

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

CHANGE NOTICE NO. 6

to

CONTRACT NO. 071B2200084

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906	William Maxwell	billmaxwell@maximus.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(517) 484-4240	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	DTMB-OFM	Paul McDonald	(517) 373-1039	mcdonaldp@michigan.gov
BUYER:	DTMB	Angela Buren	(517) 373-0325	burena@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: CENTRAL COST ANALYSIS AND SWCAP PREPARATION – DTMB			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS	CURRENT EXPIRATION DATE
January 1, 2012	December 31, 2014	2, 1 yr.	December 31, 2014
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 45	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:		
OPTION EXERCISED: <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES	IF YES, EFFECTIVE DATE OF CHANGE: N/A	NEW EXPIRATION DATE: N/A
Effective immediately, the follow proposal is hereby INCORPORATED into this Contract (see attachments):		
LARA – FY 11 Administrative Cost Allocation Plan (Actual) and Funding Rate Proposal: \$24,000.00		
Total Value of Proposal:		\$24,000.00
Remaining Amount Available on Contract:		\$1,043,120.00
ESTIMATED AGGREGATE CONTRACT VALUE REMAINS::		
		\$1,408,500.00

**PROPOSAL TO THE
LARA OFFICE OF
FINANCIAL AND INSURANCE REGULATION
FOR AN FY 11 ADMINISTRATIVE
COST ALLOCATION PLAN
AND FUNDING RATE PROPOSAL**

MARCH 28, 2012

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**Proposal to
The LARA Office of Financial and Insurance Regulation
For Preparation of the
Fiscal 2011 Administrative
Cost Allocation Plan**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary of MAXIMUS, Inc. (MAXIMUS) is pleased to present this proposal to the Office of Financial and Insurance Regulation (OFIR) of the Michigan Department of Licensing and Regulatory Affairs (LARA) for preparation of an Administrative Cost Allocation Plan based on actual costs for the fiscal year ended September 30, 2011. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

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

STATEMENT OF PROBLEM

The consolidation of the various activities into OFIR has complicated the process of determining the appropriate mix of funding for the administrative operations of the Office. The office had historically allocated the costs associated with several administrative cost pools solely on the ratio of expenditures. OFIR desires to have a more detailed and defensible allocation methodology developed. In order to accomplish this, an administrative (central services) cost allocation plan needs to be prepared. The plan will need to examine the various administrative functions of the Office and develop a defensible approach for allocating costs to benefited programs, and ultimately funding sources of OFIR. The plan should be based upon actual costs for the fiscal year ended September 30, 2011 and be used to establish funding ratios for the next appropriation year.

DESCRIPTION OF SERVICES

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

1. Preparation of an Administrative Cost Allocation Plan based on actual costs for the year ended September 30, 2011. The plan would be prepared utilizing *MAXCARS*, software developed by MAXIMUS for the specific purpose of preparing cost allocation plans. The following is a listing of the administrative cost pools that we anticipate will be allocated.

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

The above programs represent the allocated programs in the fiscal 2010 cost plan. The plan will be modified as necessary to reflect any reorganization or other changes that impact the allocated pools.

2. Preparation of the Administrative Funding Rate Proposal based on actual costs for the year ended September 30, 2011. The results of the cost allocation plan will be used to develop proposed administrative funding ratios for use during a subsequent period. The rates will indicate the recommended percent of funding that should be provided by each funding source of the Office in support of the administrative operations.

PLAN DEVELOPMENT

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

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

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

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

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

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

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

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

COMPENSATION

Our current contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan (SWCAP) provides for additional departmental cost allocation projects to be completed as amendments to the original contract. We believe this project can be performed under the provisions of this 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 11 Actual Cost Allocation Plan & Administrative Funding Rate Proposal

TIMING

MAXIMUS is prepared to begin preparation of the cost plan and funding rate proposal as soon as practical after securing a contract or change notice to our SWCAP contract. However, work cannot begin until the FY 11 fiscal year is closed out and final financial reports are available. Once the necessary financial information is obtained, approximately three months will be necessary for preparation of the draft documents. The timing of the draft is however contingent upon the availability of OFIR staff for interviews and the availability of all selected allocation statistics. Once the draft is approved by OFIR, the final report can be delivered within two weeks.

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

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

MAXIMUS, Inc.

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

April 2, 2012

CHANGE NOTICE NO. 5
TO
CONTRACT NO. 071B2200084
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR		TELEPHONE (517) 484-4240 William Maxwell
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906 billmaxwell@maximus.com		
		BUYER/CA (517) 373-0325 Angela Buren
Contract Compliance Inspector: Tim Becker (517) 373-0447 becker1@michigan.gov Central Cost Analysis and SWCAP Preparation Department of Technology, Management and Budget		
CONTRACT PERIOD: From: January 1, 2012 To: December 31, 2014		
TERMS	Net 45	SHIPMENT N/A
F.O.B.	N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A		

NATURE OF CHANGE(S):

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

- DTMB – Building Occupancy Cost Allocation Plan FY 14 Budgeted \$ 24,000.00
- MSP – FY 11 Cost Allocation Plan and Indirect Cost Rate Proposal \$ 18,000.00
- DOC – FY 11 Cost Allocation Plan and Indirect Cost Rate Proposal \$ 14,400.00

Total Value of Proposal: \$ 56,400.00
 Remaining Amount Available on Contract: \$ 1,067,120.00

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

AUTHORITY/REASON:

Per agency/Contractor agreement and DTMB-Procurement approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$1,408,500.00

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF
TECHNOLOGY, MANAGEMENT & BUDGET
FOR A BUILDING OCCUPANCY
COST ALLOCATION PLAN
FY 14 BUDGETED COSTS**

MARCH 2012

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**PROPOSAL TO THE MICHIGAN DEPARTMENT OF
TECHNOLOGY, MANAGEMENT AND BUDGET
FOR A BUILDING OCCUPANCY
COST ALLOCATION PLAN
BASED ON BUDGETED COSTS FOR THE YEAR ENDING
SEPTEMBER 30, 2014**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary of MAXIUS, Inc. (MAXIMUS) is pleased to present this proposal to the Department of Technology, Management and Budget for a Building Occupancy Cost Allocation Plan based on budgeted costs for the year ending September 30, 2014.

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

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

DESCRIPTION OF SERVICES

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

Prepare the Building Occupancy Cost Allocation Plan (CAP) based on budgeted expenditures for the year ending September 30, 2014. MAXIMUS has prepared this plan for the past several years and will develop the FY 14 budget plan in a consistent manner with prior year plans. Preparation of the plan will include the following tasks:

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

DELIVERABLES

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

- Building Occupancy Cost Allocation Plan based on budgeted expenditures for year ending September 30, 2014. (Including summary schedule showing the full operating cost and projected rental rate for each facility.)

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

TIMING AND FEES

MAXIMUS is prepared to begin work on the FY 14 budgeted building rental rate CAP as soon as the State can provide the projected financial information and building inventories. It is anticipated that approximately two to three months will be necessary to complete the draft of the building occupancy cost plan and rate summary. The draft report will be delivered to DTMB for

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

Our current contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan (071B2200084) provides an hourly rate for additional cost allocation projects. We believe this project can be performed under the terms of this contract. Based on our experience in preparing this plan in previous years, we anticipate that the project will require 200 consultant hours to complete. At the current negotiated billing rate for the SWCAP of \$120 per hour, we are prepared to quote a fixed fee of \$24,000, including all expenses incurred by us. Please contact Mr. Mike Moody, our contact administrator at the Office of Financial Management to get approval to contract under the SWCAP agreement.

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

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

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

MAXIMUS Consulting Services, Inc.

**PROPOSAL TO THE
MICHIGAN STATE POLICE
FOR AN FY 11 COST ALLOCATION PLAN
AND INDIRECT COST RATE PROPOSAL**

FEBRUARY 21, 2012

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**Proposal to
The Michigan Department of State Police
For the Preparation of
The FY 11 Actual
Departmental Cost Allocation Plan
& Indirect Cost Rate Proposal**

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

BUSINESS ORGANIZATION

MAXIMUS Consulting Services, Inc. is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division that has been assisting state and local governments in matters related to grants management and cost accounting since 1976. The project would be performed by staff 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 State Police receives substantial funding for the operation of various programs it administers from the Federal Government. The Department of State Police 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 State Police, a Departmental Cost Allocation Plan (DCAP) must be prepared in accordance with OMB Circular A-87, Cost Principles for State and Local Governments.

DESCRIPTION OF SERVICES

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

1. Preparation of the DCAP based on actual costs for the year ended September 30, 2011. The DCAP would be prepared utilizing *MAXCARS*, proprietary software developed by MAXIMUS for the specific purpose of preparing cost allocation plans. The plan will be prepared as consistently as possible with the Department's most recently developed plan in that the same pools of indirect costs will be allocated. However, the cost pools will be amended as necessary to reflect 2011 actual circumstances.
2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2011. For fiscal 2011, the MSP has a fixed rate approved by Homeland Security. Actual costs will be used to determine appropriate carry-forward amounts from FY 11 and to propose a new rate for use during 2013.
3. Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's cognizant federal agency, the Department of Homeland Security.

PLAN DEVELOPMENT

MAXIMUS proposes to develop for the Michigan Department of State Police 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 Department of State Police. The rate proposal will compute a new rate for use during fiscal 2013.

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 Homeland Security for review and approval. MAXIMUS will negotiate the plan on behalf of the Department of State Police.

EXPERIENCE AND QUALIFICATIONS

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

Furthermore, MAXIMUS has extensive experience in working with agencies of the State of Michigan. Since 1987, MAXIMUS has prepared the Statewide Cost Allocation Plan (SWCAP) through the Department of Technology, Management and Budget (DTMB), 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 State Police in this engagement. The project team has prepared numerous cost allocation plans and indirect cost rate proposals for state agencies. Moreover, the team has extensive experience in negotiating cost allocation plans with cognizant Federal agencies on behalf of clients. The key members of the project team are as follows:

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

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

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

COMPENSATION

Our contract with DTMB for the Statewide Cost Allocation Plan has been extended to cover the current year. As in the past, this contract includes provisions for other departments to contract with us for cost allocation projects. Based upon our prior experience in preparing this plan for the MSP, we anticipate that the project will require 150 hours of consultant time to complete. At our current negotiated rate with DTMB of \$120 per hour, we are prepared to quote a fixed fee of \$18,000 including all expenses incurred by us. Payment would be due upon delivery of the final bound reports to MSP officials. The following table details our consultant hours by major project task:

Task	Hours
Financial Analysis - Gathering of financial information, review and reconciliation.	16
Plan Design - Identify central service pools and potential allocation bases.	8
Collect Allocation Statistics - Request statistics, and as necessary, meet with MSP central service programs to refine approach.	40
Data Entry - Prepare allocation schedules. Enter financial information and allocation statistics into cost allocation software.	40
Review Plan results and develop indirect cost rate proposal.	16
Prepare Draft Report and present to MSP.	24
Submit Plan and rate proposal to Homeland Security.	6
Total Hours	150

DELIVERABLES

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

FY 2011 Actual Cost Allocation Plan
FY 2011 Actual (Proposed 2013) Indirect Cost Rate Proposal

TIMING

We will coordinate the start date with MSP based upon the availability of financial reports, MSP staff, and the processing of the contract amendment with DTMB Purchasing. Once all necessary financial information is obtained, approximately two months will be necessary for completion of the draft reports. Preparation of the final reports and their submission to Homeland Security will be at the discretion of the Department. Once submitted, negotiation and approval of the documents can take anywhere from several weeks to several months. We will make every attempt to expedite the process, but we must advise the Department of State Police 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 State Police on this very important engagement.

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

MAXIMUS Consulting Services, Inc.

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF
CORRECTIONS
FOR AN FY 11 COST ALLOCATION PLAN
AND INDIRECT COST RATE PROPOSAL**

FEBRUARY 21, 2012

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**PROPOSAL TO
THE MICHIGAN DEPARTMENT OF CORRECTIONS
FOR THE PREPARATION OF AN FY 11 ACTUAL
COST ALLOCATION PLAN AND INDIRECT COST RATE PROPOSAL**

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

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

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

STATEMENT OF PROBLEM

Prior to FY 2005, the Michigan Department of Corrections had not developed an indirect cost rate proposal, and as such, had not assessed indirect costs to federally funded programs. DOC now prepares and submits to the U.S. Department of Justice an annual cost allocation plan and indirect cost rate proposal based on actual expenditures for the year. Based upon these submissions, indirect cost rates were proposed for use in fiscal year 2011. 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, 2011. The FY 11 cost allocation plan will be used to finalize the FY 11 provisional rates, and to propose new rates for use beginning with FY 13.

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, 2011. The cost allocation plan will serve as the documentation for the indirect costs included in the indirect cost rate proposal. The cost plan will be prepared utilizing *MAXCars*, proprietary software developed by MAXIMUS for the specific purpose of preparing cost allocation plans.

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

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

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

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

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2011. Based upon the results of the cost allocation plan, an indirect cost rate proposal will be prepared. A single indirect cost rate applicable to all DOC programs will be computed. The proposal will compute a “final” rate for fiscal 2011, and new rate for the fiscal year beginning October 1, 2012 will be proposed.

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

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

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

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

COMPENSATION

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

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

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

Task	Consultant Hours
report, with narrative, to DOC for review and approval.	
Final Report and Submission – Prepare final cost plan and rate proposal and submit, with supporting documentation, to the federal cognizant agency. Answer questions regarding plan and assist with negotiating the final rate agreement.	8
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 11 cost allocation plan once we receive a contract change notice issued by the DTMB Office of Purchasing amending our SWCAP contract to include this project. Providing all information is available in a timely manner, it is anticipated that approximately 16 weeks will be required to complete a draft of the plan. After submitting the draft, we still need to review the plan with the Department financial staff, and prepare the plan for federal submission. This internal review process can sometimes take several weeks to complete. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months. MAXIMUS will make every attempt to expedite the process, but we must advise the Department that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87.

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

MAXIMUS Consulting Services, Inc.

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

MAXIMUS Consulting Services, Inc.

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET February 2, 2012
PROCUREMENT
 P.O. BOX 30026, LANSING, MI 48909
 OR
 530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 4
TO
CONTRACT NO. 071B2200084
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR		TELEPHONE (517) 484-4240 William Maxwell
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906 billmaxwell@maximus.com		
		BUYER/CA (517) 373-0325 Angela Buren
Contract Compliance Inspector: Tim Becker (517) 373-0447 becker1@michigan.gov Central Cost Analysis and SWCAP Preparation Department of Technology, Management and Budget		
CONTRACT PERIOD:		From: January 1, 2012 To: December 31, 2014
TERMS	Net 45	SHIPMENT N/A
F.O.B.	N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A		

NATURE OF CHANGE(S):

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

- **DCH – Actual FY 11 Departmental Indirect Cost Allocation Plan and 2012 RMS Maintenance** **\$ 31,200.00**
- Total Value of Proposal:** **\$ 31,200.00**
Remaining Amount Available on Contract: **\$ 1,123,520.00**

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

AUTHORITY/REASON:

Per agency/Contractor agreement and DTMB-Procurement approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$1,408,500.00

**PROPOSAL TO
THE MICHIGAN DEPARTMENT OF COMMUNITY HEALTH
FOR PREPARATION OF AN ACTUAL FY 11
DEPARTMENTAL INDIRECT COST ALLOCATION PLAN
AND 2012 RMS MAINTENANCE**

MAXIMUS Consulting Services, Inc. is pleased to present this proposal to the Michigan Department of Community Health for cost allocation services to be performed during 2012. 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, 2011, 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 Consulting Services, Inc., a wholly owned subsidiary corporation of MAXIMUS, Inc. (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 which specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has more than 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

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, 2009. Based upon this proposal, DHHS issued a federal negotiation agreement approving provisional indirect rates for use during fiscal 2011. 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 2011. The FY 11 cost allocation plan will be used to finalize the FY 11 provisional rates, and to propose new rates for use during FY 13.

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 2012, the Department of Community Health will need to continue to generate and tabulate sampling data on a quarterly basis throughout the 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, 2011. 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 10 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
Organizational Support & Services
Workers' Compensation
Moving Costs
Operations Administration
Information Technology
Budget & Audit Administration
Budget and Contracts
Finance
Audit Division
Bureau Administration
Legal Affairs
Terminal Payments

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2011. As discussed earlier, FY 11 indirect cost rates are currently approved on a provisional basis. The proposal will calculate final rates for FY 11, and will also propose new rates for use during FY 13.

