



**STATE OF MICHIGAN
ENTERPRISE PROCUREMENT**
Department of Technology, Management, and Budget
525 W. ALLEGAN ST., LANSING, MICHIGAN 48913
P.O. BOX 30028 LANSING, MICHIGAN 48909

CONTRACT CHANGE NOTICE

Change Notice Number 33
to
Contract Number 071B2200084

CONTRACTOR	Maximus Consulting Services, Inc.	STATE	Shawna Hessling	DTMB
	935 North Washington Ave.		517-335-8917	
	Lansing, MI 48906		hesslings@Michigan.gov	
	William Maxwell		Jillian Yeates	DTMB
	517-484-4240		(517) 284-7019	
	billmaxwell@maximus.com		yeatesj@michigan.gov	
*****7956				

CONTRACT SUMMARY			
ANALYSIS OF CENTRAL COST SRVC-SWCAP-OFM			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE
January 1, 2012	December 31, 2014	2 - 1 Year	December 31, 2016
PAYMENT TERMS		DELIVERY TIMEFRAME	
Net 45		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-Card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS			
N/A			
DESCRIPTION OF CHANGE NOTICE			
OPTION	LENGTH OF OPTION	EXTENSION	REVISD EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>	
CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE	
\$2,258,500.00	\$0.00	\$2,258,500.00	
DESCRIPTION			
Effective September 15, 2016, this Contract is amended to incorporate the following attached work statement to the Contract:			
1. Department of Talent & Economic Development for RMS Maintenance FY 2017 – Quarter 1 - \$3,000.00			
Total Value of Proposal: \$3,000.00			
Remaining Contract Amount Available: \$113,120.00			
All other terms, conditions, specifications and pricing remain the same. Per vendor and agency agreement, and DTMB Procurement approval.			

**PROPOSAL TO THE DEPARTMENT OF
TALENT & ECONOMIC DEVELOPMENT
FOR RMS MAINTENANCE FY 2017 – Quarter 1**

MAXIMUS Consulting Services, Inc. is pleased to present this proposal to the Michigan Department of Talent and Economic Development (TED) for cost allocation services to be performed during the first quarter of fiscal year 2017. This proposal includes maintenance of the random moment sampling (RMS) system currently being utilized by some of the administrative programs of TED for the period October 1 through December 31, 2016. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary corporation of MAXIMUS, Inc. (MAXIMUS) is a public sector consulting firm incorporated in the State of Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division which specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has several offices within the continental United States. 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 Talent and Economic Development was created by executive order 2014-12. TED includes the Michigan Economic Development Corporation, the Michigan State Housing Development Corporation, the Michigan Strategic Fund, and the Talent

Investment Agency. TED receives substantial funding for the operation of various programs it administers from the Federal government. TED 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 TED, a Departmental Cost Allocation Plan (DCAP) must be prepared in accordance with OMB Circular A-87. 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

TED utilizes a random moment sampling (RMS) system maintained by MAXIMUS to document the direct charging to Federal programs for some of the administrative offices of the Department. 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 2017 TED will need to continue to generate and tabulate sampling data on a quarterly basis throughout the year.

MAXIMUS has a contract with TED to maintain the RMS through September 30, 2016. This work is done under the terms of our contract with DTMB for the Statewide Cost Allocation Plan, which expires on December 31, 2016. It is likely that the new contract will not be in place by October 1, 2016. In order to avoid a possible lapse in RMS sampling, we are proposing to perform the RMS Maintenance Services for the period October 1 through December 31, 2016 under the current contract. We can then propose the continuation of the sampling under the new

contract.

DESCRIPTION OF SERVICES

MAXIMUS proposes to provide the following services for the Michigan Department of Talent and Economic Development:

RMS maintenance and administration for FY 2017 – Quarter 1. MAXIMUS will provide the following services necessary to maintain the RMS system to be utilized by TED. Services will be provided for the quarter ending December 31, 2016.

- Quarterly updating of personnel rosters for the sampling universe.
- Generation of quarterly samples.
- Tabulation of quarterly RMS results.
- Detailed listing of sample responses.
- Calculation of program results at the end of the 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.

STAFFING

MAXIMUS will assemble an experienced team of consultants to assist TED with 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 director of our MAXIMUS Lansing office.

COMPENSATION

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

- **2017 Q-1 RMS Maintenance** - Based upon our experience during the past year, we anticipated 25 hours of consultant time per quarter to maintain the RMS system. Based on an hourly billing rate of \$120, including all administrative overhead, our proposed fee is a fixed amount of \$3,000.

