

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

December 2, 2009

CHANGE NOTICE NO. 22  
 TO  
 CONTRACT NO. 071B7200042  
 between  
 THE STATE OF MICHIGAN  
 and

NAME & ADDRESS OF VENDOR  <b>Maximus, Inc.</b> <b>2343 Delta Road</b> <b>Bay City, MI 48706</b>  <a href="mailto:billmaxwell@maximus.com">billmaxwell@maximus.com</a>	TELEPHONE (517) 484-4240 <b>Bill Maxwell</b>
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-1080 <b>Melissa Castro, CPPB</b>
Contract Compliance Inspector: Laura Mester (517) 373-0447 <b>Central Cost Analysis and SWCAP Preparation – Department of Management and Budget</b>	
CONTRACT PERIOD: From: <b>November 9, 2006</b> To: <b>October 31, 2010</b>	
TERMS <b>N/A</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>N/A</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	
MISCELLANEOUS INFORMATION:	

**NATURE OF CHANGE(S):**

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

\* Dept. of Corrections – FY 08 Cost Allocation Plan and Indirect Cost Rate Proposal:

**\$14,400.00**

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Total Value of Proposal: **\$ 14,400.00**  
 Remaining Amount Available on Contract: **\$318,400.00**

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

**AUTHORITY/REASON:**

Per agency/vendor agreement and Purchasing Operations' approval.

**TOTAL CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$1,850,000.00**

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 2008. 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, 2008. The FY 08 cost allocation plan will be used to finalize the FY 08 provisional rates, and to propose new rates for use beginning with FY 10.

### 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, 2008.** 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, 2008.** Based upon the results of the cost allocation plan, an indirect cost rate proposal will be prepared. The number of rate pools will be discussed during the engagement. Multiple rates for various DOC programs will be computed; however it may be desirable to roll up rates at a much higher level for presentation to the Department of Justice. The final number of rates will be determined as we finalize the proposal for submission.

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

**EXPERIENCE AND QUALIFICATIONS**

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

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

**STAFFING**

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

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

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

**COMPENSATION**

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

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

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

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

**DELIVERABLES**

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

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

**TIMING**

MAXIMUS is prepared to begin preparation of the FY 08 once we receive a purchase order or contract acceptable to MAXIMUS and the Department. Providing all information is available in a timely manner, it is anticipated that approximately 16 weeks will be required to complete a draft of the plan. After submitting the draft, we still need to review the plan with the Department financial staff, and prepare the plan for federal submission. This internal review process can sometimes take several weeks to complete. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months. MAXIMUS will make every attempt to expedite the process, but we must advise the Department that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87.

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

**MAXIMUS, Inc.**

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

October 27, 2009

**CHANGE NOTICE NO. 21**  
**TO**  
**CONTRACT NO. 071B720042**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>Maximus, Inc.</b> <b>2343 Delta Road</b> <b>Bay City, MI 48706</b>  <a href="mailto:billmaxwell@maximus.com">billmaxwell@maximus.com</a>	TELEPHONE (517) 484-4240 <b>Bill Maxwell</b>
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-1080 <b>Melissa Castro, CPPB</b>
Contract Compliance Inspector: Laura Mester (517) 373-0447 <b>Central Cost Analysis and SWCAP Preparation – Department of Management and Budget</b>	
CONTRACT PERIOD: From: <b>November 9, 2006</b> To: <b>October 31, 2010</b>	
TERMS  <b>N/A</b>	SHIPMENT  <b>N/A</b>
F.O.B.  <b>N/A</b>	SHIPPED FROM  <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	
MISCELLANEOUS INFORMATION:	

**NATURE OF CHANGE(S):**

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

<b>Agriculture – FY 09 Cost Allocation Plan and Indirect Cost Rate Proposal:</b>	<b>\$10,200.00</b>
<b>Community Health – FY 10 Cost Allocation Plan and Random Moment Sampling Maintenance:</b>	<b>\$33,600.00</b>
<b>Transportation – FY 08 Cost Allocation Plan – Actual</b>	<b>\$36,000.00</b>

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

<b>Total Value of Proposal:</b>	<b>\$ 79,800.00</b>
<b>Remaining Amount Available on Contract:</b>	<b>\$332,800.00</b>

**AUTHORITY/REASON:**

Per agency/vendor agreement and Purchasing Operations' approval.

**TOTAL CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$1,850,000.00**

**PROPOSAL TO  
THE MICHIGAN DEPARTMENT OF AGRICULTURE  
FOR PREPARATION OF THE  
FY 09 ACTUAL  
DEPARTMENTAL COST ALLOCATION PLAN**

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Department of Agriculture for the preparation and negotiation of the FY 09 Actual Departmental Cost Allocation Plan and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

MAXIMUS, Inc. is a public sector consulting firm incorporated in the State of Virginia and licensed to do business in Michigan. This project would be performed by our 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, 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.

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**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, 2009. The DCAP would 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 09 actual circumstances.

Executive Administration

Affirmative Action

Personnel Office

Financial & Administrative Services - Financial Services

Finance & Administrative Services - DIT

Finance & Administrative Services - Regional Offices

Finance & Administrative Services - Central Postage

Internal Operations

Statewide Costs per SWCAP

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2009. Actual FY 09 costs will be used to finalize current rates approved by USDA for use during fiscal 2009, and will also be used to propose new fixed or provisional rates for use in fiscal 2011. 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 09 rates and to propose a single departmental rate for use in FY 11.

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 09 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, 2010. 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.*

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**MAXIMUS, Inc.**

**PROPOSAL TO  
THE MICHIGAN DEPARTMENT OF COMMUNITY HEALTH  
FOR PREPARATION OF AN ACTUAL FY 09  
DEPARTMENTAL INDIRECT COST ALLOCATION PLAN  
AND FY 10 RMS MAINTENANCE**

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Department of Community Health for cost allocation services to be performed during State fiscal year 2010. 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, 2009, as well as maintenance of the random moment sampling (RMS) system currently being utilized by Budget and Finance. The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

MAXIMUS, Inc. is a public sector consulting firm incorporated in the State of Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division 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

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**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, 2007. Based upon this proposal, DHHS issued a federal negotiation agreement approving provisional indirect rates for use during fiscal 2009. 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 2009. The FY 09 cost allocation plan will be used to finalize the FY 09 provisional rates, and to propose new rates for use during FY 11.

During 1997, the Department of Community Health installed a random moment sampling (RMS) system to document the direct charging to Federal programs of some of the divisions of Budget and Finance, including Accounting, Budget, Grants and Contracts. In order to directly charge costs to Federal programs, standards regarding time distribution as outlined in Attachment B, Section 11.h of A-87 must be met. RMS is specifically mentioned as a viable substitute system for the support of time distribution. RMS is an on-going system, which through periodic sampling over an extended period of time can accurately determine the work effort of a group of workers. In order to continue charging Federal programs in fiscal 2010, the Department of Community Health will need to continue to generate and tabulate sampling data on a quarterly basis throughout the fiscal year.

#### **DESCRIPTION OF SERVICES**

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

*1. Preparation of the Department of Community Health DCAP based on actual costs for the year ending September 30, 2009.* 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 08 actual plan. Indirect costs will be identified and segregated into discrete cost pools. Selective allocations of each pool

will be made by applying the allocation base most appropriate to each circumstance. The overall objective is to allocate indirect costs consistent with the manner in which services are actually provided to programs and bureaus that benefit from the services. The plan will allocate any indirect costs accounted for in following organizations:

**Statewide Costs**  
**Executive Administration**  
**Health Advisory Council**  
**Resources Services**  
**Workers' Compensation**  
**Moving Costs**  
**Operations Administration**  
**Information Technology**  
**Budget & Audit Administration**  
**Budget and Contracts**  
**Finance**  
**Audit Division**  
**Bureau Administration**  
**Legal Affairs**  
**Terminal Payments**

*2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2009.* As discussed earlier, FY 09 indirect cost rates are currently approved on a provisional basis. The proposal will calculate final rates for FY 09, and will also propose new rates for use during FY 11.

*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

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Federal agency for approval. The cognizant federal agency of DCH is the Department of Health and Human Services, Division of Cost Allocation, in Dallas, Texas.

*4. RMS maintenance and administration for fiscal year 2010.* MAXIMUS will provide the following services necessary to maintain the RMS system currently utilized by Budget and Finance:

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

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

#### **EXPERIENCE AND QUALIFICATIONS**

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

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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 (071B7200042) 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 Ms. Laura Mester, 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 09 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.
- **Fiscal 10 RMS Maintenance** - Based upon our experience during the past year, we anticipated 20 hours of consultant time per quarter to maintain the RMS system. Based on an hourly billing rate of \$120, including all administrative overhead, our proposed fee is a fixed amount of \$2,400 per quarter (\$9,600 annually).
- **TOTAL FOR FISCAL YEAR - \$33,600 - including all expenses**

**PAYMENT SCHEDULE**

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

- **DCAP** - \$24,000 due upon completion and submission to the appropriate Federal cognizant agency.
- **RMS Maintenance** - \$9,600 total, billed quarterly at \$2,400.

**DELIVERABLES**

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

- Actual DCAP**
- Indirect Cost Rate Proposal**

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

- Quarterly personnel listing of sampling universe**
- Chronological listing of all quarterly samples**
- Chronological listing of samples by sampling location**
- RMS labels - sorted by sampling location**
- Quarterly program summary results**
- Quarterly activity summary results**
- Quarterly service summary results**
- Quarterly service by activity summary results**
- Quarterly activity by service summary results**
- Quarterly listing of actual RMS responses**
- Cumulative year-to-date program results each quarter**

**TIMING**

MAXIMUS is prepared to begin preparation of the DCAP when the fiscal year is closed out and financial reports are available. As such, we project a start date during January of 2010. 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, 2010. 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 October 1, 2009, MAXIMUS will need to begin updating the sample universe and making any required changes to the system by the end of September. The RMS maintenance activities will be provided on an on-going basis throughout the fiscal year. Final reports for the last quarter of the fiscal year will be delivered around October 15, 2010.

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

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

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**MAXIMUS, Inc.**

**PROPOSAL TO  
THE MICHIGAN DEPARTMENT OF TRANSPORTATION  
FOR THE PREPARATION OF AN FY 08 ACTUAL  
COST ALLOCATION PLAN AND INDIRECT COST RATE PROPOSAL**

MAXIMUS, INC. is pleased to present this proposal to the Michigan Department of Transportation for the preparation and negotiation of an FY 08 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, 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 grown to 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

**BACKGROUND**

The Michigan Department of Transportation (MDOT) 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 MDOT, 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

Historically, the Michigan Department of Transportation has never developed and negotiated a federally approved indirect cost rate. However, the Department now desires to have an indirect cost rate proposal developed based upon actual costs for the year ended September 30, 2008 and begin to charge indirect costs to Federal grants and contracts.