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 FY 2012. MAXIMUS will provide the following services necessary to maintain the RMS system currently utilized by Budget and Finance. Services will be provided for the 2nd, 3rd, and 4th quarters of the year, ending September 30, 2012.

- 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

Our current contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan provides for an hourly rate for additional cost allocation projects. We believe this project can be performed under the terms of this contract. To do so, please contact Tim Becker, our contract administrator with the Office of Financial Management, at 373-0447. Based upon our current negotiated rates we are prepared to quote the following fees:

- **Actual FY 11 DCAP** (Including indirect cost rate proposal and Federal negotiations) - We estimate the actual 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.

- **2012 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 (\$7,200 for the three quarters included with this proposal).

- **TOTAL FOR YEAR - \$31,200 - 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.

- **RMS Maintenance** - \$7,200 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 DCAP when the fiscal year is closed out and financial reports are available. As such, we project a start date during January of 2012. 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, 2012. However, every effort will be made to submit the plan at the earliest possible date.

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 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.

As the RMS sampling will need to begin January 1, 2012, MAXIMUS will need to begin updating the sample universe and making any required changes to the system by the end of December. The RMS maintenance activities will be provided on an on-going basis throughout the year. Final reports for the last quarter of the year will be delivered around October 15, 2012.

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

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

MAXIMUS Consulting Services, Inc.

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET February 1, 2012
PROCUREMENT
 P.O. BOX 30026, LANSING, MI 48909
 OR
 530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 3
TO
CONTRACT NO. 071B2200084
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR		TELEPHONE (517) 484-4240 William Maxwell
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906 billmaxwell@maximus.com		
		BUYER/CA (517) 373-0325 Angela Buren
Contract Compliance Inspector: Tim Becker (517) 373-0447 becker1@michigan.gov Central Cost Analysis and SWCAP Preparation Department of Technology, Management and Budget		
CONTRACT PERIOD:		From: January 1, 2012 To: December 31, 2014
TERMS	Net 45	SHIPMENT N/A
F.O.B.	N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A		

NATURE OF CHANGE(S):

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

- **DNR – Cost Allocation Plan and Indirect Cost Rate Proposal FY 11 Actual (Submission of A-87 DCAP and Rate Proposal to Interior, Delivery and Acceptance of Revised DCAP for Restricted Funds)** \$ 24,600.00
 - **JUDICIARY – Cost Allocation Plan and Indirect Cost Rate Proposal FY 11 Actual (Negotiation of DCAP and Indirect Cost Rate Proposal)** \$ 9,600.00
 - **MEDC – FY 11 Cost Allocation Plan and RMS Services for FY 12** \$ 18,600.00
- Total Value of Proposal:** \$ 52,800.00
Remaining Amount Available on Contract: \$ 1,154,720.00

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

AUTHORITY/REASON:

Per agency/Contractor agreement and DTMB-Procurement approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$1,408,500.00

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF
NATURAL RESOURCES
FOR A COST ALLOCATION PLAN AND
INDIRECT COST RATE PROPOSAL
FY 11 ACTUAL**

NOVEMBER 2011

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**PROPOSAL TO THE MICHIGAN
DEPARTMENT OF NATURAL RESOURCES
FOR A COST ALLOCATION PLAN
BASED ON ACTUAL COSTS FOR
THE YEAR ENDED SEPTEMBER 30, 2011**

MAXIMUS Consulting Services, Inc. is pleased to present this proposal to the Michigan Department of Natural Resources (DNR) for the preparation of a Departmental Cost Allocation Plan based on actual costs for the year ending September 30, 2011.

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

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

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

Until FY 11, The Department of Natural Resources annually negotiated indirect cost rates with the U.S. Department of Interior. For FY 11, rates were approved by the U.S. Environmental Protection Agency for the Department of Natural Resources and Environment (DNRE). However, DNRE has since been dissolved, and as such the DNR should again be submitting proposals to Interior.

FY 11 rates were approved on a fixed with carry-forward basis. This requires that fixed indirect cost rates employed during a fiscal year be reconciled to actual cost at the end of the period. Differences between fixed rates and actual rates, or carry-forwards, are computed and incorporated into future rates. This proposal will be used to reconcile the fiscal 2011 rates, calculate appropriate carry-forwards for 2011, and to propose new rates for use in FY 13.

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, 2011, prepared in accordance with OMB Circular A-87.** The DCAP would be prepared using a "multiple rate" methodology, whereby indirect costs would be segregated into discrete cost pools and selective allocations of costs will be made by applying an allocation base most appropriate to each circumstance. The overall objective

is to allocate indirect costs consistent with the manner in which services are actually provided to programs and bureaus which benefit from these services. A "multiple rate" DCAP provides for a much more accurate allocation of indirect costs than a single departmental rate as it recognizes differences in the level of support provided to various programs within the Department.

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

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

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual expenditures for the year ended September 30, 2011. Current indirect cost rates for the DNR are approved on a fixed with carry-forward basis. As such, the proposal needs to include the calculation of appropriate FY 11 carry-forwards and the incorporation of these amounts into proposed rates for use during state fiscal year 2013. Two rate pools will be proposed:

- PR-DJ Rate - Applicable to Federal salaries and benefits funded by Pittman/Robertson – Dingle/Johnson programs.
- 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 Technology, Management and Budget, Office of Financial Management. In addition, we have prepared numerous departmental cost allocation plans and indirect cost rate proposals, installed several random moment sampling systems, and worked on many other cost accounting projects for agencies of the State of Michigan. Attached is a partial listing of State of Michigan clients and references. A complete client listing for MAXIMUS is available upon request.

STAFFING

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

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

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

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

COMPENSATION

Under the provisions of our current contract with DTMB for preparation of the SWCAP, the contract can be amended to include departmental cost allocation plans for other state agencies. We believe this project can be performed under the provisions of this contract. Based on our experience in preparing your departmental cost plan in the past, we project that the project will require the following consultant hours:

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

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

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

TIMING

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

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

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

MAXIMUS Consulting Services, Inc.

**PROPOSAL TO THE
MICHIGAN JUDICIARY
FOR A COST ALLOCATION PLAN AND
INDIRECT COST RATE PROPOSAL
FY 11 ACTUAL**

JANUARY 2012

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**PROPOSAL TO
THE MICHIGAN JUDICIARY
FOR PREPARATION OF AN FY 11 ACTUAL
COST ALLOCATION PLAN AND
INDIRECT COST RATE PROPOSAL**

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

BUSINESS ORGANIZATION

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

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

BACKGROUND

The Michigan 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

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 11. 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, 2011. The FY 11 cost allocation plan will be used to finalize the FY 11 provisional rates, and to propose new rates for use beginning with FY 13.

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, 2011. The cost allocation plan will serve as the documentation for the indirect costs included in the indirect cost rate proposal. The cost plan will be prepared utilizing **MAXCARS**, proprietary software developed by MAXIMUS for the specific purpose of preparing cost allocation plans.

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

- **Determining the appropriate financial reports to be used.** MAXIMUS consultants will meet with agency financial staff to review the various R*STARS or other reports which are available. It will be necessary to select reports that roll-up or report on an organizational 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, 2011. 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 11. This proposal will calculate final rates for FY 11 and also propose new provisional rates for use by the Court in FY 13.

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 Technology Management and Budget, Office of Financial Management. In addition, MAXIMUS has prepared numerous departmental cost allocation plans and indirect cost rate proposals, installed random moment sampling systems, and worked on many other cost accounting projects for the State of Michigan. A list of references from agencies of the State of Michigan is attached. A complete listing of all of our clients is available upon request.

STAFFING

MAXIMUS will assemble an experienced team of consultants to assist the 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 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 contract. However, to do so, Office of Financial Management approval is required.

Based upon prior experience in preparing this plan, we anticipate that the project will require 80 hours of consultant time to complete. At our current approved SWCAP hourly rate of \$120 we are prepared to quote a fixed fee of \$9,600 including all expenses incurred by MAXIMUS. Payment would be due upon submission of the proposal to the Department of Health and Human Services.

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 11 actual plan when the fiscal year is closed out and financial reports are available. As such, we do not project a start date until February 2012. It is anticipated that approximately

12 weeks will be required to complete a draft of the plan, after which we still need to review the plan with the Court financial staff, and prepare the plan for federal submission. The projected submission date would be approximately June 30, 2012. 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 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.

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

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

MAXIMUS Consulting Services, Inc.

**PROPOSAL TO THE
MICHIGAN ECONOMIC DEVELOPMENT
CORPORATION - STRATEGIC FUND
FOR THE PREPARATION OF AN FY 2011
COST ALLOCATION PLAN AND RMS SERVICES
FOR FISCAL 2012**

JANUARY 2012

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**PROPOSAL TO
THE MICHIGAN ECONOMIC DEVELOPMENT
CORPORATION – STRATEGIC FUND
FOR PREPARATION OF AN ACTUAL FY 11
DEPARTMENTAL INDIRECT COST ALLOCATION PLAN
AND 2012 RMS MAINTENANCE**

MAXIMUS Consulting Services, Inc. is pleased to present this proposal to the Michigan Economic Development Corporation (MEDC) for cost allocation services to be performed during 2012. 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, 2011, as well as maintenance of the random moment sampling (RMS) system currently being utilized by some of the administrative programs of MEDC. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary corporation of MAXIMUS, Inc. (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 which specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has more than 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

BACKGROUND

The Michigan Strategic Fund (MSF) of the Michigan Economic Development Corporation receives substantial funding for the operation of various programs it administers from the Federal government. The Fund 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 Economic Development Corporation, 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 MEDC was initially created by Executive Order 1999-1. MEDC is a public corporation created through an interlocal agreement between state and local governments. The State of Michigan's portion of the corporation is accounted for in the Michigan Strategic Fund (MSF). The Economic Development Corporation prepared and submitted to HUD a cost allocation plan and indirect cost rate proposal based on actual expenditures for the year ending September 30, 2009. Based upon this proposal, HUD issued a federal negotiation agreement approving provisional indirect rates for use during fiscal 2011. 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 Economic Development Corporation needs to submit a cost allocation plan and indirect cost rate proposal based on actual costs for fiscal year 2011. The FY 11 cost allocation plan will be used to finalize the FY 11 provisional rates. The proposal will be used to only finalize FY 11 rates with HUD.

New rates will not be proposed. Due to significant reorganization within state government, cognizance for MEDC beginning in FY 12 has been transferred to the U.S. Department of Labor. Rates for FY 12 and 13 are currently being negotiated with Labor and are not included as part of this proposal.

In October of 2011, the Economic Development Corporation installed a random moment sampling (RMS) system to document the direct charging to Federal programs of some of the divisions of the administrative office of MEDC. 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 2012, the Economic Development Corporation will need to continue to generate and tabulate sampling data on a quarterly basis throughout the year.

DESCRIPTION OF SERVICES

MAXIMUS proposes to provide the following services for the Michigan Economic Development Corporation:

1. Preparation of the Economic Development Corporation DCAP based on actual costs for the year ending September 30, 2011. 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 10 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.

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2011. As discussed earlier, FY 11 indirect cost rates are currently approved on a provisional basis. The proposal will calculate final rates for FY 11.

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 cognizant federal agency of MEDC for FY 11 was the U.S. Department of Housing and Urban Development.

4. RMS maintenance and administration for FY 2012. MAXIMUS will provide the following services necessary to maintain the RMS system currently utilized by MEDC. Services will be provided for the 2nd, 3rd, and 4th quarters of the year, ending September 30, 2012.

- 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 Economic Development Corporation in this engagement. All staff will have experience in preparing cost allocation plans, indirect cost rate proposal and installing and maintaining random moment sampling systems. The project director will be Mr. William Maxwell, the manager of our MAXIMUS Lansing office. The resume for Mr. Maxwell is included at the end of this proposal.

COMPENSATION

Our current contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan provides for an hourly rate for additional cost allocation projects. We believe

this project can be performed under the terms of this contact. To do so, please contact Tim Becker, our contract administrator with the Office of Financial Management, at 373-0447. Based upon our current negotiated rates we are prepared to quote the following fees:

- **Actual FY 11 DCAP** (Including indirect cost rate proposal and Federal negotiations) - We estimate the actual DCAP, rate proposal and negotiations will require approximately 80 hours to complete. Based on an hourly billing rate of \$120, including all administrative overhead costs, our proposed fee is a fixed amount of \$9,600.
- **2012 RMS Maintenance** - Based upon our experience during the past year, we anticipated 25 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 \$3,000 per quarter (\$9,000 for the three quarters included with this proposal).
- **TOTAL FOR YEAR - \$18,600 - including all expenses**

PAYMENT SCHEDULE

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

- **DCAP** - \$9,600 due upon completion and submission to the appropriate Federal cognizant agency.
- **RMS Maintenance** - \$9,000 total, billed quarterly at \$3,000.

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 DCAP when the fiscal year is closed out and financial reports are available. As such, we project a start date during February of 2012. 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 Economic Development Corporation administration, and preparing the plan for Federal submission. The projected submission date would be approximately June 30, 2012. However, every effort will be made to submit the plan at the earliest possible date.

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 must advise the Michigan Economic Development Corporation 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 January 1, 2012, MAXIMUS will need to begin updating the sample universe and making any required changes to the system by the end of December. The RMS maintenance activities will be provided on an on-going basis throughout the year. Final reports for the last quarter of the year will be delivered around October 15, 2012.

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

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

MAXIMUS Consulting Services, Inc.

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET **January 19, 2012**
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
 OR
530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 2 (REVISED*)
TO
CONTRACT NO. 071B2200084
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR		TELEPHONE (517) 484-4240 William Maxwell
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906 billmaxwell@maximus.com		
		BUYER/CA (517) 373-0325 Angela Buren
Contract Compliance Inspector: Tim Becker (517) 373-0447 becker1@michigan.gov Central Cost Analysis and SWCAP Preparation Department of Technology, Management and Budget		
CONTRACT PERIOD:		From: January 1, 2012 To: December 31, 2014
TERMS	Net 45	SHIPMENT N/A
F.O.B.	N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A		

NATURE OF CHANGE(S):

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

- Treasury – Cost Allocation Plan for collection of transportation related taxes \$ 9,600.00
 - LARA – Cost Allocation Plan and Indirect Cost Rate Proposal and Random Moment Sampling Maintenance \$ 38,400.00
 - DOS – Cost Allocation Plan for motor vehicle programs \$ 72,000.00
 - *Agriculture – FY 11 Central Services Cost Allocation Plan and Indirect Cost Rate Proposal \$ 10,200.00
 - AG – FY 11 Actual Cost Allocation Plan and Indirect Cost Rate Proposal \$ 14,400.00
- Total Value of Proposal: **\$ 144,600.00**
 Remaining Amount Available on Contract: **\$ 1,207,520.00**

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

AUTHORITY/REASON:

Per agency/Contractor agreement and DTMB-Procurement approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$1,408,500.00

**PROPOSAL TO THE
MICHIGAN DEPARTMENT TREASURY
FOR AN ASSESSMENT OF ITS COST ALLOCATION PLAN
USED TO DETERMINE THE COST OF
TAX COLLECTION**

JANUARY 2012

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**PROPOSAL TO
THE MICHIGAN DEPARTMENT OF TREASURY
FOR AN ASSESSMENT OF ITS COST ALLOCATION PLAN
FOR DETERMINING THE COST OF COLLECTING
TRANSPORTATION RELATED TAXES**

MAXIMUS Consulting Services, Inc. (MAXIMUS) is pleased to present this proposal to the Michigan Department of Treasury for an assessment of their current cost allocation plan used to determine the cost of collecting transportation related taxes. The following information outlines the services we would provide and the associated costs.

BACKGROUND

The Michigan Department of Treasury receives substantial funding for the collection of transportation related taxes. The cost of collections is determined by a cost allocation plan that allocates costs for several Treasury programs involved in the collection process based on the percentage of the total taxes administered by the Treasury.

STATEMENT OF PROBLEM

The Auditor General has for several years questioned the appropriateness of the current methodology, i.e. the allocation of expenditures based on the ratio of taxes collected. The Department of Treasury desires to have other allocation methodologies explored that could possibly be used in the development of refined approach to its current cost allocation plan.

