

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

September 30, 2010

CHANGE NOTICE NO. 30
TO
CONTRACT NO. 071B720042
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Maximus, Inc. 2343 Delta Road Bay City, MI 48706 billmaxwell@maximus.com	TELEPHONE (517) 484-4240 Bill Maxwell
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-0325 Angela Buren
Contract Compliance Inspector: Laura Mester (517) 373-0447 Central Cost Analysis and SWCAP Preparation – Department of Management and Budget	
CONTRACT PERIOD: From: November 9, 2006 To: October 14, 2010	
TERMS <p style="text-align: center;">N/A</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	
MISCELLANEOUS INFORMATION:	

NATURE OF CHANGE(S):

Effective October 14, 2010, this Contract is hereby CANCELED and REPLACED with Contract #071B1300076 due to vendor name and FEIN change.

AUTHORITY/REASON:

Per vendor request and DTMB/Purchasing Operations' approval.

REMAINING AMOUNT AVAILABLE ON CONTRACT: \$ 289,680.00

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

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

September 27, 2010

CHANGE NOTICE NO. 29
TO
CONTRACT NO. 071B720042
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Maximus, Inc. 2343 Delta Road Bay City, MI 48706 billmaxwell@maximus.com	TELEPHONE (517) 484-4240 Bill Maxwell
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-0325 Angela Buren
Contract Compliance Inspector: Laura Mester (517) 373-0447 Central Cost Analysis and SWCAP Preparation – Department of Management and Budget	
CONTRACT PERIOD: From: November 9, 2006 To: October 31, 2011	
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 Community Health – FY 10 Cost Allocation Plan and FY 11 RMS Maintenance \$ 33,600.00
- Department of Corrections – FY 09 Cost Allocation Plan \$ 14,400.00
- Department of Energy, Labor, and Economic Growth – FY 10 Cost Allocation Plan and FY 11 RMS Maintenance \$ 38,400.00

Total Value of Proposal: \$ 86,400.00
Remaining Amount Available on Contract: \$289,680.00

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

AUTHORITY/REASON:

Per agency/vendor agreement and DTMB/Purchasing Operations' approval.

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

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF COMMUNITY
HEALTH
FOR AN FY 10 CENTRAL SERVICES COST
ALLOCATION PLAN AND
RMS SERVICES FOR FY 11**

AUGUST 2010

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

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OK to process
LJM
9-21-10

**PROPOSAL TO
THE MICHIGAN DEPARTMENT OF COMMUNITY HEALTH
FOR PREPARATION OF AN ACTUAL FY 10
DEPARTMENTAL INDIRECT COST ALLOCATION PLAN
AND FY 11 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 2011. 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, 2010, 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

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, 2008. Based upon this proposal, DHHS issued a federal negotiation agreement approving provisional indirect rates for use during fiscal 2010. 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 2010. The FY 10 cost allocation plan will be used to finalize the FY 10 provisional rates, and to propose new rates for use during FY 12.

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 2011, 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, 2010. 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 09 actual plan. Indirect costs will be identified and segregated into discrete cost pools. Selective allocations of each pool will be made by applying the allocation base most appropriate to each circumstance. The overall objective is to allocate indirect costs consistent with the manner in which services are actually

provided to programs and bureaus that benefit from the services. The plan will allocate any indirect costs accounted for in following organizations:

- Statewide Costs**
- Executive Administration**
- Organizational Support & Services**
- Workers' Compensation**
- Moving Costs**
- Operations Administration**
- Information Technology**
- Budget & Audit Administration**
- Budget and Contracts**
- Finance**
- Audit Division**
- Bureau Administration**
- Legal Affairs**
- Terminal Payments**

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2010. As discussed earlier, FY 10 indirect cost rates are currently approved on a provisional basis. The proposal will calculate final rates for FY 10, and will also propose new rates for use during FY 12.

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

4. RMS maintenance and administration for fiscal year 2011. MAXIMUS will provide the following services necessary to maintain the RMS system currently utilized by Budget and Finance:

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

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

EXPERIENCE AND QUALIFICATIONS

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

Furthermore, MAXIMUS has extensive experience in working with agencies of the State of Michigan. Since 1987, MAXIMUS has prepared the Statewide Cost Allocation Plan

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

STAFFING

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

COMPENSATION

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 10 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 11 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 2011. 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, 2011. 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, 2010, 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, 2011.

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.

MAXIMUS, Inc.

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF
CORRECTIONS
FOR AN FY 09 COST ALLOCATION PLAN
AND INDIRECT COST RATE PROPOSAL**

JUNE 30, 2010

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OK to process
LJM
9-21-10

**PROPOSAL TO
THE MICHIGAN DEPARTMENT OF CORRECTIONS
FOR THE PREPARATION OF AN FY 09 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 09 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 which specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has several offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

BACKGROUND

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

Allocation Plan (DCAP) must be prepared in accordance with OMB Circular A-87, Cost Principles for State and Local Governments.