The historical information from FY 08 can be used to establish rates for use during the current period. Generally rates are established for state agencies based upon the most recently completed fiscal period. The rates may be approved by the federal government either on a fixed with carry-forward basis or a provisional basis.

In addition, since the MDOT has not previously negotiated an indirect cost rate, federal cognizance needs to be determined. This federal agency will be responsible for the review and approval of the MDOT submission and the issuance of a federally approved indirect cost rate agreement.

### DESCRIPTION OF SERVICES

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

1. **Determination of Federal Cognizance.** MAXIMUS will assist the Department in contacting the appropriate federal agencies to determine cognizance. Typically, cognizance is assigned to the Federal agency that provides the preponderance of funding to the Department. MAXIMUS will review the MDOT federal grants and contact the appropriate Federal agency.

2. **Preparation of the cost allocation plan based on actual costs for the year ended September 30, 2008.** 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 determine the source of the financial reports that will be used for preparation of the plan. It will be necessary to select reports that detail costs by organization, index, budget entity, appropriation and object code. MAXIMUS consultants will work with MDOT to design reports that provide the detail necessary to develop the plan.
- **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 costs 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 any indirect cost rate will be computed. The basis will be determined at the outset of the project. It will be necessary to reconcile expenditures by organization 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 Transportation 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** – Cost allocation processes will be designed. Allocation bases will be determined and developed. All financial and statistical information will be entered into the cost allocation software.

**3. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2008.** Based upon the results of the cost allocation plan, an indirect cost rate proposal will be prepared. The number of rate pools will be discussed during the engagement. However, initially we anticipated that at least

two rate pools may be needed: Highways/Planning and All Others. Since this will serve as the initial MDOT proposal, we hope to have the rates approved for use during both FY 10 and FY 11. This will be determined by our discussions with the cognizant agency.

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

### **EXPERIENCE AND QUALIFICATIONS**

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

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

### **STAFFING**

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

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

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

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

**COMPENSATION**

Our current contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan (071B7200042) 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 similar cost plans, we anticipate that the project will require 300 hours of consultant time to complete. At our negotiated hourly rate of \$120, we are prepared to quote a fixed fee of \$36,000 including all expenses incurred by **MAXIMUS**. Payment would be due upon submission of the plan and rate proposal to the federal cognizant agency.

<b>Task</b>	<b>Consultant Hours</b>
Project Initiation – Review relevant background information including org charts, financial reports, and prior audit. Contacting appropriate federal agencies to determine cognizance.	20
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.	40

Task	Consultant Hours
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.	160
Prepare Draft Cost Plan – Prepare a draft of the cost allocation plan, including narratives for each indirect cost pool, and present to MDOT for review and approval.	40
Prepare Indirect Cost Rate Proposal – Determine the number of needed rate pools, determine direct cost base for each pool, compute rates and present draft report, with narrative, to MDOT for review and approval.	20
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.	20
<b>Total Consultant Hours</b>	<b>300</b>

**DELIVERABLES**

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

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

**TIMING**

MAXIMUS is prepared to begin preparation of the FY 08 within ten working days of receiving a purchase order or contract acceptable to MAXIMUS and the Department. Providing all information is available in a timely manner, it is anticipated that approximately 16 weeks will be required to complete a draft of the plan. After submitting the draft, we still need to review the plan with the Department financial staff, and prepare the plan for federal submission. This internal review process can sometimes take several weeks to complete. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months. MAXIMUS will make every attempt to expedite the process, but we must advise the Department that

the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87.

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

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

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**MAXIMUS, INC.**

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

October 19, 2009

**CHANGE NOTICE NO. 20**  
**TO**  
**CONTRACT NO. 071B720042**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>Maximus, Inc.</b> <b>2343 Delta Road</b> <b>Bay City, MI 48706</b>  <a href="mailto:billmaxwell@maximus.com">billmaxwell@maximus.com</a>	TELEPHONE (517) 484-4240 <b>Bill Maxwell</b>
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-1080 <b>Melissa Castro, CPPB</b>
Contract Compliance Inspector: Laura Mester (517) 373-0447 <b>Central Cost Analysis and SWCAP Preparation – Department of Management and Budget</b>	
CONTRACT PERIOD: From: <b>November 9, 2006</b> To: <b>October 31, 2010</b>	
TERMS  <b>N/A</b>	SHIPMENT  <b>N/A</b>
F.O.B.  <b>N/A</b>	SHIPPED FROM  <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	
MISCELLANEOUS INFORMATION:	

**NATURE OF CHANGE(S):**

Effective October 16, 2009, this Contract is hereby EXTENDED through October 31, 2010, and INCREASED by \$275,000.00.

**NOTE:** The vendor contact has changed to:

**Bill Maxwell (517) 484-4240**  
**billmaxwell@maximus.com.**

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

**AUTHORITY/REASON:**

Per agency/vendor agreement and Purchasing Operations' approval.

REVISED CURRENT AUTHORIZED SPEND LIMIT: \$1,850,000.00  
 REMAINING VALUE ON CONTRACT: \$412,600.00

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

September 29, 2009

CHANGE NOTICE NO. 19  
 TO  
 CONTRACT NO. 071B720042  
 between  
 THE STATE OF MICHIGAN  
 and

NAME & ADDRESS OF VENDOR		TELEPHONE (517) 684-4111
<b>Maximus, Inc.</b> <b>2343 Delta Road</b> <b>Bay City, MI 48706</b>  <a href="mailto:jamesolson@maximus.com">jamesolson@maximus.com</a>		<b>James Olson</b>
		VENDOR NUMBER/MAIL CODE
		BUYER/CA (517) 373-1080 <b>Melissa Castro, CPPB</b>
Contract Compliance Inspector: Laura Mester (517) 373-0447		
<b>Central Cost Analysis and SWCAP Preparation – Department of Management and Budget</b>		
CONTRACT PERIOD:		From: <b>November 9, 2006</b> To: <b>October 31, 2009</b>
TERMS		SHIPMENT
	<b>N/A</b>	<b>N/A</b>
F.O.B.		SHIPPED FROM
	<b>N/A</b>	<b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS		
<b>N/A</b>		
MISCELLANEOUS INFORMATION:		

**NATURE OF CHANGE(S):**

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

**DELEG FY 09 Cost Allocation Plan and Indirect Cost Rate Proposal: \$38,400.00**  
**Dept. of State FY 09 Cost Allocation Plan for the Motor Vehicle Program: \$72,000.00**

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

**Total Value of Proposal: \$110,400.00**  
**Remaining Amount Available on Contract: \$137,600.00**

**AUTHORITY/REASON:**

Per agency/vendor agreement and Purchasing Operations' approval.

**TOTAL CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$1,575,000.00**

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**PROPOSAL TO THE  
MICHIGAN DEPARTMENT OF ENERGY, LABOR  
AND ECONOMIC GROWTH  
FOR THE FY 09 COST ALLOCATION PLAN AND INDIRECT  
COST RATE PROPOSAL  
AND RMS MAINTENANCE FOR FY 10**

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**AUGUST 2009**

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

OK to process.

LJM

9-22-09

**Proposal to**  
**The Michigan Department of Energy, Labor and Economic Growth**  
**For Preparation of an Actual FY 09**  
**Departmental Cost Allocation Plan**  
**And FY 10 RMS Maintenance**

MAXIMUS is pleased to present this proposal to the Michigan Department of Energy, Labor and Economic Growth (DELEG) for cost allocation services to be performed during State fiscal year 2010. 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, 2009, 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 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 Energy, Labor and Economic Growth receives substantial funding for the operation of various programs it administers from the Federal government. The Department spends considerable resources to administer these programs. These costs include administration, accounting services, personnel services, etc. plus the costs incurred by the State of Michigan and identified in the State's annual Statewide Cost Allocation Plan (SWCAP). The Federal government will reimburse the State a portion or all of the costs spent in supporting Federal programs if the State can document the expenses to the Federal government. In order to accomplish the actual recovery of indirect costs attributed to any particular program within the Department, 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 Energy, Labor and Economic Growth was created by Executive Order in October of 2003. An annual cost allocation plan and indirect cost rate proposal is negotiated with the US Department of Labor applicable to all DELEG programs. FY 09 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, DELEG will need to prepare a cost allocation plan and indirect cost rate proposal based on actual costs for FY 09. This plan will be used to finalize the FY 09 indirect cost rates and to establish a new rate for fiscal year 11.

During 2004, the Department of Energy, Labor and Economic Growth installed a random moment sampling (RMS) system to document the direct charging to Federal programs of some of the divisions of Administrative Services, including Financial Services, Purchasing, Human Resources, and Office Services. In order to directly charge costs to

Federal programs, standards regarding time distribution as outlined in Attachment B, Section 11.h of A-87 must be met. RMS is specifically mentioned as a viable substitute system for the support of time distribution. RMS is an on-going system, which through periodic sampling over an extended period of time, can accurately determine the work effort of a group of workers. In order to continue charging Federal programs in fiscal 10, the Department will need to continue to generate and tabulate sampling data on a quarterly basis throughout the fiscal year.

#### **DESCRIPTION OF SERVICES**

**MAXIMUS** proposes to provide the following services for the Michigan Department of Energy, Labor and Economic Growth:

*1. Preparation of the DCAP based on actual costs for the year ending September 30, 2009.* 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, 2009.* As discussed earlier, the FY 09 indirect cost rates were approved on a provisional basis. This proposal will calculate final rates for FY 09, and will also propose new rates for use in fiscal year 2011.

*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 DELEG.

4. *RMS maintenance and administration for fiscal year 2010.* MAXIMUS will provide the following services necessary to maintain the RMS system currently utilized by the Bureau of Administrative Services:

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

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

#### **EXPERIENCE AND QUALIFICATIONS**

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

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

#### **STAFFING**

**MAXIMUS** will assemble an experience team of consultants to assist the Department of Energy, Labor and Economic Growth in this engagement. All staff will have experience in preparing cost allocation plans, indirect cost rate proposals and installing and maintaining random moment sampling systems. The project 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 (071B00042) 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 Ms. Laura Mester, 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 09 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.

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**PROPOSAL TO THE  
MICHIGAN DEPARTMENT OF STATE  
FOR DEVELOPMENT OF THE  
FISCAL 2009 COST ALLOCATION PLAN  
FOR MOTOR VEHICLE PROGRAM**

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**AUGUST 2009**

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

*OK TO process*

*LJM*

*9-25-09*

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

**Proposal to  
The Michigan Department of State  
To Prepare the Fiscal 2009 Cost Allocation Plan  
For Motor Vehicle Program Costs**

***INTRODUCTION***

MAXIMUS 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 2009. The following information outlines our qualifications, experience and information regarding the scope of services.

***BUSINESS ORGANIZATION***

MAXIMUS, Inc. is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division 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 2009 information.