DESCRIPTION OF SERVICES

MAXIMUS proposes to review the current cost allocation plan methodology to determine which programs are considered to be related to tax collection activities. MAXIMUS Consultants will meet with designated representatives of those program areas to discuss the nature of work performed related to tax collection and to examine any production reports or time reports that could possibly be used to reflect the relative benefit received by the various taxes that are administered, and as such could provide an alternative allocation basis for each program. Allocation bases would need to be

comprehensive in capturing effort for all taxes administered, most importantly Individual Income Tax, Michigan Transportation Fund, Aeronautics Fund, Sales Tax, Use Tax and Tobacco Tax. The programs that will be reviewed include:

Tax Policy – Hearings

Tax Policy – Special Taxes

Tax Policy – Tax Policy

Tax Processing – Return Processing

Revenue and Tax Analysis – Tax Analysis

Customer Service – Customer Contact

Tax Compliance – Discovery and Tax Enforcement

Tax Compliance – Field Audit 1

Tax Compliance – Field Audit 2

Office of Taxpayer Advocate

Departmental Services – Mail Operations

Departmental Services – Forms and Document Services

Financial Services – Collections

Financial Services – Receipts Processing

Information Technology

Other programs that are currently allocated within the cost allocation plan will be considered to be departmental overhead costs and will not be separately analyzed. These programs include:

Finance and Accounting

Budget

Purchasing

Facilities

Departmentwide – Travel

Departmentwide – Rent

Departmentwide – Workers Compensation

Executive Direction

Upon completion of the analysis, MAXIMUS will prepare a report summarizing findings for each program area. The report will address any existing production or time reports that could be used as optional allocation bases, or will suggest production or time

reports that could possibly be developed for the allocation of costs. MAXIMUS consultants will meet with Treasury representatives to discuss the final report and alternatives for enhancing their current cost allocation plan.

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 Treasury 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 director of our MAXIMUS Lansing office. Other staff will be assigned to the project as needed by Mr. Maxwell. The resume for Mr. Maxwell is included at the end of this proposal.

COMPENSATION

We project that this project will require 80 hours of consultant time to complete. Based upon our standard hourly billing rate of \$120 we are prepared to quote a fixed fee of \$9,600, including all expenses incurred by MAXIMUS. Payment would be due upon delivery of the final report.

Our contract with DTMB for the Statewide Cost Allocation Plan includes provisions for other departments to contract for cost allocation services at our standard billing rate. We believe this project can be completed under the terms of that contract. However, to do so our contract must be amended to include the project. To do so, you will need to submit your request to our contact administrator, Tim Becker, at the Office of Financial Management.

TIMING

MAXIMUS is prepared to begin work on the assessment within 10 working days of a contract change notice being issued by DTMB Purchasing that authorizes the project. We estimate that the assessment will take six to eight weeks to complete. Assuming a start date on or before February 1, 2012 we project to have the final report delivered by April 1, 2012. However, it must be noted that completion is contingent upon being able to schedule meetings with program managers in a timely manner. Upon project initiation, Treasury Administration will need to provide us with a contact representative for each area to be reviewed. Treasury will be informed of any scheduling problems that may delay the final report.

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

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

MAXIMUS Consulting Services, Inc.

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF LICENSING AND
REGULATORY AFFAIRS
FOR THE FY 11 COST ALLOCATION PLAN AND
INDIRECT COST RATE PROPOSAL
AND RMS MAINTENANCE FOR 2012**

NOVEMBER 2011

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

Proposal to
The Michigan Department of Licensing and Regulatory Affairs
For Preparation of an Actual FY 11
Departmental Cost Allocation Plan
And 2012 RMS Maintenance

MAXIMUS Consulting Services, Inc. is pleased to present this proposal to the Michigan Department of Licensing and Regulatory Affairs (LARA) for cost allocation services to be performed during 2012. 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, 2011, 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 Consulting Services, a wholly owned subsidiary corporation of MAXIMUS, Inc. (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 which specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has more than 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

BACKGROUND

The Michigan Department of Licensing and Regulatory Affairs 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, 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 Licensing and Regulatory Affairs annually submits a cost allocation plan and indirect cost rate proposal to the US Department of Labor. FY 11 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, LARA will need to prepare a cost allocation plan and indirect cost rate proposal based on actual costs for FY 11. This plan will be used to finalize the FY 11 indirect cost rates and to establish a new rate for fiscal year 13.

During 2004, LARA installed a random moment sampling (RMS) system to document the direct charging to Federal programs of some of the divisions of Administrative Services, including Financial Services, Purchasing, and Office Services. In order to directly charge costs to Federal programs, standards regarding time distribution as outlined in

Attachment B, Section 11.h of A-87 must be met. RMS is specifically mentioned as a viable substitute system for the support of time distribution. RMS is an on-going system, which through periodic sampling over an extended period of time, can accurately determine the work effort of a group of workers. In order to continue charging Federal programs in 2012, the Department will need to continue to generate and tabulate sampling data on a quarterly basis throughout the year.

DESCRIPTION OF SERVICES

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

1. Preparation of the DCAP based on actual costs for the year ending September 30, 2011. 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, 2011. As discussed earlier, the FY 11 indirect cost rates were approved on a provisional basis. This proposal will calculate final rates for FY 11, and will also propose new rates for use in fiscal year 2013.

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 LARA.

4. *RMS maintenance and administration for calendar year 2012.* 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 in this engagement. All staff will have experience in preparing cost allocation plans, indirect cost rate proposals and installing and maintaining random moment sampling systems. The project manager will be Mr. William Maxwell, the director of our MAXIMUS Lansing office. Other staff will be assigned to the project as needed by Mr. Maxwell. The resume for Mr. Maxwell is included at the end of this proposal.

COMPENSATION

Our contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan provides for an hourly rate for additional cost allocation projects. We believe this project can be performed under the terms of this contract. To do so, please contact Tim Becker, our contract administrator with the Office of Financial Management, at 373-0447. Based upon our current negotiated rates we are prepared to quote the following fees:

- **Actual FY 11 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.
- **2012 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 YEAR - \$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 2011 is closed out, and as such, the submission is not projected until approximately June 30, 2012.
- **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 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 administration, and prepare the plan for Federal submission. The projected submission date would be approximately June 30, 2012.

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 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, 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 January 1, 2012, MAXIMUS will need to begin updating the sampling universe and making any required changes to the system by the end of December. The RMS maintenance activities will be provided on an on-going basis throughout the year. Final reports for the last quarter of the year will be delivered around January 15, 2013.

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

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

MAXIMUS Consulting Services, Inc.

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF STATE
FOR DEVELOPMENT OF THE
FISCAL 2011 COST ALLOCATION PLAN
FOR MOTOR VEHICLE PROGRAM**

NOVEMBER 2011

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

**Proposal to
The Michigan Department of State
To Prepare the Fiscal 2011 Cost Allocation Plan
For Motor Vehicle Program Costs**

INTRODUCTION

MAXIMUS Consulting Services, 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 2011. The following information outlines our qualifications, experience and information regarding the scope of services.

BUSINESS ORGANIZATION

MAXIMUS Consulting Services, a wholly owned subsidiary corporation of MAXIMUS, Inc. (MAXIMUS) is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division that specializes in assisting 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 across 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. During 1997, the DOS contracted with MAXIMUS to develop a cost allocation methodology. The original study was based upon fiscal 1996 cost and statistical data. The model has subsequently been updated by MAXIMUS each of the past fiscal years. The DOS now desires to have the allocation plan updated based upon fiscal 2011 information.

OBJECTIVES

1. The Michigan Department of State's primary goal for this project is to update the cost allocation model based upon fiscal 2011 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 driver and vehicle services provided by the Department. This includes the development of a cost allocation model to accumulate the full cost, including indirect costs, associated with each service.
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 an approach that will achieve each goal above. A cost allocation plan will be designed to distribute costs to specific driver and vehicle service areas within the

Department. The cost allocation plan can therefore be used to determine the full cost of providing each service area. Those fee or service areas that relate to the Michigan Transportation Fund can be accumulated to determine the recommended level of MTF funding. In addition, a second cost allocation will be prepared that is designed to determine allowable federal indirect costs in compliance with federal standards. 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 that 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 most recent plan 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. Following is a listing of the individual bureau cost allocation plans that need to be developed.

- Central Services (including Department Administration, DIT, Department Services, Customer Service Administration, and Legal & Regulatory Services Administration)
- Bureau of Branch Office Services
- BDVR (Including the Office of Customer Services)
- 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 short-term random moment sampling (RMS) projects at branch offices across the State. RMS results were used to develop Relative Transaction Times (RTTs) for each type of transaction processed at the branches. The Relative Transactions Times for each service area are weighed by annual statewide volumes to arrive at the final percent of effort for each service. The RTTs were developed during the original study and updated during fiscal 2006. MAXIMUS does not propose to update the RTTs developed by the random moment sampling projects. 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 will summarize the full annual cost of each service area and identify 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 Other Funding Sources and 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. Attachment A provides a listing of some our State of Michigan clients and references

Moreover, the original DOS cost allocation methodology was developed by MAXIMUS. This makes MAXIMUS uniquely qualified to update the model for the 2011 fiscal year.

STAFFING

MAXIMUS will assemble an outstanding team of consultants to assist the Department of State in this engagement. The primary consulting team will include consultants with our

Financial Services Division from our Lansing, Michigan office. 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 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 serve as the project manager. 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.

COMPENSATION

Based upon our experience in preparing this plan in previous years, we project that this project will require 600 hours of MAXIMUS consultant time to complete. Based upon a billing rate of \$120 per hour, we are prepared to quote a fixed fee of \$72,000, including all expenses incurred by us. We will bill based upon a schedule of deliverables or tasks as follows:

<u>Task</u>	<u>Amount</u>
Project Initiation	\$ 5,000
Central Services Cost Allocation Plan	\$ 10,000
Branch Offices Cost Allocation Plan	\$ 5,000
BVDR Cost Allocation Plan	\$ 10,000
Information Security Cost Allocation Plan	\$ 5,000
Regulatory Services Cost Allocation Plan	\$ 5,000
A-87 Cost Rate Proposal	\$ 10,000
Summary of Cost By Service Allocation Plan	\$ 4,000
Summary of Cost by Fund Allocation Plan	\$ 4,000

Draft Report on MTF Funding	\$ 4,000
Final Report on MTF Funding	\$ 5,000
<u>Final Report on User Fees</u>	<u>\$ 5,000</u>
Project Total	\$ 72,000

The quoted fee is based upon updating the plan according to the methodology approved by the Project Steering Committee during the initial year. Any changes to the methodology that require additional analysis and documentation may result in additional costs and will need to be addressed as amendments to the contract.

Our contract with DTMB 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. However, to do so you must get approval from the DTMB Office of Financial Management.

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, 2012. 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, 2012. 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 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.

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

MAXIMUS Consulting Services, Inc.

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF
AGRICULTURE
FOR AN FY 11 CENTRAL SERVICES COST
ALLOCATION PLAN AND
INDIRECT COST RATE PROPOSAL**

OCTOBER 2011

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**PROPOSAL TO
THE MICHIGAN DEPARTMENT OF AGRICULTURE
FOR PREPARATION OF THE
FY 11 ACTUAL
DEPARTMENTAL COST ALLOCATION PLAN**

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

BUSINESS ORGANIZATION

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary corporation of MAXIMUS, Inc. (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 which specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has over 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

MAXIMUS Consulting Services, 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, 2011. The DCAP will be prepared utilizing *MAXCARS*, 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 11 actual circumstances.

Executive Administration
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, 2011. Actual FY 11 costs will be used to finalize current rates approved by USDA for use during fiscal 2011, and will also be used to propose new fixed or provisional rates for use in fiscal 2013. 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 11 rates and to propose a single departmental rate for use in FY 13.

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 director of our MAXIMUS Lansing office. Other staff will be assigned to the project as needed by Mr. Maxwell. The resume for Mr. Maxwell is included at the end of this proposal.

COMPENSATION

Our current contract with the State of Michigan for 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 11 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 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, 2012. 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.

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

MAXIMUS Consulting Services, Inc.

**PROPOSAL TO THE
MICHIGAN ATTORNEY GENERAL
FOR AN FY 11 CENTRAL SERVICES COST
ALLOCATION PLAN AND
INDIRECT COST RATE PROPOSAL**

OCTOBER 2011

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

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

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

BUSINESS ORGANIZATION

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

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

BACKGROUND

The Michigan 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, 2009. Based on this submission, the Department of Health and Human Services (HHS) approved provisional indirect cost rates for the Attorney General for FY 11.

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 11 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, 2011. The DCAP would be prepared utilizing *MAXCARS*, software developed by MAXIMUS for the specific purpose of preparing cost allocation plans. As much as possible, the plan will be prepared consistent with the Department's most recent submission in that the same pools of indirect costs will be allocated. However, the cost pools will be amended as necessary to reflect 2011 actual circumstances.
2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2011. Actual FY 11 costs will be used as the basis for establishing a new fixed or provisional rate for use in FY 13. 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 numerous plans with 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 Technology, Management and Budget, Office of Financial Management. In addition, MAXIMUS has prepared numerous departmental cost allocation plans and indirect cost rate proposals, installed random moment sampling systems, and worked on many other cost accounting projects for the State of Michigan. A list of references from agencies of the State of Michigan is attached. A complete listing of all of our clients is available upon request.

STAFFING

MAXIMUS will assemble an experienced team of consultants to assist the 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 senior consultant assigned to our Lansing office. Mr. Bohac would assist Mr. Maxwell as needed with development of the plan and proposal.

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

COMPENSATION

Based upon our experience in preparing the last submission, we anticipate that the project will require a total of 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 2011 Actual Cost Allocation Plan & Indirect Cost Rate Proposal

TIMING

Work cannot begin until the current fiscal year is closed and final financial reports are available. Therefore we do not anticipate a start date until sometime after January 1, 2012. After all necessary financial information is obtained, approximately three to four months will be necessary for completion of the draft. Preparation of the final report and their submission to the HHS will be at the discretion of the Department. Once submitted, negotiation and approval of the documents can take anywhere from several weeks to several months. We will make every attempt to expedite the process, but we must advise the 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.

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

MAXIMUS Consulting Services, Inc.

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

January 5, 2012

CHANGE NOTICE NO. 1
TO
CONTRACT NO. 071B2200084
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR		TELEPHONE (517) 484-4240 William Maxwell
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906 billmaxwell@maximus.com		
		BUYER/CA (517) 373-0325 Angela Buren
Contract Compliance Inspector: Tim Becker (517) 373-0447 becker1@michigan.gov Central Cost Analysis and SWCAP Preparation Department of Technology, Management and Budget		
CONTRACT PERIOD:		From: January 1, 2012 To: December 31, 2014
TERMS	Net 45	SHIPMENT N/A
F.O.B.	N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A		

NATURE OF CHANGE(S):

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

▪ DTMB - FY 11 SWCAP	\$ 29,500.00
▪ MSP - Cost Allocation Plan and Cost of Service Analysis of Training Services	\$ 19,680.00
▪ DEQ – FY 11 Central Services Cost Allocation Plan and Indirect Cost Rate Proposal	\$ 7,200.00
Total Value of Proposal:	\$ 56,380.00
Remaining Amount Available on Contract:	\$ 1,352,120.00

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

AUTHORITY/REASON:

Per agency/Contractor agreement and DTMB-Procurement approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$1,408,500.00

**Proposal to
The Michigan State Police
For a Cost Allocation Plan and
Cost of Service Analysis of
Training Services**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary of MAXIMUS Inc. (MAXIMUS) is pleased to present this proposal to the Michigan Department of State Police (MSP) for the preparation of a cost allocation plan and cost of service analysis of training services provided by the MSP Training Division. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

MAXIMUS Consulting Services, Inc. is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division that has been assisting state and local governments in matters related to grants management and cost accounting since 1976. The project would be performed by staff 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 Training Division of the Michigan State Police is finding that it is providing significant subsidies through general revenue sources to services for which fees are levied. They are also coming to the conclusion that they can no longer continue to provide these large subsidies. As such, the MSP desires to have a cost analysis of training services prepared. The purpose of the analysis is to determine the true cost of providing services and to establish a fee schedule

that recovers a greater portion of those costs and helps the Training Division to reduce or eliminate its need for a general fund appropriation.