STATEMENT OF PROBLEM

Prior to FY 2005, the Michigan Department of Corrections had not developed an indirect cost rate proposal, and as such, had not assessed indirect costs to federally funded programs. DOC now prepares and submits to the U.S. Department of Justice an annual cost allocation plan and indirect cost rate proposal based on actual expenditures for the year. Based upon these submissions, indirect cost rates were proposed for use in fiscal year 2009. 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, 2009. The FY 09 cost allocation plan will be used to finalize the FY 09 provisional rates, and to propose new rates for use beginning with FY 11.

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, 2009. 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.

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

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

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

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

COMPENSATION

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

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

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

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

DELIVERABLES

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

Actual Cost Allocation Plan
Indirect Cost Rate Proposal

TIMING

MAXIMUS is prepared to begin preparation of the FY 09 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.

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

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

MAXIMUS, Inc.

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF ENERGY, LABOR
AND ECONOMIC GROWTH
FOR THE FY 10 COST ALLOCATION PLAN AND INDIRECT
COST RATE PROPOSAL
AND RMS MAINTENANCE FOR FY 11**

AUGUST 2010

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

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*OK to process
LJM
9-21-10*

Proposal to
The Michigan Department of Energy, Labor and Economic Growth
For Preparation of an Actual FY 10
Departmental Cost Allocation Plan
And FY 11 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 2011. 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, 2010, 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

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112201

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 10 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 10. This plan will be used to finalize the FY 10 indirect cost rates and to establish a new rate for fiscal year 12.

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, 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 11, 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, 2010. 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, 2010. As discussed earlier, the FY 10 indirect cost rates were approved on a provisional basis. This proposal will calculate final rates for FY 10, and will also propose new rates for use in fiscal year 2012.

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 2011.* 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 10 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 11 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 2010 is closed out, and as such, the submission is not projected until approximately June 30, 2011.
- **RMS Maintenance** - \$14,400, billed quarterly at \$3,600.

DELIVERABLES

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

Actual DCAP Indirect Cost Rate Proposal

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

- Quarterly personnel listing of sampling universe**
- Chronological listing of all quarterly samples**
- Chronological listing of samples by sampling location**
- RMS labels - sorted by sampling location**
- Quarterly program summary results**
- Quarterly activity summary results**
- Quarterly service summary results**

Quarterly service by activity summary results
Quarterly activity by service summary results
Quarterly listing of actual RMS responses
Cumulative year-to-date program results each quarter

TIMING

MAXIMUS cannot begin preparation of the DCAP until the fiscal year is closed out and final financial reports are available. As such we do not project a start date until sometime early next calendar year. It is anticipated that approximately six months will be required to complete a draft of the plan, review the plan with Department administration, and prepare the plan for Federal submission. The projected submission date would be approximately June 30, 2011.

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

As the RMS sampling will need to begin on October 1, 2010, 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, 2011.

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

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

MAXIMUS

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

September 14, 2010

CHANGE NOTICE NO. 28
TO
CONTRACT NO. 071B720042
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Maximus, Inc. 2343 Delta Road Bay City, MI 48706 billmaxwell@maximus.com	TELEPHONE (517) 484-4240 Bill Maxwell
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-0325 Angela Buren
Contract Compliance Inspector: Laura Mester (517) 373-0447 Central Cost Analysis and SWCAP Preparation – Department of Management and Budget	
CONTRACT PERIOD: From: November 9, 2006 To: October 31, 2011	
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 Technology, Management and Budget –
 Building Occupancy Cost Allocation Plan – FY 12 Budget Costs \$ 24,000.00

Total Value of Proposal: \$ 24,000.00
 Remaining Amount Available on Contract: \$376,080.00

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

AUTHORITY/REASON:

Per agency/vendor agreement and DTMB/Purchasing Operations' approval.

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

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF
TECHNOLOGY, MANAGEMENT & BUDGET
FOR A BUILDING OCCUPANCY
COST ALLOCATION PLAN
FY 12 BUDGETED COSTS**

JUNE 2010

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

*OK to process
LJM
8-5-10*

**PROPOSAL TO THE MICHIGAN DEPARTMENT OF
TECHNOLOGY, MANAGEMENT AND BUDGET
FOR A BUILDING OCCUPANCY
COST ALLOCATION PLAN
BASED ON BUDGETED COSTS FOR THE YEAR ENDING
SEPTEMBER 30, 2012**

MAXIMUS is pleased to present this proposal to the Department of Technology, Management and Budget for a Building Occupancy Cost Allocation Plan based on budgeted costs for the year ending September 30, 2012.

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

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

DESCRIPTION OF SERVICES

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

Prepare the Building Occupancy Cost Allocation Plan (CAP) based on budgeted expenditures for the year ending September 30, 2012. MAXIMUS has prepared this plan for the past several years and will develop the FY 12 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, 2012. (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 12 budgeted building rental rate CAP as soon as the State can provide the projected financial information and building inventories. It is anticipated that approximately two to three months will be necessary to complete the draft of the

building occupancy cost plan and rate summary. The draft report will be delivered to DTMB for review and will be revised as necessary to reflect any necessary changes. Delivery of the final report will be contingent upon the review and approval of the draft report. However, we anticipate that the final report will be delivered within four months of the outset of the project.

