixing costs based on historical information. While the allocations balance out over time due to the carry-forward adjustment, there are two primary benefits to using the budget basis to fix costs. First, budgeted costs fix allocations at higher levels accelerating cash flow to the State. And secondly, the budget plans can reflect proposed reorganizations to state government.

This helps assure that carry-forwards are properly accounted for and that any new state agencies are identified on the federal agreements in order to assure the recovery of SWCAP services from federal programs within these new agencies.

9. Prepare SWCAP Carry-Forwards - Carry-forward are determined on a service-by-service basis by comparing actual allocated cost to each State agency to the amounts approved in the budget SWCAP for the period. For example, the allocation to the Department of Community Health from the Office of Financial Management for financial reporting services in the actual FY 05/06 actual SWCAP is compared to the same allocation in the FY 05/06 budget SWCAP. The carry-forward is the difference between the two allocations and can either be positive or negative depending upon whether there was an under or over recovery of costs. The carry-forwards are computed on a service-by-service basis; however they also need to be summarized to reflect the total carry-forward for each State agency. The carry-forward calculations would be bound as a separate document and submitted to DHHS along with the annual SWCAP.

10. Prepare Summary Schedule of Proposed Allocations - A final schedule is prepared for submission to DHHS which summarizes the proposed fixed allocations for each State agency. Carry-forwards from the FY 05/06 actual SWCAP are combined with budgeted allocations from the FY 07/08 budget plan to arrive at the final proposed SWCAP amounts for each agency.

11. Prepare Supplemental Cost by Fund Allocation Plans - A separate cost plan will be prepared, on both the actual and budget basis, to extend the SWCAP allocations for DMB central services to the funding level. The SWCAP submitted for Federal purposes allocates costs at the agency level, e.g. Community Health, Human Services, Corrections, etc. However, DMB includes legislative appropriations from major non-federal State restricted funds as funding sources for all DMB statewide central service programs. Currently DMB needs to have SWCAP allocations for DMB services extended to nearly 40 State funds so that the amount of the appropriations from these funds can be established. MAXIMUS will prepare a separate cost allocation plan which redistributes DMB SWCAP allocations for State agencies to the appropriate funding sources. Generally, SWCAP allocations will be redistributed according to the ratio of salaries and wages within each affected State agency. MAXIMUS consultants will gather the appropriate allocation statistics and prepare the cost plan using our proprietary cost allocation software. Each cost plan will be bound as a separate document. However, as this cost plan is prepared for internal State purposes only and does not impact charges to federally funded programs, it will not need to be submitted for federal approval.

12. Preparation of Other Requested Documentation - Additional documentation which has been specifically requested by the State will be prepared and submitted. These include:

* Summary of changes in allocation procedures for each SWCAP and their projected impact will be submitted to OFM.

* Copy of workpapers for each SWCAP will be made and delivered to OFM.

* An analysis of the benefits and desirability of preparing the plan on a budgetary basis will be completed and submitted to OFM for each budget plan.

* A supplemental schedule identifying the supporting information used to allocated costs will be included in the plan. Copies of all source documents will be included in the workpapers.

13. Submit Drafts for State Review - Before finalizing the plans, MAXIMUS will submit drafts of all documents to State officials for review and comment. As necessary, changes will be made and the documents will be bound in their final form.

14. Submit Required Information to DHHS - The federal submission includes the Actual SWCAP, the Carry-forwards, the Budget SWCAP, and the summary of proposed fixed agency allocations. In addition, the federal submission needs to include information regarding internal service funds and other Section II billed services. The documentation for these funds is prepared by DMB Financial Services, however, MAXIMUS will coordinate the submission of all required information. Additional supporting documentation which needs to be submitted to DHHS includes:

* Copies of the financial reports used for the SWCAP.

* A schedule which reconciles costs allocated in the SWCAP to the financial reports.

* A copy of the Comprehensive Annual Report for the fiscal year.

* A certification letter, as presented in A-87, signed by the appropriate State official.

* Copy of the State's organizational chart.

15. Federal Negotiations – MAXIMUS will negotiate all required federal submissions on behalf of the State. MAXIMUS has successfully prepared and negotiated thousands of cost allocation plans with federal officials. As such, federal cost negotiators are familiar with our plans. We are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87, and we are available to defend the plan against audit for a three-year period at no additional charge.

16. On-Going Cost Allocation Assistance - MAXIMUS will be available to advise on cost allocation issues. This includes answering questions from State agencies regarding the preparation of the SWCAP or its appropriate inclusion into their respective departmental plans. At least once every two years the Auditor General's staff conducts a comprehensive review of the SWCAP. MAXIMUS consultants will make SWCAP work papers available to the OAG and meet with the audit staff to answer all questions regarding its preparation and use**.** The State of Michigan uses the SWCAP extensively and often issues arise which relate to the development or application of the plan. In addition, many cost allocation issues surface as a result of reorganization in State government or changes in accounting policies. MAXIMUS will be available to meet with State officials to advise on cost allocation issues as they arise.

17. Preparation of a DMB Indirect Cost Rate Proposal. The ITB does not ask for the development of an Indirect Cost Rate Proposal for DMB. DMB receives no direct federal funding and therefore is not required to submit a rate proposal to DHHS for review and approval. However, DMB uses a rate for internal purposes in its budgeting process. We have been preparing the rate for DMB for the past several years at no additional cost, even though it has not been included within the scope of work in our SWCAP contract. MAXIMUS will continue to develop the Indirect Cost Rate Proposal for DMB within the scope of SWCAP work. Our fixed fee on Attachment A includes the DMB Indirect Cost Rate Proposal. For information regarding the DMB indirect rate developed by MAXIMUS, please contact Ms. Amy Pung of the DMB Office of Fiscal Management at 335-7086.

C. **Timeline** - A timeline or Gant Chart is included in Article 1, Attachment D. This chart identifies each of the above tasks and the projected timeframes for completion.

D. **MAXIMUS SWCAPs** - MAXIMUS prepared SWCAPs identify and allocate service costs by function or activity level utilizing proprietary cost allocation software. Most SWCAPs distribute the cost of each central service on a single allocation basis. This basis generally represents the most common or overall activity indicator of the agency or office. In some cases no significant benefit would result from a more refined allocation methodology. However, we have found that in certain cases, classification of departmental costs into discrete functions with distinct allocation bases may better reflect the costs of services provided. For example, the Budget Office might be divided into four functions:

* General Administration
* Budget Development
* Budget Monitoring
* General Government Activities

General administration costs could be distributed to the other three functions prior to their allocation. Development costs could then be distributed based on the number of hours by agency; monitoring costs based on hours by agency; and general government activities disallowed. This process permits the allowable functions to bear their share of agency administrative costs and be allocated on a more equitable basis.

The functionalization of costs for each allocated department is performed to the extent deemed necessary to insure the application of allocation bases which most closely correlate with the benefits derived by departments receiving services. For example, the application of a single allocation base to the total cost of the Office of Financial Management would be inequitable since the OFM encompasses diverse activities (i.e., payroll, financial reporting, accounting liaisons, help desk, MAIN training, security and audit analysis, MAIN FACS support) for which no single, appropriate allocation base exists.

E. **Proprietary Cost Allocation Software -** The proprietary cost allocation software utilized by MAXIMUS has been approved by DHHS for its treatment of costs and presentation of results. This software, developed to specifically meet the needs of OMB Circular A-87, is continually being updated in response to changing Federal regulations. The document or plan provided by the software includes detailed schedules and summary schedules that reconcile to the State's source documents.

Step-Down Central Service Costs - A single or double step-down of costs provides for distributing costs among central services prior to allocation to grantees. The step-down sequence, especially in a single step-down plan, can alter the allocation of costs among programs and affect subsequent recoveries. At least one level of cross allocation, double step-down, of central services before final closing is much more accurate and eliminates the problems of overloading costs that a single step-down plan may do. Although our software will process nine step-downs, we normally develop a SWCAP using a double step-down allocation procedure. Any further cross allocations beyond the double step-down allocations change the results of the cross allocations only a small amount compared to the number of computations involved.

The step-down feature initially requires a sequential ordering of the departments. Departmental indirect costs are then made in the order selected to all benefiting departments, including other central services. To insure that the cross-benefit of services provided among central service departments is fully recognized, a second allocation for each central service department (excluding use charges and non-departmental expenses) is made to:

* capture the additional central services allocated to a particular central service subsequent to the initial allocation of the affected department, and

* re-allocate those costs to benefited final cost objectives in the same manner as is used for the initial allocation.

Accordingly, the costs allocated for each central service department, consist of two allocations. The first allocates the annual operating expenses for the department, exclusive of unallowable items (i.e., capital expenditures, interest expense, costs of General Government as defined by OMB Circular A-87, etc.) plus all allocated costs from other central service departments that have been identified up to this point. The second allocation allocates any additional central service allocations that have been made to the affected department subsequent to that department's initial allocation.

To facilitate ease of comprehension, and to avoid unnecessary bulk in the plan, the initial and second allocations are shown on the same schedules within the plan.

Plan Format **-** A Table of Contents is included near the beginning of the plan. The Table permits the ready identification of those schedules in the plan that contains information of specific interest. The allocation of costs in the plan has been accomplished in the same order as shown in the Table.

Each section of the plan is presented in identical format and contains:

* narrative description of the costs to be allocated and the allocation base selected;

* total cost development for the department;

* functional cost breakdown for the department;

* schedules providing the application of an appropriate allocation base to each of the allowable functional areas identified;

* summary of the total costs allocated to each benefited department; and

Roll-Forward Adjustments - DHHS negotiators require that roll-forward adjustments be calculated for each central service department in the SWCAP. This process represents a considerable number of computations that have been automated in our system. We have the flexibility to perform the carry-forward calculations within our cost allocation software if desired, or we can do them externally. Either way the results are the same. External calculations provide for all carry-forward calculations to be viewed on a single schedule, which often makes them easier to review and negotiate with federal cost negotiators.

1.302 Reports - Reserved

1.4 Project Management

1.401 Issue Management

Issues will be addressed when they arise and appropriate parties will be apprised of progress as described below.

Contractor Response:

A. **Issue Resolution** - Our project manager, Mr. William Maxwell, will be responsible for the day-to-day operations of the project. He will also be the lead consultant and will be responsible or all decisions regarding the development of the plan. As issues arise that impact the plan design or the timeframes for completion, Mr. Maxwell will present the issues in writing to the Office of Financial Management. OFM will be informed of cases where a decision needs to be made by the State in order for us to proceed with the project. Since we are located locally, we can meet with OFM representative face-to-face if necessary to discuss the issues in detail.

B. **Progress Reports** – Monthly progress reports will be sent to OFM to keep the State informed of our progress and estimated timeframes for completion.

1.402 Risk Management

Risk management generally involves (1) identification of the risk, (2) assigning a level of priority based on the probability of occurrence and impact to the project, (3) definition of mitigation strategies, and (4) monitoring of risk and mitigation strategy. Risk assessment review should be conducted on a regular basis. Below is the Contractor's risk management process.

Contractor Response:

A. Cost Allocation Risk – To assure continued federal participation for statewide services, SWCAPs need to be completed accurately, be in compliance with A-87 provisions and be submitted to DHHS in a timely manner. Our consultants monitor these areas continually throughout the engagement.

B. Risk Management Procedures – In order to identify and prevent potential areas of risk the following procedures are followed by our consultants.

Financial Review – All financial reports used to prepare the SWCAP need to be generated by the State's official financial reporting system. If other reports are used, such as the individual program reports prepared by DMB Fiscal Management for DMB programs, MAXIMUS consultants will meet with State official responsible for the reports to be sure they can be reconciled to the State's accounting system. Reports are compared with prior year reports to identify any significant fluctuations in expenditures, and if needed, we will meet with program managers to determine the reason for the change. In addition, line item expenditures are reviewed in order to assure that expenditures considered to be unallowable in A-87 are identified and excluded from allocation.

Review Allocation Statistics – MAXIMUS consultants make sure that State officials clearly understand any requests for statistical information. Allocations statistics used in the SWCAP may be items such as the number of purchase orders by agency, the number of MAIN users by agency, or the number of vendor warrants by agency. It is important that the statistics are prepared in a manner consistent with the allocation approach. All requests for information will be made in writing, with an explanation of what information is needed and the reason it is needed. If new reports are needed, or if there are new individuals responsible for generating a report, MAXIMUS will meet to discuss and clarify the request. Once received, MAXIMUS will compare the reports with the same report from the previous year in order to identify any significant changes.

Progress Reports – MAXIMUS will present monthly progress reports to the Office of Financial Management. We will keep OFM informed of any difficulty we are having in acquiring information, particularly if it could have an impact on the projected completion date. It has been our experience in Michigan that certain reports are not prepared until well after the close of the fiscal year, and as such, are not available to us until after January of each year. Because of our previous experience with the Michigan SWCAP, we are able to determine when information needs become critical to the project timeline and can inform OFM of this potential risk.

Experienced Negotiators – Finally, to assure the ultimate success of the project, MAXIMUS will only allow federal negotiations to be conducted by our senior staff. For this project, only our Project Manager and Project Director will conduct negotiations. These individuals have negotiated dozens of cost allocation plans with DHHS officials. Their knowledge of A-87 and their understanding of the Michigan SWCAP assure the fairest possible agreement for the State.

1.403 Change Management

If a proposed contract change is approved by the Contract Compliance Inspector, the Contract Compliance Inspector will submit a request for change to the Department of Management and Budget, Purchasing Operations Buyer, who will make recommendations to the Director of Purchasing Operations regarding ultimate approval/disapproval of change request. If the DMB Purchasing Operations Director agrees with the proposed modification, and all required approvals are obtained (including State Administrative Board), the Purchasing Operations Buyer will issue an addendum to the Contract, via a Contract Change Notice. **Vendors who provide products or services prior to the issuance of a Contract Change Notice by the DMB Purchasing Operations, risk non-payment for the out-of-scope/pricing products and/or services.**

1.5 Acceptance

1.501 Criteria

The following criteria will be used by the State to determine Acceptance of the Services and/or Deliverables provided under this SOW.

OMB Circular A-87 (http://www.whitehouse.gov/omb/circulars/a087/a87_2004.pdf) provides the primary criteria regarding acceptance of the deliverable. Preliminary plans will be review by OFM. Upon acceptance OFM will notify the Contractor to submit the plan to the federal government on the State's behalf.