TECHNICAL APPROACH RESPONSIVE TO THE STATE POLICE NEEDS

The primary purpose of this engagement is to document the cost of providing services for which user fees are assessed. In performing the analysis for the State Police, costs are not limited to direct Training Division charges based on governmental accounting procedures, but rather are based on comprehensive costs incurred by the State Police in providing services. Total costs include an allocation of administrative departments, and costs not traditionally organized in divisional budgets such as rent and vehicle charges.

MAXIMUS proposes the following technical approach to meet the project's objectives:

- Data collection and research provide a comprehensive understanding of the Training Division's operation. Sound analysis during this phase will ensure comprehensive analysis in subsequent phases.
- Interview Training Division managers to identify all services. This is essential to develop a comprehensive cost analysis of all activities where user fees are charged.
- Interact with State Police Administrators and officials to determine that project results are consistent with objectives.

Each governmental entity is unique, based on the scope of services it provides and the methods to deliver such services. There is no routine method of performing a user fee study. As a result, thorough, comprehensive analysis goes into each project undertaken by MAXIMUS.

Costs used to generate these analyses will be based on fiscal year 2012 budgeted costs. The most current information will result in the most accurate recovery for the upcoming year. Based on our experience, recoveries can be as much as 10 percent greater using budgeted costs.

WORK-PLAN

The following work-plan details the major tasks involved in the technical approach to achieve the project's objectives:

Initiate User Fee Project. This task consists of those activities required to initiate the engagement in a manner that will ensure timely and successful project completion; including meeting with State Police management and relevant Division heads to discuss the goals, objectives and overall scope of the engagement.

Obtain Background Information. Pertinent financial data and budgets relating to the project will be obtained. We will review and reconcile information as needed to complete the detailed analysis. Other reports that may be needed include:

- Organization charts
- Fee Schedules
- Prior fee/revenue analyses (if any)
- Cost allocation documents or schemes (if any)
- Annual reports (if any)

Develop Service Inventory. It will be necessary to develop an inventory of all classes, building and track rentals, meals served, etc. that are provided in a typical year. The inventory will need to reflect the number of enrollees, the number of meals, the days of duration, days of housing provided in dormitory,

instructor time, etc. This inventory is critical to the project. The volume of services provided must be accurately reflected in order to appropriately allocate costs across services.

Conduct Staff Interviews. Interviews will be conducted with Training Administration and Instructors to determine how staff resources are allocated across the various service areas. In addition, individual budget line items will be reviewed to determine the most appropriate allocation methodology for the study.

Identify Indirect Costs. Certain costs are incurred centrally and are not associated with a specific division or service. The two primary categories of such cost are State Police overhead costs and statewide services. Such costs need to be identified and allocated to services where user fees are assessed.

Analyze and Allocate Personnel Costs. Based on the results of the interviews, personnel costs associated with each budgeted FTE of the Training Division will be summarized and allocated across various activity pools. These pools could include such activities as Drive Track supervision, classroom instruction, kitchen services, dormitory supervision, building management, course enrollment or general administrative functions. Most government services are primarily labor based; benefits are proportional to the relative effort of the staff. Accordingly, one of the primary methods to allocate costs into the service areas would be based on labor cost.

Analyze Facility Costs. Training Division Rent and floor plans will be needed. Floor plans will be reviewed to determine the percent of space used for classrooms, pool, dormitories, kitchen, gym, etc. so that rental costs can be allocated appropriately across each service area.

Design and Prepare Cost Allocation Plan. Training Division costs, rent and overhead costs will be allocated across the various service areas using our

proprietary cost allocation software. The cost plan will be designed in a manner to best accommodate the Training Division budget structure. Costs will be allocated into the following service areas - Drive Track, Kitchen, Dorm Rooms, Classrooms, Special Use Rooms (tank, gymnasium) and Instructors for the purpose of developing an allocation methodology for instruction by Training Academy Staff where applicable.

Calculate Unit Costs. As mentioned above, it is necessary to develop a complete inventory of annual services. The volume of annual services will be used to develop unit costs for each service area. For example, once the full cost of the Kitchen is determined, a unit cost per meal can be developed by dividing the full annual cost of the Kitchen by the total number of annual meals served. Similarly, unit costs will be developed for each service area, including a daily rate for instructors, a day rate for the dormitory, a day rate for the track, etc.

Create Fee Costing Template. Using the unit costs developed by the cost allocation plan, a fee costing template will be developed. The Training Division offers a variety of courses, all of which vary in duration and resources utilized. The template can be used to identify the fixed and variable costs associated a specific course offering and to determine the appropriate tuition requirements.

Prepare and Present Draft Report. Our standard procedure is to provide our project report to our clients in draft form prior to final distribution. This procedure provides an opportunity to discuss individual recommendations in detail prior to report finalization.

Present Final Report. Based upon discussions, the draft report will be modified as required and submitted in final form. The recommendations and input of the proposed engagement may be controversial. The subject of fees for service raises many important considerations within the governmental arena at the

political level. It is extremely important that all parties fully understand the basis for and rationale behind the project findings.

DELIVERABLE PRODUCTS

The final report to the State Police will include:

- **Final Cost of Service Analysis.** This document will summarize the costing methodologies. It will also include the cost allocation plan, the unit cost calculations, and the fee costing template for the Drive Track, Kitchen, Dorm Rooms, Classrooms and Special Use Rooms (tank, gymnasium) including cost allocation methodologies for instruction by Training Academy Staff where applicable.

PROJECT STAFFING

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

Project Manager: William Maxwell is the director of the MAXIMUS Lansing office. He has managed numerous user fee projects in Michigan, and is additionally responsible for our Cost Allocation clients with the State of Michigan. Mr. Maxwell holds a Bachelor of Science degree from Central Michigan University majoring in Mathematics with a minor in Business Administration. He also holds a Master's Degree from Michigan State University.

Consultants: Nick Bohac will serve as a principal consultant for this project. Mr. Bohac has worked on numerous fee studies and cost allocation plans for Cities, Counties, and State Agencies. Mr. Bohac holds a Bachelor of Arts degree in Accounting from Michigan State University.

SCHEDULE

User fee analysis typically requires two to three months to complete. We estimate that our preliminary data will be available within two months. Once the initial results are available, the remaining month is used to finalize the document, confirming our findings with State Police personnel, and presenting the results.

PROFESSIONAL ARRANGEMENTS

Our contract with the State of Michigan for the Statewide Cost Allocation Plan includes a provision for other state agencies to contract with MAXIMUS for cost allocation services. We believe this project can be performed under the terms of the contract - 071B1300076. Based upon our standard billing rate of \$120 per hour, we are quoting the following fixed fee:

Task	Consultant Hours
Initiate User Fee Project	4
Obtain Background Information	8
Develop Service Inventory	24
Conduct Staff Interviews	16
Identify Indirect Costs	4
Analyze and Allocate Personnel Costs	16
Analyze Facility Costs	16
Design and Prepare Cost Allocation Plan	40
Calculate Unit Costs	4
Create Fee Costing Template	8
Prepare and Present Draft Report	16
Present Final Report	8
Total Consultant Hours	164
Hourly Rate	<u>\$120</u>
Proposed Fee	\$19,680

Fee includes all travel, materials and overhead costs.

Payment will be due according to the following schedule:

- 50% (\$9,840) due upon presentation of draft report
- 50% (\$9,840) due upon presentation of final report

MAXIMUS is pleased to have the opportunity to present this proposal. We look forward to assisting The State Police with this very important engagement.

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

MAXIMUS Consulting Services, Inc.

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF
ENVIRONMENTAL QUALITY
FOR AN FY 11 CENTRAL SERVICES COST
ALLOCATION PLAN AND
INDIRECT COST RATE PROPOSAL**

OCTOBER 2011

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**PROPOSAL TO
THE MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY
FOR PREPARATION OF THE FY 11
DEPARTMENTAL COST ALLOCATION PLAN
AND INDIRECT COST RATE PROPOSAL**

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

BACKGROUND

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

STATEMENT OF PROBLEM

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

FY 11 rates were approved on a fixed with carry-forward basis. This requires that fixed indirect cost rates employed during a fiscal year be reconciled to actual cost at the end of the period. Differences between fixed rates and actual rates, or carry-forwards, are computed and incorporated into proposed rates for a future period.

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, 2011.
2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2011. The FY 11 proposal will be used to reconcile FY 11 rates and to propose a new rate for fiscal 2013.
3. Negotiation of the Indirect Cost Rate Proposal with the Department's Federal Cognizant Agency, the EPA in Washington, DC

PLAN DEVELOPMENT

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

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

After our review of prior information, we will collect appropriate current information for the development of the plan. Data to be collected includes appropriate organizational charts with adequate detail to identify divisions, bureaus and programs.

Also required are appropriate financial records including detailed appropriation and expenditure reports.

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

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

staff will be assigned to the project as needed by Mr. Maxwell. The resume for Mr. Maxwell is included at the end of this proposal.

COMPENSATION

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

DELIVERABLES

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

- **Cost Allocation Plan and Indirect Cost Rate Proposal - based on actual expenditures for the year ended September 30, 2011 and proposing fixed rates for DEQ for use fiscal 2013.**

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 2011 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 April 30, 2012. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months. MAXIMUS will make every attempt to expedite the process, but we must advise the Department of Environmental Quality that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87, and MAXIMUS is available to defend the plan against audit for a three-year period at no additional charge.

PAYMENT SCHEDULE

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

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

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

MAXIMUS Consulting Services, Inc.

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

January 3, 2012

NOTICE
TO
CONTRACT NO. 071B2200084
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR		TELEPHONE (517) 484-4240 William Maxwell
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906 billmaxwell@maximus.com		
Contract Compliance Inspector: Tim Becker (517) 373-0447 becker1@michigan.gov Central Cost Analysis and SWCAP Preparation Department of Technology, Management and Budget		BUYER/CA (517) 373-0325 Angela Buren
CONTRACT PERIOD: From: January 1, 2012 To: December 31, 2014		
TERMS	Net 45	SHIPMENT N/A
F.O.B.	N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A		

The terms and conditions of this Contract are attached.

Estimated Contract Value: **\$1,408,500.00**

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

CONTRACT NO. 071B2200084
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906 <p style="text-align: right;">billmaxwell@maximus.com</p>	TELEPHONE (517) 484-4240 William Maxwell BUYER/CA (517) 373-0325 Angela Buren
Contract Compliance Inspector: Tim Becker (517) 373-0447 becker1@michigan.gov <p style="text-align: center;">Central Cost Analysis and SWCAP Preparation Department of Technology, Management and Budget</p>	
CONTRACT PERIOD: From: January 1, 2012 To: December 31, 2014	
TERMS <p style="text-align: center;">Net 45</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	
MISCELLANEOUS INFORMATION: <p>The terms and conditions of this Contract are attached.</p> <p>Estimated Contract Value: \$1,408,500.00</p>	

<p>FOR THE CONTRACTOR:</p> <p style="text-align: center;">Maximus Consulting Services, Inc.</p> <hr/> <p style="text-align: center;">Firm Name</p> <hr/> <p style="text-align: center;">Authorized Agent Signature</p> <hr/> <p style="text-align: center;">Authorized Agent (Print or Type)</p> <hr/> <p style="text-align: center;">Date</p>	<p>FOR THE STATE:</p> <hr/> <p style="text-align: center;">Signature</p> <p style="text-align: center;">Jeff Brownlee, Chief Procurement Officer</p> <hr/> <p style="text-align: center;">Name/Title</p> <p style="text-align: center;">DTMB - Procurement</p> <hr/> <p style="text-align: center;">Division</p> <hr/> <p style="text-align: center;">Date</p>
--	---



STATE OF MICHIGAN
Department of Technology Management and Budget
Purchasing Operations

Contract #071B2200084
Analysis of Central Service Costs and Statewide Cost Allocation Plan (SWCAP)
for the Department of Technology, Management, and Budget.

Buyer Name: Angela Buren
Telephone Number: 517-373-0325
E-Mail Address: burena@michigan.gov



Table of Contents

DEFINITIONS..... 7

Article 1 – Statement of Work (SOW)..... 9

1.010 Project Identification..... 9

 1.011 Project Request..... 9

 1.012 Background 9

1.020 Scope of Work and Deliverables..... 9

 1.021 In Scope 9

 1.022 Work and Deliverable 9

1.030 Roles and Responsibilities..... 10

 1.031 Contractor Staff, Roles, and Responsibilities..... 10

1.040 Project Plan..... 11

 1.041 Project Plan Management 11

 1.042 Reports 16

1.050 Acceptance 16

 1.051 Criteria 16

 1.052 Final Acceptance 16

1.060 Proposal Pricing 16

 1.061 Proposal Pricing 16

 1.062 Price Term 16

 1.063 Tax Excluded from Price 17

 1.064 Holdback [Deleted - N/A]..... 17

1.070 Additional Requirements 17

 1.071 Additional Terms and Conditions specific to this Contract [Deleted - N/A] 17

Article 2, Terms and Conditions 18

2.000 Contract Structure and Term 18

 2.001 Contract Term..... 18

 2.002 Options to Renew 18

 2.003 Legal Effect..... 18

 2.004 Attachments & Exhibits 18

 2.005 Ordering..... 18

 2.006 Order of Precedence 18

 2.007 Headings 18

 2.008 Form, Function & Utility 19

 2.009 Reformation and Severability 19

 2.010 Consents and Approvals 19

 2.011 No Waiver of Default 19

 2.012 Survival..... 19

2.020 Contract Administration 19

 2.021 Issuing Office..... 19

 2.022 Contract Compliance Inspector 19

 2.023 Project Manager 20

 2.024 Change Requests..... 20

 2.025 Notices..... 20

 2.026 Binding Commitments 20

 2.027 Relationship of the Parties 20

 2.028 Covenant of Good Faith 21

 2.029 Assignments..... 21

2.030 General Provisions 21

 2.031 Media Releases..... 21

 2.032 Contract Distribution 21

 2.033 Permits 21

 2.034 Website Incorporation 21

 2.035 Future Bidding Preclusion 21

 2.036 Freedom of Information 21

 2.037 Disaster Recovery 22



2.040	Financial Provisions	22
2.041	Fixed Prices for Services/Deliverables	22
2.042	Adjustments for Reductions in Scope of Services/Deliverables	22
2.043	Services/Deliverables Covered	22
2.044	Invoicing and Payment – In General	22
2.045	Pro-ration	22
2.046	Antitrust Assignment	22
2.047	Final Payment	23
2.048	Electronic Payment Requirement	23
2.050	Taxes	23
2.051	Employment Taxes	23
2.052	Sales and Use Taxes	23
2.060	Contract Management	23
2.061	Contractor Personnel Qualifications	23
2.062	Contractor Key Personnel	23
2.063	Re-assignment of Personnel at the State’s Request	24
2.064	Contractor Personnel Location	24
2.065	Contractor Identification	24
2.066	Cooperation with Third Parties	24
2.067	Contractor Return of State Equipment/Resources	24
2.068	Contract Management Responsibilities	24
2.070	Subcontracting by Contractor	25
2.071	Contractor Full Responsibility	25
2.072	State Consent to Delegation	25
2.073	Subcontractor Bound to Contract	25
2.074	Flow Down	25
2.075	Competitive Selection	25
2.080	State Responsibilities	25
2.081	Equipment	25
2.082	Facilities	25
2.090	Security	26
2.091	Background Checks	26
2.092	Security Breach Notification	26
2.093	PCI Data Security Requirements [Deleted - N/A]	26
2.100	Confidentiality	26
2.101	Confidentiality	26
2.102	Protection and Destruction of Confidential Information	26
2.103	Exclusions	27
2.104	No Implied Rights	27
2.105	Respective Obligations	27
2.110	Records and Inspections	27
2.111	Inspection of Work Performed	27
2.112	Examination of Records	27
2.113	Retention of Records	27
2.114	Audit Resolution	27
2.115	Errors	28
2.120	Warranties	28
2.121	Warranties and Representations	28
2.122	Warranty of Merchantability	28
2.123	Warranty of Fitness for a Particular Purpose	29
2.124	Warranty of Title	29
2.125	Equipment Warranty [Deleted - N/A]	29
2.126	Equipment to be New	29
2.127	Prohibited Products	29
2.128	Consequences For Breach	29
2.130	Insurance	29
2.131	Liability Insurance	29
2.132	Subcontractor Insurance Coverage	31
2.133	Certificates of Insurance and Other Requirements	31