DELIVERABLES

Monthly results and no-response reports (if requested)

Quarterly listing of actual RMS responses

Program results the quarter

TIMING

As the RMS sampling will need to begin October 1, 2016, MAXIMUS will need to begin updating the sample universe and making any required changes to the system by the middle of September. The RMS maintenance activities will be provided on an on-going basis throughout the quarter. Final reports for the quarter of the year will be delivered by December 31, 2016.

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

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

MAXIMUS Consulting Services, Inc.

STATE OF MICHIGAN
 DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET
 PROCUREMENT

525 W. ALLEGAN STREET
 LANSING, MI 48933

P.O. BOX 30026
 LANSING, MI 48909

CHANGE NOTICE NO. 32
 to
 CONTRACT NO. 071B2200084
 between
 THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
Maximus Consulting Services, Inc. 935 North Washington Ave. Lansing MI, 48906	William Maxwell	billmaxwell@maximus.com
	PHONE	CONTRACTOR'S TAX ID NO. (LAST FOUR DIGITS ONLY)
	517-484-4240	*****7956

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER / CCI	DTMB	Shawna Hessling	517-335-8917	hesslings@Michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Jillian Yeates	517-284-7019	yeatesj@michigan.gov

CONTRACT SUMMARY			
DESCRIPTION: Analysis Of Central Cost Srvs-SWCAP-OFM			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 1, 2012	December 31, 2014	2 - 1 Year	December 31, 2016
PAYMENT TERMS		DELIVERY TIMEFRAME	
NET 45		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS			
N/A			

DESCRIPTION OF CHANGE NOTICE				
EXERCISE OPTION?	LENGTH OF OPTION	EXERCISE EXTENSION?	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		
CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE		
\$2,258,500.00	\$ 0.00	\$2,258,500.00		

DESCRIPTION: Effective February 19, 2016, this Contract is amended to incorporate the following attached work statement to the Contract:

- Department of Insurance and Financial Services FY 2015 Cost Allocation Plan. - \$33,600

Total Value of Proposals: \$33,600
 Remaining Contract Amount Available: \$116,120

All other terms, conditions, specifications and pricing remain the same. Per vendor and agency agreement, and DTMB Procurement approval.

**PROPOSAL TO THE MICHIGAN DEPARTMENT
OF INSURANCE
AND FINANCIAL SERVICES
FOR FISCAL 2015
COST ALLOCATION PLANS**

JANUARY 2016

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

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

**Proposal to the
Michigan Department of Insurance and
Financial Services
For Fiscal Year 2015
Cost Allocation Plans**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary of MAXIMUS, Inc. (MAXIMUS) is pleased to present this proposal to the Michigan Department of Insurance and Financial Services (DIFS) for cost allocation services based on actual costs for the fiscal year ended September 30, 2015. The proposal includes two separate cost allocation plans:

- Administrative Funding Cost Allocation Plan – intended to determine the appropriate mix of state restricted funding for the administrative programs of the Department.
- Federal Cost Allocation Plan and Indirect Cost Rate Proposal – used to determine indirect costs for federally funded programs in compliance with OMB Circular A87.

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

BUSINESS ORGANIZATION

MAXIMUS Consulting Services, Inc. is a public sector consulting firm incorporated in the State of Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division that specializes in assisting state and local governments in matters related to grants management and cost accounting. 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 Department of Insurance and Financial Services was established as a new state agency under Executive Order 2013-1. DIFS is responsible for the regulation of Michigan's financial industries, including banks, credit unions, insurance, mortgage companies, and other consumer finance lenders. DIFS 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. DIFS is also responsible for several federally funded programs. In addition to direct program costs associated with these programs, DIFS spends considerable resources to administer these programs. These costs include administration, human resources, budget, consumer complaint processing, policy development, etc. DIFS needs to justify the use of the various state restricted funding sources in supporting the administrative operations of the Department. DIFS also needs to develop a federal approved methodology for the recovery of indirect costs from its federally funded programs.

STATEMENT OF PROBLEM

DIFS receives no general fund appropriation for the operation of its administrative programs. As such, DIFS needs to determine an appropriate mix of funding for the administrative operations of the Department. DIFS desires to have a 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 examine the various administrative functions of the Department and develop a defensible approach for allocating costs to benefited programs, and ultimately funding sources of

DIFS. The plan should be based upon actual costs for the fiscal year ended September 30, 2015 and be used to establish funding ratios for the next appropriation year.

Federal funds may not be used to fund the administrative programs. However, indirect costs can be recovered from federal programs. In order to accomplish the actual recovery of indirect costs attributed to any particular federal program within the Department, a Departmental Cost Allocation Plan (DCAP) and Indirect Cost Rate Proposal must be prepared in accordance with the provision of OMB Circular A-87, Cost Principles for State and Local Governments.