1.502 Final Acceptance

Final acceptance of the deliverables will result when the federal government approves the State's SWCAP.

1.6 Compensation and Payment

1.601 Compensation and Payment

This Contract is a firm fixed price contract for the SWCAP work discussed in the Contract and a stated hourly rate for any additional services provided by the Contractor to State agencies. See Article 1, Attachment A, for price sheet.

1.7 Additional Terms and Conditions Specific to this SOW-- Reserved

Article 1, Attachment A
Pricing

Fixed price for SWCAP and specific deliverables discussed in the RFP: $48,000.

Hourly rate for any additional services provided to State agencies on an as needed basis:
$120 per hour.

The hourly rate provided represents a blended rate for consultants at our Michigan offices. Any additional departmental cost allocation plans completed under this contract will be under the direction of Mr. William Maxwell, who is the project manager for the SWCAP. The rate is fully loaded, including all consultant costs, supplies and materials, administrative overhead, and local travel. Local travel for all work performed within the Lansing area, including all of Ingham, Eaton, and Clinton counties are included in the rate. No additional travel costs will be charged for work performed by our Michigan staff within the Lansing area. Unless a particular area of expertise is requested by the State that is not available in Michigan, we propose to complete all projects with our Michigan staff.

The fixed price for the SWCAP also includes the preparation of an indirect cost rate proposal for the Department of Management and Budget as discussed in section 1.301, and if required, federal submission and negotiation of the proposal.

Billing Schedule for the SWCAP:

Project Initiation	-	10%
Deliver Draft Reports	-	50%
Federal Submission	-	40%

Article 1, Attachment B, C, D, E & F, Reserved

Article 2 – General Terms and Conditions

2.010 Contract Structure and Administration

2.011 Definitions

Capitalized terms used in this Contract (including its Exhibits) shall have the meanings given below, unless the context requires otherwise:

(a) "Days" means calendar days unless otherwise specified.
(b) "24x7x365" means 24 hours a day, seven days a week, and 365 days a year (including the 366th day in a leap year).
(c) "Additional Service" means any Services/Deliverables within the scope of the Contract, but not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration. "Additional Service" does not include New Work.
(d) "Amendment Labor Rates" means the schedule of fully-loaded hourly labor rates attached as **Article 1, Attachment C**.
(e) "Audit Period" has the meaning given in **Section 2.111**.
(f) "Business Day," whether capitalized or not, shall mean any day other than a Saturday, Sunday or State-recognized legal holiday (as identified in the Collective Bargaining Agreement for State employees) from 8:00am EST through 5:00pm EST unless otherwise stated.
(g) "Incident" means any interruption in Services.
(h) "Business Critical" means any function identified in any Statement of Work as Business Critical.
(i) "Deliverable" means physical goods and/or commodities as required or identified by a Statement of Work
(j) "Key Personnel" means any Personnel designated in **Article 1, Section 1.201 and/or Attachment B,** as Key Personnel.
(k) "New Work" means any Services/Deliverables outside the scope of the Contract and not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration. "New Work" does not include Additional Service.
(l) "Services" means any function performed for the benefit of the State.
(m) "State Location" means any physical location where the State performs work. State Location may include state-owned, leased, or rented space.
(n) "Subcontractor" means a company Contractor delegates performance of a portion of the Services to, but does not include independent contractors engaged by Contractor solely in a staff augmentation role.
(o) "Work in Process" means a Deliverable that has been partially prepared, but has not been presented to the State for Approval.

2.012 Attachments and Exhibits

All Attachments and/or Exhibits attached to any, and all Statement(s) of Work, attached to, or referencing this Contract, are incorporated in their entirety into, and form part of, this Contract.

2.013 Statements of Work

(a) The parties agree that the Services/Deliverables to be rendered by Contractor pursuant to this Contract (and any future amendments of it) will be defined and described in detail in Statements of Work or Purchase Orders (PO) executed under this Contract. Contractor shall not be obliged or authorized to commence any work to implement a Statement of Work until authorized via a PO issued against this Contract, or an amendment to this Contract (see 2.106). Contractor shall perform in accordance with this Contract, including the Statements of Work/Purchase Orders executed under it.
(b) Unless otherwise agreed by the parties, each Statement of Work (as defined in Article 1) will include, or incorporate by reference to the appropriate Contract Article 1 Attachment containing, the following information:

- a description of the Services to be performed by Contractor under the Statement of Work;
- a project schedule (including the commencement and completion dates for all tasks, subtasks (for all projects of sufficient duration and complexity to warrant sub task breakdown), and Deliverables;
- a list of the Deliverables to be provided, if any, including any particular specifications and acceptance criteria for such Deliverables, and the dates on which the Deliverables are scheduled to be completed and delivered to the State;
- all Deliverable price schedules and other charges associated with the Statement of Work, the overall fixed price for such Statement of Work and any other appropriate pricing and payment terms;
- a specification of Contractor's and the State's respective performance responsibilities with respect to the performance or completion of all tasks, subtasks and Deliverables;
- a listing of any Key Personnel of Contractor and/or its Subcontractors for that Statement of Work and any future Statements of Work;
- any other information or provisions the parties agree to include.

(c) Reserved.

(d) The initial Statements of Work, as of the Effective Date, are attached to this Contract.

2.014 Issuing Office

This Contract is issued by the Department of Management and Budget, Purchasing Operations and the Office of the State Budget, Office of Financial Management (collectively, including all other relevant State of Michigan departments and agencies, the "State"). PURCHASING OPERATIONS is the sole point of contact in the State with regard to all procurement and contractual matters relating to the Contract. **PURCHASING OPERATIONS is the only State office authorized to change, modify, amend, alter or clarify the prices, specifications, terms and conditions of this Contract.** The Contractor Administrator within the Purchasing Operations for this Contract is:

Melissa Castro, CPPB
Purchasing Operations
Department of Management and Budget
Mason Bldg, 2nd Floor
PO Box 30026
Lansing, MI 48909
Email: castrom@michigan.gov
Phone: 517-373-1080

2.015 Contract Compliance Inspector

Upon receipt at PURCHASING OPERATIONS of the properly executed Contract, it is anticipated that the Director of DMB Purchasing Operations, in consultation with (insert the end using agency), will direct that the person named below, or any other person so designated, be authorized to monitor and coordinate the activities for the Contract on a day-to-day basis during its term. However, monitoring of this Contract implies **no authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions and specifications of such Contract as that authority is retained by the Purchasing Operations**. The Contract Compliance Inspector for this Contract is:

Doug Ringler, Director
Support Services Division
Office of Financial Management
Romney Building, 5th Floor
PO Box 30026
Lansing, MI 48909
Ringlerd1@michigan.gov
(517) 373-4010

2.016 Project Manager

The following individual will oversee the project:

Doug Ringler, Director
Support Services Division
Office of Financial Management
Romney Building, 5th Floor
PO Box 30026
Lansing, MI 48909
Ringlerd1@michigan.gov
(517) 373-4010

2.020 Contract Objectives/Scope/Background

2.021 Background -- Reserved

2.022 Purpose -- Reserved

2.023 Objectives and Scope -- Reserved

2.024 Interpretation -- Reserved

2.025 Form, Function and Utility

If the Contract is for use of more than one State agency and if the Deliverable/Service does not the meet the form, function, and utility required by that State agency, that agency may, subject to State purchasing policies, procure the Deliverable/Service from another source.

2.030 Legal Effect and Term

2.031 Legal Effect

Except as otherwise agreed in writing by the parties, the State assumes no liability for costs incurred by Contractor or payment under this Contract, until Contractor is notified in writing that this Contract (or Change Order) has been approved by the State Administrative Board (if required), approved and signed by all the parties, and a Purchase Order against the Contract has been issued.

2.032 Contract Term

This Contract is for the period from November 9, 2006 through October 31, 2007. All outstanding Purchase Orders shall also expire upon the termination (cancellation for any of the reasons listed in 2.210) of the Contract, unless otherwise extended pursuant to the Contract. Absent an early termination for any reason, Purchase Orders issued but not expired, by the end of the Contract's stated term, will remain in effect for the balance of the fiscal year for which they were issued.

2.033 Renewal(s)

This Contract may be renewed in writing by mutual agreement of the parties not less than 30 days before its expiration. The Contract may be renewed for up to four (4) additional one-year periods. Successful completion of negotiations surrounding the terms of the extension, will be a pre-requisite for the exercise of any option year.

2.040 Contractor Personnel

2.041 Contractor Personnel

(a) Personnel Qualifications. All persons assigned by Contractor to the performance of Services under this Contract shall be employees of Contractor or its majority-owned (directly or indirectly, at any tier) subsidiaries (or a State-approved Subcontractor) and shall be fully qualified to perform the work assigned to them. Contractor shall include a similar provision in any subcontract entered into with a Subcontractor. For the purposes of this Contract, independent contractors engaged by Contractor solely in a staff augmentation role shall be treated by the State as if they were employees of Contractor for this Contract only; however, the State understands that the relationship between Contractor and Subcontractor is an independent contractor relationship.

(b) Key Personnel

(i) In discharging its obligations under this Contract, Contractor shall provide the named Key Personnel on the terms indicated. **Exhibit C** provides an organization chart showing the roles of certain Key Personnel, if any.

(ii) Key Personnel shall be dedicated as defined in **Exhibit C** to the Project for its duration in the applicable Statement of Work with respect to other individuals designated as Key Personnel for that Statement of Work.

(iii) The State will have the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor will notify the State of the proposed assignment, will introduce the individual to the appropriate State representatives, and will provide the State with a resume and any other information about the individual reasonably requested by the State. The State reserves the right to interview the individual before granting written approval. In the event the State finds a proposed individual unacceptable, the State will provide a written explanation including reasonable detail outlining the reasons for the rejection. Additionally, the State's request shall be based on legitimate, good-faith reasons. Proposed alternative for the individual denied, shall be fully qualified for the position.

(iv) Contractor shall not remove any Key Personnel from their assigned roles or the Contract without the prior written consent of the State. If the Contractor does remove Key Personnel without the prior written consent of the State, it shall be considered an unauthorized removal ("Unauthorized Removal"). It shall not be considered an Unauthorized Removal if Key Personnel must be replaced for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation or for cause termination of the Key Personnel's employment. It shall not be considered an Unauthorized Removal if Key Personnel must be replaced because of promotions or other job movements allowed by Contractor personnel policies or Collective Bargaining Agreement(s) as long as the State receives prior written notice before shadowing occurs and Contractor provides 30 days of shadowing unless parties agree to a different time period. The Contractor with the State shall review any Key Personnel replacements, and appropriate transition planning will be established. Any Unauthorized Removal may be considered by the State to be a material breach of the Contract, in respect of which the State may elect to exercise its rights under **Section 2.210**.

(v) It is acknowledged that an Unauthorized Removal will interfere with the timely and proper completion of the Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any Unauthorized Removal. Therefore, Contractor and the State agree that in the case of any Unauthorized Removal in respect of which the State does not elect to exercise its rights under **Section 2.210**, the State may assess liquidated damages against Contractor as specified below.

For the Unauthorized Removal of any Key Personnel designated in the applicable Statement of Work, the liquidated damages amount shall be $25,000.00 per individual provided Contractor identifies a replacement approved by the State pursuant to **Section 2.041** and assigns the replacement to the Project to shadow the Key Personnel s/he is replacing for a period of at least 30 days prior to such Key Personnel's removal.

If Contractor fails to assign a replacement to shadow the removed Key Personnel for at least thirty 30 days, in addition to the $25,000.00 liquidated damages for an Unauthorized Removal, Contractor shall pay the amount of $833.33 per day for each day of the 30 day shadow period that the replacement Key Personnel does not shadow the removed Key Personnel, up to $25,000.00 maximum per individual. The total liquidated damages that may be assessed per Unauthorized Removal and failure to provide 30 days of shadowing shall not exceed $50,000.00 per individual.

(c) Re-assignment of non-Key Personnel. Prior to re-deploying to other projects, at the completion of their assigned tasks on the Project, teams of its non-Key Personnel who are performing Services on-site at State facilities or who are otherwise dedicated primarily to the Project, Contractor will give the State at least 10 Business Days notice of the proposed re-deployment to give the State an opportunity to object to the re-deployment if the State reasonably believes such team's Contract responsibilities are not likely to be completed and approved by the State prior to the proposed date of re-deployment.

(d) Re-assignment of Personnel at the State's Request. The State reserves the right to require the removal from the Project of Contractor personnel found, in the judgment of the State, to be unacceptable. The State's request shall be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request shall be based on legitimate, good-faith reasons. Replacement personnel for the removed person shall be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed personnel, the State agrees to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any such incident with removed personnel results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Service will not be counted in **Section 2.076** for a time as agreed to by the parties.

(e) Staffing Levels.

(i) All staff requirements not specified in the applicable Statement of Work or State-approved project plan as State personnel will be supplied by Contractor. This includes secretarial, clerical and Contract administration support staff necessary for Contractor to perform its obligations hereunder.

(ii) Contractor shall provide sufficient personnel resources for the completion of Contract tasks indicated in Contractor's project plan approved by the State. If the level of personnel resources is insufficient to complete any Contractor Contract tasks in accordance with the Contract time schedule as demonstrated by Contractor's failure to meet mutually agreed to time schedules, Contractor shall promptly add additional qualified personnel resources to the performance of the affected tasks, at no additional charge to the State, in an amount sufficient to complete performance of Contractor's tasks in accordance with the Contract time schedule.

(f) Personnel Turnover. The Parties agree that it is in their best interests to keep the turnover rate of employees of Contractor and its Subcontractors who are performing the Services to a reasonable minimum. Accordingly, if the State determines that the turnover rate of such employees is excessive and so notifies Contractor, Contractor will meet with the State to discuss the reasons for the turnover rate and otherwise use commercially reasonable efforts to minimize such turnover rate. If requested to do so by the State, Contractor will submit to the State its proposals for reducing the turnover rate to an acceptable level. In any event, notwithstanding the turnover of personnel, Contractor remains obligated to perform the Services without degradation and in accordance with the State-approved Contract schedule.