#### ***OBJECTIVES***

1. The Michigan Department of State's primary goal for this project is to update the cost allocation model based upon fiscal 2009 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, Administrative Services, 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 the Cost of Service, or User Fees.** The cost allocation methodology provides the framework to address two other issues:

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

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

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

Department's cognizant federal agency for approval. MAXIMUS consultants will handle negotiations associated with acquiring federal approval of the indirect cost rate.

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

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### ***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 2009 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:

<b><u>Task</u></b>	<b><u>Amount</u></b>
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>
<b>Project Total</b>	<b>\$ 72,000</b>

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

***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, 2010. 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, 2010. 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.*

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**MAXIMUS, Inc.**

WILLIAM L. MAXWELL

DIRECTOR

## Range of Experience

Mr. Maxwell has nearly 20 years of professional experience in providing cost accounting services to state and local governments. He is currently with our Cost Services Division and is the Director in charge of our Lansing, Michigan office. He is responsible for the preparation and negotiation of all cost allocation plans and related cost accounting projects for agencies of the State of Michigan. Additionally, he manages our user fee practice in the state of Michigan. His range of project experience includes the following:

- A-87 Cost Allocation
- Federal Indirect Cost Rate Negotiations
- Cost of Service Studies
- Random Moment Sampling
- User Fee Studies
- Direct Billing Models

## Professional History

MAXIMUS, Cost Services Division, Director, 2001 to present.

DMG-MAXIMUS, Inc., Lansing, Michigan, State Manager, 1998 to 2001.

David M. Griffith & Associates, Lansing, Michigan, State Manager, 1987 to 1998.

## Education

Master of Arts in Secondary Education, Michigan State University, East Lansing, Michigan, 1980.

Bachelor of Science Degree in Mathematics and Business, Central Michigan University, Mt. Pleasant, Michigan, 1973.

## Project Experience

Since joining MAXIMUS, Mr. Maxwell has been a key consultant or project manager on numerous cost accounting projects, including the following:

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

September 15, 2009

**CHANGE NOTICE NO. 18**  
**TO**  
**CONTRACT NO. 071B720042**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>Maximus, Inc.</b> <b>2343 Delta Road</b> <b>Bay City, MI 48706</b>  <a href="mailto:jamesolson@maximus.com">jamesolson@maximus.com</a>	TELEPHONE (517) 684-4111 <b>James Olson</b>
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-1080 <b>Melissa Castro, CPPB</b>
Contract Compliance Inspector: Laura Mester (517) 373-0447 <b>Central Cost Analysis and SWCAP Preparation – Department of Management and Budget</b>	
CONTRACT PERIOD: From: <b>November 9, 2006</b> To: <b>October 31, 2009</b>	
TERMS  <p style="text-align: center;"><b>N/A</b></p>	SHIPMENT  <p style="text-align: center;"><b>N/A</b></p>
F.O.B.  <p style="text-align: center;"><b>N/A</b></p>	SHIPPED FROM  <p style="text-align: center;"><b>N/A</b></p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;"><b>N/A</b></p>	
MISCELLANEOUS INFORMATION:	

**NATURE OF CHANGE(S):**

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

Dept. of Management and Budget – Office of Financial Management -  
 FY 09 Actual Cost Allocation Plan - Statewide 48,000.00

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

Total Value of Proposal: \$ 48,000.00  
 Remaining Amount Available on Contract: \$248,000.00

**AUTHORITY/REASON:**

Per agency/vendor agreement and Purchasing Operations' approval.

**CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$1,575,000.00**



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

August 13, 2009

CHANGE NOTICE NO. 17  
 TO  
 CONTRACT NO. 071B720042  
 between  
 THE STATE OF MICHIGAN  
 and

NAME & ADDRESS OF VENDOR		TELEPHONE (517) 684-4111
<b>Maximus, Inc.</b> <b>2343 Delta Road</b> <b>Bay City, MI 48706</b>  <a href="mailto:jamesolson@maximus.com">jamesolson@maximus.com</a>		<b>James Olson</b>
		VENDOR NUMBER/MAIL CODE
		BUYER/CA (517) 373-1080 <b>Melissa Castro, CPPB</b>
Contract Compliance Inspector: Laura Mester (517) 373-0447		
<b>Central Cost Analysis and SWCAP Preparation – Department of Management and Budget</b>		
CONTRACT PERIOD:		From: <b>November 9, 2006</b> To: <b>October 31, 2009</b>
TERMS	N/A	SHIPMENT
		N/A
F.O.B.	N/A	SHIPPED FROM
		N/A
MINIMUM DELIVERY REQUIREMENTS		
N/A		
MISCELLANEOUS INFORMATION:		

**NATURE OF CHANGE(S):**

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

Department of Management and Budget –  
 Building Occupancy Cost Allocation Plan \$24,000.00

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

Total Value of Proposal: \$ 24,000.00  
 Remaining Amount Available on Contract: \$296,000.00

**AUTHORITY/REASON:**

Per agency/vendor agreement and Purchasing Operations' approval.

**CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$1,575,000.00**

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

MAXIMUS is pleased to present this proposal to the Department of Management and Budget for a Building Occupancy Cost Allocation Plan based on budgeted costs for the year ending September 30, 2011.

**BUSINESS ORGANIZATION**

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

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

**BACKGROUND**

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

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

## **DESCRIPTION OF SERVICES**

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

**Prepare the Building Occupancy Cost Allocation Plan (CAP) based on budgeted expenditures for the year ending September 30, 2011.** MAXIMUS has prepared this plan for the past several years and will develop the FY 11 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, 2011. (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 Management and Budget, Office of Financial Management. In addition, MAXIMUS has prepared numerous departmental cost allocation plans and indirect cost rate proposals, installed several random moment sampling systems, and worked on many other cost accounting projects for agencies of the State of Michigan. Attached is a partial listing of State of Michigan clients and references. A complete client listing for MAXIMUS is available upon request.

## **STAFFING**

MAXIMUS will assemble an experienced team of consultants to assist the Department of Management and Budget in this engagement. All staff will have experience in preparing cost allocation plans for agencies of the State of Michigan. The project director will be Mr. William Maxwell, the 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 11 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 DMB for review and will be revised as necessary to reflect any necessary changes. Delivery of the final

report will be contingent upon the review and approval of the draft report. However, we anticipate that the final report will be delivered within four months of the outset of the project.

Our current contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan (071B7200042) 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 Ms. Laura Mester, our contact administrator at the Office of Financial Management, at 373-0447 to get approval to contact under the SWCAP agreement.

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

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

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

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MAXIMUS, INC.

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

April 23, 2009

CHANGE NOTICE NO. 16  
 TO  
 CONTRACT NO. 071B7200042  
 between  
 THE STATE OF MICHIGAN  
 and

NAME & ADDRESS OF VENDOR  <b>Maximus, Inc.</b> <b>2343 Delta Road</b> <b>Bay City, MI 48706</b>  <a href="mailto:jamesolson@maximus.com">jamesolson@maximus.com</a>	TELEPHONE (517) 684-4111 <b>James Olson</b>
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-1080 <b>Melissa Castro, CPPB</b>
Contract Compliance Inspector: Laura Mester (517) 373-0447 <b>Central Cost Analysis and SWCAP Preparation – Department of Management and Budget</b>	
CONTRACT PERIOD: From: <b>November 9, 2006</b> To: <b>October 31, 2009</b>	
TERMS <b>N/A</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>N/A</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	
MISCELLANEOUS INFORMATION:	

**NATURE OF CHANGE(S):**

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

Department of State Police – FY 08 Cost Allocation Plan  
 And Indirect Cost Rate: **\$18,000.00**

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

Total Value of Proposal: **\$18,000.00**  
 Remaining Amount Available on Contract: **\$320,000.00**

**AUTHORITY/REASON:**

Per agency/vendor agreement and Purchasing Operations' approval.

CURRENT AUTHORIZED SPEND LIMIT REMAINS: **\$1,575,000.00**

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**PROPOSAL TO THE  
MICHIGAN STATE POLICE  
FOR AN FY 08 COST ALLOCATION PLAN  
AND INDIRECT COST RATE PROPOSAL**

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**MARCH 16, 2009**

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

OK to process.  
LJM  
4-6-09



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**Proposal to  
The Michigan Department of State Police  
For the Preparation of  
The FY 08 Actual  
Departmental Cost Allocation Plan  
& Indirect Cost Rate Proposal**

MAXIMUS, INC. is pleased to present this proposal to the Michigan Department of State Police (MSP) for the preparation and negotiation of the FY 08 Actual Departmental Cost Allocation Plan and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

MAXIMUS, Inc. is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. Since 1976 MAXIMUS has been assisting state and local governments in matters related to grants management and cost accounting. 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 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



## Proprietary

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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 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, 2008. 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 2008 actual circumstances.
2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2008. For fiscal 2008, the MSP had a fixed with carry-forward rate approved by Homeland Security of 20.15% of total personnel costs. Actual costs will be used to determine the appropriate carry-forward from fiscal 2008 and to determine a new fixed rate for use during fiscal 2010.
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 the appropriate carry-forward from fiscal 2008 and to propose a new fixed rate for use during fiscal 2010.

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.



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## EXPERIENCE AND QUALIFICATIONS

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

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

## STAFFING

MAXIMUS will assemble an experienced team of consultants to assist the Michigan 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.



**Proprietary**

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 DMB 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 DMB 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:

<b>Task</b>	<b>Hours</b>
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
<b>Total Hours</b>	<b>150</b>



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**DELIVERABLES**

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

**FY 2008 Actual Cost Allocation Plan**  
**FY 2008 Actual (Fixed FY 2010) 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 DMB 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.

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**MAXIMUS, INC.**

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

February 10, 2009

**CHANGE NOTICE NO. 15**  
**TO**  
**CONTRACT NO. 071B720042**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR		TELEPHONE (517) 684-4111
<b>Maximus, Inc.</b> <b>2343 Delta Road</b> <b>Bay City, MI 48706</b>  <a href="mailto:jamesolson@maximus.com">jamesolson@maximus.com</a>		<b>James Olson</b>
		VENDOR NUMBER/MAIL CODE
		BUYER/CA (517) 373-1080
Contract Compliance Inspector: Laura Mester (517) 373-0447		
<b>Central Cost Analysis and SWCAP Preparation – Department of Management and Budget</b>		
CONTRACT PERIOD:		From: <b>November 9, 2006</b> To: <b>October 31, 2009</b>
TERMS	N/A	SHIPMENT
		N/A
F.O.B.	N/A	SHIPPED FROM
		N/A
MINIMUM DELIVERY REQUIREMENTS		
N/A		
MISCELLANEOUS INFORMATION:		

**NATURE OF CHANGE(S):**

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

Department of Corrections – FY 07 Actual Allocation Plan And Indirect Cost Rate:	<b>\$14,400.00</b>
Dept. of Labor and Economic Growth - FY 08 Cost Allocation Plan and Funding Rate Proposal:	<b>\$24,000.00</b>
Dept. Of Natural Resources – FY 08 Cost Allocation Plan and Indirect Cost Rate Proposal	<b>\$24,600.00</b>
Michigan Judiciary – FY 08 Allocation Plan and Indirect Cost Rate:	<b>\$ 9,600.00</b>
Michigan Attorney General – FY 08 Cost Allocation Plan and Funding Rate Proposal:	<b>\$14,400.00</b>
Michigan Economic Development Corporation – FY 08 Cost Allocation Plan and Indirect Cost Rate Proposal:	<b>\$ 9,600.00</b>
Department of State – FY 08 Cost Allocation Plan for the Motor Vehicle Program:	<b>\$72,000.00</b>

071B7200042  
CHANGE NOTICE #15  
PAGE TWO

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

Total Value of Proposal:	\$168,600.00
Remaining Amount Available on Contract:	\$338,000.00

**AUTHORITY/REASON:**

Per agency/vendor agreement and Purchasing Operations' approval.

**CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$1,575,000.00**

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**PROPOSAL TO THE  
MICHIGAN DEPARTMENT OF  
CORRECTIONS  
FOR AN FY 07 COST ALLOCATION PLAN  
AND INDIRECT COST RATE PROPOSAL**

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**NOVEMBER 13, 2008**

OK to process  
LJM  
1-12-09

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

MAXIMUS is pleased to present this proposal to the Michigan Department of Corrections for the preparation and negotiation of an FY 07 Actual Departmental Cost Allocation Plan (DCAP) and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

MAXIMUS is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division, formerly known as David M. Griffith & Associates (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

**BACKGROUND**

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

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

### STATEMENT OF PROBLEM

Prior to FY 2005, the Michigan Department of Corrections had not developed an indirect cost rate proposal, and as such, had not assessed indirect costs to federally funded programs. DOC prepared and submitted to the U.S. Department of Justice its initial cost allocation plan and indirect cost rate proposal based on actual expenditures for the year ending September 30, 2005. Based upon this submission, indirect cost rates were proposed for use in fiscal year 2007. 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, 2007. The FY 07 cost allocation plan will be used to finalize the FY 07 provisional rates, and to propose new rates for use beginning with FY 09.

### DESCRIPTION OF SERVICES

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

**1. Preparation of the cost allocation plan based on actual costs for the year ended September 30, 2007.** The cost allocation plan will serve as the documentation for the indirect costs included in the indirect cost rate proposal. The cost plan will be prepared utilizing *NGCS2*, proprietary software developed by MAXIMUS for the specific purpose of preparing cost allocation plans.

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

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

organizational 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, 2007.** Based upon the results of the cost allocation plan, an indirect cost rate proposal will be prepared. The number of rate pools will be discussed during the engagement. Multiple rates for various DOC programs will be computed; however it may be desirable to roll up rates at a much higher level for presentation to the Department of Justice. The final number of rates will be determined as we finalize the proposal for submission.

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

## EXPERIENCE AND QUALIFICATIONS

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

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

## STAFFING

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

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

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

**COMPENSATION**

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

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

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

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

**DELIVERABLES**

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

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

**TIMING**

MAXIMUS is prepared to begin preparation of the FY 07 within ten working days of receiving a purchase order or contract acceptable to MAXIMUS and the Department. Providing all information is available in a timely manner, it is anticipated that approximately 16 weeks will be required to complete a draft of the plan. After submitting the draft, we still need to review the plan with the Department financial staff, and prepare the plan for federal submission. This internal review process can sometimes take several weeks to complete. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months. MAXIMUS will make every attempt to expedite the process, but we must advise the Department that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87.

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

**MAXIMUS, Inc.**

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**PROPOSAL TO THE  
DLEG OFFICE OF  
FINANCIAL AND INSURANCE REGULATION  
FOR AN FY 08 ADMINISTRATIVE  
COST ALLOCATION PLAN  
AND FUNDING RATE PROPOSAL**

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NOVEMBER 13, 2008

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1-12-09

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Entry No. 317 Routed to \_\_\_\_\_  
 Please Handle     Information  
 Comments          
Response Date \_\_\_\_\_  
From \_\_\_\_\_ Date \_\_\_\_\_

**PROPOSAL TO  
THE DLEG OFFICE OF FINANCIAL AND  
INSURANCE REGULATION  
FOR PREPARATION OF AN  
FY 08 ACTUAL  
ADMINISTRATIVE COST ALLOCATION PLAN**

MAXIMUS, INC. is pleased to present this proposal to the Office of Financial and Insurance Regulation (OFIR) of the Michigan Department of Labor and Economic Growth (DLEG) for the preparation of an FY 08 Actual Administrative Cost Allocation Plan. The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

MAXIMUS, Inc. is a public sector consulting firm incorporated in the State of Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division, formerly known as David M. Griffith & Associates (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to over 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

**BACKGROUND**

The 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 has historically allocated the costs associated with several administrative cost pools solely on the ratio expenditures. OFIR desires to have a more detailed and defensible allocation methodology developed. In order to accomplish this, an administrative (central services) cost allocation plan needs to be prepared. The plan will need to examine the various administrative functions of the Office and develop a defensible approach to 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, 2008 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, 2008. The plan would be prepared utilizing *MAXCARS*, software developed by MAXIMUS for the specific purpose of preparing cost allocation plans. The following is a listing of the administrative cost pools that we anticipate will be allocated.

Commission's Office  
Human Resources and Budget  
Chief Deputy of Financial Evaluation  
Chief Deputy of Policy, Conduct and Consumer Assistance  
Enterprise Monitoring Administration  
Charter Review  
Consumer Services  
Policy  
Market Conduct Administration  
Office of General Counsel

2. Preparation of the Administrative Funding Rate Proposal based on actual costs for the year ended September 30, 2008. The results of the cost allocation plan will be used to develop proposed administrative funding ratios for use during a subsequent period. The rates will indicate the recommended percent of funding that should be provided by each funding source of the Office in support of the administrative operations.

## PLAN DEVELOPMENT

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

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

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

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

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

A multiple-phased approach will be necessary to achieve the ultimate objective of determining the appropriate mix of funding. Phase I will allocate the administrative cost pools to either the funding level, or in many cases to the program area. For those costs allocated to the program level, a secondary cost plan (Phase II) will be needed to reallocate program level administrative charges to the appropriate funding sources for each program.

Upon completion of the cost plan(s) we will develop the Administrative Funding Rate Proposal. The proposal will be used to propose a new funding mix for either FY 10 or FY 11. The timing of the rates will be discussed with OFIR officials as we proceed.

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

### **EXPERIENCE AND QUALIFICATIONS**

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

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

### **STAFFING**

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

### **COMPENSATION**

Our current contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan (SWCAP) provides for additional departmental cost allocation projects to be completed as amendments to the original contract. We believe this project can be performed under the provisions of this 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 08 Actual Cost Allocation Plan  
& Administrative Funding Rate Proposal**

**TIMING**

MAXIMUS is prepared to begin preparation of the cost plan and funding rate proposal within 10 working days of securing a contract or change notice to our SWCAP contract. However, work cannot begin until the FY 08 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.

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MAXIMUS, INC.

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**PROPOSAL TO THE  
MICHIGAN DEPARTMENT OF  
NATURAL RESOURCES  
FOR A COST ALLOCATION PLAN AND  
INDIRECT COST RATE PROPOSAL  
FY 08 ACTUAL**

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**OCTOBER 29, 2008**

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LJM  
1-12-09

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

**FOR A COST ALLOCATION PLAN  
BASED ON ACTUAL COSTS FOR  
THE YEAR ENDED SEPTEMBER 30, 2008**

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Department of Natural Resources for the preparation of a Departmental Cost Allocation Plan based on actual costs for the year ending September 30, 2008.

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

**BUSINESS ORGANIZATION**

MAXIMUS, Inc. is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division, formerly known as David M. Griffith & Associates (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

**BACKGROUND**

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

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

### DESCRIPTION OF SERVICES

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

1. **Preparation of the DCAP based on actual costs for the year ended September 30, 2008, 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, 2008.** Current indirect cost rates for the DNR are approved on a fixed with carry-forward basis. As such, the proposal will include the calculation of appropriate FY 08 carry-forwards and the incorporation of these amounts into proposed rates for use during state fiscal year 2009/10. The proposal will include the calculation of two DNR rates:

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

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

**4. Preparation of a revised cost plan for the documentation of charges to state restricted funding sources.** Another version of the DCAP will be prepared. The revised version will essentially allocate the same cost pools; however, it will be structured differently in order to identify indirect charges separately for the various bureaus of the department. In addition, costs allocated to individual bureaus will subsequently be reallocated to funding sources according to the ratio of funding within each bureau. The final result will be that the appropriateness of the level of funding provided by various state restricted funds for each administrative appropriation can be reviewed. As this plan

is prepared for state funds only, it will not need to be submitted to the Federal government for review.

### EXPERIENCE AND QUALIFICATIONS

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

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

### STAFFING

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

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

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

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

### COMPENSATION

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

A-87 DCAP & Federal Indirect Cost Rate Proposal -	125 hrs
<u>Revised DCAP for Restricted Funds</u> -	<u>80 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 - \$15,000
- Delivery and Acceptance of Revised DCAP for Restricted Funds - \$9,600

### TIMING

MAXIMUS is prepared to begin work on this project within 10 working days of receiving a purchase order or contract amendment notice. However, work cannot begin until the current fiscal year has been closed and final financial reports are available. Once work has begun, it is anticipated that it will require approximately twelve weeks to complete a draft of the A-87 plan and an additional eight weeks to complete the draft of the second plan. Once approved by DNR, the A-87 plan will be submitted to the Department of Interior and MAXIMUS will begin negotiations on your behalf to secure federal approval. MAXIMUS will make every attempt to expedite the process, but we

must advise the Department of Natural Resources that in some instances the negotiation process can take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in A-87, and **MAXIMUS** is available to defend the plan against audit for a three year period at no additional cost.

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

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**MAXIMUS, Inc.**

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**PROPOSAL TO THE  
MICHIGAN JUDICIARY  
FOR A COST ALLOCATION PLAN AND  
INDIRECT COST RATE PROPOSAL  
FY 08 ACTUAL**

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**NOVEMBER 13, 2008**

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**PROPOSAL TO  
THE MICHIGAN JUDICIARY  
FOR THE PREPARATION OF AN FY 08 ACTUAL  
COST ALLOCATION PLAN AND  
INDIRECT COST RATE PROPOSAL**

MAXIMUS is pleased to present this proposal to the Michigan Judiciary for the preparation and negotiation of the FY 08 Actual Departmental Cost Allocation Plan (DCAP) and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

MAXIMUS is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division, formerly known as David M. Griffith & Associates (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

**BACKGROUND**

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

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

#### STATEMENT OF PROBLEM

Prior to FY 2000, the Michigan Judiciary had not developed an indirect cost rate proposal, and as such, had not assessed indirect costs to federally funded programs. The Office of the Auditor General recommended that the Court prepare and negotiate an indirect cost rate with the appropriate Federal agency and begin to charge indirect costs to Federal grants and contracts.