DESCRIPTION OF SERVICES

MAXIMUS proposes to provide the following services for the Department of Insurance and Financial Services:

1. **Preparation of an Administrative Funding Cost Allocation Plan based on actual costs for the year ended September 30, 2015.** The plan will identify the recommended mix of funding for the administrative programs of the Department. The plan will 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.

Director's Office
Unclassified
Finance and Administrative Services
DIFS Modernization
Department-wide Costs
Executive Director Programs
Consumer Services
Policy
General Counsel
Attorney General IDG Rent
Property Management
IT IDG

2. **Preparation of an A-87 Departmental Cost Allocation Plan and Indirect Cost Rate Proposal based on actual expenditures for the year ended September 30, 2015.** DIFS currently has rates approved covering both fiscal years 2015 and 2016. Current indirect cost rates for the DIFS are approved on a provisional basis. This means that rates must be "finalized" or reconciled to actual costs at the close of the year. As such, DIFS needs to prepared a cost plan and rate proposal based on actual costs for fiscal 2015. The proposal will establish final rates for fiscal year 2015, and also be used to establish a new rate for fiscal 2017, beginning on October 1, 2016.
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 Health and Human Services for review and approval. MAXIMUS will be the initial point of contact with DHHS regarding all questions concerning preparation of the documents.

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

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 280 consultant hours to complete. At our standard hourly rate of \$120 we are prepared to quote a fixed fee of \$33,600, including all expenses incurred by us. Payment will be due as follows:

- \$24,000 – Due upon delivery of the Administrative Funding Cost Allocation Plan
- \$9,600 – Due upon submission of the A-87 Cost Allocation Plan and Indirect Cost Rate Proposal to DHHS

DELIVERABLES

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

- **Administrative Funding Cost Allocation Plan**
- **A-87 Cost Allocation Plan and Indirect Cost Rate Proposal**

TIMING

MAXIMUS is prepared to begin preparation of the cost plans and rate proposal as soon as practical after securing a contract or change notice to our SWCAP contract. However, work cannot begin until the FY 15 fiscal year is closed out and final financial reports are available. Once the necessary financial information is obtained, approximately four months will be necessary for preparation of the draft documents. The timing of the draft is however contingent upon the availability of DIFS staff for interviews and the availability of all selected allocation statistics. Once the draft is approved by DIFS, the final report can be delivered within two weeks. The anticipated submission date for the A-87 plan is June 30, 2016.

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

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

MAXIMUS Consulting Services, Inc.

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

CHANGE NOTICE NO. 31
 to
CONTRACT NO. 071B2200084
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
Maximus Consulting Services, Inc. 935 North Washington Ave. Lansing MI, 48906	William Maxwell	billmaxwell@maximus.com
	PHONE	CONTRACTOR'S TAX ID NO. (LAST FOUR DIGITS ONLY)
	517-484-4240	*****7956

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER / CCI	DTMB-OFM	Shawna Hessling	517-335-8917	hesslings@michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Jillian Yeates	517-284-7019	yeatesj@michigan.gov

CONTRACT SUMMARY			
DESCRIPTION: Central Cost Analysis and SWCAP Preparation – DTMB			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 1, 2012	December 31, 2014	2 - 1 Year	December 31, 2016
PAYMENT TERMS		DELIVERY TIMEFRAME	
NET 45		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS			
N/A			

DESCRIPTION OF CHANGE NOTICE				
EXERCISE OPTION?	LENGTH OF OPTION	EXERCISE EXTENSION?	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		
CURRENT VALUE		VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE	
\$2,258,500.00		\$ 0.00	\$2,258,500.00	

DESCRIPTION: Effective January 4, 2016, this Contract is amended to incorporate the following work statements to the contract:

- Department of Technology, Management, and Budget: Building Occupancy Cost Allocation Plan based on budgeted costs for FY 2018. - \$24,000
- Department of State: Cost Allocation Plan for documenting the cost of operating motor vehicle programs based on actual FY 2015 costs. - \$75,600

Total Value of Proposals: \$99,600.00
 Remaining Contract Amount Available: \$149,720.00

All other terms, conditions, specifications and pricing remain the same. Per vendor and agency agreement, and DTMB Procurement approval.