(g) Location. All staff assigned by Contractor to work on the Contract will perform their duties either primarily at Contractor's offices and facilities or at State facilities. Without limiting the generality of the foregoing, Key Personnel will, at a minimum, spend at least the amount of time on-site at State facilities as indicated in the applicable Statement of Work. Subject to availability, selected Contractor personnel may be assigned office space to be shared with State personnel.

2.042 Contractor Identification

Contractor employees shall be clearly identifiable while on State property by wearing a State-issued badge, as required. Contractor employees are required to clearly identify themselves and the company they work for whenever making contact with State personnel by telephone or other means.

2.043 Cooperation with Third Parties

Contractor agrees to cause its personnel and the personnel of any Subcontractors to cooperate with the State and its agents and other contractors including the State's Quality Assurance personnel, and, as reasonably requested by the State, to provide to the State's agents and other contractors with reasonable access to Contractor's Project personnel, systems and facilities to the extent they relate to activities specifically associated with this Contract and will not interfere or jeopardize the safety or operation of the systems or facilities and provided Contractor receives reasonable prior written notice of such request. The State acknowledges that Contractor's time schedule for the Contract is very specific and agrees not to unnecessarily or unreasonably interfere with, delay or otherwise impeded Contractor's performance under this Contract with such requests for access.

2.044 Subcontracting by Contractor

(a) Contractor shall have full responsibility for the successful performance and completion of all of the Services and Deliverables. The State will consider Contractor to be the sole point of contact with regard to all contractual matters under this Contract, including payment of any and all charges for Services and Deliverables.

(b) Contractor shall not delegate any duties under this Contract to a Subcontractor unless the Department of Management and Budget, Purchasing Operations has given written consent to such delegation. The State shall have the right of prior written approval of all Subcontractors and to require Contractor to replace any Subcontractors found, in the reasonable judgment of the State, to be unacceptable. The State's request shall be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request shall be based on legitimate, good-faith reasons. Replacement Subcontractor(s) for the removed Subcontractor shall be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed Subcontractor, the State will agree to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any such incident with a removed Subcontractor results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Work will not be counted in **Section 2.076** for a time agreed upon by the parties.

(c) In any subcontracts entered into by Contractor for the performance of the Services, Contractor shall require the Subcontractor, to the extent of the Services to be performed by the Subcontractor, to be bound to Contractor by the terms of this Contract and to assume toward Contractor all of the obligations and responsibilities that Contractor, by this Contract, assumes toward the State. The State reserves the right to receive copies of and review all subcontracts, although Contractor may delete or mask any proprietary information, including pricing, contained in such contracts before providing them to the State. The management of any Subcontractor will be the responsibility of Contractor, and Contractor shall remain responsible for the performance of its Subcontractors to the same extent as if Contractor had not subcontracted such performance. Contractor shall make all payments to Subcontractors or suppliers of Contractor. Except as otherwise agreed in writing by the State and Contractor, the State will not be obligated to direct payments for the Services other than to Contractor. The State's written approval of any Subcontractor engaged by Contractor to perform any obligation under this Contract shall not relieve Contractor of any obligations or performance required under this Contract. Attached as **Exhibit E** is a list of the Subcontractors, if any, approved by the State as of the execution of this Contract, together with a copy of the applicable subcontract.

(d) Except where specifically approved in writing by the State on a case-by-case basis, Contractor shall flow down the obligations in **Sections 2.040, 2.110, 2.150, 2.160, 2.171(c), 2.172(b), 2.180, 2.260, 2.276, 2.297** in all of its agreements with any Subcontractors.

(e) The Contractor shall select subcontractors (including suppliers) on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the Contract.

2.045 Contractor Responsibility for Personnel

Contractor shall be responsible for all acts and omissions of its employees, as well as the acts and omissions of any other personnel furnished by Contractor to perform the Services.

2.050 State Standards

2.051 Existing Technology Standards

The Contractor will adhere to all existing standards as described within the comprehensive listing of the State's existing technology standards at http://www.michigan.gov/dit/0,1607,7-139-30639_30655---,00.html.

2.052 PM Methodology Standards

The State has adopted a standard documented Project Management Methodology (PMM) for use on all Information Technology (IT) based projects. See the State's PMM website at http://www.michigan.gov/projectmanagement.

The Contractor shall use the State's PPM to manage this Contract. If the Contractor requires training on the PMM, those costs shall be the responsibility of the Contractor, unless otherwise stated.

2.053 Adherence to Portal Technology Tools -- Reserved

2.054 Acceptable Use Policy

To the extent that Contractor has access to the State computer system, Contractor must comply with the State's Acceptable Use Policy, see http://www.michigan.gov/ditservice/0,1607,7-179-25781-73760--,00.html. All Contractor employees must be required, in writing, to agree to the State's Acceptable Use Policy before accessing the State system. The State reserves the right to terminate Contractor's access to the State system if a violation occurs.

2.060 Deliverables

2.061 Ordering

(a) Any Services/Deliverables to be furnished under this Contract shall be ordered by issuance of written Purchase Orders/Blanket Purchase Order by the State after approval by the Contract Administrator or his/her designee. All orders are subject to the terms and conditions of this Contract. In the event of conflict between an order and this Contract, the Contract shall take precedence as stated in **Section 2.293**. In no event shall any additional terms and conditions contained on a Purchase Order/Blanket Purchase Order be applicable, unless specifically contained in that Purchase Order/Blanket Purchase Order's accompanying Statement of Work.

2.062 Software -- Reserved

2.063 Hardware -- Reserved

2.064 Equipment to be New and Prohibited Products -- Reserved

2.070 Performance

2.071 Performance, In General

The State engages Contractor to execute the Contract and perform the Services/provide the Deliverables, and Contractor undertakes to execute and complete the Contract in its entirety in accordance with the terms and conditions of this Contract and with the participation of State representatives as specified in this Contract.

2.072 Time of Performance

(a) Contractor shall use commercially reasonable efforts to provide the resources necessary to complete all Services and Deliverables in accordance with the time schedules contained in the Statements of Work and other Exhibits governing the work, and with professional quality.

(b) Without limiting the generality of **Section 2.072(a)**, Contractor shall notify the State in a timely manner upon becoming aware of any circumstances that may reasonably be expected to jeopardize the timely and successful completion of any Deliverables/Services on the scheduled due dates in the latest State-approved delivery schedule and, in such event, shall inform the State of the projected actual delivery date.

(c) If Contractor believes that a delay in performance by the State has caused or will cause Contractor to be unable to perform its obligations in accordance with specified Contract time periods, Contractor shall notify the State in a timely manner and shall use commercially reasonable efforts to perform its obligations in accordance with such Contract time periods notwithstanding the State's failure. Contractor will not be in default for a delay in performance to the extent such delay is caused by the State.

2.073 Liquidated Damages -- Reserved

2.074 Bankruptcy

If Contractor shall file for protection under the bankruptcy laws, or if an involuntary petition shall be filed against Contractor and not removed within thirty (30) days, or if the Contractor becomes insolvent, be adjudicated bankrupt, or if it should make a general assignment for the benefit of creditors, or if a receiver shall be appointed due to its insolvency, and Contractor and/or its affiliates are unable to provide reasonable assurances that Contractor and/or its affiliates can deliver the services provided herein, the State may, without prejudice to any other right or remedy, terminate this Contract, in whole or in part, and, at its option, may take possession of the "Work in Process" and finish such Works in Process by whatever appropriate method the State may deem expedient. Contractor will fix appropriate notices or labels on the Work in Process to indicate ownership by the State. To the extent reasonably possible, materials and Work in Process shall be stored separately from other stock and marked conspicuously with labels indicating ownership by the State.

To secure the State's progress payments before the delivery of any services or materials required for the execution of Contractor's obligations hereunder, and any work which Contractor may subcontract in the support of the performance of its obligations hereunder, title shall vest in the State to the extent the State has made progress payments hereunder.

2.075 Time is of the Essence

The Contractor agrees that time is of the essence in the performance of the Contractor's obligations under this Contract.

2.076 Service Level Agreements (SLAs) -- RESERVED

2.080 Delivery and Acceptance of Deliverables

2.081 Delivery Responsibilities

Unless otherwise specified by the State within an individual order, the following shall be applicable to all orders issued under this Contract.

(a) Shipment responsibilities - Services performed/Deliverables provided under this Contract shall be delivered "F.O.B. Destination, within Government Premises." The Contractor shall have complete responsibility for providing all Services/Deliverables to all site(s) unless otherwise stated. Actual delivery dates will be specified on the individual purchase order.
(b) Delivery locations - Services will be performed/Deliverables will be provided at every State of Michigan location within Michigan unless otherwise stated in the SOW. Specific locations will be provided by the State or upon issuance of individual purchase orders.
(c) Damage Disputes - At the time of delivery to State Locations, the State shall examine all packages. The quantity of packages delivered shall be recorded and any obvious visible or suspected damage shall be noted at time of delivery using the shipper's delivery document(s) and appropriate procedures to record such.

Where there is no obvious or suspected damage, all deliveries to a State Location must be opened by the State and the contents inspected for possible internal damage not visible externally within 14 days of receipt. Any damage must be reported to the Contractor within five (5) days of inspection. If this inspection does not occur and damages not reported within 30 days of receipt, the cure for such damaged deliveries shall transfer to the delivery signing party.

2.082 Delivery of Deliverables

(a) Where applicable, the Statements of Work/POs contain lists of the Deliverables to be prepared and delivered by Contractor including, for each Deliverable, the scheduled delivery date and a designation of whether the Deliverable is a document ("Written Deliverable"), a good ("Physical Deliverable") or a Service. All Deliverables shall be completed and delivered for State review and written approval and, where applicable, installed in accordance with the State-approved delivery schedule and any other applicable terms and conditions of the Contract.

2.083 Testing -- Reserved

2.084 Approval of Deliverables, In General

(a) All Deliverables (Physical Deliverables and Written Deliverables) and Services require formal written approval by the State, in accordance with the following procedures. Formal approval by the State requires that the Deliverable be confirmed in writing by the State to meet its specifications, which will include the successful completion of Testing as applicable in **Section 2.083**, to be led by the State with the support and assistance of Contractor. The parties acknowledge that the approval process set forth herein will be facilitated by ongoing consultation between the parties, visibility of interim and intermediate Deliverables and collaboration on key decisions.

(b) The State's obligation to comply with any State Review Period is conditioned on the timely delivery of Deliverables/Services being reviewed.

(c) Prior to commencement of its review or testing of a Deliverable/Service, the State may inspect the Deliverable/Service to confirm that all components of the Deliverable/Service have been delivered without material deficiencies. If the State determines that the Deliverable/Service has material deficiencies, the State may refuse delivery of the Deliverable/Service without performing any further inspection or testing of the Deliverable/Service. Otherwise, the review period will be deemed to have started on the day the State receives the Deliverable or the Service begins, and the State and Contractor agree that the Deliverable/Service is ready for use and, where applicable, certification by Contractor in accordance with **Section 2.083(a)**.

(d) The State will approve in writing a Deliverable/Service upon confirming that it conforms to and, performs in accordance with, its specifications without material deficiency. The State may, but shall not be required to, conditionally approve in writing a Deliverable/Service that contains material deficiencies if the State elects to permit Contractor to rectify them post-approval. In any case, Contractor will be responsible for working diligently to correct within a reasonable time at Contractor's expense all deficiencies in the Deliverable/Service that remain outstanding at the time of State approval.

(e) If, after three (3) opportunities (the original and two repeat efforts), Contractor is unable to correct all deficiencies preventing Final Acceptance of a Deliverable/Service, the State may: (i) demand that Contractor cure the failure and give Contractor additional time to cure the failure at the sole expense of Contractor; or (ii) keep the Contract in force and do, either itself or through other parties, whatever Contractor has failed to do, in which event Contractor shall bear any excess expenditure incurred by the State in so doing beyond the Contract price for such Deliverable/Service and will pay the State an additional sum equal to ten percent (10%) of such excess expenditure to cover the State's general expenses provided the State can furnish proof of such general expenses; or (iii) terminate the particular Statement of Work for default, either in whole or in part by notice to Contractor provided Contractor is unable to cure such breach. Notwithstanding the foregoing, the State shall not use, as a basis for exercising its termination rights under this Section, deficiencies discovered in a repeat State Review Period that could reasonably have been discovered during a prior State Review Period.

(f) The State, at any time and in its reasonable discretion, may halt the testing or approval process if such process reveals deficiencies in or problems with a Deliverable/Service in a sufficient quantity or of a sufficient severity as to make the continuation of such process unproductive or unworkable. In such case, the State may stop using the Service or return the applicable Deliverable to Contractor for correction and re-delivery prior to resuming the testing or approval process.

2.085 Process For Approval of Written Deliverables

The State Review Period for Written Deliverables will be the number of days set forth in the applicable Statement of Work following delivery of the final version of the Deliverable (failing which the State Review Period, by default, shall be five (5) Business Days for Written Deliverables of 100 pages or less and 10 Business Days for Written Deliverables of more than 100 pages). The duration of the State Review Periods will be doubled if the State has not had an opportunity to review an interim draft of the Written Deliverable prior to its submission to the State. The State agrees to notify Contractor in writing by the end of the State Review Period either stating that the Deliverable is approved in the form delivered by Contractor or describing any deficiencies that must be corrected prior to approval of the Deliverable (or at the State's election, subsequent to approval of the Deliverable). If the State delivers to Contractor a notice of deficiencies, Contractor will correct the described deficiencies and within 30 Business Days resubmit the Deliverable in a form that shows all revisions made to the original version delivered to the State.

Contractor's correction efforts will be made at no additional charge. Upon receipt of a corrected Deliverable from Contractor, the State will have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Deliverable to confirm that the identified deficiencies have been corrected.

2.086 Process for Approval of Services

The State Review Period for approval of Services is governed by the applicable Statement of Work (failing which the State Review Period, by default, shall be 30 Business Days for Services). The State agrees to notify Contractor in writing by the end of the State Review Period either stating that the Service is approved in the form delivered by Contractor or describing any deficiencies that must be corrected prior to approval of the Services (or at the State's election, subsequent to approval of the Service). If the State delivers to Contractor a notice of deficiencies, Contractor will correct the described deficiencies and within 30 Business Days resubmit the Service in a form that shows all revisions made to the original version delivered to the State. Contractor's correction efforts will be made at no additional charge. Upon implementation of a corrected Service from Contractor, the State will have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Service for conformity and that the identified deficiencies have been corrected.