2.140	Indemnification	31
2.141	General Indemnification	31
2.142	Code Indemnification.....	31
2.143	Employee Indemnification	31
2.144	Patent/Copyright Infringement Indemnification	32
2.145	Continuation of Indemnification Obligations.....	32
2.146	Indemnification Procedures.....	32
2.150	Termination/Cancellation	33
2.151	Notice and Right to Cure	33
2.152	Termination for Cause.....	33
2.153	Termination for Convenience	33
2.154	Termination for Non-Appropriation	33
2.155	Termination for Criminal Conviction	34
2.156	Termination for Approvals Rescinded.....	34
2.157	Rights and Obligations upon Termination	34
2.158	Reservation of Rights.....	34
2.160	Termination by Contractor	35
2.161	Termination by Contractor.....	35
2.170	Transition Responsibilities	35
2.171	Contractor Transition Responsibilities.....	35
2.172	Contractor Personnel Transition.....	35
2.173	Contractor Information Transition.....	35
2.174	Contractor Software Transition.....	35
2.175	Transition Payments.....	35
2.176	State Transition Responsibilities	35
2.180	Stop Work	36
2.181	Stop Work Orders.....	36
2.182	Cancellation or Expiration of Stop Work Order	36
2.183	Allowance of Contractor Costs.....	36
2.190	Dispute Resolution	36
2.191	In General.....	36
2.192	Informal Dispute Resolution	36
2.193	Injunctive Relief	37
2.194	Continued Performance	37
2.200	Federal and State Contract Requirements	37
2.201	Nondiscrimination	37
2.202	Unfair Labor Practices.....	37
2.203	Workplace Safety and Discriminatory Harassment.....	37
2.204	Prevailing Wage [Deleted – N/A].....	37
2.210	Governing Law	38
2.211	Governing Law	38
2.212	Compliance with Laws.....	38
2.213	Jurisdiction.....	38
2.220	Limitation of Liability	38
2.221	Limitation of Liability	38
2.230	Disclosure Responsibilities	38
2.231	Disclosure of Litigation	38
2.232	Call Center Disclosure.....	39
2.233	Bankruptcy.....	39
2.240	Performance	39
2.241	Time of Performance.....	39
2.242	Service Level Agreements (SLAs) [Deleted - N/A].....	39
2.243	Liquidated Damages [Deleted - N/A].....	40
2.244	Excusable Failure.....	40



2.250 Approval of Deliverables 40

2.251 Delivery Responsibilities 40

2.252 Delivery of Deliverables..... 41

2.253 Testing..... 41

2.254 Approval of Deliverables, In General 41

2.255 Process For Approval of Written Deliverables 42

2.256 Process for Approval of Services 42

2.257 Process for Approval of Physical Deliverables..... 42

2.258 Final Acceptance 42

2.260 Ownership 42

2.261 Ownership of Work Product by State 42

2.262 Vesting of Rights 43

2.263 Rights in Data 43

2.264 Ownership of Materials..... 43

2.270 State Standards 43

2.271 Existing Technology Standards..... 43

2.272 Acceptable Use Policy..... 43

2.273 Systems Changes 43

2.280 Extended Purchasing..... 43

2.281 MiDEAL [Deleted - N/A]..... 43

2.282 State Employee Purchases [Deleted - N/A] 43

2.290 Environmental Provision 44

2.291 Environmental Provision..... 44

2.300 Other Provisions..... 45

2.311 Forced Labor, Convict Labor, Forced or Indentured Child Labor, or Indentured Servitude Made Materials..... 45

ATTACHMENTS:

- Attachment A, Pricing Proposal
- Attachment B, Organization Chart



DEFINITIONS

24x7x365 means 24 hours a day, seven days a week, and 365 days a year (including the 366th day in a leap year).

Additional Service means any Services within the scope of the Contract, but not specifically provided under any Statement of Work.

Audit Period means the seven year period following Contractor's provision of any work under the Contract.

Bidder(s) are those companies that submit a proposal in response to the RFP.

Business Day means any day other than a Saturday, Sunday or State-recognized legal holiday from 8:00am EST through 5:00pm EST unless otherwise stated.

Blanket Purchase Order is an alternate term for Contract and is used in the Plan Sponsors' computer system.

CCI means Contract Compliance Inspector.

Days means calendar days unless otherwise specified.

Deleted – N/A means that section is not applicable or included in this Contract. This is used as a placeholder to maintain consistent numbering.

Deliverable means physical goods and/or services required or identified in a Statement of Work.

DTMB means the Michigan Department of Technology Management and Budget.

Environmentally Preferable Products means a product or service that has a lesser or reduced effect on human health and the environment when compared with competing products or services that serve the same purpose. Such products or services may include, but are not limited to: those which contain recycled content, minimize waste, conserve energy or water, and reduce the amount of toxics either disposed of or consumed.

Hazardous Material means any material defined as hazardous under the latest version of federal Emergency Planning and Community Right-to-Know Act of 1986 (including revisions adopted during the term of the Contract).

Incident means any interruption in any function performed for the benefit of a Plan Sponsor.

Key Personnel means any personnel identified in **Section 1.031** as Key Personnel.

New Work means any Services/Deliverables outside the scope of the Contract and not specifically provided under any Statement of Work, such that once added will result in the need to provide the Contractor with additional consideration. "New Work" does not include Additional Service.

Ozone-depleting Substance means any substance the Environmental Protection Agency designates in 40 CFR part 82 as: (1) Class I, including, but not limited to, chlorofluorocarbons, halons, carbon tetrachloride, and methyl chloroform; or (2) Class II, including, but not limited to, hydrochlorofluorocarbons.

Post-Consumer Waste means any product generated by a business or consumer which has served its intended end use; and which has been separated or diverted from solid waste for the purpose of recycling into a usable commodity or product, and which does not include post-industrial waste.

Post-Industrial Waste means industrial by-products which would otherwise go to disposal and wastes generated after completion of a manufacturing process, but does not include internally generated scrap commonly returned to industrial or manufacturing processes.

Recycling means the series of activities by which materials that are no longer useful to the generator are collected, sorted, processed, and converted into raw materials and used in the production of new products. This definition excludes the use of these materials as a fuel substitute or for energy production.

Reuse means using a product or component of municipal solid waste in its original form more than once.



RFP means a Request for Proposal designed to solicit proposals for services.

Services means any function performed for the benefit of the State.

SLA means Service Level Agreement.

Source Reduction means any practice that reduces the amount of any hazardous substance, pollutant, or contaminant entering any waste stream or otherwise released into the environment prior to recycling, energy recovery, treatment, or disposal.

State Location means any physical location where the State performs work. State Location may include state-owned, leased, or rented space.

Subcontractor means a company selected by the Contractor to perform a portion of the Services, but does not include independent contractors engaged by Contractor solely in a staff augmentation role.

Unauthorized Removal means the Contractor's removal of Key Personnel without the prior written consent of the State.

Waste Prevention means source reduction and reuse, but not recycling.

Pollution Prevention means the practice of minimizing the generation of waste at the source and, when wastes cannot be prevented, utilizing environmentally sound on-site or off-site reuse and recycling. The term includes equipment or technology modifications, process or procedure modifications, product reformulation or redesign, and raw material substitutions. Waste treatment, control, management, and disposal are not considered pollution prevention, per the definitions under Part 143, Waste Minimization, of the Natural Resources and Environmental Protection Act (NREPA), 1994 PA 451, as amended.

Work in Progress means a Deliverable that has been partially prepared, but has not been presented to the State for Approval.

Work Product refers to any data compilations, reports, and other media, materials, or other objects or works of authorship created or produced by the Contractor as a result of an in furtherance of performing the services required by the Contract.



Article 1 – Statement of Work (SOW)

1.010 Project Identification

1.011 Project Request

This Contract is for the analysis of central service costs and the preparation of the State of Michigan's cost allocation plan for submission to the U.S. Department of Health and Human Services

1.012 Background

The State of Michigan, like most governments receiving federal funding, is required to file a Statewide Cost Allocation Plan (SWCAP) with the U.S. Department of Health and Human Services (HHS). The State Budget Office, 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_2004).

1.020 Scope of Work and Deliverables

1.021 In Scope

The Contractor must analyze, develop, submit, and negotiate the State of Michigan's Statewide Cost Allocation Plan with the federal government.

1.022 Work and Deliverable

Contractor must 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 work papers to become familiar with the 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.
2. Review prior audit coverage and correspondence from (and to) the federal government relating to essential plan information.
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.
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.
5. Prepare a report summarizing the carry-forward calculations on a service-by-service basis for each State agency.
6. Prepare a report summarizing the proposed fixed allocations for each State agency, including carry forwards, to be submitted to the federal government.
7. Prepare a report that identifies proper charges to various State Restricted funding sources to support the Department of Technology, Management, and Budget's (DTMB) 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 DTMB's centralized services (allocated in the SWCAP) to specific State Restricted funding sources.
8. Deliver one reproducible and three bound copies of each plan identified in the following list to OFM and DTMB's Office of Financial Services, on the following schedule:



SWCAP and Allocated Cost by Fund

<u>Period Covered</u>	<u>Due Date*</u>
Initial Cycle:	
FY 2010/11 Actual	June 30, 2012
FY 2012/13 Budget	June 30, 2012

Subsequent Cycles (subject to contract extension)

FY 2011/12 Actual
 FY 2013/14 Budget

FY 2012/13 Actual
 FY 2014/15 Budget

FY 2013/14 Actual
 FY 2015/16 Budget

FY 2014/15 Actual
 FY 2016/17 Budget May need to change if contract period changes

* 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.

9. For each annual cycle, the Contractor must:

- 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 work papers 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.

1.030 Roles and Responsibilities

1.031 Contractor Staff, Roles, and Responsibilities

Contractor must provide a project manager to act as a central point of contact for all contractual activities. Contractor must also identify Contractor staff who will be involved, identify by name the individuals, and describe in detail their roles and responsibilities. See organization chart in Attachment B.



1.040 Project Plan

1.041 Project Plan Management

The following applies to the development of the SWCAP for the initial contract year. The same approach would apply to each additional year awarded under this Contract.

A clearly defined project management structure and work plan ensures project resources are focused and coordinated. The detailed work plan establishes a baseline that is critical for managing change and risk going forward. We believe a formal structured project management approach is required to achieve project success. This approach provides the framework to initiate, plan, execute, control, and close all of the project work. We offer the State a tested and proven project management methodology based upon our experience across a wide array of programs. *Exhibit 1.041-1: The MAXIMUS Project Management Approach*, illustrates our project management approach.

Project Management Approach



- A. Approach** - The approach we have defined for this project clearly focuses on satisfying the State’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 that 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 is unique, it will be necessary to use separate versions of the R*STARS reports for DTMB, Treasury and Civil Service. This is a critical decision in the development of the SWCAP and needs to be coordinated with the DTMB Office of Financial Management.

5. *Conduct Appropriate Interviews* – It will be necessary to conduct interviews with personnel from many of the allocated cost pools 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 nearly 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. FTEs, 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 11 is complete, the Budget FY 13 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 fiscal year. This could include inflationary increases, adjustments for items such as any banked leave program, and adjustments to all amortization schedules.
- ✓ SWCAP departments are revised to reflect any known reorganizational changes such as the elimination or consolidation of departments.
- ✓ Allocation bases are adjusted to reflect any changes due to reorganization.
- ✓ Central service cost pools are revised to reflect any known changes in Section I services.
- ✓ Any changes resulting from a change in the accounting treatment of costs will 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 allow 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 the actual FY 11 actual SWCAP is compared to the same allocation in the FY 11 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 11 actual SWCAP are combined with budgeted allocations from the FY 13 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 DTMB 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, DTMB has legislative appropriations from State restricted funds for all DTMB statewide central service programs. As discussed in Article 1.022.7, MAXIMUS has worked with the DTMB Office of Financial Services to develop a comprehensive approach that can be maintained in *Excel* format. MAXIMUS consultants will work with Financial Services staff to develop the cost allocation plans for both the actual and budget SWCAP. 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 DTMB 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. We will also represent the State of Michigan and answer negotiator/auditor questions for a period of three years following completion of the plan.

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 issues often arise that 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 consultants will be available to meet with State officials to advise on cost allocation issues as they arise.

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

C. Timeline – The chart below identifies each of the above tasks and the projected timeframes for completion.

Proposed Timeframes

Task	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12
Project Initiation												
Review Historical Data												
Collect Background Data												
Select Financial Reports												
Conduct Interviews												
Summarize Bases												
Prepare Actual SWCAP												
Prepare Budget SWCAP												
Prepare Carry-Forwards												
Prepare Summary of Costs												
Prepare Plans by Fund												
Other Documents												
Submit Drafts for Review												
Submit Plans to DHHS												
Federal Negotiations												
On-Going Assistance												
DTMB Indirect Cost Rate												



D. MAXIMUS SWCAPs - MAXIMUS prepared SWCAPs identify and allocate service costs by function or activity level utilizing proprietary cost allocation software. Some 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. However, the classification of departmental costs into discrete functions with distinct allocation bases better reflects 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 would 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 allow the application of allocation bases that most closely correlate with the benefits derived by departments receiving services. For example, the application of a single allocation base to total expenditures of the Office of Financial Management would be inequitable since OFM encompasses diverse activities (payroll, financial reporting, accounting liaisons, help desk, and MAIN training) for which no single, appropriate allocation base exists.

E. Proprietary Cost Allocation Software - The proprietary cost allocation software utilized by MAXIMUS has been accepted 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 and technology. Reports prepared by the software include 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 allows 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 several 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 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 is made to:

- ✓ Capture the additional central services allocated to a particular central service subsequent to the initial allocation of the affected department, and
- ✓ Reallocate 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 allowable operating expenses for the department, 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 lists all central services and identifies the allocation schedules in the plan. The allocation of costs in the plan has been accomplished in the same order as shown in the Table of Contents. Each section of the plan is presented in identical format and contains the following schedules:

- ✓ 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 showing the application of each allocation base to each of the allowable functional areas identified, and
- ✓ Summary of the total costs allocated to each benefited department.

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 service-by-service basis. This often makes them easier to review and negotiate with federal cost negotiators.

Risk assessment review must be conducted on a regular basis. 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.

1.042 Reports

Oversight will be managed by reports required in Section 1.022 and as issues dictate.

1.050 Acceptance

1.051 Criteria

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

OMB Circular A-87 (http://www.whitehouse.gov/omb/circulars_a087_2004) 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.

1.052 Final Acceptance

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

1.060 Proposal Pricing

1.061 Proposal Pricing

This 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 Contract to State agencies. See Attachment A for price sheet.

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 the expense at the State's current travel reimbursement rates. See www.michigan.gov/dtmb for current rates.

1.062 Price Term

Prices quoted are firm for the entire length of the Contract.



1.063 Tax Excluded from Price

(a) Sales Tax: For purchases made directly by the State, the State is exempt from State and Local Sales Tax. Prices must not include the taxes. Exemption Certificates for State Sales Tax will be furnished upon request.

(b) Federal Excise Tax: The State may be exempt from Federal Excise Tax, or the taxes may be reimbursable, if articles purchased under any resulting Contract are used for the State's exclusive use. Certificates showing exclusive use for the purposes of substantiating a tax-free or tax-reimbursable sale will be sent upon request. If a sale is tax exempt or tax reimbursable under the Internal Revenue Code, prices must not include the Federal Excise Tax.

1.064 Holdback [Deleted – N/A]

1.070 Additional Requirements

1.071 Additional Terms and Conditions [Deleted – N/A]



Article 2, Terms and Conditions

2.000 Contract Structure and Term

2.001 Contract Term

The Contract is for a period of three years beginning January 1, 2012, through December 31, 2014. All outstanding Purchase Orders must also expire upon the termination (cancellation for any of the reasons listed in **Section 2.150**) of the Contract, unless otherwise extended under 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.

2.002 Options to Renew

The 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 two additional one-year periods.

2.003 Legal Effect

Contractor must show acceptance of the Contract by signing two copies of the Contract and returning them to the Contract Administrator. The Contractor must not proceed with the performance of the work to be done under the Contract, including the purchase of necessary materials, until both parties have signed the Contract to show acceptance of its terms, and the Contractor receives a Contract release/purchase order that authorizes and defines specific performance requirements.