The Court prepared and submitted to the Department of Health and Human Services (DHHS) its initial cost allocation plan and indirect cost rate proposal based on actual expenditures for the year ending September 30, 2000. Subsequent proposals have been submitted each year since. Based upon these prior submissions, the U.S. Department of Health and Human Services (DHHS) issued a federal negotiation agreement approving provisional indirect cost rates for use in FY 08. 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, 2008. The FY 08 cost allocation plan will be used to finalize the FY 08 provisional rates, and to propose new rates for use beginning with FY 10.

#### 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, 2008.** 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, 2008.** 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 08. This proposal will calculate final rates for FY 08 and also propose new provisional rates for use by the Court.

**3. Negotiation of the DCAP and Indirect Cost Rate Proposal.** Upon approval of the Court, MAXIMUS will submit the cost plan and rate proposal to the Department of Health and Human Services, Division of Cost Allocation, in Dallas, Texas. Once the plan is submitted, MAXIMUS will begin negotiations on your behalf to secure approval.

### EXPERIENCE AND QUALIFICATIONS

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

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

### STAFFING

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

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

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 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 08 actual plan when the fiscal year is closed out and financial reports are available. As such, we do not project a start date until April 2009. 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, 2009. 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, and MAXIMUS is available to defend the plan against audit for a three-year period at no additional charge.

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

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**MAXIMUS, Inc.**

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**PROPOSAL TO THE  
MICHIGAN ATTORNEY GENERAL  
FOR AN FY 08 COST ALLOCATION PLAN  
AND INDIRECT COST RATE PROPOSAL**

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**SEPTEMBER 2008**

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1-23-09

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**Proposal to  
The Michigan Attorney General  
For Preparation of an FY 08 Actual  
Cost Allocation Plan & Indirect Cost Rate Proposal**

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Attorney General (AG) for the preparation and negotiation of the FY 08 Actual Departmental Cost Allocation Plan and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

MAXIMUS, Inc. is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division, formerly known as David M. Griffith & Associates (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

**BACKGROUND**

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

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

The Attorney General submitted a Cost Allocation Plan and an Indirect Cost Rate Proposal based on actual expenditures for the year ended on September 30, 2006. Based on these submissions, the Department of Health and Human Services (HHS) approved provisional indirect cost rates for the Attorney General for FY 08.

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 08 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, 2008. 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 2008 actual circumstances.
2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2008. Actual FY 08 costs will be used as the basis for establishing a new fixed or provisional rate for use in FY 10. The type of rate that will be proposed will be determined through discussions with Michigan Attorney General representatives during the course of the engagement.
3. Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's Federal Cognizant Agency, the U.S. Department of Health and Human Services, Division of Cost Allocation (DCA), in Dallas, Texas.

PLAN DEVELOPMENT

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

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

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

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

When the plan and departmental rate proposal are complete, we will present draft documents to the appropriate Department officials for review and approval. The plan will be modified as necessary to incorporate any agreed to changes. After acceptance of the plan by the Department, we will finalize the plan and submit the documents to the U.S. Department of Health and Human Services for review and approval. MAXIMUS will negotiate the plan with HHS personnel on behalf of the Department. We have negotiated several plans HHS and therefore they are quite familiar with our plans and the quality of our work.

### EXPERIENCE AND QUALIFICATIONS

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

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

### STAFFING

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

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

Nick Bohac - Mr. Bohac is a 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 2008 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, 2009. After all necessary financial information is obtained, approximately three to four months will be necessary for completion of the draft. Preparation of the final report and their submission to the HHS will be at the discretion of the Department. Once submitted, negotiation and approval of the documents can take anywhere from several weeks to several months. We will make every attempt to expedite the process, but we must advise the Attorney General that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87.

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

**MAXIMUS, Inc.**

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**PROPOSAL TO THE  
MICHIGAN ECONOMIC DEVELOPMENT  
CORPORATION  
STRATEGIC FUND  
FOR A COST ALLOCATION PLAN AND  
INDIRECT COST RATE PROPOSAL  
FY 08 ACTUAL**

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**NOVEMBER 13, 2008**

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**PROPOSAL TO THE  
MICHIGAN ECONOMIC DEVELOPMENT CORPORATION  
STRATEGIC FUND  
FOR PREPARATION OF A COST ALLOCATION PLAN  
AND INDIRECT COST RATE PROPOSAL  
FY 08 ACTUAL**

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Economic Development Corporation (MEDC) for the development of a departmental cost allocation plan and indirect cost rate proposal based on actual expenditures for the year ending September 30, 2008. The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

MAXIMUS, Inc. is a public sector consulting firm incorporated in the State of Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division, previously known as David M. Griffith & Associated (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to nearly 40 offices within the continental United States, including two offices in the state of Michigan. This project would be performed out of Lansing, Michigan office at the following address:

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

**BACKGROUND**

The Michigan Strategic Fund of the MEDC will receive substantial funding for the operation of various programs it will administer from the Federal government, including the Community Development Block Grant. The Fund will spend considerable resources to administer these programs. These costs include administration, accounting services, purchasing,

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

#### **STATEMENT OF PROBLEM**

The MEDC was created by Executive Order 1999-1 that reorganized the Michigan Jobs Commission (MJC). Those programs of the MJC that related to career preparation and training were transferred to the Department of Career Development. These include the programs of the Office of Workforce Development, Michigan Rehabilitative Services, and the Employment Service Agency. Those MJC programs that related to economic development were transferred to the Michigan Strategic Fund (MSF) under the direction of the Michigan Economic Development Corporation.

Beginning with fiscal year 2000, the MEDC began preparing and negotiating a separate indirect cost rate with the Department of Housing and Urban Development (HUD). Based upon the most recent submission to HUD, provisional indirect cost rates were approved for MEDC for use during state fiscal year 2008.

Provisional indirect cost rates must be "finalized", or reconciled to actual costs, at the end of each fiscal year. As such, the MEDC needs to prepare a cost allocation plan and indirect cost rate proposal based on actual costs for FY 08 and submit the plan to HUD for review and approval.

#### **DESCRIPTION OF SERVICES**

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

- Preparation of the departmental cost allocation plan (DCAP) for the MEDC Strategic Fund based on actual expenditures for the fiscal year ending September 30, 2008. The plan will be prepared as consistently as possible with the last submitted plan. Financial information with

sufficient cost center and line item detail will be needed. MAXIMUS consultants will work with financial staff to determine whether R\*Stars or MIDB reports should be used.

- Preparation of an indirect cost rate proposal for the MEDC based on actual expenditures for the fiscal year ending September 30, 2008. The proposal will be used to finalize FY 08 rates and to also propose an indirect cost rate for use during FY 10.
- Negotiations for approval of the cost plan and indirect cost rate proposal with cognizant Federal agency, the Department of Housing and Urban Development.

#### **PLAN DEVELOPMENT**

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

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

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

After all the information is collected and any interviews conducted, our fieldwork will be completed. MAXIMUS consultants will then finalize the plan at our office. This minimizes any disruption to the normal operations of the Department. Upon completion of the plan we will develop an indirect cost rate proposal. The rate proposal will be used to finalize current approved rates and to propose a single departmental rate for use in fiscal year 2010.

When the plan and departmental rate proposal are complete, we will present all the documents to the appropriate Department officials. After acceptance of the plan by the Department, we will submit the documents to the H.U.D for review and approval. MAXIMUS consultants will negotiate the plan on behalf of the Department. We have negotiated several

plans with the Washington D.C. regional office and therefore they are quite familiar with our plans and the quality of our work.

### **EXPERIENCE AND QUALIFICATIONS**

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

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

### **STAFFING**

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

### **COMPENSATION**

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

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

**FY 08 Actual DCAP and Rate Proposal - \$ 9,600**

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

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

#### **TIMING**

MAXIMUS proposes to begin work on this project within ten working days of receiving a contract or purchase order. However, work on the MEDC plan cannot begin until the current fiscal year has been closed and final financial reports are available. Once work begins, it is anticipated that the DCAP and indirect cost rate proposal will require about two to three months to complete. Therefore we would not expect to have the MEDC plan ready for federal submission until about June 30, 2009. Federal negotiations will begin upon submission of the proposal to the appropriate Federal agency. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months to complete. MAXIMUS will make every attempt to expedite the process, but we must advise the MEDC that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiations agreement within the procedures set forth in OMB A-87.

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

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**MAXIMUS, Inc.**

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**PROPOSAL TO THE  
MICHIGAN DEPARTMENT OF STATE  
FOR DEVELOPMENT OF THE  
FISCAL 2008 COST ALLOCATION PLAN  
FOR MOTOR VEHICLE PROGRAM**

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**NOVEMBER 18, 2008**

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**Proposal to  
The Michigan Department of State  
To Prepare the Fiscal 2008 Cost Allocation Plan  
For Motor Vehicle Program Costs**

***INTRODUCTION***

MAXIMUS, Inc is pleased to present this proposal to the Michigan Department of State to develop a cost allocation plan for the purpose of documenting the cost of operating motor vehicle programs. The plan will be based on actual expenditure and statistical information for fiscal year 2008. The following information outlines our qualifications, experience and information regarding the scope of services.

***BUSINESS ORGANIZATION***

MAXIMUS, Inc. is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division, formerly known as David M. Griffith & Associates (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to over 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

**BACKGROUND**

The Department of State (DOS) has responsibility for administering Michigan's motor vehicle programs as provided in the Motor Vehicle Code, PA 300 of 1949. The DOS is designated to collect fees and taxes for all motor vehicle programs. The expenses incurred in the administration of motor vehicle programs are funded from a variety of sources, including a significant portion from a grant appropriated from the Michigan Transportation Fund (MTF). It is necessary for the Department of State to periodically examine the cost of operating motor vehicle programs, and to determine a cost allocation methodology to allocate costs 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 2008 information.

**OBJECTIVES**

1. The Michigan Department of State's primary goal for this project is to update the cost allocation model based upon fiscal 2008 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, which cover all bureaus and programs that are involved either directly or indirectly with the administration of motor vehicle programs. Each cost allocation plan will be prepared in a manner as consistently as possible with the 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, Administrative Services, 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 the Cost of Service, or User Fees.** The cost allocation methodology provides the framework to address two other issues:

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

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

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

Department's cognizant federal agency for approval. MAXIMUS consultants will handle negotiations associated with acquiring federal approval of the indirect cost rate.