2.087 Process for Approval of Physical Deliverables -- Reserved

2.088 Final Acceptance

Unless otherwise stated in the Statement of Work or Purchase Order, "Final Acceptance" of each Deliverable shall occur when each Deliverable/Service has been approved by the State following the State Review Periods identified in **Sections 2.080-2.087**. Payment will be made for Deliverables installed and accepted. Upon acceptance of a Service, the State will pay for all Services provided during the State Review Period that conformed to the acceptance criteria.

2.090 Financial

2.091 Pricing

(a) Fixed Prices for Services/Deliverables
Each Statement of Work/PO issued under this Contract shall specify (or indicate by reference to the appropriate Contract Exhibit) the firm, fixed prices for all Services/Deliverables, and the associated payment milestones and payment amounts. To the extent the parties agree that certain specific Services will be provided on a time and materials basis, such Services shall be provided at the Amendment Labor Rates (**Article 1, Attachment C**). The State may make progress payments to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by the Contract Administrator, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.
(b) Adjustments for Reductions in Scope of Services/Deliverables
If the scope of the Services/Deliverables under any Statement of Work issued under this Contract is subsequently reduced by the State, the parties shall negotiate an equitable reduction in Contractor's charges under such Statement of Work commensurate with the reduction in scope, using the rates in **Article 1, Attachment C,** unless specifically identified in an applicable Statement of Work.
(c) Services/Deliverables Covered
For all Services/Deliverables to be provided by Contractor (and its Subcontractors, if any) under this Contract, the State shall not be obligated to pay any amounts in addition to the charges specified in this Contract.
(d) Labor Rates
All time and material charges will be at the rates specified in **Article 1, Attachment C**.

2.092 Invoicing and Payment Procedures and Terms

(a) Invoicing and Payment – In General

(i) Each Statement of Work issued under this Contract shall list (or indicate by reference to the appropriate Contract Exhibit) the prices for all Services/Deliverables, equipment and commodities to be provided, and the associated payment milestones and payment amounts.

(ii) Each Contractor invoice will show details as to charges by Service/Deliverable component and location at a level of detail reasonably necessary to satisfy the State's accounting and charge-back requirements. The charges for Services billed on a time and materials basis shall be determined based on the actual number of hours of Services performed, at the applicable Labor Rates specified in **Article 1, Attachment C**. Invoices for Services performed on a time and materials basis will show, for each individual, the number of hours of Services performed during the billing period, the billable skill/labor category for such person and the applicable hourly billing rate. Prompt payment by the State is contingent on the Contractor's invoices showing the amount owed by the State minus any holdback amount to be retained by the State in accordance with **Section 2.094**.

(iii) Correct invoices will be due and payable by the State, in accordance with the State's standard payment procedure as specified in 1984 Public Act No. 279, MCL 17.51 et seq., within 45 days after receipt, provided the State determines that the invoice was properly rendered.

(b) Taxes (See Section 2.305 and Article 3, Section 3.022-3.024 for additional)

The State is exempt from Federal Excise Tax, State and Local Sales Taxes, and Use Tax with respect to the sale to and use by it of tangible personal property. Such taxes shall not be included in Contract prices as long as the State maintains such exemptions. Copies of all tax exemption certificates shall be supplied to Contractor, if requested.

(c) Out-of-Pocket Expenses

Contractor acknowledges that the out-of-pocket expenses that Contractor expects to incur in performing the Services/ providing the Deliverables (such as, but not limited to, travel and lodging, document reproduction and shipping, and long distance telephone) are included in Contractor's fixed price for each Statement of Work. Accordingly, Contractor's out-of-pocket expenses are not separately reimbursable by the State unless, on a case-by-case basis for unusual expenses, the State has agreed in advance and in writing to reimburse Contractor for such an expense at the State's current travel reimbursement rates. See http://www.mi.gov/dmb/0,1607,7-150-9141_13132---,00.html for current rates.

(d) Pro-ration

To the extent there are any Services that are to be paid for on a monthly basis, the cost of such Services shall be pro-rated for any partial month.

(e) Antitrust Assignment

The Contractor assigns to the State any claim for overcharges resulting from antitrust violations to the extent that those violations concern materials or services supplied by third parties to the Contractor, toward fulfillment of this Contract.

(f) Final Payment

The making of final payment by the State to Contractor does not constitute a waiver by either party of any rights or other claims as to the other party's continuing obligations under the Contract, nor will it constitute a waiver of any claims by one party against the other arising from unsettled claims or failure by a party to comply with this Contract, including claims for Services and Deliverables not reasonably known until after acceptance to be defective or substandard. Contractor's acceptance of final payment by the State under this Contract shall constitute a waiver of all claims by Contractor against the State for payment under this Contract, other than those claims previously filed in writing on a timely basis and still unsettled.

2.093 State Funding Obligation

The State's obligation under this Contract is payable only and solely from funds appropriated for the purpose of this Contract. Contractor acknowledges and agrees that all funds for payments after the end of the current fiscal year are subject to the availability of a legislative appropriation for the purpose of this Contract. Events of non-appropriation are addressed further in **Section 2.210** of this Contract.

2.094 Holdback -- Reserved

2.095 Electronic Payment Availability

Electronic transfer of funds is available to State contractors. Contractor is required to register with the State electronically at http://www.cpexpress.state.mi.us. Public Act 533 of 2004, requires all payments be transitioned over to EFT by October, 2005.

2.100 Contract Management

2.101 Contract Management Responsibility

(a) Contractor shall have overall responsibility for managing and successfully performing and completing the Services/Deliverables, subject to the overall direction and supervision of the State and with the participation and support of the State as specified in this Contract. Contractor's duties will include monitoring and reporting the State's performance of its participation and support responsibilities (as well as Contractor's own responsibilities) and providing timely notice to the State in Contractor's reasonable opinion if the State's failure to perform its responsibilities in accordance with **Article 1, Attachment E** (Project Plan) is likely to delay the timely achievement of any Contract tasks.

(b) The Services/Deliverables will be provided by the Contractor either directly or through its affiliates, subsidiaries, subcontractors or resellers. Regardless of the entity providing the Service/Deliverable, the Contractor will act as a single point of contact coordinating these entities to meet the State's need for Services/Deliverables. Nothing in this Contract, however, shall be construed to authorize or require any party to violate any applicable law or regulation in its performance of this Contract.

2.102 Problem and Contract Management Procedures

Problem Management and Contract Management procedures will be governed by the Contract and the applicable Statements of Work.

2.103 Reports and Meetings -- Reserved

2.104 System Changes -- Reserved

2.105 Reserved

2.106 Change Requests

The State reserves the right to request from time to time, any changes to the requirements and specifications of the Contract and the work to be performed by the Contractor under the Contract. During the course of ordinary business, it may become necessary for the State to discontinue certain business practices or create Additional Services/Deliverables. At a minimum, to the extent applicable, the State would like the Contractor to provide a detailed outline of all work to be done, including tasks necessary to accomplish the services/deliverables, timeframes, listing of key personnel assigned, estimated hours for each individual per task, and a complete and detailed cost justification.

If the State requests or directs the Contractor to perform any Services/Deliverables that are outside the scope of the Contractor's responsibilities under the Contract ("New Work"), the Contractor must notify the State promptly, and before commencing performance of the requested activities, that it believes the requested activities are New Work. If the Contractor fails to notify the State before commencing performance of the requested activities, any such activities performed before notice is given by the Contractor shall be conclusively considered to be in-scope Services/Deliverables, not New Work.

If the State requests or directs the Contractor to perform any services or provide deliverables that are consistent with and similar to the Services/Deliverables being provided by the Contractor under the Contract, but which the Contractor reasonably and in good faith believes are not included within the Statements of Work, then before performing such services or providing such deliverables, the Contractor shall notify the State in writing that it considers the services or deliverables to be an Additional Service/Deliverable for which the Contractor should receive additional compensation.

If the Contractor does not so notify the State, the Contractor shall have no right to claim thereafter that it is entitled to additional compensation for performing that service or providing that deliverable. If the Contractor does so notify the State, then such a service or deliverable shall be governed by the Change Request procedure in this Section.

In the event prices or service levels are not acceptable to the State, the Additional Services or New Work shall be subject to competitive bidding based upon the specifications.

(a) Change Requests

(i) State Requests

If the State should require Contractor to perform New Work, Additional Services or make changes to the Services that would affect the Contract completion schedule or the amount of compensation due Contractor (a "Change"), the State shall submit a written request for Contractor to furnish a proposal for carrying out the requested Change (a "Change Request").

(ii) Contractor Recommendations

Contractor shall be entitled to propose a Change to the State, on its own initiative, should it be of the opinion that this would benefit the Contract.

(iii) Upon receipt of a Change Request or on its own initiative, Contractor shall examine the implications of the requested Change on the technical specifications, Contract schedule and price of the Deliverables and Services and shall submit to the State without undue delay a written proposal for carrying out the Change. Contractor's proposal will include any associated changes in the technical specifications, Contract schedule and price and method of pricing of the Services. If the Change is to be performed on a time and materials basis, the Amendment Labor Rates shall apply to the provision of such Services. If Contractor provides a written proposal and should Contractor be of the opinion that a requested Change is not to be recommended, it shall communicate its opinion to the State but shall nevertheless carry out the Change as specified in the written proposal if the State directs it to do so.

(iv) By giving Contractor written notice within a reasonable time, the State shall be entitled to accept a Contractor proposal for Change, to reject it or to reach another agreement with Contractor. Should the parties agree on carrying out a Change, a written Contract Change Notice shall be prepared and issued under this Contract, describing the Change and its effects on the Services and any affected components of this Contract (a "Contract Change Notice").

(v) No proposed Change shall be performed until the proposed Change has been specified in a duly executed Contract Change Notice issued by the Department of Management and Budget, Purchasing Operations.

(vi) If the State requests or directs Contractor to perform any activities that Contractor believes constitute a Change, Contractor must notify the State that it believes the requested activities are a Change prior to commencing the performance of the requested activities. If Contractor fails to so notify the State prior to commencing performance of the requested activities, such activities shall be considered to be performed gratuitously by Contractor, and Contractor shall not have any right thereafter to assert any claim for additional compensation or time for the performance of such activities. If Contractor commences performance of gratuitous services outside the scope of this Contract and subsequently elects to stop performing such out-of-scope services, Contractor must, at the request of the State, back out or reverse any changes resulting from such performance that would adversely affect the Contract.

2.107 Management Tools -- Reserved

2.110 Records and Inspections

2.111 Records and Inspections

(a) Inspection of Work Performed. The State's authorized representatives shall at all reasonable times and with 10 days prior written request, have the right to enter Contractor's premises, or any other places, where the Services are being performed, and shall have access, upon reasonable request, to interim drafts of Deliverables or work-in-progress. Upon 10 Days prior written notice and at all reasonable times, the State's representatives shall be allowed to inspect, monitor, or otherwise evaluate the work being performed and to the extent that such access will not reasonably interfere or jeopardize the safety or operation of the systems or facilities. Contractor must provide all reasonable facilities and assistance for the State's representatives.

(b) Examination of Records. Contractor agrees that the State, including its duly authorized representatives, until the expiration of seven (7) years following the creation of the material (collectively, the "Audit Period"), shall, upon 20 days prior written notice, have access to and the right to examine and copy any of Contractor's books, records, documents and papers pertinent to establishing Contractor's compliance with the Contract and with applicable laws and rules, including the State's procurement rules, regulations and procedures, and actual performance of the Contract for the purpose of conducting an audit, examination, excerpt and/or transcription but the State shall not have access to any information deemed confidential to Contractor to the extent such access would require such confidential information to become publicly available. This provision also applies to the books, records, accounts, documents and papers, in print or electronic form, of any parent, affiliated or subsidiary organization of Contractor, or any Subcontractor of Contractor performing services in connection with the Contract.

(c) Retention of Records. Contractor shall maintain at least until the end of the Audit Period all pertinent financial and accounting records (including time sheets and payroll records, and information pertaining to the Contract and to the Services, equipment, and commodities provided under the Contract) pertaining to the Contract in accordance with generally accepted accounting principles and other procedures specified in this Section. Financial and accounting records shall be made available, upon request, to the State at any time during the Audit Period. If an audit, litigation, or other action involving Contractor's records is initiated before the end of the Audit Period, the records must be retained until all issues arising out of the audit, litigation, or other action are resolved or until the end of the Audit Period, whichever is later.

(d) Audit Resolution. If necessary, the Contractor and the State shall meet to review each audit report promptly after issuance. The Contractor will respond to each audit report in writing within 30 days from receipt of such report, unless a shorter response time is specified in such report. The Contractor and the State shall develop, agree upon and monitor an action plan to promptly address and resolve any deficiencies, concerns, and/or recommendations in such audit report.

2.112 Errors

(a) If the audit demonstrates any errors in the statements provided to the State, then the amount in error shall be reflected as a credit or debit on the next invoice and in subsequent invoices until the amount is paid or refunded in full. However, a credit or debit may not be carried for more than four (4) quarterly statements. If a balance remains after four (4) quarterly statements, then the remaining amount will be due as a payment or refund within 45 days of the last quarterly statement that the balance appeared on or termination of the contract, whichever is earlier.

(b) In addition to other available remedies, the difference between the payment received and the correct payment amount is greater than 10%, then the Contractor shall pay all of the reasonable costs of the audit.

2.120 State Responsibilities

2.121 State Performance Obligations

(a) Equipment and Other Resources. To facilitate Contractor's performance of the Services/Deliverables, the State shall provide to Contractor such equipment and resources as identified in the Statements of Work or other Contract Exhibits as items to be provided by the State.

(b) Facilities. The State shall designate space as long as it is available and as provided in the Statement of Work, to house Contractor's personnel whom the parties agree will perform the Services/Deliverables at State facilities (collectively, the "State Facilities"). Contractor shall have reasonable access to, and unless agreed otherwise by the parties in writing shall observe and comply with all rules and regulations relating to, each of the State Facilities (including hours of operation) used by Contractor in the course of providing the Services. Contractor agrees that it will not, without the prior written consent of the State, use any State Facilities or access any State information systems provided for Contractor's use, or to which Contractor otherwise gains access in the course of performing the Services, for any purpose other than providing the Services to the State.