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF
TECHNOLOGY, MANAGEMENT & BUDGET
FOR A BUILDING OCCUPANCY
COST ALLOCATION PLAN
FY18 BUDGET**

DECEMBER 2015

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

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**PROPOSAL TO THE MICHIGAN DEPARTMENT OF
TECHNOLOGY, MANAGEMENT AND BUDGET
FOR A BUILDING OCCUPANCY
COST ALLOCATION PLAN
BASED ON BUDGETED COSTS FOR THE YEAR ENDING
SEPTEMBER 30, 2018**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary of MAXIUS, Inc. (MAXIMUS) is pleased to present this proposal to the Department of Technology, Management and Budget for a Building Occupancy Cost Allocation Plan based on budgeted costs for the year ending September 30, 2018.

BUSINESS ORGANIZATION

MAXIMUS Consulting Services, Inc. is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division that specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has several offices across the continental United States, including one located in Lansing, Michigan. This project would be performed out of our Lansing 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, 2018. MAXIMUS has prepared this plan for the past several years and will develop the FY 18 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 one bound and one electronic copy of the following document:

- Building Occupancy Cost Allocation Plan based on budgeted expenditures for year ending September 30, 2018. (Including summary schedule showing the full operating cost and projected rental rate for each facility.)

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

TIMING AND FEES

MAXIMUS is prepared to begin work on the FY 18 budgeted building rental rate CAP as soon as the State can provide the projected financial information and building inventories. It is anticipated that approximately two to three months will be necessary to complete the draft of the building occupancy cost plan and rate summary. The draft report will be delivered to DTMB for

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

Our current contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan (071B2200084) provides an hourly rate for additional cost allocation projects. We believe this project can be performed under the terms of this contact. 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. Shawna Hessling, our program manager at the Office of Financial Management to get approval to contract under the SWCAP agreement.

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

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

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

MAXIMUS Consulting Services, Inc.

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF STATE
FOR DEVELOPMENT OF THE
FISCAL 2015 COST ALLOCATION PLAN
FOR MOTOR VEHICLE PROGRAM**

**REVISED
DECEMBER 1, 2015**

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

**Proposal to
The Michigan Department of State**

To Prepare the Fiscal 2015 Cost Allocation Plan For Motor Vehicle Program Costs

INTRODUCTION

MAXIMUS Consulting Services, Inc. is pleased to present this proposal to the Michigan Department of State to develop a cost allocation plan for the purpose of documenting the cost of operating motor vehicle programs. The plan will be based on actual expenditure and statistical information for fiscal year 2015. The following information outlines our qualifications, experience and information regarding the scope of services.

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

STATEMENT OF PROBLEM

The Michigan Department of State receives substantial funding for the operation of various motor vehicle programs it administers from the Michigan Transportation Fund. The Department spends

considerable resources to operate and administer these programs. Prior to 1996, the Auditor General of the State of Michigan found that the DOS did not have an adequate cost allocation methodology and could not substantiate the appropriateness of its allocation of costs to the MTF. During 1997, the DOS contracted with MAXIMUS to develop a cost allocation methodology. The original study was based upon fiscal 1996 cost and statistical data.

The model has subsequently been updated by MAXIMUS each of the past fiscal years. The DOS now desires to have the allocation plan updated based upon fiscal 2015 information.

OBJECTIVES

1. The Michigan Department of State's primary goal for this project is to update the cost allocation model based upon fiscal 2015 financial and statistical information to determine the appropriateness of the MTF funding for the year.
2. Secondly, the Department wishes to have a cost of service analysis completed for various driver and vehicle services provided by the Department. This includes the development of a cost allocation model to accumulate the full cost, including indirect costs, associated with each service.
3. Finally, the Department wishes to include preparation and submission of a federal indirect cost rate in compliance with the provisions of OMB Circular A-87.

In order to achieve these goals, specific objectives or tasks must be completed. MAXIMUS has developed an approach that will achieve each goal above. A cost allocation plan will be designed to distribute costs to specific driver and vehicle service areas within the Department. The cost allocation plan can therefore be used to determine the full cost of providing each service area. Those fee or service areas that relate to the Michigan Transportation Fund can be accumulated to determine the recommended level of MTF funding. In addition, a second cost allocation will be prepared that is designed to determine allowable federal indirect costs in compliance with federal standards. The tasks that MAXIMUS sees as necessary to meet the goals of the Department of State are outlined in the following section.