Except as otherwise agreed in writing by the parties, the State assumes no liability for costs incurred by Contractor or payment under the Contract, until Contractor is notified in writing that the 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.

2.004 Attachments & Exhibits

All Attachments and Exhibits affixed to any and all Statement(s) of Work, or appended to or referencing the Contract, are incorporated in their entirety and form part of the Contract.

2.005 Ordering

The State will issue a written Purchase Order, Blanket Purchase Order, Direct Voucher or Procurement Card Order, which must be approved by the Contract Administrator or the Contract Administrator's designee, to order any Services/Deliverables under the Contract. All orders are subject to the terms and conditions of the Contract. No additional terms and conditions contained on either a Purchase Order or Blanket Purchase Order apply unless they are also specifically contained in that Purchase Order's or Blanket Purchase Order's accompanying Statement of Work. Exact quantities to be purchased are unknown, however, the Contractor must furnish all such materials and services as may be ordered during the Contract period. Quantities specified, if any, are estimates based on prior purchases, and the State is not obligated to purchase in these or any other quantities.

2.006 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 the subject matter and as additional terms and conditions on the purchase order must apply as limited by **Section 2.005**.

(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 the Contract, which may be modified or amended only by a formal Contract amendment.

2.007 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.



2.008 Form, Function & Utility

If the Contract is for use of more than one State agency and if the Deliverable/Service does not 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.

2.009 Reformation and Severability

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

2.010 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, the consent or approval must be in writing and must not be unreasonably withheld or delayed.

2.011 No Waiver of Default

If a party fails to insist upon strict adherence to any term of the Contract then the party has not waived the right to later insist upon strict adherence to that term, or any other term, of the Contract.

2.012 Survival

Any provisions of the Contract that impose continuing obligations on the parties, including without limitation the parties' respective warranty, indemnity and confidentiality obligations, 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.

2.020 Contract Administration

2.021 Issuing Office

The Contract is issued by the Department of Technology, Management and Budget, Purchasing Operations and State Budget Office, 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 the Contract.** The Contractor Administrator within Purchasing Operations for the Contract is:

Angela Buren, Buyer
 Purchasing Operations
 Department of Technology Management and Budget
 Mason Bldg., 2nd Floor
 PO Box 30026, Lansing, MI 48909
 burena@michigan.gov
 517-373-0325

2.022 Contract Compliance Inspector

After DTMB-Purchasing Operations receives the properly executed Contract, it is anticipated that the Director of Purchasing Operations, in consultation with OFM, will direct the person named below, or any other person so designated, to monitor and coordinate the activities for the Contract on a day-to-day basis during its term. However, monitoring of the Contract implies **no authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions and specifications of the Contract as that authority is retained by DTMB Purchasing Operations.** The CCI for the Contract is:

Tim Becker, Director
 Accounting and Financial Reporting
 DTMB - Office of Financial Management
 Romney Building, 7th Floor
 P.O. Box 30026
 Lansing, MI 48909
 Phone: 517-373-0447
 Fax: 517-335-7493
 beckert1@michigan.gov



2.023 Project Manager

The following individual will oversee the project:

Tim Becker, Director
 Accounting and Financial Reporting
 DTMB - Office of Financial Management
 Romney Building, 7th Floor
 P.O. Box 30026
 Lansing, MI 48909
 Phone: 517-373-0447
 Fax: 517-335-7493
 beckert1@michigan.gov

2.024 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 Contractor does not so notify the State, the Contractor has no right to claim thereafter that it is entitled to additional compensation for performing that service or providing that deliverable.

Change Requests:

- (a) By giving Contractor written notice within a reasonable time, the State must 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 must be prepared and issued under the Contract, describing the Change and its effects on the Services and any affected components of the Contract (a "Contract Change Notice").
- (b) No proposed Change may be performed until the proposed Change has been specified in a duly executed Contract Change Notice issued by the DTMB-Purchasing Operations.
- (c) If the State requests or directs the Contractor to perform any activities that Contractor believes constitute a Change, the Contractor must notify the State that it believes the requested activities are a Change before beginning to work on the requested activities. If the Contractor fails to notify the State before beginning to work on the requested activities, then the Contractor waives any right to assert any claim for additional compensation or time for performing the requested activities. If the Contractor commences performing work outside the scope of the Contract and then ceases performing that work, the Contractor must, at the request of the State, retract any out-of-scope work that would adversely affect the Contract.

2.025 Notices

Any notice given to a party under the Contract must be deemed effective, if addressed to the State contact as noted in Section 2.021 and the Contractor's contact as noted on the cover page of the contract, 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 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.

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

2.026 Binding Commitments

Representatives of Contractor must have the authority to make binding commitments on Contractor's behalf within the bounds set forth in the Contract. Contractor may change the representatives from time to time upon written notice.

2.027 Relationship of the Parties

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 must be deemed to be an employee, agent or servant of the State for any reason. Contractor is solely and entirely responsible for its acts and the acts of its agents, employees, servants and Subcontractors during the performance of the Contract.

**2.028 Covenant of Good Faith**

Each party must act reasonably and in good faith. Unless stated otherwise in the Contract, the parties must 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.

2.029 Assignments

(a) Neither party may assign the Contract, or 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 the affiliate is adequately capitalized and can provide adequate assurances that the affiliate can perform the requirements of the Contract. The State may withhold consent from proposed assignments, subcontracts, or novations when the 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. If the State permits an assignment, the Contractor is not relieved of its responsibility to perform any of its contractual duties, and the requirement under the Contract that all payments must be made to one (1) entity continues.

(c) If the Contractor intends to assign the Contract or any of the Contractor's rights or duties under the Contract, the Contractor must notify the State in writing at least 90 days before the assignment. The Contractor also must provide the State with adequate information about the assignee within a reasonable amount of time before the assignment for the State to determine whether to approve the assignment.

2.030 General Provisions**2.031 Media Releases**

News releases (including promotional literature and commercial advertisements) pertaining to the RFP and Contract or project to which it relates must not be made without prior written State approval, and then only in accordance with the explicit written instructions from the State. No results of the activities associated with the RFP and Contract are to be released without prior written approval of the State and then only to persons designated.

2.032 Contract Distribution

Purchasing Operations retains the sole right of Contract distribution to all State agencies and local units of government unless other arrangements are authorized by Purchasing Operations.

2.033 Permits

Contractor must 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 must pay for all costs and expenses incurred in obtaining and maintaining any necessary easements or right of way.

2.034 Website Incorporation

The State is not 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 the content and has expressly agreed to be bound by it in a writing that has been manually signed by an authorized representative of the State.

2.035 Future Bidding Preclusion

Contractor acknowledges that, to the extent the 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 competitive advantage on the RFP.

2.036 Freedom of Information

All information in any proposal submitted to the State by Contractor and the Contract is subject to the provisions of the Michigan Freedom of Information Act, 1976 PA 442, MCL 15.231, et seq (the "FOIA").



2.037 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 the Contract must provide the State with priority service for repair and work around in the event of a natural or man-made disaster.

2.040 Financial Provisions

2.041 Fixed Prices for Services/Deliverables

Each Statement of Work or Purchase Order issued under the Contract must 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. 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.

2.042 Adjustments for Reductions in Scope of Services/Deliverables

If the scope of the Services/Deliverables under any Statement of Work issued under the Contract is subsequently reduced by the State, the parties must negotiate an equitable reduction in Contractor's charges under such Statement of Work commensurate with the reduction in scope.

2.043 Services/Deliverables Covered

For all Services/Deliverables to be provided by Contractor (and its Subcontractors, if any) under the Contract, the State must not be obligated to pay any amounts in addition to the charges specified in the Contract.

2.044 Invoicing and Payment – In General

- (a) Each Statement of Work issued under the Contract must 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.
- (b) Each Contractor invoice must 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. Invoices for Services performed on a time and materials basis must 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 1.064**.
- (c) Correct invoices will be due and payable by the State, in accordance with the State's standard payment procedure as specified in 1984 PA 279, MCL 17.51 et seq., within 45 days after receipt, provided the State determines that the invoice was properly rendered.
- (d) All invoices should reflect actual work done. Specific details of invoices and payments will be agreed upon between the CCI and the Contractor.

The specific payment schedule for any Contract(s) entered into, as the State and the Contractor(s) must mutually agree upon. The schedule must show payment amount and must reflect actual work done by the payment dates, less any penalty cost charges accrued by those dates. As a general policy, statements must be forwarded to the designated representative by the 15th day of the following month.

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 CCI, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.

2.045 Pro-ration

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

2.046 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 the Contract.

**2.047 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 (1) party against the other arising from unsettled claims or failure by a party to comply with the 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 the Contract must constitute a waiver of all claims by Contractor against the State for payment under the Contract, other than those claims previously filed in writing on a timely basis and still unsettled.

2.048 Electronic Payment Requirement

Electronic transfer of funds is required for payments on State contracts. The Contractor must register with the State electronically at <http://www.cpexpress.state.mi.us>. As stated in 1984 PA 431, all contracts that the State enters into for the purchase of goods and services must provide that payment will be made by Electronic Fund Transfer (EFT).

2.050 Taxes**2.051 Employment Taxes**

Contractors are expected to collect and pay all applicable federal, state, and local employment taxes.

2.052 Sales and Use Taxes

Contractors are required to be registered and to remit sales and use taxes on taxable sales of tangible personal property or services delivered into the State. Contractors that lack sufficient presence in Michigan to be required to register and pay tax must do so as a volunteer. This requirement extends to: (1) all members of any controlled group as defined in § 1563(a) of the Internal Revenue Code and applicable regulations of which the company is a member, and (2) all organizations under common control as defined in § 414(c) of the Internal Revenue Code and applicable regulations of which the company is a member that make sales at retail for delivery into the State are registered with the State for the collection and remittance of sales and use taxes. In applying treasury regulations defining "two (2) or more trades or businesses under common control" the term "organization" means sole proprietorship, a partnership (as defined in § 701(a)(2) of the Internal Revenue Code), a trust, an estate, a corporation, or a limited liability company.

2.060 Contract Management**2.061 Contractor Personnel Qualifications**

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

2.062 Contractor Key Personnel

- (a) The Contractor must provide the CCI with the names of the Key Personnel.
- (b) Key Personnel must be dedicated as defined in the Statement of Work 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.
- (c) The State reserves 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 must notify the State of the proposed assignment, must introduce the individual to the appropriate State representatives, and must 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 must provide a written explanation including reasonable detail outlining the reasons for the rejection.



(d) Contractor must not remove any Key Personnel from their assigned roles on the Contract without the prior written consent of the State. The Contractor's removal of Key Personnel without the prior written consent of the State is an unauthorized removal ("Unauthorized Removal"). Unauthorized Removals does not include replacing Key Personnel 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. Unauthorized Removals does not include replacing Key Personnel 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 must review any Key Personnel replacements and appropriate transition planning must 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 termination and cancellation rights.

(e) The Contractor must notify the Contract Compliance Inspector and the Contract Administrator at least 10 business days before redeploying non-Key Personnel, who are dedicated to primarily to the Project, to other projects. If the State does not object to the redeployment by its scheduled date, the Contractor may then redeploy the non-Key Personnel.

2.063 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 must be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request must be based on legitimate, good-faith reasons. Replacement personnel for the removed person must 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 incident with removed personnel results in delay not reasonably anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Service will not be counted for a time as agreed to by the parties.

2.064 Contractor Personnel Location

All staff assigned by Contractor to work on the Contract must perform their duties either primarily at Contractor's offices and facilities or at State facilities. Without limiting the generality of the foregoing, Key Personnel must, 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.

2.065 Contractor Identification

Contractor employees must 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.

2.066 Cooperation with Third Parties

Contractor must 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. As reasonably requested by the State in writing, the Contractor must provide to the State's agents and other contractors reasonable access to Contractor's Project personnel, systems and facilities to the extent the access relates to activities specifically associated with the Contract and will not interfere or jeopardize the safety or operation of the systems or facilities. The State acknowledges that Contractor's time schedule for the Contract is very specific and must not unnecessarily or unreasonably interfere with, delay, or otherwise impede Contractor's performance under the Contract with the requests for access.

2.067 Contractor Return of State Equipment/Resources

The Contractor must return 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.

2.068 Contract Management Responsibilities

The Contractor must assume responsibility for all contractual activities, whether or not that Contractor performs them. Further, the State considers the Contractor to be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the anticipated Contract. If any part of the work is to be subcontracted, the Contract must include a list of Subcontractors, including firm name and address, contact person and a complete description of work to be subcontracted. The State reserves the right to approve Subcontractors and to require the Contractor to replace Subcontractors found to be unacceptable. The Contractor is totally responsible for adherence by the Subcontractor to all provisions of the Contract. Any change in Subcontractors must be approved by the State, in writing, prior to such change.



2.070 Subcontracting by Contractor

2.071 Contractor Full Responsibility

Contractor has 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 the Contract, including payment of any and all charges for Services and Deliverables.

2.072 State Consent to Delegation

Contractor must not delegate any duties under the Contract to a Subcontractor unless the DTMB-Purchasing Operations has given written consent to such delegation. The State reserves 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 must be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request must be based on legitimate, good-faith reasons. Replacement Subcontractor(s) for the removed Subcontractor must 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 SLA for the affected Work will not be counted for a time agreed upon by the parties.

2.073 Subcontractor Bound to Contract

In any subcontracts entered into by Contractor for the performance of the Services, Contractor must require the Subcontractor, to the extent of the Services to be performed by the Subcontractor, to be bound to Contractor by the terms of the Contract and to assume toward Contractor all of the obligations and responsibilities that Contractor, by the 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 is the responsibility of Contractor, and Contractor must remain responsible for the performance of its Subcontractors to the same extent as if Contractor had not subcontracted such performance. Contractor must 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 the Contract will not relieve Contractor of any obligations or performance required under the Contract.

2.074 Flow Down

Except where specifically approved in writing by the State on a case-by-case basis, Contractor must flow down the obligations in **Sections 2.031, 2.060, 2.100, 2.110, 2.120, 2.130, 2.200** in all of its agreements with any Subcontractors.

2.075 Competitive Selection

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

2.080 State Responsibilities

2.081 Equipment

The State must provide only the equipment and resources identified in the Statements of Work and other Contract Exhibits.

2.082 Facilities

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



2.090 Security

2.091 Background Checks

On a case-by-case basis, the State may investigate the Contractor's personnel before they may have access to State facilities and systems. 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. The 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 must comply with the State's security and acceptable use policies for State IT equipment and resources. See <http://www.michigan.gov/dit>. Furthermore, Contractor personnel must 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. The Contractor must present these documents to the prospective employee before the Contractor presents the individual to the State as a proposed resource. Contractor staff must comply with all Physical Security procedures in place within the facilities where they are working.

2.092 Security Breach Notification

If the Contractor breaches this Section, the Contractor must (i) promptly cure any deficiencies and (ii) comply with any applicable federal and state laws and regulations pertaining to unauthorized disclosures. Contractor and the State will cooperate to mitigate, to the extent practicable, the effects of any breach, intrusion, or unauthorized use or disclosure. Contractor must 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 10 days of becoming aware of the use or disclosure or the shorter time period as is reasonable under the circumstances.

2.093 PCI Data Security Requirements [Deleted - N/A]

2.100 Confidentiality

2.101 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 must 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 must mean any information which is retained in confidence by the State (or otherwise required to be held in confidence by the State under applicable federal, state and local laws and regulations) or which, in the case of tangible materials provided to Contractor by the State under its performance under the Contract, is marked as confidential, proprietary, or with a similar designation by the State. "Confidential Information" excludes any information (including the Contract) that is publicly available under the Michigan FOIA.

2.102 Protection and Destruction of Confidential Information

The State and Contractor must 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 the 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 must limit disclosure of the other party's Confidential Information to employees and Subcontractors who must have access to fulfill the purposes of the Contract. Disclosure to, and use by, a Subcontractor is permissible where (A) use of a Subcontractor is authorized under the Contract, (B) the disclosure is necessary or otherwise naturally occurs in connection with work that is within the 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 the Confidential Information from unauthorized use or disclosure.



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

2.103 Exclusions

Notwithstanding the foregoing, the provisions of **Section 2.100** 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 the 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 **Section 2.100** will not apply to any particular Confidential Information to the extent the receiving party is required by law to disclose the 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 the disclosure as reasonably requested by the furnishing party.