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

***DELIVERABLES***

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

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

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

***EXPERIENCE AND QUALIFICATIONS***

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

Furthermore, MAXIMUS has extensive experience in working with agencies of the State of Michigan. Since 1987, MAXIMUS has prepared the Statewide Cost Allocation Plan (SWCAP) through the Department of Management and Budget, Office of Financial Management. In addition, MAXIMUS has prepared numerous departmental cost allocation plans

and indirect cost rate proposal, installed random moment sampling systems, and worked on numerous other cost accounting projects for State agencies. 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 2008 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 be the project director. He will be responsible for overseeing and coordinating the development of all cost allocation plans, time studies and all other aspects of the project.
- Nick Bohac – Mr. Bohac is a consultant assigned to the Lansing office. He has worked with several State of Michigan agencies in preparing cost allocation plans. Mr. Bohac will be responsible for managing much of the actual preparation of the various cost allocation plans.

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

*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>
<b>Project Total</b>	<b>\$ 72,000</b>

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

*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, 2009. 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, 2009. However, MAXIMUS has no control over the timing of the federal review and negotiations. We will make every effort to expedite the process, however we must advise the Department that negotiations generally require a minimum of three months and can often take as much as one year.

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

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MAXIMUS, Inc.

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

October 21, 2008

**CHANGE NOTICE NO. 14**  
**TO**  
**CONTRACT NO. 071B720042**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>Maximus, Inc.</b> <b>2343 Delta Road</b> <b>Bay City, MI 48706</b>  <a href="mailto:jamesolson@maximus.com">jamesolson@maximus.com</a>	TELEPHONE (517) 684-4111 <b>James Olson</b>
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-1080 <b>Melissa Castro, CPPB</b>
Contract Compliance Inspector: Laura Mester (517) 373-0447 <b>Central Cost Analysis and SWCAP Preparation – Department of Management and Budget</b>	
CONTRACT PERIOD: From: <b>November 9, 2006</b> To: <b>October 31, 2009</b>	
TERMS  N/A	SHIPMENT  N/A
F.O.B.  N/A	SHIPPED FROM  N/A
MINIMUM DELIVERY REQUIREMENTS N/A	
MISCELLANEOUS INFORMATION:	

**NATURE OF CHANGE(S):**

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

Dept. of Community Health – FY 09 Cost Allocation Plan and FY 08/09 Random Moment Sampling Maintenance:	\$33,600.00
Dept. of Environmental Quality – FY 08 Actual Cost Allocation Plan and FY 10 Indirect Cost Rate:	\$ 7,200.00
DMB FY 08 Actual Building Occupancy Cost Allocation Plan (\$24,000.00) and DMB/OFM FY 08 Actual Cost Allocation Plan-Statewide (\$48,000.00):	\$72,000.00
Department of Agriculture FY 08 Cost Allocation Plan and Indirect Cost Rate Proposal:	\$10,200.00

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

Total Value of Proposal:	\$123,000.00
Remaining Amount Available on Contract:	\$506,600.00

**AUTHORITY/REASON:**

Per agency/vendor agreement and Purchasing Operations' approval.

**CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$1,575,000.00**



**PROPOSAL TO  
THE MICHIGAN DEPARTMENT OF COMMUNITY HEALTH  
FOR PREPARATION OF AN ACTUAL FY 08  
DEPARTMENTAL INDIRECT COST ALLOCATION PLAN  
AND FY 09 RMS MAINTENANCE**

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Department of Community Health for cost allocation services to be performed during State fiscal year 2009. 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, 2008, as well as maintenance of the random moment sampling (RMS) system currently being utilized by Budget and Finance. The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

MAXIMUS, Inc. is a public sector consulting firm incorporated in the State of Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division, formerly known as David M. Griffith & Associates (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

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**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, 2006. Based upon this proposal, DHHS issued a federal negotiation agreement approving provisional indirect rates for use during fiscal 2008. 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 2008. The FY 08 cost allocation plan will be used to finalize the FY 08 provisional rates, and to propose new rates for use during FY 10.

During 1997, the Department of Community Health installed a random moment sampling (RMS) system to document the direct charging to Federal programs of some of the divisions of Budget and Finance, including Accounting, Budget, Grants and Contracts. In order to directly charge costs to Federal programs, standards regarding time distribution as outlined in Attachment B, Section 11.h of A-87 must be met. RMS is specifically mentioned as a viable substitute system for the support of time distribution. RMS is an on-going system, which through periodic sampling over an extended period of time can accurately determine the work effort of a group of workers. In order to continue charging Federal programs in fiscal 09, the Department of Community Health will need to continue to generate and tabulate sampling data on a quarterly basis throughout the fiscal year.

#### **DESCRIPTION OF SERVICES**

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

*1. Preparation of the Department of Community Health DCAP based on actual costs for the year ending September 30, 2008.* 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 07 actual plan. Indirect costs will be identified and segregated into discrete cost pools. Selective allocations of each pool

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will be made by applying the allocation base most appropriate to each circumstance. The overall objective is to allocate indirect costs consistent with the manner in which services are actually provided to programs and bureaus that benefit from the services. The plan will allocate any indirect costs accounted for in following organizations:

**Statewide Costs**  
**Executive Administration**  
**Health Advisory Council**  
**Resources Services**  
**Workers' Compensation**  
**Moving Costs**  
**Operations Administration**  
**Information Technology**  
**Budget & Audit Administration**  
**Budget and Contracts**  
**Finance**  
**Audit Division**  
**Bureau Administration**  
**Legal Affairs**  
**Terminal Payments**

*2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2008.* As discussed earlier, FY 08 indirect cost rates are currently approved on a provisional basis. The proposal will calculate final rates for FY 08, and will also propose new rates for use during FY 10.

*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

**PROPOSAL TO  
THE MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY  
FOR PREPARATION OF THE FY 08  
DEPARTMENTAL COST ALLOCATION PLAN  
AND INDIRECT COST RATE PROPOSAL**

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Department of Environmental Quality for the preparation and negotiation of an FY 08 Actual Departmental Cost Allocation Plan and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

**BACKGROUND**

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

**STATEMENT OF PROBLEM**

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

Current rates were approved on a fixed with carry-forward basis. This requires that fixed indirect cost rates employed during a fiscal year be reconciled to actual cost at

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**

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**PROPOSAL TO THE MICHIGAN DEPARTMENT OF  
MANAGEMENT AND BUDGET  
FOR A BUILDING OCCUPANCY  
COST ALLOCATION PLAN  
BASED ON ACTUAL COSTS FOR THE YEAR ENDED  
SEPTEMBER 30, 2008**

MAXIMUS, Inc. is pleased to present this proposal to the Department of Management and Budget for a Building Occupancy Cost Allocation Plan based on actual costs for the year ended September 30, 2008.

**BUSINESS ORGANIZATION**

MAXIMUS, Inc. is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division, previously known as David M. Griffith & Associates (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. Since its inception, the Division has grown to over 40 offices across the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

**BACKGROUND**

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

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

### **DESCRIPTION OF SERVICES**

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

Prepare the Building Occupancy Cost Allocation Plan (CAP) based on actual expenditures for the year ended September 30, 2008. MAXIMUS has prepared this plan for the past several years and will develop the FY 08 plan in a consistent manner with prior year plans. Preparation of the plan will include the following tasks:

- Building inventories will be reviewed and updated, including any changes to the square footage of any facility.
- Financial reports will be reviewed, and allocation bases for each index will be updated.
- Fixed asset reports will be reviewed and use charges will be developed for each facility.
- Work order projects will be reviewed and amortization schedules updated.
- The cost plan will be processed on the MAXIMUS proprietary system, NGCS2.
- A summary of cost vs. revenue for each building will be prepared, along with the federally required A-87 balance sheet.
- The cost plan and A-87 balance sheet will be submitted to the Department of Health and Human Services in Dallas Texas and negotiated by MAXIMUS on behalf of the State.

### **DELIVERABLES**

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

- Building Occupancy Cost Allocation Plan based on actual expenditures for year ended September 30, 2008 (including the A-87 Balance Sheet).

### **EXPERIENCE AND QUALIFICATIONS**

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

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

### **STAFFING**

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

### **TIMING AND FEES**

**MAXIMUS** is prepared to begin work on the FY 08 actual building rental rate CAP as soon as the State can provide final financial information. It is anticipated that approximately three to four months will be necessary to complete the draft of the actual building occupancy costs. The actual building occupancy plan and A-87 balance sheet should be completed by June



**MAXIMUS**  
HELPING GOVERNMENT SERVE THE PEOPLE®

September 22, 2008

Ms. Laura Mester, Director  
Accounting and Financial Reporting Division  
Office of Financial Management  
George W. Romney Building, 7th Floor  
111 South Capitol Avenue  
P.O. 30026  
Lansing, MI 48909

Dear Ms. Mester:

As you know, **MAXIMUS, Inc.** has been notified by the DMB Purchasing Office that our contract for preparation of the Statewide Cost Allocation Plan (071B7200042) has been extended to cover the next fiscal year. As such, we can now begin submitting proposals for work to be performed under the terms of that contract during fiscal year 2009.

Please consider this our formal proposal for preparation of the SWCAP based on actual costs for the year ending September 30, 2008. This would cover preparation of the SWCAP based on actual expenditures for the year as well as budgeted expenditures for FY 10. All tasks and deliverables for this project would be as outlined in the work statement of our current contract.

Our fee for the FY 08 SWCAP would be a fixed amount of \$48,000, including all expenses incurred by us. This fee is based upon 400 consultant hours at our standard hourly rate of \$120 per hour, and represents no increase in fees over the original contract.

*ok to process  
LJM*

We appreciate your continued confidence in our ability to meet the cost allocation needs of the State of Michigan. If you have any questions, as usual, do not hesitate to contact me at our Lansing office.

Very truly yours,  
**MAXIMUS, Inc.**

William L. Maxwell, Lansing Director  
Financial Services Division

Entry No. 267 Routed to \_\_\_\_\_

Please Handle     Information  
 Comments       

Response Date \_\_\_\_\_

From \_\_\_\_\_ Date \_\_\_\_\_

**PROPOSAL TO  
THE MICHIGAN DEPARTMENT OF AGRICULTURE  
FOR PREPARATION OF THE  
FY 08 ACTUAL  
DEPARTMENTAL COST ALLOCATION PLAN**

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Department of Agriculture for the preparation and negotiation of the FY 08 Actual Departmental Cost Allocation Plan and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

MAXIMUS, Inc. is a public sector consulting firm incorporated in the State of Virginia and licensed to do business in Michigan. This project would be performed by our Cost Services Division, formerly known as David M. Griffith & Associates (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to over 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

**BACKGROUND**

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

**STATEMENT OF PROBLEM**

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

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

**DESCRIPTION OF SERVICES**

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

1. Preparation of the DCAP based on actual costs for the year ended September 30, 2008. The DCAP would 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 08 actual circumstances.

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

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2008. Actual FY 08 costs will be used to finalize current rates approved by USDA for use during fiscal 2008, and will also be used to propose new fixed or provisional rates for use in fiscal 2010. 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 08 rates and to propose a single departmental rate for use in FY 10.

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 contract. 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 08 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, 2009. 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.