Our current contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan (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 DTMB Office of Financial Services.

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

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

MAXIMUS, INC.

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

September 10, 2010

CHANGE NOTICE NO. 27
TO
CONTRACT NO. 071B720042
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Maximus, Inc. 2343 Delta Road Bay City, MI 48706 billmaxwell@maximus.com	TELEPHONE (517) 484-4240 Bill Maxwell
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-0325 Angela Buren
Contract Compliance Inspector: Laura Mester (517) 373-0447 Central Cost Analysis and SWCAP Preparation – Department of Management and Budget	
CONTRACT PERIOD: From: November 9, 2006 To: October 31, 2010	
TERMS <p style="text-align: center;">N/A</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	
MISCELLANEOUS INFORMATION:	

NATURE OF CHANGE(S):

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

Department of Technology, Management and Budget –
 Building Occupancy Cost Allocation Plan – FY 12 Budget Costs \$ 24,000.00

Total Value of Proposal: \$ 24,000.00
 Remaining Amount Available on Contract: \$101,080.00

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

AUTHORITY/REASON:

Per agency/vendor agreement and DTMB/Purchasing Operations' approval.

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

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF
TECHNOLOGY, MANAGEMENT & BUDGET
FOR A BUILDING OCCUPANCY
COST ALLOCATION PLAN
FY 12 BUDGETED COSTS**

JUNE 2010

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

*OK to process
LJM
8-5-10*

**PROPOSAL TO THE MICHIGAN DEPARTMENT OF
TECHNOLOGY, MANAGEMENT AND BUDGET
FOR A BUILDING OCCUPANCY
COST ALLOCATION PLAN
BASED ON BUDGETED COSTS FOR THE YEAR ENDING
SEPTEMBER 30, 2012**

MAXIMUS is pleased to present this proposal to the Department of Technology, Management and Budget for a Building Occupancy Cost Allocation Plan based on budgeted costs for the year ending September 30, 2012.

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

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

DESCRIPTION OF SERVICES

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

Prepare the Building Occupancy Cost Allocation Plan (CAP) based on budgeted expenditures for the year ending September 30, 2012. MAXIMUS has prepared this plan for the past several years and will develop the FY 12 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, 2012. (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 12 budgeted building rental rate CAP as soon as the State can provide the projected financial information and building inventories. It is anticipated that approximately two to three months will be necessary to complete the draft of the

building occupancy cost plan and rate summary. The draft report will be delivered to DTMB for review and will be revised as necessary to reflect any necessary changes. Delivery of the final report will be contingent upon the review and approval of the draft report. However, we anticipate that the final report will be delivered within four months of the outset of the project.

Our current contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan (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 DTMB Office of Financial Services.

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

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

MAXIMUS, INC.

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

July 21, 2010

CHANGE NOTICE NO. 26
TO
CONTRACT NO. 071B720042
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Maximus, Inc. 2343 Delta Road Bay City, MI 48706 billmaxwell@maximus.com	TELEPHONE (517) 484-4240 Bill Maxwell
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-0325 Angela Buren
Contract Compliance Inspector: Laura Mester (517) 373-0447 Central Cost Analysis and SWCAP Preparation – Department of Management and Budget	
CONTRACT PERIOD: From: November 9, 2006 To: October 31, 2010	
TERMS <p style="text-align: center;">N/A</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	
MISCELLANEOUS INFORMATION:	

NATURE OF CHANGE(S):

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

Department of Technology, Management and Budget – OFM
 FY 10 Actual Cost Allocation Plan – Statewide \$48,000.00

Total Value of Proposal: \$ 48,000.00
 Remaining Amount Available on Contract: \$125,080.00

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

AUTHORITY/REASON:

Per agency/vendor agreement and DTMB/Purchasing Operations' approval.

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



July 15, 2010

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

Dear Ms. Mester:

We would like to begin submitting proposals to state agencies for cost allocation projects to be performed under the terms and conditions of our SWCAP contract (071B7200042) for the upcoming fiscal year. As you know, the Department of Technology, Management and Budget will need to prepare and submit to the Department of Health and Human Services a statewide cost allocation plan based on actual costs and statistics for the fiscal year ended September 30, 2010.

Please consider this our formal proposal for preparation of the SWCAP based on actual costs for the year ending September 30, 2010. This would include preparation of the SWCAP based on actual expenditures for the year as well as a separate plan based on budgeted expenditures for FY 12. All tasks and deliverables for this project are outlined in the work statement of our current contract.

Our fee for the FY 10 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 negotiated hourly rate of \$120 per hour. Please note that this represents no increase in fees over the original contract awarded in 2006. Our hourly rate for additional work will also remain unchanged at \$120.