(c) Return. Contractor shall be responsible for returning to the State any State-furnished equipment, facilities and other resources when no longer required for the Contract in the same condition as when provided by the State, reasonable wear and tear excepted.

(d) Except as otherwise provided in **Section 2.220**, the State's failure to perform its responsibilities as set forth in this Contract shall not be deemed to be grounds for termination by Contractor. However, Contractor will not be liable for any default or delay in the performance of its obligations under this Contract to the extent such default or delay is caused by nonperformance of the State's obligations under this Contract, provided Contractor provides the State with reasonable written notice of such nonperformance and Contractor uses commercially reasonable efforts to perform notwithstanding the State's failure to perform.

In addition, if the State's nonperformance of its responsibilities under this Contract materially increases the time required for Contractor's performance or Contractor's cost of performance, Contractor shall be entitled to seek an equitable extension via the Change Request process described in **Section 2.106**.

2.130 Security

2.131 Background Checks

The Contractor shall authorize the investigation of its personnel proposed to have access to State facilities and systems on a case by case basis. The scope of the background check is at the discretion of the State and the results will be used to determine Contractor personnel eligibility for working within State facilities and systems. Such investigations will include Michigan State Police Background checks (ICHAT) and may include the National Crime Information Center (NCIC) Finger Prints. Proposed Contractor personnel may be required to complete and submit an RI-8 Fingerprint Card for the NCIC Finger Print Check. Any request for background checks will be initiated by the State and will be reasonably related to the type of work requested.

All Contractor personnel will also be expected to comply with the State's security and acceptable use policies for State IT equipment and resources. See http://www.michigan.gov/ditservice/0,1607,7-179-25781-73760--,00.html. Furthermore, Contractor personnel will be expected to agree to the State's security and acceptable use policies before the Contractor personnel will be accepted as a resource to perform work for the State. It is expected the Contractor will present these documents to the prospective employee before the Contractor presents the individual to the State as a proposed resource. Contractor staff will be expected to comply with all Physical Security procedures in place within the facilities where they are working.

2.140 Reserved

2.150 Confidentiality

2.151 Freedom of Information

All information in any proposal submitted to the State by Contractor and this Contract is subject to the provisions of the Michigan Freedom of Information Act, 1976 Public Act No. 442, as amended, MCL 15.231, et seq (the "FOIA").

2.152 Confidentiality

Contractor and the State each acknowledge that the other possesses and will continue to possess confidential information that has been developed or received by it. As used in this Section, "Confidential Information" of Contractor shall mean all non-public proprietary information of Contractor (other than Confidential Information of the State as defined below) which is marked confidential, restricted, proprietary or with a similar designation. "Confidential Information" of the State shall mean any information which is retained in confidence by the State (or otherwise required to be held in confidence by the State pursuant to applicable federal, state and local laws and regulations) or which, in the case of tangible materials provided to Contractor by the State pursuant to its performance under this Contract, is marked as confidential, proprietary or with a similar designation by the State. In the case of information of either Contractor or the State "Confidential Information" shall exclude any information (including this Contract) that is publicly available pursuant to the Michigan FOIA.

2.153 Protection of Confidential Information

The State and Contractor will each use at least the same degree of care to prevent disclosing to third parties the Confidential Information of the other as it employs to avoid unauthorized disclosure, publication or dissemination of its own confidential information of like character, but in no event less than reasonable care.

Neither Contractor nor the State will (i) make any use of the Confidential Information of the other except as contemplated by this Contract, (ii) acquire any right in or assert any lien against the Confidential Information of the other, or (iii) if requested to do so, refuse for any reason to promptly return the other party's Confidential Information to the other party. Each party will limit disclosure of the other party's Confidential Information to employees and Subcontractors who must have access in order to fulfill the purposes of this Contract. Disclosure to, and use by, a Subcontractor is permissible where (A) use of a Subcontractor is authorized under this Contract, (B) such disclosure is necessary or otherwise naturally occurs in connection with work that is within such Subcontractor's scope of responsibility, and (C) Contractor obligates the Subcontractor in a written Contract to maintain the State's Confidential Information in confidence. At the State's request, any employee of Contractor and of any Subcontractor having access or continued access to the State's Confidential Information may be required to execute an acknowledgment that the employee has been advised of Contractor's and the Subcontractor's obligations under this Section and of the employee's obligation to Contractor or Subcontractor, as the case may be, to protect such Confidential Information from unauthorized use or disclosure.

2.154 Exclusions

Notwithstanding the foregoing, the provisions of this Section will not apply to any particular information which the State or Contractor can demonstrate (i) was, at the time of disclosure to it, in the public domain; (ii) after disclosure to it, is published or otherwise becomes part of the public domain through no fault of the receiving party; (iii) was in the possession of the receiving party at the time of disclosure to it without an obligation of confidentiality; (iv) was received after disclosure to it from a third party who had a lawful right to disclose such information to it without any obligation to restrict its further disclosure; or (v) was independently developed by the receiving party without reference to Confidential Information of the furnishing party. Further, the provisions of this Section will not apply to any particular Confidential Information to the extent the receiving party is required by law to disclose such Confidential Information, provided that the receiving party (i) promptly provides the furnishing party with notice of the legal request, and (ii) assists the furnishing party in resisting or limiting the scope of such disclosure as reasonably requested by the furnishing party.

2.155 No Implied Rights

Nothing contained in this Section shall be construed as obligating a party to disclose any particular Confidential Information to the other party, or as granting to or conferring on a party, expressly or impliedly, any right or license to the Confidential Information of the other party.

2.156 Remedies

Each party acknowledges that, if it breaches (or attempts or threatens to breach) its obligations under this Section, the other party may be irreparably harmed. Accordingly, if a court of competent jurisdiction should find that a party has breached (or attempted or threatened to breach) any such obligations, the non-breaching party shall be entitled to seek an injunction preventing such breach (or attempted or threatened breach).

2.157 Security Breach Notification

In the event of a breach of this Section, Contractor shall take (i) prompt corrective action to cure any such deficiencies and (ii) any action pertaining to such unauthorized disclosure required by applicable federal and state laws and regulations. Contractor and the State will cooperate to mitigate, to the extent practicable, the effects of any breach, intrusion, or unauthorized use or disclosure. Contractor shall report to the State in writing any use or disclosure of Confidential Information, whether suspected or actual, other than as provided for by the Contract within ten (10) days of becoming aware of such use or disclosure or such shorter time period as is reasonable under the circumstances.

2.158 Survival

The parties' respective obligations under this Section shall survive the termination or expiration of this Contract for any reason.

2.159 Destruction of Confidential Information

Promptly upon termination or cancellation of the Contract for any reason, Contractor shall certify to the State that Contractor has destroyed all State Confidential Information.

2.160 Proprietary Rights

2.161 Ownership

Ownership of Work Product by State. All Deliverables shall be owned by the State and shall be considered works made for hire by the Contractor for the State. The State shall own all United States and international copyrights, trademarks, patents or other proprietary rights in the Deliverables.

Vesting of Rights. With the sole exception of any preexisting licensed works identified in **Exhibit J**, the Contractor shall assign, and upon creation of each Deliverable automatically assigns, to the State, ownership of all United States and international copyrights, trademarks, patents, or other proprietary rights in each and every Deliverable, whether or not registered by the Contractor, insofar as any such Deliverable, by operation of law, may not be considered work made for hire by the Contractor for the State. From time to time upon State's request, the Contractor and/or its personnel shall confirm such assignment by execution and delivery of the assignments, confirmations of assignment, or other written instruments as the State may request. The State shall have the right to obtain and hold in its own name all copyright, trademark, and patent registrations and other evidence of rights that may be available for Deliverables.

2.162 Source Code Escrow -- Reserved

2.163 Rights in Data

(a) The State will be and remain the owner of all data made available by the State to Contractor or its agents, Subcontractors or representatives pursuant to the Contract. Contractor will not use the State's data for any purpose other than providing the Services, nor will any part of the State's data be disclosed, sold, assigned, leased or otherwise disposed of to the general public or to specific third parties or commercially exploited by or on behalf of Contractor, nor will any employee of Contractor other than those on a strictly need to know basis have access to the State's data. Contractor will not possess or assert any lien or other right against the State's data. Without limiting the generality of this Section, Contractor shall only use personally identifiable information as strictly necessary to provide the Services and shall disclose such information only to its employees who have a strict need to know such information. Contractor shall comply at all times with all laws and regulations applicable to such personally identifiable information.

(b) The State is and shall remain the owner of all State-specific data pursuant to the Contract. The State may use the data provided by the Contractor for any purpose. The State will not possess or assert any lien or other right against the Contractor's data. Without limiting the generality of this Section, the State shall only use personally identifiable information as strictly necessary to utilize the Services and shall disclose such information only to its employees who have a strict need to know such information, except as provided by law. The State shall comply at all times with all laws and regulations applicable to such personally identifiable information. Other material developed and provided to the State shall remain the State's sole and exclusive property.

2.164 Ownership of Materials

State and Contractor will continue to own their respective proprietary technologies developed before entering into the Contract. Any hardware bought through the Contractor by the State, and paid for by the State, will be owned by the State. Any software licensed through the Contractor and sold to the State, will be licensed directly to the State.

2.165 Standard Software

If applicable and necessary, all Standard Software used in performing the Services shall be provided to the State under a separate license agreement between the State and the owner (or authorized licensor) of such software. Standard Software to be licensed to the State is listed in **Exhibit J**.

2.166 Pre-existing Materials for Custom Software Deliverables -- Reserved

2.167 General Skills

Notwithstanding anything to the contrary in this Section, each party, its Subcontractors and their personnel shall be free to use and employ its and their general skills, know-how and expertise, and to use, disclose and employ any generalized ideas, concepts, know-how, methods, techniques or skills gained or learned during the course of performing the Services, so long as it or they acquire and apply the foregoing without disclosure of any confidential or proprietary information of the other party.

2.170 Warranties And Representations

2.171 Warranties and Representations

The Contractor represents and warrants:

(a) It is capable in all respects of fulfilling and shall fulfill all of its obligations under this Contract. The performance of all obligations under this Contract shall be provided in a timely, professional, and workman-like manner and shall meet the performance and operational standards required under this Contract.

(b) Reserved

(c) It is the lawful owner or licensee of any Deliverable licensed or sold to the State by Contractor or developed by Contractor under this Contract, and Contractor has all of the rights necessary to convey to the State the ownership rights or licensed use, as applicable, of any and all Deliverables. None of the Deliverables provided by Contractor to the State under this Contract, nor their use by the State, will infringe the patent, copyright, trade secret, or other proprietary rights of any third party.

(d) The contract signatory has the power and authority, including any necessary corporate authorizations, necessary to enter into this Contract, on behalf of Contractor.

(e) It is qualified and registered to transact business in all locations where required.

(f) Neither the Contractor nor any Affiliates, nor any employee of either, has, shall have, or shall acquire, any contractual, financial, business, or other interest, direct or indirect, that would conflict in any manner or degree with Contractor's performance of its duties and responsibilities to the State under this Contract or otherwise create an appearance of impropriety with respect to the award or performance of this Agreement. Contractor shall notify the State within two (2) days of any such interest that may be incompatible with the interests of the State.

(g) Neither Contractor nor any Affiliates, nor any employee of either has accepted or shall accept anything of value based on an understanding that the actions of the Contractor or Affiliates or employee on behalf of the State would be influenced. Contractor shall not attempt to influence any State employee by the direct or indirect offer of anything of value.

(h) Neither Contractor nor any Affiliates, nor any employee of either has paid or agreed to pay any person, other than bona fide employees and consultants working solely for Contractor or such Affiliate, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the award or making of this Contract.

(i) The prices proposed by Contractor were arrived at independently, without consultation, communication, or agreement with any other bidder for the purpose of restricting competition; the prices quoted were not knowingly disclosed by Contractor to any other bidder; and no attempt was made by Contractor to induce any other person to submit or not submit a proposal for the purpose of restricting competition.

(j) All financial statements, reports, and other information furnished by Contractor to the State as part of its response to the RFP or otherwise in connection with the award of this Contract fairly and accurately represent the business, properties, financial condition, and results of operations of Contractor as of the respective dates, or for the respective periods, covered by such financial statements, reports, other information. Since the respective dates or periods covered by such financial statements, reports, or other information, there have been no material adverse change in the business, properties, financial condition, or results of operations of Contractor.

(k) All written information furnished to the State by or behalf of Contractor in connection with this Contract, including its bid, it true, accurate, and complete, and contains no untrue statement of material fact or omits any material fact necessary to make such information not misleading.

(l) It is not in material default or breach of any other contract or agreement that it may have with the State or any of its departments, commissions, boards, or agencies. Contractor further represents and warrants that it has not been a party to any contract with the State or any of its departments that was terminated by the State or such department within the previous five (5) years for the reason that Contractor failed to perform or otherwise breached an obligation of such contract.

2.172 Software Warranties -- Reserved

2.173 Equipment Warranty -- Reserved

2.174 Physical Media Warranty – Reserved

2.175 Standard Warranties -- Reserved

2.176 Consequences For Breach

In addition to any remedies available in law, if the Contractor breaches any of the warranties contained in this section, such breach may be considered as a default in the performance of a material obligation of this Contract.

2.180 Insurance

2.181 Liability Insurance

(a) Liability Insurance

The Contractor is required to provide proof of the minimum levels of insurance coverage as indicated below. The purpose of this coverage shall be to protect the State from claims which may arise out of or result from the Contractor's performance of services under the terms of this Contract, whether such services are performed by the Contractor, or by any subcontractor, or by anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable.

The Contractor waives all rights against the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents for recovery of damages to the extent these damages are covered by the insurance policies the Contractor is required to maintain pursuant to this Contract.

All insurance coverages provided relative to this Contract/Purchase Order are PRIMARY and NON-CONTRIBUTING to any comparable liability insurance (including self-insurances) carried by the State.

The insurance shall be written for not less than any minimum coverage specified in this Contract or required by law, whichever is greater.

The insurers selected by Contractor shall have an A.M. Best rating of A or better, or as otherwise approved in writing by the State, or if such ratings are no longer available, with a comparable rating from a recognized insurance rating agency. All policies of insurance required in this Contract shall be issued by companies that have been approved to do business in the State. See http://www.mi.gov/cis/0,1607,7-154-10555_22535---,00.html.