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**MAXIMUS, INC.**

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

October 2, 2008

CHANGE NOTICE NO. 13  
 TO  
 CONTRACT NO. 071B720042  
 between  
 THE STATE OF MICHIGAN  
 and

NAME & ADDRESS OF VENDOR		TELEPHONE (517) 684-4111
<b>Maximus, Inc.</b> <b>2343 Delta Road</b> <b>Bay City, MI 48706</b>  <a href="mailto:jamesolson@maximus.com">jamesolson@maximus.com</a>		<b>James Olson</b>
		VENDOR NUMBER/MAIL CODE
		BUYER/CA (517) 373-1080 <b>Melissa Castro, CPPB</b>
Contract Compliance Inspector: Laura Mester (517) 373-0447		
<b>Central Cost Analysis and SWCAP Preparation – Department of Management and Budget</b>		
CONTRACT PERIOD:		From: <b>November 9, 2006</b> To: <b>October 31, 2009</b>
TERMS	N/A	SHIPMENT
		N/A
F.O.B.	N/A	SHIPPED FROM
		N/A
MINIMUM DELIVERY REQUIREMENTS		
N/A		
MISCELLANEOUS INFORMATION:		

**NATURE OF CHANGE(S):**

Effective September 17, 2008, the Department of Labor and Economic Growth Cost Allocation Plan for FY 08, Indirect Cost Rate, and Random Moment Sampling Maintenance for FY 09 proposals are hereby incorporated into this Contract (see attached proposals). All other terms, conditions, specifications, and pricing remain the same.

Total Value of Proposal: \$ 38,400.00  
 Remaining Amount Available on Contract: \$629,600.00

**AUTHORITY/REASON:**

Per agency/vendor agreement and Purchasing Operations' approval.

CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$1,575,000.00

**Proposal to  
The Michigan Department of Labor and Economic Growth  
For Preparation of an Actual FY 08  
Departmental Cost Allocation Plan  
And FY 09 RMS Maintenance**

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Department of Labor and Economic Growth (DLEG) for cost allocation services to be performed during State fiscal year 2009. 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, 2008, as well as maintenance of the random moment sampling (RMS) system currently being utilized by the Bureau of Administrative Services. The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

MAXIMUS, Inc. is a public sector consulting firm incorporated in the State of Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division, formerly know as David M. Griffith & Associates, (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 34 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

**BACKGROUND**

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

**STATEMENT OF PROBLEM**

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

An annual cost allocation plan and indirect cost rate proposal is negotiated with the US Department of Labor applicable to all DLEG programs. FY 08 rates were approved provisionally and federal guidelines require that they be "finalized" or reconciled to actual cost to determine any over or under charges to Federal programs. Accordingly, the DLEG will need to prepare a cost allocation plan and indirect cost rate proposal based on actual

costs for FY 08. This plan will be used to finalize the FY 08 indirect cost rates and to establish a new rate for fiscal year 10.

During 2004, the Department of Labor and Economic Growth installed a random moment sampling (RMS) system to document the direct charging to Federal programs of some of the divisions of Administrative Services, including Financial Services, Purchasing, Human Resources, and Office Services. In order to directly charge costs to Federal programs, standards regarding time distribution as outlined in Attachment B, Section 11.h of A-87 must be met. RMS is specifically mentioned as a viable substitute system for the support of time distribution. RMS is an on-going system, which through periodic sampling over an extended period of time, can accurately determine the work effort of a group of workers. In order to continue charging Federal programs in fiscal 09, the Department of Labor and Economic Growth will need to continue to generate and tabulate sampling data on a quarterly basis throughout the fiscal year.

#### **DESCRIPTION OF SERVICES**

**MAXIMUS** proposes to provide the following services for the Michigan Department of Labor and Economic Growth:

*1. Preparation of the Department of Labor and Economic Growth DCAP based on actual costs for the year ending September 30, 2008.* 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, 2008.* As discussed earlier, the FY 08 indirect cost

rates were approved on a provisional basis. This proposal will calculate final rates for FY 08, and will also propose new rates for use in fiscal year 2010.

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

*4. RMS maintenance and administration for fiscal year 2009.* MAXIMUS will provide the following services necessary to maintain the RMS system currently utilized by the Bureau of Administrative Services:

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

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

**EXPERIENCE AND QUALIFICATIONS**

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

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

**STAFFING**

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

**COMPENSATION**

- **Actual FY 08 DCAP** (Including indirect cost rate proposal and Federal negotiations) – We estimate the actual DCAP, rate proposal and negotiations will require 200 hours to complete. Based on an hourly billing rate of \$120, including all administrative overhead, our proposed fee is a fixed amount of \$24,000.

- **FY 09 RMS Maintenance** - Based upon our experience during the past year, we anticipated 30 hours of consultant time per quarter to maintain the RMS system. Based on an hourly billing rate of \$120, including all administrative overhead, our proposed fee is a fixed amount of \$3,600 per quarter (\$14,400 annually).
- **TOTAL FOR FISCAL 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 2008 is closed out, and as such, the submission is not projected until approximately June 30, 2009.
- **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 of Labor and Economic Growth administration, and prepare the plan for Federal submission. The projected submission date would be approximately June 30, 2009.

Upon completion and federal submission of the plan and indirect cost rate proposal **MAXIMUS** will begin negotiations for approval. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months. **MAXIMUS** will make every attempt to expedite the process, but we must advise the Michigan Department of Labor and Economic Growth that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87, and **MAXIMUS** is available to defend the plan against audit for a three-year period at no additional charge.

As the RMS sampling will need to begin on October 1, 2008, **MAXIMUS** will need to begin updating the sampling universe and making any required changes to the system by the end of September. The RMS maintenance activities will be provided on an on-going

basis throughout the fiscal year. Final reports for the last quarter of the fiscal year will be delivered around October 15, 2009.

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

**MAXIMUS, Inc.**

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

September 5, 2008

CHANGE NOTICE NO. 12  
 TO  
 CONTRACT NO. 071B7200042  
 between  
 THE STATE OF MICHIGAN  
 and

NAME & ADDRESS OF VENDOR  <b>Maximus, Inc.</b> <b>2343 Delta Road</b> <b>Bay City, MI 48706</b>  <a href="mailto:jamesolson@maximus.com">jamesolson@maximus.com</a>	TELEPHONE (517) 684-4111 <b>James Olson</b>
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-1080 <b>Melissa Castro, CPPB</b>
Contract Compliance Inspector: Laura Mester (517) 373-0447 <b>Central Cost Analysis and SWCAP Preparation – Department of Management and Budget</b>	
CONTRACT PERIOD: From: <b>November 9, 2006</b> To: <b>October 31, 2009</b>	
TERMS <b>N/A</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>N/A</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	
MISCELLANEOUS INFORMATION:	

**NATURE OF CHANGE(S):**

Effective September 12, 2008, the Department of Management and Budget Building Occupancy Cost Allocation Plan for FY 10 budgeted costs is hereby incorporated into this Contract (see attached proposal). Additionally, this Contract is hereby EXTENDED through October 31, 2009, and funds in the amount of \$650,000.00 are hereby added to this Contract. All other terms, conditions, specifications, and pricing remain the same.

Total Value of Proposal: \$650,000.00  
 Remaining Amount Available on Contract: \$668,000.00

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

**AUTHORITY/REASON:**

Per agency/vendor agreement, Ad Board approval on 9/12/2008, and Purchasing Operations' approval.

REVISED CURRENT AUTHORIZED SPEND LIMIT: \$1,575,000.00

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**PROPOSAL TO THE  
MICHIGAN DEPARTMENT OF  
MANAGEMENT & BUDGET  
FOR A BUILDING OCCUPANCY  
COST ALLOCATION PLAN  
FY 10 BUDGETED COSTS**

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MAY 2008

*OK to process*

*Laure M. Miller*

*8/20/08*

**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  
MANAGEMENT AND BUDGET  
FOR A BUILDING OCCUPANCY  
COST ALLOCATION PLAN  
BASED ON BUDGETED COSTS FOR THE YEAR ENDING  
SEPTEMBER 30, 2010**

MAXIMUS, Inc. is pleased to present this proposal to the Department of Management and Budget for a Building Occupancy Cost Allocation Plan based on budgeted costs for the year ending September 30, 2010.

**BUSINESS ORGANIZATION**

MAXIMUS, Inc. is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division, previously known as David M. Griffith & Associates (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. Since its inception, the Division has grown to over 40 offices across the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

**BACKGROUND**

The Building Operations Division of the Department of Management and Budget is responsible for the management of several buildings and parking facilities at various locations

around the State. The division receives no general fund appropriation to fund these activities, but operates on revenues generated from building occupancy charges and parking rentals. Since building rental fees are charged to federal programs, the US Department of Health and Human Services has listed building occupancy as a Section II, billed cost, on negotiation agreements for the Statewide Cost Allocation Plan (SWCAP). As such, the Department must document to the Federal government the cost of providing services each year. In order to do so, the State must prepare a Building Occupancy Cost Allocation Plan based on actual expenditures for each fiscal year. In addition, DMB needs to project building rental rates for upcoming years. Therefore, a second cost allocation plan must be prepared. This plan is based on projected expenditures and facility inventories and is used to establish rental rates for a subsequent appropriation year.

## DESCRIPTION OF SERVICES

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

**Prepare the Building Occupancy Cost Allocation Plan (CAP) based on budgeted expenditures for the year ending September 30, 2010.** MAXIMUS has prepared this plan for the past several years and will develop the FY 10 budget plan in a consistent manner with prior year plans. Preparation of the plan will include the following tasks:

- Building inventories will be reviewed and updated, including any changes to the square footage of any facility.
- Projected expenditure reports will be reviewed, and allocation bases for each index will be updated.
- Fixed asset reports will be reviewed and use charges will be developed for each facility.
- Work order projects will be reviewed and amortization schedules updated.
- The cost plan will be processed on the MAXIMUS proprietary system, NGCS2.
- A summary of projected costs for each building will be prepared, along with the calculation of the projected rental rates necessary to generate sufficient revenues to meet operating expenses for each facility.

project as needed by Mr. Maxwell. The resume for Mr. Maxwell is included at the end of this proposal.

### **TIMING AND FEES**

MAXIMUS is prepared to begin work on the FY 10 budgeted building rental rate CAP as soon as the State can provide projected financial information and building inventories. It is anticipated that approximately three to four months will be necessary to complete the draft of the building occupancy cost plan and rate summary. The draft report will be delivered to DMB for review and will be revised as necessary to reflect any necessary changes. Delivery of the final report will be contingent upon the review and approval of the draft report. However, we anticipate that the final report will be delivered within six months of the outset of the project.

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

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

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

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**MAXIMUS, INC.**

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

April 3, 2008

CHANGE NOTICE NO. 11  
 TO  
 CONTRACT NO. 071B720042  
 between  
 THE STATE OF MICHIGAN  
 and

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

**NATURE OF CHANGE(S):**

Effective March 27, 2008, Michigan State Police is hereby added to this Contract in the amount of \$18,000.00 for an FY 07 Cost Allocation Plan and Indirect Cost Rate Proposal (see attached proposal). All other terms, conditions, specifications, and pricing remain the same.