Mr. William Maxwell, the director of our Lansing office, will serve as the project manager for this project. If you have any questions regarding this proposal, or any aspect of the project, please contact him directly at our Lansing office.

We appreciate your continued confidence in our ability to meet the cost allocation needs of the State of Michigan and look forward to working with you and other state officials during the upcoming year.

Very truly yours,
MAXIMUS, Inc.

OK to process

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

May 20, 2010

CHANGE NOTICE NO. 25
TO
CONTRACT NO. 071B720042
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Maximus, Inc. 2343 Delta Road Bay City, MI 48706 billmaxwell@maximus.com	TELEPHONE (517) 484-4240 Bill Maxwell
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-0684 Brian Kloeckner
Contract Compliance Inspector: Laura Mester (517) 373-0447 Central Cost Analysis and SWCAP Preparation – Department of Management and Budget	
CONTRACT PERIOD: From: November 9, 2006 To: October 31, 2010	
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 Natural Resources and Environment –
 FY 11 Cost Allocation Plan and Indirect Cost Rate Proposal \$13,920.00

- * Department of Energy, Labor and Economic Growth –
 FY 09 Administrative Costs and Funding Rate Proposal \$24,000.00

Total Value of Proposal: **\$ 37,920.00**
 Remaining Amount Available on Contract: **\$173,080.00**

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

AUTHORITY/REASON:

Per agency/vendor agreement and DTMB/Purchasing Operations' approval.

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

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

MAY 2010

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

*OK to process
LJM
5/17/10*

**Proposal to the
Michigan Department of Natural Resources and Environment
For the Preparation of a Cost Allocation Plan and
Indirect Cost Rate Proposal
Based on Projected Expenditures
For Fiscal Year 2011**

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Department of Natural Resources and Environment (DNRE) for the preparation of a cost allocation plan and indirect cost rate proposal based on projected expenditures for state fiscal year 2011, beginning on October 1, 2010. 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 that specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has over 30 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 and Environment was created by Executive Order 2009-45, effective January 17, 2010. DNRE represents the consolidation of the previous departments of Natural Resources (DNR) and Environmental Quality (DEQ). The Department of Natural Resources and

Environment will receive substantial funding for the operation of various programs it administers from the Federal government. The Department will spend 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 Natural Resources and Environment, 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

Both DNR and DEQ have federally approved indirect cost rate agreements negotiated with their respective cognizant federal agencies that are applicable to fiscal year 2010. For the balance of fiscal 2010 the two agencies will continue to be accounted for as separate state agencies and will assess indirect charges to federally funded programs based upon the previously approved indirect cost rates. However, the new DNRE does not have a federally approved rate to cover state fiscal year 2011.

Both DNR and DEQ annually submit a departmental cost allocation plan and indirect cost rate proposal based upon actual costs for each fiscal year. These submissions are used to finalize, or reconcile, rates used for a prior period and to establish new rates for a subsequent fiscal year. Their FY 08 submissions were used as the basis for establishing rates for FY 10, while their FY 09 submission would generally be used to establish their rates for FY 11. However, since both agencies were dissolved and will not exist as separate state agencies in FY 11, their FY 09 proposals should be used only for finalizing their FY 09 rates and not used for

establishing new rates for FY 11. As such, it is necessary for DNRE to submit a separate proposal for the purpose of establishing FY 11 rates, otherwise federal funding for indirect costs would be jeopardized.

Since no historical information regarding DNRE is available, the FY 11 proposal will need to be based upon budgeted or projected expenditures for the fiscal year. This proposal will be used exclusively for the purpose of establishing new FY 11 rates; it will not be used to finalize any previous indirect cost rates.

DESCRIPTION OF SERVICES

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

1. *Project initiation and determining cognizance.* At the outset, MAXIMUS consultants will meet with representatives of DNRE to refine our approach and collect necessary information. It will be necessary to determine the source of financial information used to prepare the plan. Options would include an FY 11 spending plan if one is available, or some consolidation of the FY 10 spending plans for both DNR and DEQ. In addition, a plan for the final rate structure will need to be determined. At this point it is anticipated that two rate pools will be developed;

Game and Fish Programs

All Other Programs

A separate rate pool for Game and Fish Programs is being proposed so that SWCAP limitations for Pittman-Robertson / Dingell-Johnson (PR/DJ) can be addressed.

Historically there have been inconsistencies in the treatment of Information Technology (IT) costs between DNR and DEQ. DEQ charges IT costs to federally funded programs while DNR does not. It is unclear whether a consistent approach will be established for 2011, and if so which approach will be followed. As such, for FY 2011 MAXIMUS proposes to prepare two rates for each rate pool; one rate including IT and one without. This will allow DNRE to continue with its current policies until the issue is resolved.

