

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

CHANGE NOTICE NO. 21
 to
CONTRACT NO. 071B2200084
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:		PRIMARY CONTACT		EMAIL
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906		William Maxwell		billmaxwell@maximus.com
		TELEPHONE		CONTRACTOR #, MAIL CODE
		(517) 484-4240		
STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	DTMB-OFM	Shawna Hessling	(517) 335-8917	hesslings@michigan.gov
BUYER:	DTMB	Chelsea Edgett	(517) 284-7031	edgettcc@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: CENTRAL COST ANALYSIS AND SWCAP PREPARATION – DTMB			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS	CURRENT EXPIRATION DATE
January 1, 2012	December 31, 2014	2, 1 yr.	December 31, 2015
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 45	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MI DEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:		
OPTION EXERCISED: <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES	IF YES, EFFECTIVE DATE OF CHANGE: N/A	NEW EXPIRATION DATE: N/A

Effective November 18, 2014 this Contract is AMENDED as follows:

1. Buyer and Contract Administrator is changed to Chelsea Edgett
2. Add the following work statements to Contract:
 - A. Department of Agriculture and Rural Development: FY 2014 Actual Departmental Cost Allocation Plan and Indirect Cost Rate Proposal dated September 8, 2014 (\$11,400)
 - B. Department of Community Health: FY 2014 Departmental Indirect Cost Allocation Plan and FY 2015 RMS Maintenance per July 2014 proposal (\$36,600)
 - C. Department of Licensing and Regulatory Affairs: FY 2014 Cost Allocation Plan and Indirect Cost Rate Proposal dated October 1, 2014 (\$30,000)
 - D. Department of Transportation: Central Services Cost Allocation Plan and Federal Indirect Cost Rate Proposal Fiscal 2014 Actual per proposal dated September 8, 2014 (\$36,000)
 - E. Economic Development Corporation - Strategic Fund: FY 2014 Cost Allocation Plan and RMS Services for FY 2015 per proposal dated July 16, 2014 (\$24,000)
 - F. State Police: FY 2014 Cost Allocation Plan and Indirect Cost Rate Proposal dated October 13, 2014 (\$18,000).

Total Value of Proposals: \$156,000.00
 Remaining Contract Amount Available: \$302,820.00

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

Value/Cost of Change Notice	\$0.00
ESTIMATED AGGREGATE CONTRACT VALUE REMAINS::	\$1,808,500.00

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF COMMUNITY
HEALTH
FOR AN FY 14 CENTRAL SERVICES COST
ALLOCATION PLAN AND
RMS MAINTENANCE FOR FY 15**

JULY 2014

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**PROPOSAL TO
THE MICHIGAN DEPARTMENT OF COMMUNITY HEALTH
FOR PREPARATION OF AN FY 14
DEPARTMENTAL INDIRECT COST ALLOCATION PLAN
AND FY 2015 RMS MAINTENANCE**

MAXIMUS Consulting Services, Inc. is pleased to present this proposal to the Michigan Department of Community Health for cost allocation services to be performed during 2015. This proposal includes preparation and negotiation of a Departmental Cost Allocation Plan and Indirect Cost Rate Proposal based on actual costs for the year ending September 30, 2014, as well as maintenance of the random moment sampling (RMS) system currently being utilized by Budget and Finance. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary corporation of MAXIMUS, Inc. (MAXIMUS) is a public sector consulting firm incorporated in the State of Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division which specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has 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 Community Health receives substantial funding for the operation of various programs it administers from the Federal government. The Department spends considerable resources to administer these programs. These costs include administration, accounting services, personnel services, etc. plus the costs incurred by the State of Michigan and identified in the State's annual Statewide Cost Allocation Plan (SWCAP). The Federal government will reimburse the State a portion or all of the costs spent in supporting Federal programs if the State can document the expenses to the Federal government. In order to accomplish the actual recovery of indirect costs attributed to any particular program within the Department of Community Health, a Departmental Cost Allocation Plan (DCAP) must be prepared in accordance with OMB Circular A-87, Cost Principles for State and Local Governments. Furthermore, if any of the administrative costs are to be charged directly, the distribution of costs must be supported by acceptable time accounting records, again in accordance with A-87.