APPROACH AND WORKPLAN

The approach we have defined for this project is clearly focused on satisfying the

Department's goals. The approach has been designed to emphasize three key elements:

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

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

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

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

Task 3 - Develop Individual Bureau Cost Allocation Plans. The cost allocation model requires the development of a series of cost allocation plans that cover all bureaus and programs that are involved either directly or indirectly with the administration of motor vehicle programs. Each cost allocation plan will be prepared in a manner as consistently as possible with the most recent plan in that cost pools will be created and allocated using the same methodology, but updated with current year

expenditure and statistical information. However, it may be necessary to change allocation procedures for a number of reasons. For example:

- Department reorganization
- Changes in the functional responsibilities of allocated cost pools
- Unavailability of required statistical information used as the allocation bases

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

- Central Services (including Department Administration, Information Technology, Department Services, Customer Service Administration, and Legal Services Administration)
- Bureau of Branch Office Services
- Customer Services (Including the Office of Customer Services and BDVR)
- Information Security
- Regulatory Services

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

It should be noted that the Bureau of Branch Office Services (BBOS) has been allocated according to staff effort developed by conducting short-term random moment sampling (RMS) projects at branch offices across the State. RMS results were used to develop Relative Transaction Times (RTTs) for each type of transaction processed at the branches. The Relative Transactions Times for each service area are weighed by annual statewide volumes to arrive at the final percent of effort for each service. The RTTs were developed during the original study and updated during fiscal 2006. MAXIMUS does not propose to update the RTTs developed by the random moment sampling projects. However, annual transaction information will be reviewed and the RMS results will be adjusted and

annualized to reflect changes in the volume of transactions and consequently the percent of time allocated to each service area.

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

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

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

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

Task 7 - Prepare Final Report Regarding Other Funding Sources and User Fees.

The cost allocation methodology provides the framework to address two other issues:

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

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

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

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

DELIVERABLES

MAXIMUS will deliver two (2) bound and one (1) electronic copy of each of the following documents as part of this engagement.

- Final Report on MTF Funding
- Final Report on User Fees
- A-87 Cost Allocation Plan and Indirect Cost Rate Proposal

In addition, MAXIMUS will provide the Department with a binder containing each of the individual bureau cost allocation plans that support the findings in our final reports.

EXPERIENCE AND QUALIFICATIONS

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

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

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

STAFFING

MAXIMUS will assemble an outstanding team of consultants to assist the Department of State in this engagement. The primary consulting team will include consultants with our Financial Services Division from our Lansing, Michigan office. The Lansing staff has extensive experience in developing central services cost allocation plans and indirect cost rate proposals for agencies of the State of Michigan. The key members of the project team are as follows:

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

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

Other MAXIMUS consultants may also be assigned as necessary.

COMPENSATION

Based upon our experience in preparing this plan in previous years, we project that this project will require 630 hours of MAXIMUS consultant time to complete. Based upon a billing rate of \$120 per hour, we are prepared to quote a fixed fee of \$75,600, including all expenses incurred by us. We will bill based upon a schedule of deliverables or tasks as follows:

<u>Task</u>	<u>Amount</u>
Project Initiation	\$ 5,000
Central Services Cost Allocation Plan	\$ 10,000
Branch Offices Cost Allocation Plan	\$ 5,000
BVDR Cost Allocation Plan	\$ 10,000
Information Security Cost Allocation Plan	\$ 5,000
Regulatory Services Cost Allocation Plan	\$ 5,000
A-87 Cost Rate Proposal	\$ 12,000
Summary of Cost By Service Allocation Plan	\$ 4,000
Summary of Cost by Fund Allocation Plan	\$ 4,000
Draft Report on MTF Funding	\$ 4,000
Final Report on MTF Funding	\$ 5,800
<u>Final Report on User Fees</u>	<u>\$ 5,800</u>
Project Total	\$ 75,600

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

Our contract with DTMB for the Statewide Cost Allocation Plan (071B2200084) has recently been renewed to cover the next fiscal year. This contract contains provisions whereby other state agencies can contract with MAXIMUS to perform cost allocation projects. We believe this project can be completed under the terms of this contract. However, to do so you must get approval from the DTMB Office of Financial Management.

TIMING

MAXIMUS is prepared to begin work within 10 working days of the issuance of a contract by DOS. However we cannot begin the project until final financial reports are completed. Once we have financial reports, it is anticipated that approximately four to five months will be required to complete the draft report. Once the draft report is accepted by the Department of State, bound copies of the final report can be delivered within two weeks.

Assuming a start date of April 1, final delivery is estimated to be approximately September 30, 2016. The federal indirect cost rate proposal will be submitted as soon as that task has been completed and accepted by the Department. It is anticipated that the federal proposal will be submitted by June 30, 2016. However, MAXIMUS has no control over the timing of the federal review and negotiations. We will make every effort to expedite the process, however we must advise the Department that negotiations generally require a minimum of three months and can often take as much as one year.

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

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

MAXIMUS Consulting Services, Inc.