Federal cognizance will also need to be determined. DNR and DEQ submit plans to separate federal agencies, Interior and EPA respectively. Generally the federal agency providing the preponderance of funding would be cognizant for review and approval of the plan. In this instance there is more total federal revenue from EPA, however much of the funding is pass-through and not assessed indirect costs. Therefore, Interior may be willing to accept cognizance. MAXIMUS consultants will initially contact the Department of Interior to try to obtain acceptance of cognizance. In any event, cognizance will need to be determined before any plan or rate proposal is submitted for approval.

2. Preparation of the Departmental Cost Allocation Plan based on projected costs for state fiscal year beginning October 1, 2010. The DCAP will need to be based upon the projected FY 11 spending plan for DNRE. The spending plan will need to detail appropriated costs by the various programs and bureaus of the department. Program costs will be reviewed and reconciled to determine which costs should be considered indirect and need to be allocated in the DCAP. The DCAP will also include the allocation of statewide central services not appropriated within DNRE. These include costs allocated to DNRE as part of the statewide cost allocation plan (SWCAP). Once the DCAP is designed, MAXIMUS consultants will develop all necessary allocation statistics, prepare all supporting documentation and perform all data entry into our proprietary software, MAXCARS. This software

was developed by MAXMUS for the specific purpose of preparing cost allocation plans for state and local governments.

3. Preparation of the Departmental Indirect Cost Rate Proposal based on budgeted costs for fiscal 2011. The DCAP discussed above will serve as the basis for determining the amount of administrative costs allocated to the various programs of DNRE. Based upon the DCAP, indirect cost rates will be developed. The structure of the indirect cost rates will be discussed with DNRE administration. Since this will represent the initial submission of this agency, the number of indirect rate pools should be carefully considered. Once determined and negotiated it may be difficult to change the rate structure in future years. In addition, the direct cost basis for each rate pool will need to be determined. Again, since this is the initial submission of DNRE, this is time to change the direct cost basis, if so desired. It is anticipated that rates will either be based upon direct salaries, or direct salaries and benefits.

The rate proposal will be used to propose rates for FY 11. However, it may also be desirable to use this submission to establish rates for FY 12. This possibility will be discussed with DNRE administration during the project.

4. Negotiation of the DCAP and Indirect Cost Rate Proposal. Upon completion, MAXIMUS will submit the DCAP and rate proposal to the cognizant federal agency and will negotiate approval of the rates on behalf of DNRE.

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 Natural Resources and Environment in this engagement. All staff will have experience in preparing cost allocation plans and indirect cost rate proposals for agencies of the State of Michigan. The project manager will be Mr. William Maxwell, the director of our MAXIMUS Lansing office. Other staff will be assigned to the project as needed by Mr. Maxwell. The resume for Mr. Maxwell is included at the end of this proposal.

COMPENSATION

Our current contract with the State of Michigan for 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 completed under the provisions of this contract. We estimate that this project will require approximately 116 hours of consultant time to complete. Based on an hourly billing rate of \$120, our current negotiated rate with DMB for cost allocation projects, we are prepared to quote a fixed amount of ✓\$13,920, including all expense incurred by us. Our fee is based upon the following projected hours.

Task	Hours
Project Initiation and Determining Cognizance	16
DCAP Preparation	80
Indirect Cost Rate Design and Calculation	12
<u>Federal Submission and Negotiations</u>	<u>8</u>
Totals Hours	116

PAYMENT SCHEDULE

Our fee would be due upon submission of the plan, rate proposal and supporting documentation to the appropriate cognizant federal agency.

DELIVERABLES

The Department would be provided with three copies of each of the following:

- FY 11 Budget DCAP**
- FY 11 Indirect Cost Rate Proposal**

TIMING

MAXIMUS will begin work on this project as soon as an adequate FY 11 spending plan is available. It is anticipated that approximately eight weeks will be required for preparation of the plan and its submission. Once submitted, 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 DNRE that the timing for negotiations is largely out of our hands.

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

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

MAXIMUS, Inc.

**PROPOSAL TO THE
DELEG OFFICE OF
FINANCIAL AND INSURANCE REGULATION
FOR AN FY 09 ADMINISTRATIVE
COST ALLOCATION PLAN
AND FUNDING RATE PROPOSAL**

MARCH 11, 2010

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**Proposal to
The DELEG Office of Financial and Insurance Regulation
For Preparation of the
Fiscal 2009 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 Energy, Labor and Economic Growth (DELEG) for preparation of an Administrative Cost Allocation Plan based on actual costs for the fiscal year ended September 30, 2009 . 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 that specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has over 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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 had historically allocated the costs associated with several administrative cost pools solely on the ratio expenditures. OFIR desires to have a more detailed and defensible allocation methodology developed. In order to accomplish this, an administrative (central services) cost allocation plan needs to be prepared. The plan will need to examine the various administrative functions of the Office and develop a defensible approach for allocating costs to benefited programs, and ultimately funding sources of OFIR. The plan should be based upon actual costs for the fiscal year ended September 30, 2009 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, 2009. 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 Office of Regulatory Compliance and Consumer Assistance
Enterprise Monitoring Administration
Charter Review
Consumer Services
Policy
Regulatory Compliance Administration
Office of General Counsel

The above programs represent the allocated programs in the fiscal 2008 cost plan. The plan will be modified as necessary to reflect any reorganization or other changes that impact the allocated pools.