STATEMENT OF PROBLEM

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

The Department of Community Health prepared and submitted to DHHS a cost allocation plan and indirect cost rate proposal based on actual expenditures for the year ending September 30, 2012. Based upon this proposal, DHHS issued a federal negotiation agreement approving provisional indirect rates for use during fiscal 2014. As the rates were approved provisionally, federal guidelines require that they be "finalized" or reconciled to actual cost to determine any over or under charges to Federal programs. Accordingly, the Department of Community Health

MAXIMUS

needs to submit a cost allocation plan and indirect cost rate proposal based on actual costs for fiscal year 2014. The FY 14 cost allocation plan will be used to finalize the FY 14 provisional rates, and to propose new rates for use during FY 16.

During 1997, the Department of Community Health installed a random moment sampling (RMS) system to document the direct charging to Federal programs of some of the divisions of Budget and Finance, including Accounting, Budget, Grants and Contracts. In order to directly charge costs to Federal programs, standards regarding time distribution as outlined in Attachment B, Section 11.h of A-87 must be met. RMS is specifically mentioned as a viable substitute system for the support of time distribution. RMS is an on-going system, which through periodic sampling over an extended period of time can accurately determine the work effort of a group of workers. In order to continue charging Federal programs in 2015, the Department of Community Health will need to continue to generate and tabulate sampling data on a quarterly basis throughout the year.

DESCRIPTION OF SERVICES

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

1. Preparation of the Department of Community Health DCAP based on actual costs for the year ending September 30, 2014. Organizational charts and financial information will be needed for this task. R*STARS reports will be required that will provide financial information at the appropriate level. Depending on the accounting structure, either program or organization reports will most likely be required. MAXIMUS consultants will review the program and org structure and work with the Accounting Section to determine which reports will need to be scheduled.

The plan will be prepared in a manner consistent with the last plan. Indirect costs will be identified and segregated into discrete cost pools. Selective allocations of each pool will be made by applying the allocation base most appropriate to each circumstance. The overall

objective is to allocate indirect costs consistent with the manner in which services are actually provided to programs and bureaus that benefit from the services. The plan will allocate any indirect costs accounted for in following organizations:

Statewide Costs
Executive Administration
Grants
Workforce Transformation
Human Resources
Workers' Compensation
Operations Administration
Information Technology
Finance
Budget & Audit Administration
Audit Division
Bureau Administration
Legal Affairs
Terminal Payments

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2014. As discussed earlier, FY 14 indirect cost rates are currently approved on a provisional basis. The proposal will calculate final rates for FY 14, and will also propose new rates for use during FY 16.

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

4. RMS maintenance and administration for FY 2015. MAXIMUS will provide the following services necessary to maintain the RMS system currently utilized by Budget and Finance. Services will be provided for each of the 4 quarters of the fiscal year.

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

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

EXPERIENCE AND QUALIFICATIONS

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

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

MAXIMUS

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

STAFFING

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

COMPENSATION

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

- **Actual FY 14 DCAP** (Including indirect cost rate proposal and Federal negotiations) - We estimate the actual DCAP, rate proposal and negotiations will require approximately 225 hours to complete. Based on an hourly billing rate of \$120, including all administrative overhead costs, our proposed fee is a fixed amount of \$27,000.
- **FY 2015 RMS Maintenance** - Based upon our experience during the past year, we anticipated 20 hours of consultant time per quarter to maintain the RMS system. Based on an

hourly billing rate of \$120, including all administrative overhead, our proposed fee is a fixed amount of \$2,400 per quarter (\$9,600 for the fiscal year).

- **TOTAL FOR YEAR - \$36,600 - including all expenses**

PAYMENT SCHEDULE

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

- **DCAP** - \$27,000 due upon completion and submission to the appropriate Federal cognizant agency.
- **RMS Maintenance** - \$9,600 total, billed quarterly at \$2,400.