Total Value of Proposal: \$18,000.00  
 Remaining Amount Available on Contract: \$85,000.00

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

**AUTHORITY/REASON:**

Per agency/vendor agreement and Purchasing Operations' approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$925,000.00



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**Proposal to  
The Michigan Department of State Police  
For the Preparation of  
The FY 07 Actual  
Departmental Cost Allocation Plan  
& Indirect Cost Rate Proposal**

MAXIMUS, INC. is pleased to present this proposal to the Michigan Department of State Police (MSP) for the preparation and negotiation of the FY 07 Actual Departmental Cost Allocation Plan and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

**BUSINESS ORGANIZATION**

MAXIMUS, Inc. is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division, formerly known as David M. Griffith & Associates (DMG). DMG was originally founded in 1976 to assist state and local governments in matters related to grants management and cost accounting. The Division has grown to 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

**BACKGROUND**

The Michigan 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 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, 2007. 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 2007 actual circumstances.
2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2007. For fiscal 2007, the MSP had a fixed with carry-forward rate approved by Homeland Security of 20.15% of total personnel costs. Actual costs will be used to determine the appropriate carry-forward from fiscal 2007 and to determine a new fixed rate for use during fiscal 2009.
3. Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's cognizant federal agency, the Department of Homeland Security.

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## 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 the appropriate carry-forward from fiscal 2007 and to propose a new fixed rate for use during fiscal 2009.

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 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 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.



**Proprietary**

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 DMB for the Statewide Cost Allocation Plan has been extended to cover the next 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 DMB 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
<b>Total Hours</b>	<b>150</b>

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## DELIVERABLES

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

**FY 2007 Actual Cost Allocation Plan  
FY 2007 Actual (Fixed FY 2009) Indirect Cost Rate Proposal**

## TIMING

We will coordinate the start date with MSP based upon the availability of financial reports, MSP staff and MAXIMUS consultants. However, we hope to begin by April 15, 2008. 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.

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**MAXIMUS, INC.**

**WILLIAM L. MAXWELL**

**DIRECTOR**

**Range of Experience**

Mr. Maxwell has nearly 20 years of professional experience in providing cost accounting services to state and local governments. He is currently with our Cost Services Division and is the Director in charge of our Lansing, Michigan office. He is responsible for the preparation and negotiation of all cost allocation plans and related cost accounting projects for agencies of the State of Michigan. Additionally, he manages our user fee practice in the state of Michigan. His range of project experience includes the following:

- A-87 Cost Allocation
- Federal Indirect Cost Rate Negotiations
- Cost of Service Studies
- Random Moment Sampling
- User Fee Studies
- Direct Billing Models

**Professional History**

MAXIMUS, Cost Services Division, Director, 2001 to present.

DMG-MAXIMUS, Inc., Lansing, Michigan, State Manager, 1998 to 2001.

David M. Griffith & Associates, Lansing, Michigan, State Manager, 1987 to 1998.

**Education**

Master of Arts in Secondary Education, Michigan State University, East Lansing, Michigan, 1980.

Bachelor of Science Degree in Mathematics and Business, Central Michigan University, Mt. Pleasant, Michigan, 1973.

**Project Experience**

Since joining MAXIMUS, Mr. Maxwell has been a key consultant or project manager on numerous cost accounting projects, including the following:

## WILLIAM L. MAXWELL

- **State of Michigan SWCAP** - Mr. Maxwell has been the project manager for the Michigan Statewide Cost Allocation Plan since 1987. He was responsible for the design, development and negotiation of all actual and budget based SWCAP's. During this time, all plans were successfully completed and negotiated with the Department of Health and Human Services.
- **State of New York SWCAP** - Mr. Maxwell was a key consultant assigned to the State of New York Statewide Cost Allocation Plan during 1995 and 1996. He was responsible for the design of an allocation methodology for most of the financial central services.
- **State of Indiana SWCAP** – Mr. Maxwell was the project manager and lead consultant assigned to the Indiana SWCAP 2005. He was responsible for managing all aspects related to preparation and negotiations of the plan.
- **Michigan Department of Community Health Cost Allocation Project** - Mr. Maxwell was the project manager for a comprehensive cost allocation project for the MDCH. The DCH was created in 1996 by combining portions of the previous departments of Public and Mental Health and the Medical Assistance Program (Medicaid) from the Family Independence Agency, resulting in numerous cost allocation issues that needed to be resolved. The project involved finalizing indirect cost rates for DPH and DMH for 1995 and 1996; preparing budget and actual cost allocation plans for DCH; design and installation of an RMS system in the DCH administrative offices; and developing a federally required Public Assistance Cost Plan for the Medicaid Program.
- **Michigan Department of State Cost Allocation Project** - Mr. Maxwell was the project manager for the DOS cost allocation project. This was a comprehensive cost allocation project designed to document the cost of administering and operating motor vehicle programs. The project encompassed the development of nine cost allocation plans and included a short term RMS system at 20 branch offices across the state. In addition, the project included a cost of service or user fee review of various driver and vehicle fees charged by the Department. The project was originally developed based on fiscal 1995/96 information, and has been updated each year since.
- **Michigan Department of Transportation Cost Allocation Project** – Mr. Maxwell was the project manager for the MDOT cost allocation project. This project resulted in the calculation of overhead rates applicable to highways maintenance, construction and design work performed in seven regions of the State. The project also involved recommendations for improvements to the existing time reporting and accounting structures in order to enhance the Department's ability to determine its full cost of service. This project was completed during 1999 and updated during 2005.

## WILLIAM L. MAXWELL

- **State Agency Cost Allocation Plans** - Mr. Maxwell has been responsible for the development of numerous other departmental cost allocation plans and indirect cost rate proposals for state agencies, including:

- Michigan Department of Management and Budget
- Michigan Department of Civil Service
- Michigan Department of Community Health
- Ohio Rehabilitation Services
- Ohio Environmental Protection Agency
- Michigan Department of Labor and Economic Growth
- Michigan Department of Consumer and Industry Services
- Michigan Jobs Commission
- Michigan Department of Career Development
- Michigan Department of Public Health
- Michigan Department of Natural Resources
- Michigan Department of Environmental Quality
- Indiana State Board of Health
- Michigan Department of Agriculture
- Michigan Unemployment Agency
- Michigan Supreme Court
- Michigan Economic Development Corporation
- Michigan Department of State Police
- Michigan Attorney General
- Michigan Department of Corrections
- Indiana Attorney General

- **Random Moment Sampling Systems** - Mr. Maxwell has been the project manager for several random moment sampling (RMS) installations used for the purpose of documenting work effort for federal claiming. RMS projects include:

- Ohio Department of Development
- Michigan State Police, Motor Carrier Division
- Michigan Department of Career Development
- Michigan Jobs Commission
- Michigan Department of Community Health
- Michigan Department of Consumer and Industry Services
- Michigan Department of Labor and Economic Growth

- **Direct Billing Models** - Mr. Maxwell has assisted several state agencies in the development of direct charge-back billing systems. Projects include:

- State of Michigan Building Occupancy Rates
- Michigan Department of Labor - Office of Information and Technology
- Michigan Department of Civil Service - Division of Data Processing

**WILLIAM L. MAXWELL**

- **User Fee Studies** - Mr. Maxwell has been the project manager on numerous user fee, or cost of service studies. User fee studies encompass documenting the full cost of providing services to the public for which fees are assessed, e.g. building permits, business licenses, laboratory fees, etc. Major projects include:

- City of Detroit Building & Safety
- City of Detroit Public Service Department
- City of Lansing, Michigan
- City of Flint, Michigan
- Washtenaw County, Michigan
- Kent County, Michigan
- Ingham County, Michigan
- Indiana Bureau of Laboratories
- Michigan Dept of Environmental Quality, Drinking Water Division
- Michigan Department of State
- Ohio Board of Workers Compensation
- City of Sandusky, Ohio
- City of Ann Arbor, Michigan
- City of Dearborn, Michigan
- City of Warren, Michigan
- City of Hamilton, Ontario
- City of Peterborough, Ontario

- **Child Support Enforcement** - Mr. Maxwell has worked with several Michigan counties assisting with the documentation of costs allowable for reimbursement under Title IV-D, Child Support Enforcement.
- **Other Cost Allocation Plans** – Mr. Maxwell has also served as the project manager or lead consultant on numerous other city and county cost allocation plans.

**Prior Experience**

Prior to joining MAXIMUS, Mr. Maxwell was a high school mathematics and business instructor at Grand Ledge Public Schools for over ten years. Mr. Maxwell served as the head of the mathematics department from 1979 to 1980.

**Workshops and Seminars**

Mr. Maxwell has been asked to give presentations on a variety of cost accounting topics to several public sector organizations, including:

**WILLIAM L. MAXWELL**

Michigan Association of Counties  
Michigan Municipal League  
Greater Lansing Association of Government Accountants  
Michigan Institute for Public Administration  
Municipal Finance Officers Association of Ontario  
State Association of Accountants, Auditors and Business Administrators

**NICHOLAS J. BOHAC**

- Michigan Department of State
- Michigan Department of State Police
- Michigan State Supreme Court
  
- **County/City Cost Allocation Plans:** Mr. Bohac has served as a consultant and assisted with the development of numerous County and City cost allocation plans and indirect cost rate proposals, including:
  - City of Ann Arbor, Michigan
  - City of Kentwood, Michigan
  - City of Lansing, Michigan
  - City of Mason, Michigan
  - City of Warren, Michigan
  
- **User Fee Studies:** Mr. Bohac has served as a consultant on numerous user fee or cost of service studies. User fee studies encompass documenting the full cost of providing services to the public for which fees are assessed, e.g. building permits, business licenses, laboratory fees, etc. Major projects include:
  - Branch County, Michigan
  - Clare County, Michigan
  - Clinton County, Michigan
  - Eaton County, Michigan
  - Grand Traverse County, Michigan
  - Ingham County, Michigan
  - Kalamazoo County, Michigan
  - Ottawa County, Michigan
  - Saginaw County, Michigan
  - St. Clair County, Michigan
  - Washtenaw County, Michigan
  - City of Detroit, Michigan
  - City of Kentwood, Michigan
  - City of Mason, Michigan
  
- **Random Moment Sampling Systems:** Mr. Bohac has served as a project consultant for several random moment sampling (RMS) installations used for the purpose of documenting work effort for federal claiming. RMS projects include:
  - Michigan Department of Community Health
  - Michigan Department of Consumer & Industry Services
  - Michigan Department of Labor and Economic Growth

**State of Michigan**

**Judiciary**

DCAP

E. Ronald Stadnika, Finance Director, Supreme Court

373-5542

**State of Michigan**

**Attorney General**

DCAP

James Selleck, Finance Director

335-6920