Where specific limits are shown, they are the minimum acceptable limits. If Contractor's policy contains higher limits, the State shall be entitled to coverage to the extent of such higher limits.

Before the Contract is signed by both parties or before the purchase order is issued by the State, the Contractor must furnish to the Director of Purchasing Operations, certificate(s) of insurance verifying insurance coverage ("Certificates"). The Certificate must be on the standard "accord" form or equivalent. **THE CONTRACT OR PURCHASE ORDER NO. MUST BE SHOWN ON THE CERTIFICATE OF INSURANCE TO ASSURE CORRECT FILING.** All Certificate(s) are to be prepared and submitted by the Insurance Provider. All Certificate(s) shall contain a provision indicating that coverages afforded under the policies WILL NOT BE CANCELLED, MATERIALLY CHANGED, OR NOT RENEWED without 30 days prior written notice, except for 10 days for non-payment of premium, having been given to the Director of Purchasing Operations, Department of Management and Budget. The notice must include the Contract or Purchase Order number affected and be mailed to: Director, Purchasing Operations, Department of Management and Budget, P.O. Box 30026, Lansing, Michigan 48909. Failure to provide evidence of coverage, may, at the State's sole option, result in this Contract's termination.

The Contractor is required to pay for and provide the type and amount of insurance checked ☑ below:

☑ 1. Commercial General Liability with the following minimum coverage:

$2,000,000 General Aggregate Limit other than Products/Completed Operations
$2,000,000 Products/Completed Operations Aggregate Limit
$1,000,000 Personal & Advertising Injury Limit
$1,000,000 Each Occurrence Limit
$500,000 Fire Damage Limit (any one fire)

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the Commercial General Liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

☑ 2. If a motor vehicle is used to provide services or products under this Contract, the Contractor must have vehicle liability insurance on any auto including owned, hired and non-owned vehicles used in Contractor's business for bodily injury and property damage as required by law.

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the vehicle liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

☑ 3. Workers' compensation coverage must be provided in accordance with applicable laws governing the employees and employers work activities in the state of the Contractor's domicile. If the applicable coverage is provided by a self-insurer, proof must be provided of approved self-insured authority by the jurisdiction of domicile. For employees working outside of the state of qualification, Contractor must provide appropriate certificates of insurance proving mandated coverage levels for the jurisdictions where the employees' activities occur.

Any certificates of insurance received must also provide a list of states where the coverage is applicable.

The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company. This provision shall not be applicable where prohibited or limited by the laws of the jurisdiction in which the work is to be performed.

☑ 4. Employers liability insurance with the following minimum limits:

$100,000 each accident
$100,000 each employee by disease
$500,000 aggregate disease

☐ 5. Employee Fidelity, including Computer Crimes, insurance naming the State as a loss payee, providing coverage for direct loss to the State and any legal liability of the State arising out of or related to fraudulent or dishonest acts committed by the employees of Contractor or its Subcontractors, acting alone or in collusion with others, in a minimum amount of one million dollars ($1,000,000.00) with a maximum deductible of fifty thousand dollars ($50,000.00).

☐ 6. Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars ($10,000,000.00), which shall apply, at a minimum, to the insurance required in Subsection 1 (Commercial General Liability) above.

☑ 7. Professional Liability (Errors and Omissions) Insurance with the following minimum coverage: three million dollars ($3,000,000.00) each occurrence and three million dollars ($3,000,000.00) annual aggregate.

☐ 8. Fire and Personal Property Insurance covering against any loss or damage to the office space used by Contractor for any reason under this Contract, and the equipment, software and other contents of such office space, including without limitation, those contents used by Contractor to provide the Services to the State, up to the replacement value thereof, where such office space and its contents are under the care, custody and control of Contractor. Such policy shall cover all risks of direct physical loss or damage, including without limitation, flood and earthquake coverage and coverage for computer hardware and software. The State shall be endorsed on the policy as a loss payee as its interests appear.

(b) Subcontractors

Except where the State has approved in writing a Contractor subcontract with other insurance provisions, Contractor shall require all of its Subcontractors under this Contract to purchase and maintain the insurance coverage as described in this Section for the Contractor in connection with the performance of work by those Subcontractors. Alternatively, Contractor may include any Subcontractors under Contractor's insurance on the coverage required in this Section. Subcontractor(s) shall fully comply with the insurance coverage required in this Section. Failure of Subcontractor(s) to comply with insurance requirements does not limit Contractor's liability or responsibility.

(c) Certificates of Insurance and Other Requirements

Contractor shall furnish to the Purchasing Operations certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the "Certificates"). Before the Contract is signed, and not less than 20 days before the insurance expiration date every year thereafter, the Contractor shall provide evidence that the State and its agents, officers and employees are listed as additional insureds under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer's attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

Contractor shall maintain all required insurance coverage throughout the term of the Contract and any extensions thereto and, in the case of claims-made Commercial General Liability policies, shall secure tail coverage for at least three (3) years following the expiration or termination for any reason of this Contract. The minimum limits of coverage specified above are not intended, and shall not be construed, to limit any liability or indemnity of Contractor under this Contract to any indemnified party or other persons. Contractor shall be responsible for all deductibles with regard to such insurance. If Contractor fails to pay any premium for required insurance as specified in this Contract, or if any insurer cancels or significantly reduces any required insurance as specified in this Contract without the State's written consent, at the State's election (but without any obligation to do so) after the State has given Contractor at least 30 days written notice, the State may pay such premium or procure similar insurance coverage from another company or companies; and at the State's election, the State may deduct the entire cost (or part thereof) from any payment due Contractor, or Contractor shall pay the entire cost (or any part thereof) upon demand by the State.

2.190 Indemnification

2.191 Indemnification

(a) General Indemnification
To the extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State from liability, including all claims and losses, and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties), accruing or resulting to any person, firm or corporation that may be injured or damaged by the Contractor in the performance of this Contract and that are attributable to the negligence or tortious acts of the Contractor or any of its subcontractors, or by anyone else for whose acts any of them may be liable.
(b) Code Indemnification
To the extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State from any claim, loss, or expense arising from Contractor's breach of the No Surreptitious Code Warranty.
(c) Employee Indemnification
In any and all claims against the State of Michigan, its departments, divisions, agencies, sections, commissions, officers, employees and agents, by any employee of the Contractor or any of its subcontractors, the indemnification obligation under the Contract shall not be limited in any way by the amount or type of damages, compensation or benefits payable by or for the Contractor or any of its subcontractors under worker's disability compensation acts, disability benefit acts or other employee benefit acts. This indemnification clause is intended to be comprehensive. Any overlap in provisions, or the fact that greater specificity is provided as to some categories of risk, is not intended to limit the scope of indemnification under any other provisions.
(d) Patent/Copyright Infringement Indemnification
To the extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or proceeding threatened or brought against the State to the extent that such action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by the Contractor or its subcontractors, or the operation of such equipment, software, commodity or service, or the use or reproduction of any documentation provided with such equipment, software, commodity or service infringes any United States patent, copyright, trademark or trade secret of any person or entity, which is enforceable under the laws of the United States.

In addition, should the equipment, software, commodity, or service, or its operation, become or in the State's or Contractor's opinion be likely to become the subject of a claim of infringement, the Contractor shall at the Contractor's sole expense (i) procure for the State the right to continue using the equipment, software, commodity or service or, if such option is not reasonably available to the Contractor, (ii) replace or modify to the State's satisfaction the same with equipment, software, commodity or service of equivalent function and performance so that it becomes non-infringing, or, if such option is not reasonably available to Contractor, (iii) accept its return by the State with appropriate credits to the State against the Contractor's charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.

Notwithstanding the foregoing, the Contractor shall have no obligation to indemnify or defend the State for, or to pay any costs, damages or attorneys' fees related to, any claim based upon (i) equipment developed based on written specifications of the State; or (ii) use of the equipment in a configuration other than implemented or approved in writing by the Contractor, including, but not limited to, any modification of the equipment by the State; or (iii) the combination, operation, or use of the equipment with equipment or software not supplied by the Contractor under this Contract.

2.192 Continuation of Indemnification Obligations

The Contractor's duty to indemnify pursuant to this Section continues in full force and effect, notwithstanding the expiration or early cancellation of the Contract, with respect to any claims based on facts or conditions that occurred prior to expiration or cancellation.

2.193 Indemnification Procedures

The procedures set forth below shall apply to all indemnity obligations under this Contract.

(a) After receipt by the State of notice of the action or proceeding involving a claim in respect of which it will seek indemnification, the State shall promptly notify Contractor of such claim in writing and take or assist Contractor in taking, as the case may be, any reasonable action to avoid the imposition of a default judgment against Contractor. No failure to notify Contractor shall relieve Contractor of its indemnification obligations except to the extent that Contractor can demonstrate damages attributable to such failure. Within ten (10) days following receipt of written notice from the State relating to any claim, Contractor shall notify the State in writing whether Contractor agrees to assume control of the defense and settlement of that claim (a "Notice of Election"). After notifying Contractor of a claim and prior to the State receiving Contractor's Notice of Election, the State shall be entitled to defend against the claim, at Contractor's expense, and Contractor will be responsible for any reasonable costs incurred by the State in defending against the claim during such period.

(b) If Contractor delivers a Notice of Election relating to any claim: (i) the State shall be entitled to participate in the defense of such claim and to employ counsel at its own expense to assist in the handling of such claim and to monitor and advise the State about the status and progress of the defense; (ii) Contractor shall, at the request of the State, demonstrate to the reasonable satisfaction of the State, Contractor's financial ability to carry out its defense and indemnity obligations under this Contract; (iii) Contractor shall periodically advise the State about the status and progress of the defense and shall obtain the prior written approval of the State before entering into any settlement of such claim or ceasing to defend against such claim and (iv) to the extent that any principles of Michigan governmental or public law may be involved or challenged, the State shall have the right, at its own expense, to control the defense of that portion of such claim involving the principles of Michigan governmental or public law. Notwithstanding the foregoing, the State may retain control of the defense and settlement of a claim by written notice to Contractor given within ten (10) days after the State's receipt of Contractor's information requested by the State pursuant to clause (ii) of this paragraph if the State determines that Contractor has failed to demonstrate to the reasonable satisfaction of the State Contractor's financial ability to carry out its defense and indemnity obligations under this Section. Any litigation activity on behalf of the State of Michigan, or any of its subdivisions pursuant to this Section, must be coordinated with the Department of Attorney General. In the event the insurer's attorney represents the State pursuant to this Section, the insurer's attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

(c) If Contractor does not deliver a Notice of Election relating to any claim of which it is notified by the State as provided above, the State shall have the right to defend the claim in such manner as it may deem appropriate, at the cost and expense of Contractor. If it is determined that the claim was one against which Contractor was required to indemnify the State, upon request of the State, Contractor shall promptly reimburse the State for all such reasonable costs and expenses.

2.200 Limits of Liability and Excusable Failure

2.201 Limits of Liability

The Contractor's liability for damages to the State shall be limited to two times the value of the Contract. The foregoing limitation of liability shall not apply to claims for infringement of United States patent, copyright, trademarks or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims covered by other specific provisions of this Contract calling for liquidated damages; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

The State's liability for damages to the Contractor shall be limited to the value of the Contract.

Neither the Contractor nor the State shall be liable to each other, regardless of the form of action, for consequential, incidental, indirect, or special damages. This limitation of liability shall not apply to claims for infringement of United States patent, copyright, trademark or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims covered by other specific provisions of this Contract calling for liquidated damages; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

2.202 Excusable Failure

Neither party will be liable for any default, damage or delay in the performance of its obligations under the Contract to the extent such default, damage or delay is caused by government regulations or requirements (executive, legislative, judicial, military or otherwise), power failure, electrical surges or current fluctuations, lightning, earthquake, war, water or other forces of nature or acts of God, delays or failures of transportation, equipment shortages, suppliers' failures, or acts or omissions of common carriers, fire; riots, civil disorders; strikes or other labor disputes, embargoes; injunctions (provided the injunction was not issued as a result of any fault or negligence of the party seeking to have its default or delay excused); or any other cause beyond the reasonable control of such party; provided the non-performing party and its Subcontractors are without fault in causing such default or delay, and such default or delay could not have been prevented by reasonable precautions and cannot reasonably be circumvented by the non-performing party through the use of alternate sources, workaround plans or other means, including disaster recovery plans.

In such event, the non-performing party will be excused from any further performance or observance of the obligation(s) so affected for as long as such circumstances prevail and such party continues to use its commercially reasonable efforts to recommence performance or observance whenever and to whatever extent possible without delay and provided further that such party promptly notifies the other party in writing of the inception of the excusable failure occurrence, and also of its abatement or cessation.

If any of the above-enumerated circumstances substantially prevent, hinder, or delay Contractor's performance of the Services/provision of Deliverables for more than 10 Business Days, and the State determines that performance is not likely to be resumed within a period of time that is satisfactory to the State in its reasonable discretion, then at the State's option: (a) the State may procure the affected Services/Deliverables from an alternate source, and the State shall not be liable for payment for the unperformed Services/ Deliverables not provided under the Contract for so long as the delay in performance shall continue; (b) the State may terminate any portion of the Contract so affected and the charges payable there under shall be equitably adjusted to reflect those Services/Deliverables terminated; or (c) the State may terminate the affected Statement of Work without liability to Contractor as of a date specified by the State in a written notice of termination to Contractor, except to the extent that the State shall pay for Services/Deliverables provided through the date of termination.

Contractor will not have the right to any additional payments from the State as a result of any Excusable Failure occurrence or to payments for Services not rendered/Deliverables not provided as a result of the Excusable Failure condition. Defaults or delays in performance by Contractor which are caused by acts or omissions of its Subcontractors will not relieve Contractor of its obligations under the Contract except to the extent that a Subcontractor is itself subject to an Excusable Failure condition described above and Contractor cannot reasonably circumvent the effect of the Subcontractor's default or delay in performance through the use of alternate sources, workaround plans or other means.

2.203 Disaster Recovery

Contractor and the State recognize that the State provides essential services in times of natural or man-made disasters. Therefore, except as so mandated by Federal disaster response requirements, Contractor personnel dedicated to providing Services/Deliverables under this Contract will provide the State with priority service for repair and work around in the event of a natural or manmade disaster.