DELIVERABLES

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

**Actual DCAP
Indirect Cost Rate Proposal**

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

- Quarterly personnel listing of sampling universe**
- Chronological listing of all quarterly samples**
- Quarterly listing of actual RMS responses**
- Cumulative year-to-date program results each quarter**

TIMING

MAXIMUS is prepared to begin preparation of the DCAP when the fiscal year is closed out and financial reports are available. As such, we project a start date during January of 2015.



September 8, 2014

Mr. David Bruce, Director
Finance and Administrative Services
Michigan Department of Agriculture and Rural Development
Constitution Hall
P.O. Box 30017
Lansing, MI 48909

Dear Mr. Bruce,

MAXIMUS Consulting Services, Inc. (MAXIMUS) is pleased to present this proposal to the Michigan Department of Agriculture and Rural Development for the development of the following documents:

- Departmental Cost Allocation Plan (DCAP) based on actual expenditures for the year ended September 30, 2014.
- Indirect Cost Rate Proposal based on actual expenditures for the year ended September 30, 2014 and proposing fixed indirect cost rates for fiscal year 2016.

Our contract for the Statewide Cost Allocation Plan (SWCAP) has been extended for the coming year. As in the past, this contract contains a provision for other agencies to contract with MAXIMUS for cost allocation projects. We believe this project can be completed under the terms of this contract – 071B2200084. However, to do so, you will need to obtain approval from the DTMB Office of Financial Management. Please contact Lora Mikula, our contract administrator at OFM.

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

MAXIMUS appreciates the opportunity to submit this proposal, and we look forward to working with the Michigan Department of Agriculture and Rural Development on this project.

Sincerely,
MAXIMUS Consulting Services, Inc.

A handwritten signature in cursive script, appearing to read "Nelson Clugston".

Nelson Clugston
Vice President

**PROPOSAL TO THE MICHIGAN
DEPARTMENT OF AGRICULTURE
AND RURAL DEVELOPMENT
FOR AN FY 14 COST ALLOCATION PLAN AND
INDIRECT COST RATE PROPOSAL**

SEPTEMBER 2014

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**PROPOSAL TO
THE MICHIGAN DEPARTMENT OF
AGRICULTURE AND RURAL DEVELOPMENT
FOR PREPARATION OF THE
FY 14 ACTUAL
DEPARTMENTAL COST ALLOCATION PLAN**

MAXIMUS Consulting Services, Inc. (MAXIMUS) is pleased to present this proposal to the Michigan Department of Agriculture and Rural Development for the preparation and negotiation of the FY 14 Actual Departmental Cost Allocation Plan and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

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

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

BACKGROUND

The Michigan Department of Agriculture and Rural Development 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 Agriculture, a Departmental Cost Allocation Plan (DCAP) must be prepared in accordance with OMB Circular A-87, Cost Principles for State and Local Governments.

STATEMENT OF PROBLEM

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

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

DESCRIPTION OF SERVICES

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

1. Preparation of the DCAP based on actual costs for the year ended September 30, 2014. The DCAP will be prepared utilizing *MAXCARS*, software developed by MAXIMUS for the specific purpose of preparing cost allocation plans, and it will be consistent with the Department's most recent submission in that the same pools of indirect costs will be allocated. The following is a listing of the indirect cost pools and centrally budgeted items that we anticipate will be allocated. However, the cost pools will be amended as necessary to reflect FY 14 actual circumstances.

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

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2014. Actual FY 14 costs will be used to finalize current rates approved by Interior for use during fiscal 2014, and will also be used to propose new fixed or provisional rates for use in fiscal 2016. It is anticipated that fixed rates will be proposed, however the type of rate that will be proposed will be

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

3. Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's Federal Cognizant Agency, the U.S. Department of Interior.