AUTHORITY: Act 431 of 1994
 COMPLETION: Required
 PENALTY: Contract change will not be executed unless form is filed

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

CHANGE NOTICE NO. 30
 to
CONTRACT NO. 071B2200084
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906	William Maxwell	Billmaxwell@maximus.com
	PHONE	CONTRACTOR'S TAX ID NO. (LAST FOUR DIGITS ONLY)
	517-484-4240	7956

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER / CCI	DTMB-OFM	Shawna Hessling	517-335-8917	hesslings@michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Jillian Yeates	517-284-7019	yeatesj@michigan.gov

CONTRACT SUMMARY			
DESCRIPTION: Central Cost Analysis and SWCAP Preparation – DTMB			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
January 1, 2012	December 31, 2014	2- one year	December 31, 2016
PAYMENT TERMS		DELIVERY TIMEFRAME	
Net 45		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS			
N/A			

DESCRIPTION OF CHANGE NOTICE				
EXERCISE OPTION?	LENGTH OF OPTION	EXERCISE EXTENSION?	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		
CURRENT VALUE		VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE	
\$2,258,500.00		\$0.00	\$2,258,500.00	

DESCRIPTION:
 Effective November 30, 2015, this Contract is AMENDED to incorporate the following work statements to the contract:
 1. Department of Natural Resources Cost Allocation Plan, Indirect Cost Rate Proposal, and revised Cost Plan for documentation of charges to state restricted funding sources based on actual costs for FY2015 - \$25,200
 2. Judiciary Cost Allocation Plan and Indirect Cost Rate Proposal based on actual costs for FY2015 - \$10,800

3. Michigan State Police Cost Allocation Plan and Indirect Cost Rate Proposal based on actual costs for FY2015 - \$18,000
4. Department of Corrections Cost Allocation Plan and Indirect Cost Rate Proposal based on actual costs for FY2015 - \$14,400

Please note the Contract Administrator has been changed to Jillian Yeates.

Total Value of Proposals: \$68,400.00
Remaining Contract Amount Available: \$249,320.00

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

Change Notice Number: 30
Contract Number: 071B220084

FOR THE CONTRACTOR:

Company Name

Authorized Agent Signature

Authorized Agent (Print or Type)

Date

FOR THE STATE:

Signature

Name & Title

Agency

Date

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF
NATURAL RESOURCES
FOR A COST ALLOCATION PLAN AND
INDIRECT COST RATE PROPOSAL
FY 15 ACTUAL**

OCTOBER 2015

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

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**PROPOSAL TO THE MICHIGAN
DEPARTMENT OF NATURAL RESOURCES
FOR A COST ALLOCATION PLAN
BASED ON ACTUAL COSTS FOR
THE YEAR ENDED SEPTEMBER 30, 2015**

MAXIMUS Consulting Services, Inc. is pleased to present this proposal to the Michigan Department of Natural Resources (DNR) for the preparation of a Departmental Cost Allocation Plan based on actual costs for the year ending September 30, 2015.

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

BUSINESS ORGANIZATION

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

The Department of Natural Resources annually negotiates indirect cost rates with the U.S. Department of Interior. FY 15 rates were approved on a fixed with carry-forward basis. This requires that fixed indirect cost rates employed during a fiscal year be reconciled to actual cost at the end of the period. Differences between fixed rates and actual rates, or carry-forwards, are computed and incorporated into future rates. This proposal will be used to reconcile the fiscal 2015 rates, calculate appropriate carry-forwards for 2015, and to propose new rates for use in FY 17.

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, 2015, 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.

- Building Occupancy - 1345
- Private Rent - 1346
- Natural Resources Commission - 1092
- Unclassified Salaries - 1093
- Executive Direction -- 1001
- Science and Policy -- 1003
- Central Support -- 1200
- Accounting Service Center - 1225
- Information Technology Services -- 1150

In addition, the plan will allocate statewide costs for DNR approved in the Michigan Statewide Cost Allocation Plan (SWCAP).

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual expenditures for the year ended September 30, 2015. Current indirect cost rates for the DNR are approved on a fixed with carry-forward basis. As such, the proposal needs to include the calculation of appropriate FY 15 carry-forwards and the incorporation of these amounts into proposed rates for use during state fiscal year 2017. Two rate pools will be proposed:

- PR-DJ Rate - Applicable to Federal salaries and benefits funded by Pittman/Robertson -- Dingle/Johnson programs.
- All Other Programs - Applicable to all other Federal salaries and benefits.

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

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

EXPERIENCE AND QUALIFICATIONS

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

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

Each of these individuals has extensive experience in preparing cost allocation plans and indirect cost rate proposals.