2. Preparation of the Administrative Funding Rate Proposal based on actual costs for the year ended September 30, 2009. 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 11 or FY 12. The timing of the rates will be discussed with OFIR officials as we proceed.

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

COMPENSATION

Our current contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan (SWCAP) provides for additional departmental cost allocation projects to be completed as amendments to the original contract. We believe this project can be performed under the provisions of this contract. Based upon our experience in preparing this plan in prior years, we anticipate that the project will require 200 consultant hours to complete. At our standard hourly rate of \$120 we are prepared to quote a fixed fee of \$24,000, including all expenses incurred by us. Payment will be due upon delivery of the final reports.

DELIVERABLES

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

**FY 09 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 09 fiscal year is closed out and final financial reports are available. Once the necessary financial information is obtained, approximately three months will be necessary for preparation of the draft documents. The timing of the draft is however contingent upon the availability of OFIR staff for interviews and the availability of all selected allocation statistics. Once the draft is approved by OFIR, the final report can be delivered within two weeks.

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

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

MAXIMUS, Inc.

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

March 1, 2010

CHANGE NOTICE NO. 24
TO
CONTRACT NO. 071B720042
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Maximus, Inc. 2343 Delta Road Bay City, MI 48706 billmaxwell@maximus.com	TELEPHONE (517) 484-4240 Bill Maxwell
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-0684 Brian Kloeckner
Contract Compliance Inspector: Laura Mester (517) 373-0447 Central Cost Analysis and SWCAP Preparation – Department of Management and Budget	
CONTRACT PERIOD: From: November 9, 2006 To: October 31, 2010	
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):

* Natural Resources - FY 09 Cost Allocation Plan and Indirect Cost Rate -Actual	\$24,600.00
* Michigan State Police – FY 09 Cost Allocation Plan and Indirect Rate Proposal:	\$18,000.00
* MEDC – FY 09 Cost Allocation Plan - Actual	\$ 9,600.00
* Judiciary – FY 09 Cost Allocation Plan – Actual	\$ 9,600.00

Total Value of Proposal:	\$ 61,800.00
Remaining Amount Available on Contract:	\$211,000.00

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

**PROPOSAL TO THE MICHIGAN
DEPARTMENT OF NATURAL RESOURCES
FOR A COST ALLOCATION PLAN
BASED ON ACTUAL COSTS FOR
THE YEAR ENDED SEPTEMBER 30, 2009**

MAXIMUS, Inc. is pleased to present this proposal to the Michigan Department of Natural Resources (DNR) for the preparation of a Departmental Cost Allocation Plan based on actual costs for the year ending September 30, 2009.

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

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

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

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, 2009, 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, 2009. Current indirect cost rates for the DNR are approved on a fixed with carry-forward basis. As such, the proposal would typically include the calculation of appropriate FY 09 carry-forwards and the incorporation of these amounts into proposed rates for use during state fiscal year 2011. However, since beginning with FY 10 the Department of Natural Resources has been incorporated into a new state agency, the Department of Natural Resources and Environment, it may be necessary to “finalize” the FY 09 rates. Finalizing rates means that actual rates for the period, incorporating and outstanding carry-forwards are calculated. Finalizing rates would require the Department to adjust claims to federal programs for FY 09 by applying the finalized rate. This will be further discussed during the preparation of indirect cost rate proposal. In either case, 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

The above proposal and fee schedule covers preparation of the FY 09 cost allocation plan and indirect cost rate proposal for the Department of Natural Resources. It may be necessary to prepare a separate cost plan and rate proposal based upon projected expenditures for FY 11 for the new Department of Natural Resources and Environment to

New

establish indirect cost rates for the new agency for FY 11. This will be discussed with the cognizant federal agency during preparation of the FY 09 cost allocation plan and rate proposal. If necessary, MAXIMUS will address the preparation of any additional required plans for the Department of Natural Resources and Environment in a separate proposal.

New

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.

MAXIMUS, Inc.

**Proposal to
The Michigan Department of State Police
For the Preparation of
The FY 09 Actual
Departmental Cost Allocation Plan
& Indirect Cost Rate Proposal**

MAXIMUS is pleased to present this proposal to the Michigan Department of State Police (MSP) 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 is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division that has been assisting state and local governments in matters related to grants management and cost accounting since 1976. The project would be performed by staff out of our Lansing, Michigan office at the following address:

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

BACKGROUND

The Michigan Department of State Police receives substantial funding for the operation of various programs it administers from the Federal Government. The Department of State Police spends considerable resources to administer these programs. These costs include administration, accounting services, personnel services, etc. plus the costs incurred by the State of Michigan and identified in the State's annual Statewide Cost Allocation Plan (SWCAP). The

Federal government will reimburse the State a portion or all of the costs spent in supporting Federal programs if the State can document the expenses to the Federal Government. In order to accomplish the actual recovery of the costs attributed to any particular program within 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, 2009. 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 2009 actual circumstances.
2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2009. For fiscal 2009, the MSP had proposed a fixed with carry-forward rate subsequent to approval by Homeland Security of 17.39% of total personnel costs. Actual costs will be used to determine the appropriate carry-forward from fiscal 2009 and to determine a new fixed rate for use during fiscal 2011 or 2012. The period for which the new rate will be applicable is part of on-going negotiations with Homeland Security.
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 2009 and to propose a new fixed rate for use during fiscal 2011 or 2012.