PLAN DEVELOPMENT

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

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

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

After all the information is collected and any interviews conducted, our fieldwork will be completed. MAXIMUS consultants will then finalize the plan at our office. This minimizes any disruption to the normal operations of the Department. Upon completion of the plan we will develop the indirect cost rate proposal. The rate proposal will be used to finalize the FY 14 rate and to propose a single departmental rate for use in FY 16.

When the plan and departmental rate proposal are complete, we will present all the documents to the appropriate Department officials. After acceptance of the plan by the Department, we will submit the documents to the U.S. Department of Agriculture for review and approval. MAXIMUS will negotiate the plan with USDA personnel on behalf of the Department. We have negotiated several plans with the Washington D.C. regional office and therefore they are quite familiar with our plans and the quality of our work.

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

COMPENSATION

Our current contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan (SWCAP) provides for additional departmental cost allocation projects to be completed as amendments to the original contract. We believe this project can be performed under the provisions of this contract. Based upon prior experience in preparing the plan for your Department, we anticipate that the project will require 95 consultant hours to complete. At our standard hourly rate of \$120 we are prepared to quote a fixed fee of \$11,400, including all expenses incurred by MAXIMUS.

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

DELIVERABLES

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

FY 14 Actual Cost Allocation Plan & Indirect Cost Rate Proposal

TIMING

MAXIMUS is prepared to begin preparation of the cost plan and indirect cost rate proposal within 10 working days of approval by the Department. However, work cannot begin until the fiscal year is closed out and final financial reports are available. Once the

necessary financial information is obtained, approximately twelve weeks will be necessary for preparation of the draft documents. Upon review and approval of the draft, MAXIMUS will finalize the plan and prepare the submission to the U.S. Department of Agriculture. The anticipated submission date is June 30, 2015. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months. We will make every attempt to expedite the process, but we must advise the Department 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 Agriculture and Rural 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.



October 1, 2014

Mr. Allan Pohl, Director
Finance and Administrative Services
Michigan Department of Licensing and Regulatory Affairs
Ottawa Building - 4th Floor
P.O. Box 30004
Lansing, MI 48909

Dear Mr. Pohl,

MAXIMUS Consulting Services, Inc. is pleased to present this proposal to the Michigan Department of Licensing and Regulatory Affairs for development of your fiscal 2014 cost allocation plan and indirect cost rate proposal. This project will be performed by staff from our Financial Services Division located in Lansing, Michigan. Our workplan and qualifications are described in the proposal.

As you know, our contract for the Statewide Cost Allocation Plan (SWCAP) contains a provision for other agencies to contract with MAXIMUS for cost allocation projects. We believe this project can be completed under the terms of this contract. However, to do so, you will need to obtain approval from the DTMB Office of Financial Management. Please contact Lora Mikula, our contract administrator at OFM.

Mr. William Maxwell, the director of our Lansing Office, will serve as the project manager for the project. If you have any questions regarding the proposal, or any aspects of the project, please contact him directly at 517-484-4240.

MAXIMUS Consulting Services, Inc. appreciates your continued confidence in our ability to meet the cost allocation needs for the Department of Licensing and Regulatory Affairs. We look forward to working with you during the upcoming year.

Sincerely,
MAXIMUS Consulting Services, Inc.

A handwritten signature in dark ink, appearing to read "Nelson Clugston".

Nelson Clugston
Vice President

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF LICENSING AND
REGULATORY AFFAIRS
FOR THE FY 14 COST ALLOCATION PLAN AND
INDIRECT COST RATE PROPOSAL**

OCTOBER 2014

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

Proposal to
The Michigan Department of Licensing and Regulatory Affairs
For Preparation of an Actual FY 14
Departmental Cost Allocation Plan

MAXIMUS Consulting Services, Inc. is pleased to present this proposal to the Michigan Department of Licensing and Regulatory Affairs (LARA) for a Departmental Cost Allocation Plan (DCAP) and Indirect Cost Rate Proposal based on actual costs for the year ending September 30, 2014. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

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

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

BACKGROUND

The Michigan Department of Licensing and Regulatory Affairs receives substantial funding for the operation of various programs it administers from the Federal government. The Department spends considerable resources to administer these programs. These costs

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

STATEMENT OF PROBLEM

The Michigan Department of Licensing and Regulatory Affairs annually submits a cost allocation plan and indirect cost rate proposal to the US Department of Labor. FY 14 rates were approved provisionally and federal guidelines require that they be "finalized" or reconciled to actual cost to determine any over or under charges to Federal programs. Accordingly, LARA will need to prepare a cost allocation plan and indirect cost rate proposal based on actual costs for FY 14. This plan will be used to finalize the FY 14 indirect cost rates and to establish a new rate for fiscal year 16.