2.210 Termination/Cancellation by the State

The State may terminate this Contract without further liability or penalty to the State, its departments, divisions, agencies, offices, commissions, officers, agents and employees for any of the following reasons:

2.211 Termination for Cause

(a) In the event that Contractor breaches any of its material duties or obligations under this Contract (including a Chronic Failure to meet any particular SLA as defined in **Section 2.076**), which are either not capable of or subject to being cured, or are not cured within the time period specified in the written notice of breach provided by the State (such time period not to be less than 30 days), or pose a serious and imminent threat to the health and safety of any person, or the imminent loss, damage or destruction of any real or tangible personal property, the State may, having provided written notice of termination to Contractor, terminate this Contract in whole or in part, for cause, as of the date specified in the notice of termination.

(b) In the event that this Contract is terminated for cause, in addition to any legal remedies otherwise available to the State by law or equity, Contractor shall be responsible for all costs incurred by the State in terminating this Contract, including but not limited to, State administrative costs, reasonable attorneys' fees and court costs, and any reasonable additional costs the State may incur to procure the Services/Deliverables required by this Contract from other sources. Re-procurement costs shall not be considered by the parties to be consequential, indirect or incidental damages, and shall not be excluded by any other terms otherwise included in this Contract, provided such costs are not in excess of 50% more than the prices for such Service/Deliverables provided under this Contract.

(c) In the event the State chooses to partially terminate this Contract for cause, charges payable under this Contract will be equitably adjusted to reflect those Services/Deliverables that are terminated and the State shall pay for all Services/Deliverables for which Final Acceptance has been granted provided up to the termination date. Services and related provisions of this Contract that are terminated for cause shall cease on the effective date of the termination.

(d) In the event this Contract is terminated for cause pursuant to this Section, and it is determined, for any reason, that Contractor was not in breach of contract pursuant to the provisions of this section, that termination for cause shall be deemed to have been a termination for convenience, effective as of the same date, and the rights and obligations of the parties shall be limited to that otherwise provided in this Contract for a termination for convenience.

2.212 Termination for Convenience

The State may terminate this Contract for its convenience, in whole or part, if the State determines that such a termination is in the State's best interest. Reasons for such termination shall be left to the sole discretion of the State and may include, but not necessarily be limited to (a) the State no longer needs the Services or products specified in the Contract, (b) relocation of office, program changes, changes in laws, rules, or regulations make implementation of the Services no longer practical or feasible, (c) unacceptable prices for Additional Services or New Work requested by the State, or (d) falsification or misrepresentation, by inclusion or non-inclusion, of information material to a response to any RFP issued by the State. The State may terminate this Contract for its convenience, in whole or in part, by giving Contractor written notice at least 30 days prior to the date of termination. If the State chooses to terminate this Contract in part, the charges payable under this Contract shall be equitably adjusted to reflect those Services/Deliverables that are terminated. Services and related provisions of this Contract that are terminated for cause shall cease on the effective date of the termination.

2.213 Non-Appropriation

(a) Contractor acknowledges that, if this Contract extends for several fiscal years, continuation of this Contract is subject to appropriation or availability of funds for this Contract. If funds to enable the State to effect continued payment under this Contract are not appropriated or otherwise made available, the State shall have the right to terminate this Contract and all affected Statements of Work, in whole or in part, at the end of the last period for which funds have been appropriated or otherwise made available by giving written notice of termination to Contractor. The State shall give Contractor at least 30 days advance written notice of termination for non-appropriation or unavailability (or such time as is available if the State receives notice of the final decision less than 30 days before the funding cutoff).

(b) If funding for the Contract is reduced by law, or funds to pay Contractor for the agreed-to level of the Services or production of Deliverables to be provided by Contractor are not appropriated or otherwise made available, the State may, upon 30 days written notice to Contractor, reduce the level of the Services or the change the production of Deliverables in such manner and for such periods of time as the State may elect. The charges payable under this Contract will be equitably adjusted to reflect any equipment, services or commodities not provided by reason of such reduction.

(c) In the event the State terminates this Contract, eliminates certain Deliverables, or reduces the level of Services to be provided by Contractor pursuant to this Section, the State shall pay Contractor for all Work-in-Process performed through the effective date of the termination or reduction in level, as the case may be and as determined by the State, to the extent funds are available. For the avoidance of doubt, this Section will not preclude Contractor from reducing or stopping Services/Deliverables and/or raising against the State in a court of competent jurisdiction, any claim for a shortfall in payment for Services performed or Deliverables finally accepted before the effective date of termination.

2.214 Criminal Conviction

The State may terminate this Contract immediately and without further liability or penalty in the event Contractor, an officer of Contractor, or an owner of a 25% or greater share of Contractor is convicted of a criminal offense incident to the application for, or performance of, a State, public or private Contract or subcontract; convicted of a criminal offense, including any of the following:

embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, attempting to influence a public employee to breach the ethical conduct standards for State of Michigan employees; convicted under State or federal antitrust statutes; or convicted of any other criminal offense which in the sole discretion of the State reflects upon Contractor's business integrity.

2.215 Approvals Rescinded

The State may terminate this Contract without further liability or penalty in the event any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services pursuant to Constitution 1963, Article 11, § 5, and Civil Service Rule 7-1. Termination may be in whole or in part and may be immediate as of the date of the written notice to Contractor or may be effective as of the date stated in such written notice.

2.216 Rights and Obligations Upon Termination

(a) If this Contract is terminated by the State for any reason, Contractor shall (a) stop all work as specified in the notice of termination, (b) take any action that may be necessary, or that the State may direct, for preservation and protection of Deliverables or other property derived or resulting from this Contract that may be in Contractor's possession, (c) return all materials and property provided directly or indirectly to Contractor by any entity, agent or employee of the State, (d) in the event that the Contractor maintains title in Deliverables that is intended to be transferred to the State at the termination of the Contract, Contractor will transfer title in, and deliver to, the State, unless otherwise directed, all Deliverables intended to be transferred to the State at the termination of the Contract and which are resulting from the Contract (which shall be provided to the State on an "As-Is" basis except to the extent the amounts paid by the State in respect of such items included compensation to Contractor for the provision of warranty services in respect of such materials), and (e) take any action to mitigate and limit any potential damages, or requests for Contractor adjustment or termination settlement costs, to the maximum practical extent, including terminating or limiting as otherwise applicable those subcontracts and outstanding orders for material and supplies resulting from the terminated Contract.

(b) In the event the State terminates this Contract prior to its expiration for its own convenience, the State shall pay Contractor for all charges due for Services provided prior to the date of termination and, if applicable, as a separate item of payment pursuant to this Contract, for Work In Process, on a percentage of completion basis at the level of completion determined by the State. All completed or partially completed Deliverables prepared by Contractor pursuant to this Contract shall, at the option of the State, become the State's property, and Contractor shall be entitled to receive equitable fair compensation for such Deliverables. Regardless of the basis for the termination, the State shall not be obligated to pay, or otherwise compensate, Contractor for any lost expected future profits, costs or expenses incurred with respect to Services not actually performed for the State.

(c) Upon a good faith termination, the State shall have the right to assume, at its option, any and all subcontracts and agreements for services and deliverables provided under this Contract, and may further pursue completion of the Services/Deliverables under this Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

2.217 Reservation of Rights

Any termination of this Contract or any Statement of Work issued under it by a party shall be with full reservation of, and without prejudice to, any rights or remedies otherwise available to such party with respect to any claims arising prior to or as a result of such termination.

2.218 Contractor Transition Responsibilities

In the event this contract is terminated, for convenience or cause, dissolved, voided, rescinded, nullified, expires or is otherwise rendered unenforceable, the Contractor agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the State or a third party designated by the State. In the event of termination or the expiration of this Contract, the Contractor agrees to make all reasonable efforts to effect an orderly transition of services within a reasonable period of time that in no event will exceed 180 days. These efforts shall include, but are not limited to, the following:

(a) Personnel - The Contractor shall work with the State, or a specified third party, to develop a transition plan setting forth the specific tasks and schedule to be accomplished by the parties, to effect an orderly transition. The Contractor shall allow as many personnel as practicable to remain on the job to help the State, or a specified third party, maintain the continuity and consistency of the services required by this Contract. In addition, during or following the transition period, in the event the State requires the Services of the Contractor's subcontractors or vendors, as necessary to meet its needs, Contractor agrees to reasonably, and with good-faith, work with the State to use the Services of Contractor's subcontractors or vendors. Contractor will notify all of Contractor's subcontractors of procedures to be followed during transition.

(b) Information - The Contractor agrees to provide reasonable detailed specifications for all Services/Deliverables needed by the State, or specified third party, to properly provide the Services/Deliverables required under this Contract. The Contractor will provide the State with asset management data generated from the inception of this Contract through the date on which this Contractor is terminated in a comma-delineated format unless otherwise requested by the State. The Contractor will deliver to the State any remaining owed reports and documentation still in Contractor's possession subject to appropriate payment by the State.

(d) Software. - The Contractor shall reasonably assist the State in the acquisition of any Contractor software required to perform the Services/use the Deliverables under this Contract. This shall include any documentation being used by the Contractor to perform the Services under this Contract. If the State transfers any software licenses to the Contractor, those licenses shall, upon expiration of the Contract, transfer back to the State at their current revision level. Upon notification by the State, Contractor may be required to freeze all non-critical changes to Deliverables/Services.

(e) Payment - If the transition results from a termination for any reason, reimbursement shall be governed by the termination provisions of this Contract. If the transition results from expiration, the Contractor will be reimbursed for all reasonable transition costs (i.e. costs incurred within the agreed period after contract expiration that result from transition operations) at the rates specified by **Exhibit D**. The Contractor will prepare an accurate accounting from which the State and Contractor may reconcile all outstanding accounts.

2.219 State Transition Responsibilities

In the event that this Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the State agrees to perform the following obligations, and any others upon which the State and the Contractor agree:

(a) Reconciling all accounts between the State and the Contractor;
(b) Completing any pending post-project reviews.

2.220 Termination by Contractor

2.221 Termination by Contractor

If the State materially breaches its obligation to pay Contractor undisputed amounts due and owing under this Contract in accordance with **Section 2.090**, or if the State breaches its other obligations under this Contract to an extent that makes it impossible or commercially impractical for Contractor to perform the Services, and if the State does not cure the breach within the time period specified in a written notice of breach provided to the State by Contractor (such time period not to be less than 30 days), then Contractor may terminate this Contract, in whole or in part based on Statement of Work for cause, as of the date specified in the notice of termination; provided, however, that Contractor must discharge its obligations under **Section 2.250** before any such termination.

2.230 Stop Work

2.231 Stop Work Orders

The State may, at any time, by written stop work order to Contractor, require that Contractor stop all, or any part, of the work called for by the Contract for a period of up to 90 calendar days after the stop work order is delivered to Contractor, and for any further period to which the parties may agree. The stop work order shall be specifically identified as such and shall indicate that it is issued under this **Section 2.230**. Upon receipt of the stop work order, Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the stop work order during the period of work stoppage. Within the period of the stop work order, the State shall either: (a) cancel the stop work order; or (b) terminate the work covered by the stop work order as provided in **Section 2.210**.

2.232 Cancellation or Expiration of Stop Work Order

If a stop work order issued under this **Section 2.230** is canceled or the period of the stop work order or any extension thereof expires, Contractor shall resume work. The parties shall agree upon an equitable adjustment in the delivery schedule, the Contract price, or both, and the Contract shall be modified, in writing, accordingly, if: (a) the stop work order results in an increase in the time required for, or in Contractor's costs properly allocable to, the performance of any part of the Contract; and (b) Contractor asserts its right to an equitable adjustment within 30 calendar days after the end of the period of work stoppage; provided that, if the State decides the facts justify the action, the State may receive and act upon a Contractor proposal submitted at any time before final payment under the Contract. Any adjustment will conform to the requirements of **Section 2.106.**

2.233 Allowance of Contractor Costs

If the stop work order is not canceled and the work covered by the stop work order is terminated for reasons other than material breach, such termination shall be deemed to be a termination for convenience under **Section 2.212**, and the State shall allow reasonable costs resulting from the stop work order in arriving at the termination settlement. For the avoidance of doubt, the State shall not be liable to Contractor for loss of profits because of a stop work order issued under this **Section 2.230**.

2.240 Reserved

2.250 Dispute Resolution

2.251 In General

Any claim, counterclaim, or dispute between the State and Contractor arising out of or relating to the Contract or any Statement of Work shall be resolved as follows. For all Contractor claims seeking an increase in the amounts payable to Contractor under the Contract, or the time for Contractor's performance, Contractor shall submit a letter executed by Contractor's Contract Administrator or his designee certifying that (a) the claim is made in good faith, (b) the amount claimed accurately reflects the adjustments in the amounts payable to Contractor or the time for Contractor's performance for which Contractor believes the State is liable and covers all costs of every type to which Contractor is entitled from the occurrence of the claimed event, and (c) the supporting data provided with such an affidavit are current and complete to Contractor's best knowledge and belief.

2.252 Informal Dispute Resolution

(a) All operational disputes between the parties shall be resolved under the Contract Management procedures developed pursuant to **Section 2.100**. If the parties are unable to resolve any disputes after compliance with such processes, the parties shall meet with the Director of Purchasing Operations, DMB, or designee, for the purpose of attempting to resolve such dispute without the need for formal legal proceedings, as follows:

(i) The representatives of Contractor and the State shall meet as often as the parties reasonably deem necessary in order to gather and furnish to each other all information with respect to the matter in issue which the parties believe to be appropriate and germane in connection with its resolution. The representatives shall discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding.

(ii) During the course of negotiations, all reasonable requests made by one party to another for non-privileged information reasonably related to the Contract will be honored in order that each of the parties may be fully advised of the other's position.

(iii) The specific format for the discussions will be left to the discretion of the designated State and Contractor representatives, but may include the preparation of agreed upon statements of fact or written statements of position.

(iv) Following the completion of this process within 60 calendar days, the Director of Purchasing Operations, DMB, or designee, shall issue a written opinion regarding the issue(s) in dispute within 30 calendar days. The opinion regarding the dispute shall be considered the State's final action and the exhaustion of administrative remedies.