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. 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 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
Total Hours	150

DELIVERABLES

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

FY 2009 Actual Cost Allocation Plan
FY 2009 Actual (Fixed FY 2011 or 2012) 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.

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

MAXIMUS

**PROPOSAL TO THE
MICHIGAN ECONOMIC DEVELOPMENT CORPORATION
STRATEGIC FUND
FOR PREPARATION OF A COST ALLOCATION PLAN
AND INDIRECT COST RATE PROPOSAL
FY 09 ACTUAL**

MAXIMUS is pleased to present this proposal to the Michigan Economic Development Corporation (MEDC) for the development of a departmental cost allocation plan and indirect cost rate proposal based on actual expenditures for the year ending September 30, 2009. 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 that specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has over 40 offices within the continental United States, including two offices in the state of Michigan. This project would be performed out of Lansing, Michigan office at the following address:

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

BACKGROUND

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

the State a portion or all of the costs spent in supporting Federal programs if the State can document the expenses to the Federal government. These costs are typically recovered through the application of a federally negotiated indirect cost rate prepared in accordance with the principles of OMB Circular A-87, Cost Principles for State and Local Governments.

STATEMENT OF PROBLEM

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

Beginning with fiscal year 2000, the MEDC began preparing and negotiating a separate indirect cost rate with the Department of Housing and Urban Development (HUD). Based upon the most recent submission to HUD, provisional indirect cost rates were approved for MEDC for use during state fiscal year 2009.

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

DESCRIPTION OF SERVICES

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

- Preparation of the departmental cost allocation plan (DCAP) for the MEDC Strategic Fund based on actual expenditures for the fiscal year ending September 30, 2009. 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, 2009. The proposal will be used to finalize FY 09 rates and to also propose an indirect cost rate for use during FY 11.
- Negotiations for approval of the cost plan and indirect cost rate proposal with the cognizant Federal agency, the Department of Housing and Urban Development.

PLAN DEVELOPMENT

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

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

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

After all the information is collected and any interviews conducted, our fieldwork will be completed. MAXIMUS consultants will then finalize the plan at our office. This minimizes any disruption to the normal operations of the Department. Upon completion of the plan we will develop an indirect cost rate proposal. The rate proposal will be used to finalize current approved rates and to propose a single departmental rate for use in fiscal year 2011.

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

COMPENSATION

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

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

FY 09 Actual DCAP and Rate Proposal - \$ 9,600 ✓

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

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

TIMING

MAXIMUS proposes to begin work on this project within ten working days of receiving a contract or purchase order. However, work on the MEDC plan cannot begin until the current fiscal year has been closed and final financial reports are available. Once work begins, it is anticipated that the DCAP and indirect cost rate proposal will require about two to three months to complete. Therefore we would not expect to have the MEDC plan ready for federal submission until about June 30, 2010. Federal negotiations will begin upon submission of the proposal to the appropriate Federal agency. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months to complete. MAXIMUS will make every attempt to expedite the process, but we must advise the MEDC that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiations agreement within the procedures set forth in OMB A-87.

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

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

MAXIMUS, Inc.

**PROPOSAL TO
THE MICHIGAN JUDICIARY
FOR THE PREPARATION OF AN FY 09 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 09 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 which specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has over 40 offices within the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

BACKGROUND

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

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

STATEMENT OF PROBLEM

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 09. 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, 2009. The FY 09 cost allocation plan will be used to finalize the FY 09 provisional rates, and to propose new rates for use beginning with FY 11.

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, 2009.** 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, 2009. 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 09. This proposal will calculate final rates for FY 09 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 09 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 2010. 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, 2010. 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.