COMPENSATION

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

A-87 DCAP & Federal Indirect Cost Rate Proposal -	150 hrs
<u>Revised DCAP for Restricted Funds</u>	<u>60 hrs</u>
Total Hours	210 hrs

Based on a billing rate of \$120 per hour, we are prepared to quote a fixed fee of \$25,200, including all expenses. MAXIMUS will bill the Department according to the following schedule:

- Submission of A-87 DCAP and Rate Proposal to Interior - \$18,000
- Delivery and Acceptance of Revised DCAP for Restricted Funds - \$7,200

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.

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

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

MAXIMUS Consulting Services, Inc.

**PROPOSAL TO THE
MICHIGAN JUDICIARY
FOR A COST ALLOCATION PLAN AND
INDIRECT COST RATE PROPOSAL
FY 15 ACTUAL**

OCTOBER 2015

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

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**PROPOSAL TO
THE MICHIGAN JUDICIARY
FOR PREPARATION OF AN FY 15 ACTUAL
COST ALLOCATION PLAN AND
INDIRECT COST RATE PROPOSAL**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary of MAXIMUS, Inc. (MAXIMUS) is pleased to present this proposal to the Michigan Judiciary for the preparation and negotiation of the FY 15 Actual Departmental Cost Allocation Plan (DCAP) and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

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

STATEMENT OF PROBLEM

The Court annually prepares and submits to the Department of Health and Human Services (DHHS) its cost allocation plan and indirect cost rate proposal based on actual expenditures for the year. Based upon a prior submission, the U.S. Department of Health and Human Services (DHHS) issued a federal negotiation agreement approving provisional indirect cost rates for use in FY 15. 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, 2015. The FY 15 cost allocation plan will be used to finalize the FY 15 provisional rates, and to propose new rates for use beginning with FY 17.

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, 2015.** 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, 2015.** 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 15. This proposal will calculate final rates for FY 15 and also propose new provisional rates for use by the Court in FY 17.

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

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

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

Each of these individuals has extensive experience in preparing cost allocation plans and indirect cost rate proposals for Michigan state agencies.

COMPENSATION

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

Based upon prior experience in preparing this plan, we anticipate that the project will require 90 hours of consultant time to complete. At our current approved SWCAP hourly rate of \$120 we are prepared to quote a fixed fee of \$10,800 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 one (1) 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 15 actual plan when the fiscal year is closed out and financial reports are available. As such, we do not project a start date until February 2016. 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, 2016. Based upon our experience, negotiation and approval of the documents

can take anywhere from several weeks to several months. MAXIMUS will make every attempt to expedite the process, but we must advise the Court that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87.

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

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

MAXIMUS Consulting Services, Inc.

**PROPOSAL TO THE
MICHIGAN STATE POLICE
FOR THE FY 15 COST ALLOCATION PLAN
AND INDIRECT COST RATE PROPOSAL**

OCTOBER 2015

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

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**Proposal to
The Michigan Department of State Police
For Preparation of the
FY 15 Actual
Departmental Cost Allocation Plan
& Indirect Cost Rate Proposal**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary of MAXIMUS Inc. (MAXIMUS) is pleased to present this proposal to the Michigan Department of State Police (MSP) for the preparation and negotiation of the FY 15 Actual Departmental Cost Allocation Plan and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

will reimburse the State a portion or all of the costs spent in supporting Federal programs if the State can document the expenses to the Federal Government.

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

DESCRIPTION OF SERVICES

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

1. Preparation of the DCAP based on actual costs for the year ended September 30, 2015. 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 2015 actual circumstances.
2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2015. For fiscal 2015, the MSP has a fixed rate approved by Homeland Security. Actual costs will be used to determine appropriate carry-forward amounts from FY 15 and to propose a new rate for use during 2017.
3. Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's cognizant federal agency, the Department of Homeland Security.

PLAN DEVELOPMENT

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

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

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

After all the information is collected and any interviews conducted, our fieldwork will be completed. MAXIMUS consultants will then finalize the plan at our office. This minimizes any disruption to the normal operations of the Department. Upon completion of the plan we will develop an indirect cost rate proposal for the Michigan Department of State Police. The rate proposal will compute a new rate for use during fiscal 2017.

When the plan and departmental rate proposal are complete, we will present draft documents to the appropriate Department officials for review and approval. The plan will be modified as necessary to incorporate any agreed to changes. After acceptance of the plan by the Department, we will finalize the plan and submit the documents to the U.S. Department of Homeland Security for review and approval. MAXIMUS will negotiate the plan on behalf of the Department of State Police.