DESCRIPTION OF SERVICES

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

1. Preparation of the DCAP based on actual costs for the year ending September 30, 2014. Organizational charts and financial information will be needed for this task. R*STARS reports will be required which will provide financial information at the appropriate level. Depending on the accounting structure, either program or organization reports will most likely be required. MAXIMUS consultants will review the program and org structure and work with the Finance Division to determine which reports will need to be scheduled.

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2014. As discussed earlier, the FY 14 indirect cost rates were approved on a provisional basis. This proposal will calculate final rates for FY 14, and will also propose new rates for use in fiscal year 2016.

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

MAXIMUS will assemble an experience team of consultants to assist the Department in this engagement. All staff will have experience in preparing cost allocation plans, indirect

cost rate proposals and installing and maintaining random moment sampling systems. The project manager will be Mr. William Maxwell, the director of our MAXIMUS Lansing office. Other staff will be assigned to the project as needed by Mr. Maxwell. The resume for Mr. Maxwell is included at the end of this proposal.

COMPENSATION

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

- **Actual FY 14 DCAP** (Including indirect cost rate proposal and Federal negotiations) – We estimate the actual DCAP, rate proposal and negotiations will require 250 hours to complete. Based on an hourly billing rate of \$120, including all administrative overhead, our proposed fee is a fixed amount of \$30,000.

PAYMENT SCHEDULE

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

- **DCAP** - \$30,000 due upon completion and submission to the appropriate Federal cognizant agency. The plan cannot be completed until fiscal 2014 is closed out, and as such, the submission is not projected until approximately June 30, 2015.

DELIVERABLES

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

Actual DCAP
Indirect Cost Rate Proposal

TIMING

MAXIMUS cannot begin preparation of the DCAP until the fiscal year is closed out and final financial reports are available. As such we do not project a start date until sometime early next calendar year. It is anticipated that approximately six months will be required to complete a draft of the plan, review the plan with Department administration, and prepare the plan for Federal submission. The projected submission date would be approximately June 30, 2015.

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

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

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

MAXIMUS Consulting Services, Inc.



MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE®

July 16, 2014

Mr. Minesh Mody
Chief Financial Officer
Michigan Economic Development Corporation
300 N. Washington Square 2nd Floor
Lansing, MI 48933

Dear Mr. Mody,

MAXIMUS Consulting Services, Inc. is pleased to present this proposal to the Michigan Economic Development Corporation Strategic Fund for cost allocation services to be performed during state fiscal year 2015. The proposal includes preparation of a departmental (agency) cost allocation plan and indirect cost rate proposal based on actual costs for the fiscal year ended September 30, 2014, as well as RMS maintenance services for fiscal 2015. Our work plan and qualifications are detailed in the proposal.

We believe this project can be completed under the terms of our contract with DTMB for the Statewide Cost Allocation Plan (071B2200084). However, approval will need to be obtained from the Office of Financial Management. Please contact Ms. Lora Mikula, our contract administrator, at OFM.

Mr. William Maxwell, the director of our Lansing Office, will be the project manager for this engagement. If you have any questions regarding this proposal, or any aspect of the project, please do not hesitate to contact him at 517-484-4240.

Thank you for considering MAXIMUS for this project. We appreciate your continued confidence in our ability to meet the cost allocation needs of the Michigan Economic Development Corporation.

Sincerely,
MAXIMUS Consulting Services, Inc.