(b) This **Section 2.250** will not be construed to prevent either party from instituting, and a party is authorized to institute, formal proceedings earlier to avoid the expiration of any applicable limitations period, to preserve a superior position with respect to other creditors, or pursuant to **Section 2.253**.
(c) The State will not mediate disputes between the Contractor and any other entity, except state agencies, concerning responsibility for performance of work pursuant to the Contract.

2.253 Injunctive Relief

The only circumstance in which disputes between the State and Contractor will not be subject to the provisions of **Section 2.252** is where a party makes a good faith determination that a breach of the terms of the Contract by the other party is such that the damages to such party resulting from the breach will be so immediate, so large or severe and so incapable of adequate redress after the fact that a temporary restraining order or other immediate injunctive relief is the only adequate remedy.

2.254 Continued Performance

Each party agrees to continue performing its obligations under the Contract while a dispute is being resolved except to the extent the issue in dispute precludes performance (dispute over payment shall not be deemed to preclude performance) and without limiting either party's right to terminate the Contract as provided in **Section 2.210** and **2.220**, as the case may be.

2.260 Federal and State Contract Requirements

2.261 Nondiscrimination

In the performance of the Contract, Contractor agrees not to discriminate against any employee or applicant for employment, with respect to his or her hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, physical or mental disability. Contractor further agrees that every subcontract entered into for the performance of this Contract or any purchase order resulting from this Contract will contain a provision requiring non-discrimination in employment, as specified here, binding upon each Subcontractor. This covenant is required pursuant to the Elliot Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, *et seq*., and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, *et seq*., and any breach of this provision may be regarded as a material breach of the Contract.

2.262 Unfair Labor Practices

Pursuant to 1980 PA 278, MCL 423.231, *et seq*., the State shall not award a Contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled pursuant to section 2 of the Act. This information is compiled by the United States National Labor Relations Board. A Contractor of the State, in relation to the Contract, shall not enter into a contract with a Subcontractor, manufacturer, or supplier whose name appears in this register. Pursuant to section 4 of 1980 PA 278, MCL 423.324, the State may void any Contract if, subsequent to award of the Contract, the name of Contractor as an employer or the name of the Subcontractor, manufacturer or supplier of Contractor appears in the register.

2.263 Workplace Safety and Discriminatory Harassment

In performing Services for the State, the Contractor shall comply with the Department of Civil Services Rule 2-20 regarding Workplace Safety and Rule 1-8.3 regarding Discriminatory Harassment. In addition, the Contractor shall comply with Civil Service regulations and any applicable agency rules provided to the Contractor. For Civil Service Rules, see http://www.mi.gov/mdcs/0,1607,7-147-6877---,00.html.

2.270 Litigation

2.271 Disclosure of Litigation

(a) Disclosure. Contractor must disclose any material criminal litigation, investigations or proceedings involving the Contractor (and each Subcontractor) or any of its officers or directors or any litigation, investigations or proceedings under the Sarbanes-Oxley Act. In addition, each Contractor (and each Subcontractor) must notify the State of any material civil litigation, arbitration or proceeding which arises during the term of the Contract and extensions thereto, to which Contractor (or, to the extent Contractor is aware, any Subcontractor hereunder) is a party, and which involves: (i) disputes that might reasonably be expected to adversely affect the viability or financial stability of Contractor or any Subcontractor hereunder; or (ii) a claim or written allegation of fraud against Contractor or, to the extent Contractor is aware, any Subcontractor hereunder by a governmental or public entity arising out of their business dealings with governmental or public entities. Any such litigation, investigation, arbitration or other proceeding (collectively, "Proceeding") must be disclosed in a written statement to the Contract Administrator within thirty (30) days of its occurrence. Details of settlements which are prevented from disclosure by the terms of the settlement may be annotated as such. Information provided to the State from Contractor's publicly filed documents referencing its material litigation will be deemed to satisfy the requirements of this Section.

(b) Assurances. In the event that any such Proceeding disclosed to the State pursuant to this Section, or of which the State otherwise becomes aware, during the term of this Contract would cause a reasonable party to be concerned about:

(i) the ability of Contractor (or a Subcontractor hereunder) to continue to perform this Contract in accordance with its terms and conditions, or

(ii) whether Contractor (or a Subcontractor hereunder) in performing Services for the State is engaged in conduct which is similar in nature to conduct alleged in such Proceeding, which conduct would constitute a breach of this Contract or a violation of Michigan law, regulations or public policy, then Contractor shall be required to provide the State all reasonable assurances requested by the State to demonstrate that:

(A) Contractor and/or its Subcontractors hereunder will be able to continue to perform this Contract and any Statements of Work in accordance with its terms and conditions, and

(B) Contractor and/or its Subcontractors hereunder have not and will not engage in conduct in performing the Services which is similar in nature to the conduct alleged in such Proceeding.

(c) Contractor shall make the following notifications in writing:

(1) Within 30 days of Contractor becoming aware that a change in its ownership or officers has occurred, or is certain to occur, or a change that could result in changes in the valuation of its capitalized assets in the accounting records, Contractor shall notify the Purchasing Operations.

(2) Contractor shall also notify the Purchasing Operations within 30 days whenever changes to asset valuations or any other cost changes have occurred or are certain to occur as a result of a change in ownership or officers.

(3) Contractor shall also notify Purchasing Operations within 30 days whenever changes to company affiliations occur.

2.272 Governing Law

The Contract shall in all respects be governed by, and construed in accordance with, the substantive laws of the State of Michigan without regard to any Michigan choice of law rules that would apply the substantive law of any other jurisdiction to the extent not inconsistent with, or pre-empted by federal law.

2.273 Compliance with Laws

Contractor shall comply with all applicable state, federal, and local laws and ordinances ("Applicable Laws") in providing the Services/Deliverables.

2.274 Jurisdiction

Any dispute arising from the Contract shall be resolved in the State of Michigan. With respect to any claim between the parties, Contractor consents to venue in Ingham County, Michigan, and irrevocably waives any objections it may have to such jurisdiction on the grounds of lack of personal jurisdiction of such court or the laying of venue of such court or on the basis of forum non conveniens or otherwise. Contractor agrees to appoint agents in the State of Michigan to receive service of process.

2.280 Environmental Provision -- Reserved

2.290 General

2.291 Amendments

The Contract may not be modified, amended, extended, or augmented, except by a writing executed by the parties.

2.292 Assignment

(a) Neither party shall have the right to assign the Contract, or to assign or delegate any of its duties or obligations under the Contract, to any other party (whether by operation of law or otherwise), without the prior written consent of the other party; provided, however, that the State may assign the Contract to any other State agency, department, division or department without the prior consent of Contractor and Contractor may assign the Contract to an affiliate so long as such affiliate is adequately capitalized and can provide adequate assurances that such affiliate can perform the Contract. Any purported assignment in violation of this Section shall be null and void. It is the policy of the State of Michigan to withhold consent from proposed assignments, subcontracts, or novations when such transfer of responsibility would operate to decrease the State's likelihood of receiving performance on the Contract or the State's ability to recover damages.
(b) Contractor may not, without the prior written approval of the State, assign its right to receive payments due under the Contract. In the event of any such permitted assignment, Contractor shall not be relieved of its responsibility to perform any duty imposed upon it herein, and the requirement under the Contract that all payments shall be made to one entity shall continue.

2.293 Entire Contract; Order of Precedence

(a) The Contract, including any Statements of Work and Exhibits, to the extent not contrary to the Contract, each of which is incorporated for all purposes, constitutes the entire agreement between the parties with respect to the subject matter and supersedes all prior agreements, whether written or oral, with respect to such subject matter and as additional terms and conditions on the purchase order shall apply as limited by **Section 2.061**.
(b) In the event of any inconsistency between the terms of the Contract and a Statement of Work, the terms of the Statement of Work will take precedence (as to that Statement of Work only); provided, however, that a Statement of Work may not modify or amend the terms of **Sections 2.110 through 2.220** of the Contract, which may be modified or amended only by a formal Contract amendment.

2.294 Headings

Captions and headings used in the Contract are for information and organization purposes. Captions and headings, including inaccurate references, do not, in any way, define or limit the requirements or terms and conditions of the Contract.

2.295 Relationship of the Parties (Independent Contractor Relationship)

The relationship between the State and Contractor is that of client and independent Contractor. No agent, employee, or servant of Contractor or any of its Subcontractors shall be or shall be deemed to be an employee, agent or servant of the State for any reason. Contractor will be solely and entirely responsible for its acts and the acts of its agents, employees, servants and Subcontractors during the performance of the Contract.

2.296 Notices

(a) Any notice given to a party under the Contract shall be deemed effective, if addressed to such party as addressed below, upon: (i) delivery, if hand delivered; (ii) receipt of a confirmed transmission by facsimile if a copy of the notice is sent by another means specified in this Section; (iii) the third (3rd) Business Day after being sent by U.S. mail, postage pre-paid, return receipt requested; or (iv) the next Business Day after being sent by a nationally recognized overnight express courier with a reliable tracking system.

State:
State of Michigan
Purchasing Operations
Attention: Melissa Castro, CPPB
PO Box 30026
530 West Allegan
Lansing, Michigan 48909

Contractor:
Maximus, Inc.
Attention: James Olson
2343 Delta Road
Bay City, MI 48706

Either party may change its address where notices are to be sent by giving notice in accordance with this Section.

(b) Binding Commitments
Representatives of Contractor shall have the authority to make binding commitments on Contractor's behalf within the bounds set forth in such table. Contractor may change such representatives from time to time upon written notice.

2.297 Media Releases and Contract Distribution

(a) Media Releases
Neither Contractor nor the State will make any news releases, public announcements or public disclosures, nor will they have any conversations with representatives of the news media, pertaining to the Contract, the Services or the Contract without the prior written approval of the other party, and then only in accordance with explicit written instructions provided by that party. In addition, neither Contractor nor the State will use the name, trademarks or other proprietary identifying symbol of the other party or its affiliates without such party's prior written consent. Prior written consent of the Contractor must be obtained from authorized representatives.

(b) Contract Distribution
Purchasing Operations shall retain the sole right of Contract distribution to all State agencies and local units of government unless other arrangements are authorized by Purchasing Operations.

2.298 Reformation and Severability

Each provision of the Contract shall be deemed to be severable from all other provisions of the Contract and, if one or more of the provisions of the Contract shall be declared invalid, the remaining provisions of the Contract shall remain in full force and effect.

2.299 Consents and Approvals

Except as expressly provided otherwise in the Contract, if either party requires the consent or approval of the other party for the taking of any action under the Contract, such consent or approval shall be in writing and shall not be unreasonably withheld or delayed.

2.300 No Waiver of Default

The failure of a party to insist upon strict adherence to any term of the Contract shall not be considered a waiver or deprive the party of the right thereafter to insist upon strict adherence to that term, or any other term, of the Contract.

2.301 Survival

Any provisions of the Contract that impose continuing obligations on the parties including the parties' respective warranty, indemnity and confidentiality obligations, shall survive the expiration or termination of the Contract for any reason. Specific references to survival in the Contract are solely for identification purposes and not meant to limit or prevent the survival of any other section.

2.302 Covenant of Good Faith

Each party agrees that, in its dealings with the other party or in connection with the Contract, it shall act reasonably and in good faith. Unless stated otherwise in the Contract, the parties will not unreasonably delay, condition or withhold the giving of any consent, decision or approval that is either requested or reasonably required of them in order for the other party to perform its responsibilities under the Contract.

2.303 Permits

Contractor shall obtain and pay any associated costs for all required governmental permits, licenses and approvals for the delivery, installation and performance of the Services. The State shall pay for all costs and expenses incurred in obtaining and maintaining any necessary easements or right of way.

2.304 Website Incorporation

State expressly states that it will not be bound by any content on the Contractor's website, even if the Contractor's documentation specifically referenced that content and attempts to incorporate it into any other communication, unless the State has actual knowledge of such content and has expressly agreed to be bound by it in a writing that has been manually signed by an authorized representation of the State.

2.305 Taxes

Vendors are expected to collect and pay all applicable federal, state, and local employment taxes, including the taxes defined in Section 3.022 for all persons involved in the resulting Contract.

The State may refuse to award a contract to any Vendor who has failed to pay any applicable State taxes. The State may refuse to accept Vendor's bid, if Vendor has any outstanding debt with the State. Prior to any award, the State will verify whether Vendor has any outstanding debt with the State.

2.306 Prevailing Wage

The rates of wages and fringe benefits to be paid each class of individuals employed by the Contractor, its subcontractors, their subcontractors, and all persons involved with the performance of this Contract in privity of contract with the Contractor shall not be less than the wage rates and fringe benefits established by the Michigan Department of Labor and Economic Development, Wage and Hour Bureau, schedule of occupational classification and wage rates and fringe benefits for the local where the work is to be performed. The term Contractor shall include all general contractors, prime contractors, project managers, trade contractors, and all of their contractors or subcontractors and persons in privity of contract with them.

The Contractor, its subcontractors, their subcontractors, and all persons involved with the performance of this contract in privity of contract with the Contractor shall keep posted on the work site, in a conspicuous place, a copy of all wage rates and fringe benefits as prescribed in the contract. You must also post, in a conspicuous place, the address and telephone number of the Michigan Department of Labor and Economic Development, the office responsible for enforcement of the wage rates and fringe benefits. You shall keep an accurate record showing the name and occupation of the actual wage and benefits paid to each individual employed in connection with this contract. This record shall be available to the State upon request for reasonable inspection.

If any trade is omitted from the list of wage rates and fringe benefits to be paid to each class of individuals by the Contractor, it is understood that the trades omitted shall also be paid not less than the wage rate and fringe benefits prevailing in the local where the work is to be performed.

2.307 Call Center Disclosure -- Reserved

2.308 Future Bidding Preclusion

Contractor acknowledges that, to the extent this Contract involves the creation, research, investigation or generation of a future RFP, it may be precluded from bidding on the subsequent RFP. The State reserves the right to disqualify any bidder if the State determines that the bidder has used its position (whether as an incumbent Contractor, or as a Contractor hired to assist with the RFP development, or as a Vendor offering free assistance) to gain a leading edge on the competitive RFP.

2.310 Reserved

2.320 Extended Purchasing -- Reserved

2.330 Federal Grant Requirements-- Reserved