2.104 No Implied Rights

Nothing contained in this Section must 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.

2.105 Respective Obligations

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

2.110 Records and Inspections

2.111 Inspection of Work Performed

The State's authorized representatives must 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 must 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 must be allowed to inspect, monitor, or otherwise evaluate the work being performed and to the extent that the 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.

2.112 Examination of Records

For seven (7) years after the Contractor provides any work under the Contract (the "Audit Period"), the State may 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. The State must notify the Contractor 20 days before examining the Contractor's books and records. The State does not have the right to review any information deemed confidential by the Contractor to the extent access would require the 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.

2.113 Retention of Records

Contractor must maintain at least until the end of the Audit Period, all pertinent financial and accounting records (including time sheets and payroll records, information pertaining to the Contract, and to the Services, equipment, and commodities provided under the Contract) pertaining to the Contract according to generally accepted accounting principles and other procedures specified in this Section. Financial and accounting records must 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.

2.114 Audit Resolution

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



2.115 Errors

(a) If the audit demonstrates any errors due to Contractor negligence in the documents provided to the State, then the amount in error must 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 invoices. If a balance remains after four (4) invoices, then the remaining amount will be due as a payment or refund within 45 days of the last quarterly invoice 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 must pay all of the reasonable costs of the audit.

2.120 Warranties

2.121 Warranties and Representations

The Contractor represents and warrants:

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

(b) The Contract Appendices, Attachments and Exhibits identify the equipment and software and services necessary for the Deliverable(s) to perform and Services to operate in compliance with the Contract's requirements and other standards of performance.

(c) It is the lawful owner or licensee of any Deliverable licensed or sold to the State by Contractor or developed by Contractor under the 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 the Contract, nor their use by the State, will infringe the patent, copyright, trade secret, or other proprietary rights of any third party.

(d) If, under the Contract, Contractor procures any equipment, software or other Deliverable for the State (including equipment, software and other Deliverables manufactured, re-marketed or otherwise sold by Contractor under Contractor's name), then in addition to Contractor's other responsibilities with respect to the items in the Contract, Contractor must assign or otherwise transfer to the State or its designees, or afford the State the benefits of, any manufacturer's warranty for the Deliverable.

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

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

(g) Neither the Contractor nor any affiliates, nor any employee of either, has, must have, or must 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 the Contract or otherwise create an appearance of impropriety with respect to the award or performance of this Agreement. Contractor must notify the State about the nature of the conflict or appearance of impropriety within two (2) days of learning about it.

(h) If any of the certifications, representations, or disclosures made in the Contractor's original bid response change after the Contract start date, the Contractor must report those changes immediately to DTMB-Purchasing Operations.

2.122 Warranty of Merchantability

Goods provided by Contractor under this agreement must be merchantable. All goods provided under the Contract must be of good quality within the description given by the State, must be fit for their ordinary purpose, must be adequately contained and packaged within the description given by the State, must conform to the agreed upon specifications, and must conform to the affirmations of fact made by the Contractor or on the container or label.



2.123 Warranty of Fitness for a Particular Purpose

When the Contractor has reason to know or knows any particular purpose for which the goods are required, and the State is relying on the Contractor's skill or judgment to select or furnish suitable goods, there is a warranty that the goods are fit for such purpose.

2.124 Warranty of Title

Contractor must, in providing goods to the State, convey good title in those goods, whose transfer is right and lawful. All goods provided by Contractor must be delivered free from any security interest, lien, or encumbrance of which the State, at the time of contracting, has no knowledge. Goods provided by Contractor, under the Contract, must be delivered free of any rightful claim of any third person by or infringement or the like.

2.125 Equipment Warranty [Deleted – N/A]

2.126 Equipment to be New

If applicable, all equipment provided under the Contract by Contractor must be new where Contractor has knowledge regarding whether the equipment is new or assembled from new or serviceable used parts that are like new in performance or has the option of selecting one or the other. Equipment that is assembled from new or serviceable used parts that are like new in performance is acceptable where Contractor does not have knowledge or the ability to select one or other, unless specifically agreed otherwise in writing by the State.

2.127 Prohibited Products

The State will not accept salvage, distressed, outdated or discontinued merchandise. Shipping of such merchandise to any State agency, as a result of an order placed against the Contract, is considered default by the Contractor of the terms and conditions of the Contract and may result in cancellation of the Contract by the State. The brand and product number offered for all items must remain consistent for the term of the Contract, unless Purchasing Operations has approved a change order pursuant to **Section 2.024**.

2.128 Consequences for Breach

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

2.130 Insurance

2.131 Liability Insurance

The Contractor must provide proof of the minimum levels of insurance coverage as indicated below. The insurance must protect the State from claims which may arise out of or result from the Contractor's performance of Services under the terms of the Contract, whether the 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 under the Contract.

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

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

The insurers selected by Contractor must have an A.M. Best rating of A or better, or as otherwise approved in writing by the State, or if the ratings are no longer available, with a comparable rating from a recognized insurance rating agency. All policies of insurance required in the Contract must be issued by companies that have been approved to do business in the State. See www.michigan.gov/deleg.

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



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

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 the 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 according to 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 must 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 \$1,000,000.00 with a maximum deductible of \$50,000.00.

- 6. Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars (\$10,000,000.00), which must 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: \$3,000,000.00 each occurrence and \$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 the Contract, and the equipment, software and other contents of the office space, including without limitation, those contents used by Contractor to provide the Services to the State, up to its replacement value, where the office space and its contents are under the care, custody and control of Contractor. The policy must 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 must be endorsed on the policy as a loss payee as its interests appear.



2.132 Subcontractor Insurance Coverage

Except where the State has approved in writing a Contractor subcontract with other insurance provisions, Contractor must require all of its Subcontractors under the 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 must fully comply with the insurance coverage required in this Section. Failure of Subcontractor to comply with insurance requirements does not limit Contractor's liability or responsibility.

2.133 Certificates of Insurance and Other Requirements

Contractor must furnish to DTMB-Purchasing Operations, certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the "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) must contain a provision indicating that coverages afforded under the policies **MUST 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, DTMB. The notice must include the Contract or Purchase Order number affected. Before the Contract is signed, and not less than 20 days before the insurance expiration date every year thereafter, the Contractor must 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.

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

2.140 Indemnification

2.141 General Indemnification

To the extent permitted by law, the Contractor must 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 the 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.

2.142 Code Indemnification

To the extent permitted by law, the Contractor must indemnify, defend and hold harmless the State from any claim, loss, or expense arising from Contractor's breach of the No Surreptitious Code Warranty.

2.143 Employee Indemnification

In any 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 must 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.

**2.144 Patent/Copyright Infringement Indemnification**

To the extent permitted by law, the Contractor must 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 the 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 the equipment, software, commodity or service, or the use or reproduction of any documentation provided with the 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 must at the Contractor's sole expense (i) procure for the State the right to continue using the equipment, software, commodity or service or, if the 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 the 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 has 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; (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 the Contract.

2.145 Continuation of Indemnification Obligations

The Contractor's duty to indemnify under 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 before expiration or cancellation.

2.146 Indemnification Procedures

The procedures set forth below must apply to all indemnity obligations under the Contract.

(a) After the State receives notice of the action or proceeding involving a claim for which it will seek indemnification, the State must promptly notify Contractor of the 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 the Contractor relieves the Contractor of its indemnification obligations except to the extent that the Contractor can prove damages attributable to the failure. Within 10 days following receipt of written notice from the State relating to any claim, the Contractor must 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 before the State receiving Contractor's Notice of Election, the State is entitled to defend against the claim, at the Contractor's expense, and the Contractor will be responsible for any reasonable costs incurred by the State in defending against the claim during that period.

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

2.150 Termination/Cancellation

2.151 Notice and Right to Cure

If the Contractor breaches the Contract, and the State, in its sole discretion, determines that the breach is curable, then the State must provide the Contractor with written notice of the breach and a time period (not less than 30 days) to cure the Breach. The notice of breach and opportunity to cure is inapplicable for successive or repeated breaches or if the State determines in its sole discretion that the breach poses a serious and imminent threat to the health or safety of any person or the imminent loss, damage, or destruction of any real or tangible personal property.

2.152 Termination for Cause

(a) The State may terminate the Contract, for cause, by notifying the Contractor in writing, if the Contractor (i) breaches any of its material duties or obligations under the Contract (including a Chronic Failure to meet any particular SLA), or (ii) fails to cure a breach within the time period specified in the written notice of breach provided by the State

(b) If the Contract is terminated for cause, the Contractor must pay all costs incurred by the State in terminating the 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 the Contract from other sources. Re-procurement costs are not consequential, indirect or incidental damages, and cannot be excluded by any other terms otherwise included in the Contract, provided the costs are not in excess of 50% more than the prices for the Service/Deliverables provided under the Contract.

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

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

2.153 Termination for Convenience

The State may terminate the Contract for its convenience, in whole or part, if the State determines that a termination is in the State's best interest. Reasons for the termination must 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 the Contract for its convenience, in whole or in part, by giving Contractor written notice at least 30 days before the date of termination. If the State chooses to terminate the Contract in part, the charges payable under the Contract must be equitably adjusted to reflect those Services/Deliverables that are terminated. Services and related provisions of the Contract that are terminated for cause must cease on the effective date of the termination.

2.154 Termination for Non-Appropriation

(a) Contractor acknowledges that, if the Contract extends for several fiscal years, continuation of the Contract is subject to appropriation or availability of funds for the Contract. If funds to enable the State to effect continued payment under the Contract are not appropriated or otherwise made available, the State must terminate the 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 must give Contractor at least 30 days advance written notice of termination for non-appropriation or unavailability (or the 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 unavailable, the State may, upon 30 days written notice to Contractor, reduce the level of the Services or the change the production of Deliverables in the manner and for the periods of time as the State may elect. The charges payable under the Contract will be equitably adjusted to reflect any equipment, services or commodities not provided by reason of the reduction.

(c) If the State terminates the Contract, eliminates certain Deliverables, or reduces the level of Services to be provided by Contractor under this Section, the State must 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. This Section will not preclude Contractor from reducing or stopping Services/Deliverables 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.

2.155 Termination for Criminal Conviction

The State may terminate the 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 related to a State, public or private Contract or subcontract.

2.156 Termination for Approvals Rescinded

The State may terminate the Contract if any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services under Constitution 1963, Article 11, § 5, and Civil Service Rule 7-1. In that case, the State must pay the Contractor for only the work completed to that point under the Contract. 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 the written notice.

2.157 Rights and Obligations upon Termination

(a) If the State terminates the Contract for any reason, the Contractor must (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 the 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) 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 must be provided to the State on an "As-Is" basis except to the extent the amounts paid by the State in respect of the items included compensation to Contractor for the provision of warranty services in respect of the 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) If the State terminates the Contract before its expiration for its own convenience, the State must pay Contractor for all charges due for Services provided before the date of termination and, if applicable, as a separate item of payment under the 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 under the Contract, at the option of the State, becomes the State's property, and Contractor is entitled to receive equitable fair compensation for the Deliverables. Regardless of the basis for the termination, the State is not 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 may assume, at its option, any subcontracts and agreements for Services and Deliverables provided under the Contract, and may further pursue completion of the Services/Deliverables under the Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

2.158 Reservation of Rights

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



2.160 Termination by Contractor

2.161 Termination by Contractor

If the State breaches the Contract, and the Contractor in its sole discretion determines that the breach is curable, then the Contractor will provide the State with written notice of the breach and a time period (not less than 30 days) to cure the breach. The Notice of Breach and opportunity to cure is inapplicable for successive and repeated breaches.

The Contractor may terminate the Contract if the State (i) materially breaches its obligation to pay the Contractor undisputed amounts due and owing under the Contract, (ii) breaches its other obligations under the Contract to an extent that makes it impossible or commercially impractical for the Contractor to perform the Services, or (iii) does not cure the breach within the time period specified in a written notice of breach. But the Contractor must discharge its obligations under **Section 2.190** before it terminates the Contract.

2.170 Transition Responsibilities

2.171 Contractor Transition Responsibilities

If the State terminates the Contract, for convenience or cause, or if the Contract is otherwise dissolved, voided, rescinded, nullified, expires or 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. If the Contract expires or terminates, 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 must include, but are not limited to, those listed in **Sections 2.171, 2.172, 2.173, 2.174, and 2.175**.

2.172 Contractor Personnel Transition

The Contractor must 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 must 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 the 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 must notify all of Contractor's subcontractors of procedures to be followed during transition.

2.173 Contractor Information Transition

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 the Contract. The Contractor must provide the State with asset management data generated from the inception of the Contract through the date on which the Contractor is terminated in a comma-delineated format unless otherwise requested by the State. The Contractor must deliver to the State any remaining owed reports and documentation still in Contractor's possession subject to appropriate payment by the State.

2.174 Contractor Software Transition

The Contractor must reasonably assist the State in the acquisition of any Contractor software required to perform the Services/use the Deliverables under the Contract. This must include any documentation being used by the Contractor to perform the Services under the Contract. If the State transfers any software licenses to the Contractor, those licenses must, 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.

2.175 Transition Payments

If the transition results from a termination for any reason, reimbursement must be governed by the termination provisions of the 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 agreed upon by the State. The Contractor must prepare an accurate accounting from which the State and Contractor may reconcile all outstanding accounts.

2.176 State Transition Responsibilities

In the event that the 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.



2.180 Stop Work

2.181 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 must be identified as a stop work order and must indicate that it is issued under this **Section 2.180**. Upon receipt of the stop work order, Contractor must immediately comply with its terms and take all reasonable steps to minimize incurring 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 must either: (a) cancel the stop work order; or (b) terminate the work covered by the stop work order as provided in **Section 2.150**.

2.182 Cancellation or Expiration of Stop Work Order

The Contractor must resume work if the State cancels a Stop Work Order or if it expires. The parties will agree upon an equitable adjustment in the delivery schedule, the Contract price, or both, and the Contract must 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 must conform to the requirements of **Section 2.024**.

2.183 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, the termination must be deemed to be a termination for convenience under **Section 2.150**, and the State will pay reasonable costs resulting from the stop work order in arriving at the termination settlement. For the avoidance of doubt, the State is not liable to Contractor for loss of profits because of a stop work order issued under this **Section 2.180**.

2.190 Dispute Resolution

2.191 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 must 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 must submit a letter, together with all data supporting the claims, executed by Contractor's Contract Administrator or the Contract Administrator's 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 claim and the supporting data are current and complete to Contractor's best knowledge and belief.

2.192 Informal Dispute Resolution

(a) All disputes between the parties must be resolved under the Contract Management procedures in the Contract. If the parties are unable to resolve any disputes after compliance with the processes, the parties must meet with the Director of Purchasing Operations, DTMB, or designee, for the purpose of attempting to resolve the dispute without the need for formal legal proceedings, as follows:

- (i) The representatives of Contractor and the State must meet as often as the parties reasonably deem necessary 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 must 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 (1) party to another for non-privileged information reasonably related to the Contract must 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, DTMB, or designee, must issue a written opinion regarding the issue(s) in dispute within 30 calendar days. The opinion regarding the dispute must be considered the State's final action and the exhaustion of administrative remedies.



(b) This Section must 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 under **Section 2.193**.

(c) The State will not mediate disputes between the Contractor and any other entity, except state agencies, concerning responsibility for performance of work under the Contract.

2.193 Injunctive Relief

The only circumstance in which disputes between the State and Contractor will not be subject to the provisions of **Section 2.192** is where a party makes a good faith determination that a breach of the terms of the Contract by the other party is the that the damages to the 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.

2.194 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 must not be deemed to preclude performance) and without limiting either party's right to terminate the Contract as provided in **Section 2.150**, as the case may be.

2.200 Federal and State Contract Requirements

2.201 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, or physical or mental disability. Contractor further agrees that every subcontract entered into for the performance of the Contract or any purchase order resulting from the Contract must contain a provision requiring non-discrimination in employment, as specified here, binding upon each Subcontractor. This covenant is required under 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.

2.202 Unfair Labor Practices

Under 1980 PA 278, MCL 423.321, et seq., the State must 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 under 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, must not enter into a contract with a Subcontractor, manufacturer, or supplier whose name appears in this register. Under Section 4 of 1980 PA 278, MCL 423.324, the State may void any Contract if, after 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.

2.203 Workplace Safety and Discriminatory Harassment

In performing Services for the State, the Contractor must 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 must 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>.