Nelson Clugston
Vice President

**PROPOSAL TO THE
MICHIGAN ECONOMIC DEVELOPMENT
CORPORATION - STRATEGIC FUND
FOR THE PREPARATION OF AN FY 2014
COST ALLOCATION PLAN AND RMS SERVICES
FOR FISCAL 2015**

JULY 2014

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**PROPOSAL TO
THE MICHIGAN ECONOMIC DEVELOPMENT
CORPORATION – STRATEGIC FUND
FOR PREPARATION OF AN ACTUAL FY 14
DEPARTMENTAL INDIRECT COST ALLOCATION PLAN
AND FY 15 RMS MAINTENANCE**

MAXIMUS Consulting Services, Inc. is pleased to present this proposal to the Michigan Economic Development Corporation (MEDC) for cost allocation services to be performed during 2015. This proposal includes preparation and negotiation of a Departmental Cost Allocation Plan and Indirect Cost Rate Proposal based on actual costs for the year ending September 30, 2014, as well as maintenance of the random moment sampling (RMS) system currently being utilized by some of the administrative programs of MEDC. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary corporation of MAXIMUS, Inc. (MAXIMUS) is a public sector consulting firm incorporated in the State of Virginia and licensed to do business in Michigan. This project would be performed by our Financial Services Division which specializes in assisting state and local governments in matters related to grants management and cost accounting. The Division has 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 Strategic Fund (MSF) of the Michigan Economic Development Corporation receives substantial funding for the operation of various programs it administers from the Federal government. The Fund spends considerable resources to administer these programs. These costs include administration, accounting services, personnel services, etc. plus the costs incurred by the State of Michigan and identified in the State's annual Statewide Cost Allocation Plan (SWCAP). The Federal government will reimburse the State a portion or all of the costs spent in supporting Federal programs if the State can document the expenses to the Federal government. In order to accomplish the actual recovery of indirect costs attributed to any particular program within the Economic Development Corporation, a Departmental Cost Allocation Plan (DCAP) must be prepared in accordance with OMB Circular A-87, Cost Principles for State and Local Governments. Furthermore, if any of the administrative costs are to be charged directly, the distribution of costs must be supported by acceptable time accounting records, again in accordance with A-87.

STATEMENT OF PROBLEM

The MEDC was initially created by Executive Order 1999-1. MEDC is a public corporation created through an interlocal agreement between state and local governments. The State of Michigan's portion of the corporation is accounted for in the Michigan Strategic Fund (MSF). The Economic Development Corporation prepared and submitted to the U.S. Department of Labor a cost allocation plan and indirect cost rate proposal based on actual expenditures for the year ending September 30, 2012. Based upon this proposal, Labor issued a federal negotiation agreement approving provisional indirect rates for use during fiscal 2014. As the rates were approved provisionally, federal guidelines require that they be "finalized" or reconciled to actual cost to determine any over or under charges to Federal programs. Accordingly, the Economic Development Corporation needs to submit a cost allocation plan and indirect cost rate proposal based on actual costs for fiscal year 2014. The FY 14 cost allocation

plan will be used to finalize the FY 14 provisional rates and to propose a new rate for use during FY 16.

In October of 2011, the Economic Development Corporation installed a random moment sampling (RMS) system to document the direct charging to Federal programs of some of the divisions of the administrative office of MEDC. In order to directly charge costs to Federal programs, standards regarding time distribution as outlined in Attachment B, Section 11.h of A-87 must be met. RMS is specifically mentioned as a viable substitute system for the support of time distribution. RMS is an on-going system, which through periodic sampling over an extended period of time can accurately determine the work effort of a group of workers. In order to continue charging Federal programs in 2015, the Economic Development Corporation will need to continue to generate and tabulate sampling data on a quarterly basis throughout the year.

DESCRIPTION OF SERVICES

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

1. Preparation of the Economic Development Corporation DCAP based on actual costs for the year ending September 30, 2014. Organizational charts and financial information will be needed for this task. R*STARS reports will be required that will provide financial information at the appropriate level. Depending on the accounting structure, either program or organization reports will most likely be required. MAXIMUS consultants will review the program and org structure and work with the Accounting Section to determine which reports will need to be scheduled.