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

MAXIMUS

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

January 19, 2010

CHANGE NOTICE NO. 23
TO
CONTRACT NO. 071B720042
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Maximus, Inc. 2343 Delta Road Bay City, MI 48706 billmaxwell@maximus.com	TELEPHONE (517) 484-4240 Bill Maxwell
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-0684 Brian Kloeckner
Contract Compliance Inspector: Laura Mester (517) 373-0447 Central Cost Analysis and SWCAP Preparation – Department of Management and Budget	
CONTRACT PERIOD: From: November 9, 2006 To: October 31, 2010	
TERMS <p style="text-align: center;">N/A</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	
MISCELLANEOUS INFORMATION:	

NATURE OF CHANGE(S):

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

* Attorney General - FY 09 Cost Allocation Plan and Indirect Cost Rate Proposal:	\$14,400.00
* Environmental Quality – FY 09 Central Services Cost Allocation Plan and Indirect Cost Rate Proposal:	\$ 7,200.00
* Management and Budget – FY 09 Building Occupancy Cost Allocation plan - Actual	\$24,000.00

Total Value of Proposal:	\$ 45,600.00
Remaining Amount Available on Contract:	\$272,800.00

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

**PROPOSAL TO THE
MICHIGAN ATTORNEY GENERAL
FOR AN FY 09 COST ALLOCATION PLAN
AND INDIRECT COST RATE PROPOSAL**

SEPTEMBER 2009

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

OK to process

LJM

12/2/09

**Proposal to
The Michigan Attorney General
For Preparation of an FY 09 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 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 Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division which specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has over 40 offices in the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

BACKGROUND

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

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

The Attorney General submitted a Cost Allocation Plan and an Indirect Cost Rate Proposal based on actual expenditures for the year ended on September 30, 2007. Based on these submissions, the Department of Health and Human Services (HHS) approved provisional indirect cost rates for the Attorney General for FY 09.

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 09 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, 2009. 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 2009 actual circumstances.
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 as the basis for establishing a new fixed or provisional rate for use in FY 11. 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 2009 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, 2010. After all necessary financial information is obtained, approximately three to four months will be necessary for completion of the draft. Preparation of the final report and their submission to the HHS will be at the discretion of the Department. Once submitted, negotiation and approval of the documents can take anywhere from several weeks to several months. We will make every attempt to expedite the process, but we must advise the Attorney General that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87.

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

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

MAXIMUS, Inc.

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

MAXIMUS, Inc.

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF
ENVIRONMENTAL QUALITY
FOR AN FY 09 CENTRAL SERVICES COST
ALLOCATION PLAN AND
INDIRECT COST RATE PROPOSAL**

AUGUST 2009

MAXIMUS
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OK to Process
LDM
1-13-10

**PROPOSAL TO
THE MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY
FOR PREPARATION OF THE FY 09
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 09 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

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

DESCRIPTION OF SERVICES

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

1. Preparation of a DEQ departmental indirect cost allocation plan (DCAP) based on actual costs for the year ended September 30, 2009.
2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2009. The FY 09 proposal will be used to reconcile FY 09 rates and to establish new rates for use in state fiscal year 2011. Computed rates will be applicable to all federal awards based upon total direct personal service costs, i.e. salaries, wages, longevity, retirement, insurance and other fringe benefits.
3. Negotiation of the Indirect Cost Rate Proposal with the Department's Federal Cognizant Agency, the EPA in Washington, DC

PLAN DEVELOPMENT

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

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

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

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

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

COMPENSATION

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

DELIVERABLES

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

- **Indirect Cost Rate Proposal - based on actual expenditures for the year ended September 30, 2009 and proposing a fixed rate for DEQ for use during FY 2011.**

TIMING

MAXIMUS is prepared to begin preparation of the cost plan and indirect cost rate proposal within 10 working days of approval by the Department of Environmental Quality. However, we cannot begin work until the 2009 fiscal year has been closed. After necessary financial information is obtained, approximately six to eight weeks will be necessary for preparation of the draft documents. Upon review and approval of the draft report, MAXIMUS will finalize the plan and prepare the submission to the US Environmental Protection Agency in Washington DC. The anticipated submission date is June 30, 2010. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months. MAXIMUS will make every attempt to expedite the process, but we must advise the Department of Environmental

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

PAYMENT SCHEDULE

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

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

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

MAXIMUS, INC.

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF
MANAGEMENT & BUDGET
FOR A BUILDING OCCUPANCY
COST ALLOCATION PLAN
FY 09 ACTUAL COSTS**

SEPTEMBER 2009

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

OK to process
LJM
12-2-09

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 ACTUAL COSTS FOR THE YEAR ENDED
SEPTEMBER 30, 2009**

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

BUSINESS ORGANIZATION

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

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

BACKGROUND

The Facilities Management Division of the Department of 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, 2009. **MAXIMUS** has prepared this plan for the past several years and will develop the FY 09 plan in a consistent manner with prior year plans. Preparation of the plan will include the following tasks:

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

DELIVERABLES

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

- Building Occupancy Cost Allocation Plan based on actual expenditures for year ended September 30, 2009 (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 09 actual building rental rate CAP as soon as the State can provide final financial information. It is anticipated that approximately three to four months will be necessary to complete the draft of the actual building occupancy costs. The actual building occupancy plan and A-87 balance sheet should be completed by June

30, 2010, the projected date for federal submission of the SWCAP. Federal negotiations of the plan will begin after submission. MAXIMUS will make every effort to expedite the process; however final approval of the plan can often take several months to a year.

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

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

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

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

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

MAXIMUS, INC.