2.204 Prevailing Wage [Deleted – N/A]



2.210 Governing Law

2.211 Governing Law

The Contract must in all respects be governed by, and construed according to, 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.

2.212 Compliance with Laws

Contractor must comply with all applicable state, federal and local laws and ordinances in providing the Services/Deliverables.

2.213 Jurisdiction

Any dispute arising from the Contract must 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 the jurisdiction on the grounds of lack of personal jurisdiction of the court or the laying of venue of the 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.

2.220 Limitation of Liability

2.221 Limitation 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.

Contractor shall not be liable for audit disallowances, except those caused by the negligence of the Contractor.

2.230 Disclosure Responsibilities

2.231 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, to which Contractor (or, to the extent Contractor is aware, any Subcontractor) 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; or (ii) a claim or written allegation of fraud against Contractor or, to the extent Contractor is aware, any Subcontractor by a governmental or public entity arising out of their business dealings with governmental or public entities. The Contractor must disclose in writing to the Contract Administrator any litigation, investigation, arbitration or other proceeding (collectively, "Proceeding") within 30 days of its occurrence. Details of settlements which are prevented from disclosure by the terms of the settlement may be annotated. 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. If any Proceeding disclosed to the State under this Section, or of which the State otherwise becomes aware, during the term of the Contract would cause a reasonable party to be concerned about:



- (i) the ability of Contractor (or a Subcontractor) to continue to perform the Contract according to its terms and conditions, or
- (ii) whether Contractor (or a Subcontractor) in performing Services for the State is engaged in conduct which is similar in nature to conduct alleged in the Proceeding, which conduct would constitute a breach of the Contract or a violation of Michigan law, regulations or public policy, then the Contractor must provide the State all reasonable assurances requested by the State to demonstrate that:
 - (a) Contractor and its Subcontractors must be able to continue to perform the Contract and any Statements of Work according to its terms and conditions, and
 - (b) Contractor and its Subcontractors have not and will not engage in conduct in performing the Services which is similar in nature to the conduct alleged in the Proceeding.
- (c) Contractor must 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 must notify DTMB-Purchasing Operations.
 - (2) Contractor must also notify DTMB 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 must also notify DTMB Purchasing Operations within 30 days whenever changes to company affiliations occur.

2.232 Call Center Disclosure [Deleted - N/A]

2.233 Bankruptcy

The State may, without prejudice to any other right or remedy, terminate the Contract, in whole or in part, and, at its option, may take possession of the “Work in Process” and finish the Works in Process by whatever appropriate method the State may deem expedient if:

- (a) the Contractor files for protection under the bankruptcy laws;
- (b) an involuntary petition is filed against the Contractor and not removed within 30 days;
- (c) the Contractor becomes insolvent or if a receiver is appointed due to the Contractor's insolvency;
- (d) the Contractor makes a general assignment for the benefit of creditors; or
- (e) the Contractor or its affiliates are unable to provide reasonable assurances that the Contractor or its affiliates can deliver the services under the Contract.

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 must be stored separately from other stock and marked conspicuously with labels indicating ownership by the State.

2.240 Performance

2.241 Time of Performance

- (a) Contractor must use commercially reasonable efforts to provide the resources necessary to complete all Services and Deliverables according to 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 2.241(a)**, Contractor must 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 must inform the State of the projected actual delivery date.
- (c) If the Contractor believes that a delay in performance by the State has caused or will cause the Contractor to be unable to perform its obligations according to specified Contract time periods, the Contractor must notify the State in a timely manner and must use commercially reasonable efforts to perform its obligations according to the Contract time periods notwithstanding the State's failure. Contractor will not be in default for a delay in performance to the extent the delay is caused by the State.

2.242 Service Level Agreements (SLAs) [Deleted - N/A]



2.243 Liquidated Damages [Deleted - N/A]

2.244 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 the default, damage or delay is caused by government regulations or requirements (executive, legislative, judicial, military, or otherwise), power failure, 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 a party; provided the non-performing party and its Subcontractors are without fault in causing the default or delay, and the 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.

If a party does not perform its contractual obligations for any of the reasons listed above, the non-performing party will be excused from any further performance of its affected obligation(s) for as long as the circumstances prevail. but the party must use commercially reasonable efforts to recommence performance whenever and to whatever extent possible without delay. A party must promptly notify the other party in writing immediately after the excusable failure occurs, and also when it abates or ends.

If any of the above-enumerated circumstances substantially prevent, hinder, or delay the 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 is not be liable for payment for the unperformed Services/ Deliverables not provided under the Contract for so long as the delay in performance continues; (b) the State may terminate any portion of the Contract so affected and the charges payable will 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 the Contractor, except to the extent that the State must pay for Services/Deliverables provided through the date of termination.

The 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.

2.250 Approval of Deliverables

2.251 Delivery Responsibilities

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

- (a) Shipment responsibilities - Services performed/Deliverables provided under the Contract must be delivered "F.O.B. Destination, within Government Premises." The Contractor must have complete responsibility for providing all Services/Deliverables to all site(s) unless otherwise stated. Actual delivery dates must be specified on the individual purchase order.
- (b) Delivery locations - Services must be performed/Deliverables must 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 must examine all packages. The quantity of packages delivered must be recorded and any obvious visible or suspected damage must be noted at time of delivery using the shipper's delivery document(s) and appropriate procedures to record the damage. 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 days of inspection



2.252 Delivery of Deliverables

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 must be completed and delivered for State review and written approval and, where applicable, installed according to the State-approved delivery schedule and any other applicable terms and conditions of the Contract.

2.253 Testing

(a) Before delivering any of the above-mentioned Statement of Work Physical Deliverables or Services to the State, Contractor must first perform all required quality assurance activities to verify that the Physical Deliverable or Service is complete and conforms with its specifications listed in the applicable Statement of Work or Purchase Order. Before delivering a Physical Deliverable or Service to the State, Contractor must certify to the State that (1) it has performed the quality assurance activities, (2) it has performed any applicable testing, (3) it has corrected all material deficiencies discovered during the quality assurance activities and testing, (4) the Deliverable or Service is in a suitable state of readiness for the State's review and approval, and (5) the Deliverable/Service has all Critical Security patches/updates applied.

(b) If a Deliverable includes installation at a State Location, then Contractor must (1) perform any applicable testing, (2) correct all material deficiencies discovered during the quality assurance activities and testing, and (3) inform the State that the Deliverable is in a suitable state of readiness for the State's review and approval. To the extent that testing occurs at State Locations, the State is entitled to observe or otherwise participate in testing.

2.254 Approval of Deliverables, In General

(a) All Deliverables (Physical Deliverables and Written Deliverables) and Services require formal written approval by the State, according to the following procedures. Formal approval by the State requires the State to confirm in writing that the Deliverable meets its specifications. Formal approval may include the successful completion of Testing as applicable in **Section 2.253**, to be led by the State with the support and assistance of Contractor. The approval process will be facilitated by ongoing consultation between the parties, inspection 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) Before 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 according to **Section 2.253**.

(d) The State must approve in writing a Deliverable/Service after confirming that it conforms to and performs according to its specifications without material deficiency. The State may, but is 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 (2) repeat efforts), the Contractor is unable to correct all deficiencies preventing Final Acceptance of a Deliverable/Service, the State may: (i) demand that the Contractor cure the failure and give the Contractor additional time to cure the failure at the sole expense of the Contractor; or (ii) keep the Contract in force and do, either itself or through other parties, whatever the Contractor has failed to do, and recover the difference between the cost to cure the deficiency and the contract price plus an additional sum equal to 10% of the cost to cure the deficiency to cover the State's general expenses provided the State can furnish proof of the 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 the breach. Notwithstanding the foregoing, the State cannot 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 the process reveals deficiencies in or problems with a Deliverable/Service in a sufficient quantity or of a sufficient severity that renders continuing the process unproductive or unworkable. If that happens, the State may stop using the Service or return the applicable Deliverable to Contractor for correction and re-delivery before resuming the testing or approval process.

2.255 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 (and if the Statement of Work does not state the State Review Period, it is by default 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 before 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 before approval of the Deliverable (or at the State's election, after approval of the Deliverable). If the State notifies the Contractor about deficiencies, the Contractor must 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 must be made at no additional charge. Upon receipt of a corrected Deliverable from Contractor, the State must 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.

2.256 Process for Approval of Services

The State Review Period for approval of Services is governed by the applicable Statement of Work (and if the Statement of Work does not state the State Review Period, it is by default 30 Business Days for Services). The State agrees to notify the Contractor in writing by the end of the State Review Period either stating that the Service is approved in the form delivered by the Contractor or describing any deficiencies that must be corrected before approval of the Services (or at the State's election, after approval of the Service). If the State delivers to the Contractor a notice of deficiencies, the Contractor must 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. The Contractor's correction efforts must be made at no additional charge. Upon implementation of a corrected Service from Contractor, the State must 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.

2.257 Process for Approval of Physical Deliverables

The State Review Period for approval of Physical Deliverables is governed by the applicable Statement of Work (and if the Statement of Work does not state the State Review Period, it is by default 30 continuous Business Days for a Physical Deliverable). The State agrees to notify the Contractor in writing by the end of the State Review Period either stating that the Deliverable is approved in the form delivered by the Contractor or describing any deficiencies that must be corrected before approval of the Deliverable (or at the State's election, after approval of the Deliverable). If the State delivers to the Contractor a notice of deficiencies, the Contractor must 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. The Contractor's correction efforts must be made at no additional charge. Upon receipt of a corrected Deliverable from the Contractor, the State must 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.

2.258 Final Acceptance

Unless otherwise stated in the Article 1, Statement of Work or Purchase Order, "Final Acceptance" of each Deliverable must occur when each Deliverable/Service has been approved by the State following the State Review Periods identified in **Sections 2.251-2.257**. 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.

2.260 Ownership

2.261 Ownership of Work Product by State

The State owns all Deliverables as they are works made for hire by the Contractor for the State. The State owns all United States and international copyrights, trademarks, patents, or other proprietary rights in the Deliverables.

**2.262 Vesting of Rights**

With the sole exception of any preexisting licensed works identified in the SOW, the Contractor assigns, 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 the Deliverable, by operation of law, may not be considered work made for hire by the Contractor for the State. From time to time upon the State's request, the Contractor must confirm the assignment by execution and delivery of the assignments, confirmations of assignment, or other written instruments as the State may request. The State may obtain and hold in its own name all copyright, trademark, and patent registrations and other evidence of rights that may be available for Deliverables.

2.263 Rights in Data

(a) The State is the owner of all data made available by the State to the Contractor or its agents, Subcontractors or representatives under the Contract. The Contractor must 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 the Contractor. No employees of the Contractor, other than those on a strictly need-to-know basis, have access to the State's data. Contractor must not possess or assert any lien or other right against the State's data. Without limiting the generality of this Section, the Contractor must only use personally identifiable information as strictly necessary to provide the Services and must disclose the information only to its employees who have a strict need-to-know the information. The Contractor must comply at all times with all laws and regulations applicable to the personally identifiable information.

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

2.264 Ownership of Materials

The State and the 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.

2.270 State Standards**2.271 Existing Technology Standards**

The Contractor must adhere to all existing standards as described within the comprehensive listing of the State's existing technology standards at <http://www.michigan.gov/dit>.

2.272 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>. 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.

2.273 Systems Changes

Contractor is not responsible for and not authorized to make changes to any State systems without written authorization from the Project Manager. Any changes Contractor makes to State systems with the State's approval must be done according to applicable State procedures, including security, access, and configuration management procedures.

2.280 Extended Purchasing**2.281 MiDEAL [Deleted – N/A]****2.282 State Employee Purchases [Deleted – N/A]**



2.290 Environmental Provision

2.291 Environmental Provision

Hazardous Materials:

For the purposes of this Section, "Hazardous Materials" is a generic term used to describe asbestos, ACBMs, PCBs, petroleum products, construction materials including paint thinners, solvents, gasoline, oil, and any other material the manufacture, use, treatment, storage, transportation, or disposal of which is regulated by the federal, State, or local laws governing the protection of the public health, natural resources, or the environment. This includes, but is not limited to, materials such as batteries and circuit packs, and other materials that are regulated as (1) "Hazardous Materials" under the Hazardous Materials Transportation Act, (2) "chemical hazards" under the Occupational Safety and Health Administration standards, (3) "chemical substances or mixtures" under the Toxic Substances Control Act, (4) "pesticides" under the Federal Insecticide Fungicide and Rodenticide Act, and (5) "hazardous wastes" as defined or listed under the Resource Conservation and Recovery Act.

(a) The Contractor must use, handle, store, dispose of, process, transport and transfer any material considered a Hazardous Material according to all federal, State, and local laws. The State must provide a safe and suitable environment for performance of Contractor's Work. Before the commencement of Work, the State must advise the Contractor of the presence at the work site of any Hazardous Material to the extent that the State is aware of the Hazardous Material. If the Contractor encounters material reasonably believed to be a Hazardous Material and which may present a substantial danger, the Contractor must immediately stop all affected Work, notify the State in writing about the conditions encountered, and take appropriate health and safety precautions.

(b) Upon receipt of a written notice, the State will investigate the conditions. If (a) the material is a Hazardous Material that may present a substantial danger, and (b) the Hazardous Material was not brought to the site by the Contractor, or does not result in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Materials, the State must order a suspension of Work in writing. The State must proceed to have the Hazardous Material removed or rendered harmless. In the alternative, the State must terminate the affected Work for the State's convenience.

(c) Once the Hazardous Material has been removed or rendered harmless by the State, the Contractor must resume Work as directed in writing by the State. Any determination by the Michigan Department of Community Health or the Michigan Department of Environmental Quality that the Hazardous Material has either been removed or rendered harmless is binding upon the State and Contractor for the purposes of resuming the Work. If any incident with Hazardous Material 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 2.242** for a time as mutually agreed by the parties.

(d) If the Hazardous Material was brought to the site by the Contractor, or results in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Material, or from any other act or omission within the control of the Contractor, the Contractor must bear its proportionate share of the delay and costs involved in cleaning up the site and removing and rendering harmless the Hazardous Material according to Applicable Laws to the condition approved by applicable regulatory agency(ies).

Michigan has a Consumer Products Rule pertaining to labeling of certain products containing volatile organic compounds. For specific details visit http://www.michigan.gov/deq/0,1607,7-135-3310_4108-173523--,00.html

Refrigeration and Air Conditioning:

The Contractor must comply with the applicable requirements of Sections 608 and 609 of the Clean Air Act (42 U.S.C. 7671g and 7671h) as each or both apply to the Contract.

Environmental Performance:

Waste Reduction Program: Contractor must establish a program to promote cost-effective waste reduction in all operations and facilities covered by the Contract. The Contractor's programs must comply with applicable Federal, State, and local requirements, specifically including Section 6002 of the Resource Conservation and Recovery Act (42 U.S.C. 6962, et seq.).



2.300 Other Provisions

2.311 Forced Labor, Convict Labor, Forced or Indentured Child Labor, or Indentured Servitude Made Materials
Equipment, materials, or supplies, that will be furnished to the State under the Contract must not be produced in whole or in part by forced labor, convict labor, forced or indentured child labor, or indentured servitude.

“Forced or indentured child labor” means all work or service: exacted from any person under the age of 18 under the menace of any penalty for its nonperformance and for which the worker does not offer himself voluntarily; or performed by any person under the age of 18 under a contract the enforcement of which can be accomplished by process or penalties.



Attachment A, Price Proposal

Fixed price for SWCAP and specific deliverables discussed in this Contract:	\$29,500.00 per year.
Hourly rate for any additional services provided to State agencies on an “as needed” basis:	\$120.00 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. The principal project team for all additional projects will be our Lansing staff:

William Maxwell - Director
 Nick Bohac – Senior Consultant

Bay City staff identified in the proposal will be used if needed. NO junior level consultants will be assigned to the project without the prior consent of the State.

The fixed price for the SWCAP also includes, at no additional cost, the preparation of an indirect cost rate proposal for the Department of Technology, Management and Budget as discussed in section 1.041, and if required, federal submission and negotiation of the proposal.



Attachment B, Organization Chart

Organizational Chart, including Key Personnel

Attachment B
MICHIGAN STATEWIDE COST ALLOCATION PLAN
MAXIMUS, Consulting Services, Inc.
Project Team