EXPERIENCE AND QUALIFICATIONS

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

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

COMPENSATION

Our contract with DTMB for the Statewide Cost Allocation Plan has been extended to cover the current year. As in the past, this contract includes provisions for other departments to contract with us for cost allocation projects. Based upon

our prior experience in preparing this plan for the MSP, we anticipate that the project will require 150 hours of consultant time to complete. At our current negotiated rate with DTMB of \$120 per hour, we are prepared to quote a fixed fee of \$18,000 including all expenses incurred by us. Payment would be due upon delivery of the final bound reports to MSP officials. The following table details our consultant hours by major project task:

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

DELIVERABLES

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

FY 2015 Actual Cost Allocation Plan
FY 2015 Actual (Proposed 2017) Indirect Cost Rate Proposal

TIMING

We will coordinate the start date with MSP based upon the availability of financial reports, MSP staff, and the processing of the contract amendment with DTMB Purchasing. Once all necessary financial information is obtained, approximately two months will be necessary for completion of the draft reports. Preparation of the final reports and their submission to Homeland Security will be

at the discretion of the Department. Once submitted, negotiation and approval of the documents can take anywhere from several weeks to several months. We will make every attempt to expedite the process, but we must advise the Department of State Police that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87.

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

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

MAXIMUS Consulting Services, Inc.

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF
CORRECTIONS
FOR AN FY 15 COST ALLOCATION PLAN
AND INDIRECT COST RATE PROPOSAL**

OCTOBER 2015

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**PROPOSAL TO
THE MICHIGAN DEPARTMENT OF CORRECTIONS
FOR THE PREPARATION OF AN FY 15 ACTUAL
COST ALLOCATION PLAN AND INDIRECT COST RATE PROPOSAL**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary of MAXIMUS, Inc. (MAXIMUS), is pleased to present this proposal to the Michigan Department of Corrections for the preparation and negotiation of an FY 15 Actual Departmental Cost Allocation Plan (DCAP) and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

MAXIMUS Consulting Services, Inc. is a public sector consulting firm incorporated in Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division which specializes in assisting state and local governments in matters related to grants management and cost accounting. 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

The Michigan Department of Corrections 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 2015. 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, 2015. The FY 15 cost allocation plan will be used to finalize the FY 15 provisional rates, and to propose new rates for use beginning with FY 17.

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, 2015. 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.

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- **Identifying the various indirect cost pools to be included.** Based upon a review of the financial reports, organizational charts and functional descriptions, various indirect cost pools will be identified. Selected indirect cost pools will be reviewed for allowability, and cost will be documented for inclusion in the cost plan.

- **Reconciliation of the financial reports.** Either total personnel costs or adjusted total expenditures will most likely be used as the direct cost basis upon which the indirect cost rate will be computed. It will be necessary to reconcile expenditures by organization and cost category within the Department to determine the appropriate costs.

- **Identification of Statewide Costs** - The cost plan also needs to include statewide costs allocated to the Department of Corrections in the Statewide Cost Allocation Plan (SWCAP). The appropriate federally approved SWCAP agreement will be reviewed and costs will be included in the cost plan.

- **Cost Plan Preparation** – MAXIMUS consultants will design the cost allocation schedules, develop of allocation statistics and perform data entry in the cost allocation software. In addition, our consultants will complete the required narrative description of the allocation methodology and functional description of the indirect cost pools.

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2015. Based upon the results of the cost allocation plan, an indirect cost rate proposal will be prepared. A single indirect cost rate applicable to all DOC programs will be computed. The proposal will compute a “final” rate for fiscal 2015, and new rate for the fiscal year beginning October 1, 2016 will be proposed.

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

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

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

MAXIMUS Consulting Services, Inc.

Each of these individuals has extensive experience in preparing cost allocation plans and indirect cost rate proposals

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 (071B2200084). However, to do so, Office of Financial Management approval is required.

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

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

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Task	Consultant Hours
submit, with supporting documentation, to the federal cognizant agency. Answer questions regarding plan and assist with negotiating the final rate agreement.	
Total Consultant Hours	120

DELIVERABLES

The Department would be provided with one (1) 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 15 cost allocation plan once we receive a contract change notice issued by the DTMB Office of Purchasing amending our SWCAP contract to include this project. Providing all information is available in a timely manner, it is anticipated that approximately 16 weeks will be required to complete a draft of the plan. After submitting the draft, we still need to review the plan with the Department financial staff, and prepare the plan for federal submission. This internal review process can sometimes take several weeks to complete. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months. MAXIMUS will make every attempt to expedite the process, but we must advise the Department that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87.

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

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

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

MAXIMUS Consulting Services, Inc.