The plan will be prepared in a manner consistent with the last plan. Indirect costs will be identified and segregated into discrete cost pools. Selective allocations of each pool will be made by applying the allocation base most appropriate to each circumstance. The overall objective is to allocate indirect costs consistent with the manner in which services are actually provided to programs and bureaus that benefit from the services.

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2014. As discussed earlier, FY 14 indirect cost rates are currently approved on a provisional basis. The proposal will calculate final rates for FY 14, and propose new rates for use in FY 16.

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

4. RMS maintenance and administration for FY 2015. MAXIMUS will provide the following services necessary to maintain the RMS system currently utilized by MEDC. Services will be provided for the each of the 4 quarters of the year, ending September 30, 2015.

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

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

COMPENSATION

Our current contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan provides for an hourly rate for additional cost allocation projects. We believe this project can be performed under the terms of this contact. To do so, please contact Lora

Mikula, our contract administrator with the Office of Financial Management. Based upon our current negotiated rates we are prepared to quote the following fees:

- **Actual FY 14 DCAP** (Including indirect cost rate proposal and Federal negotiations) - We estimate the actual DCAP, rate proposal and negotiations will require approximately 100 hours to complete. Based on an hourly billing rate of \$120, including all administrative overhead costs, our proposed fee is a fixed amount of \$12,000.
- **2015 RMS Maintenance** - Based upon our experience during the past year, we anticipated 25 hours of consultant time per quarter to maintain the RMS system. Based on an hourly billing rate of \$120, including all administrative overhead, our proposed fee is a fixed amount of \$3,000 per quarter (\$12,000 annual).
- **TOTAL FOR YEAR - \$24,000 - including all expenses**

PAYMENT SCHEDULE

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

- **DCAP** - \$12,000 due upon completion and submission to the appropriate Federal cognizant agency.
- **RMS Maintenance** - \$12,000 total, billed quarterly at \$3,000.

DELIVERABLES

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

Actual DCAP
Indirect Cost Rate Proposal

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

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

TIMING

MAXIMUS is prepared to begin preparation of the DCAP when the fiscal year is closed out and financial reports are available. As such, we project a start date during February of 2015. It is anticipated that approximately three months will be required to complete a draft of the plan, with another four weeks for review of the plan with Economic Development Corporation administration, and preparing the plan for Federal submission. The projected submission date would be approximately June 30, 2015. However, every effort will be made to submit the plan at the earliest possible date.

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

As the RMS sampling will need to begin October 1, 2014, MAXIMUS will need to begin updating the sample universe and making any required changes to the system by the end of September. The RMS maintenance activities will be provided on an on-going basis throughout the year. Final reports for the last quarter of the year will be delivered around October 15, 2015.

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

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

MAXIMUS Consulting Services, Inc.



October 13, 2014

Timothy Bolles
Departmental Services Division
Michigan Department of State Police
333 S. Grand Avenue
P.O. Box 30634
Lansing, MI 48909

Dear Mr. Bolles,

MAXIMUS Consulting Services, Inc. is pleased to present this proposal to the Michigan State Police for a cost allocation plan and indirect cost rate proposal based on actual costs for the year ending September 30, 2014. The FY 14 plan will be used to reconcile the FY 14 indirect cost rate and to propose a new fixed or provisional rate for use beginning in FY 16. Our work plan and qualification are detailed in the proposal.

Our contract with DTMB for preparation of the Statewide Cost Allocation Plan (SWCAP) has been extended to cover this fiscal year. As in the past, this contract contains provisions for other state agencies to contract with us for cost allocation projects. We believe this project can be performed under the terms of that contract. However, to do so you will need to obtain approval from the DTMB Office of Financial Management. If you wish to pursue this option, please contact Lora Mikula, our contract administrator, at OFM. Mr. William Maxwell, the director of our Lansing office, will be the project manager for this engagement. If you have any questions regarding the proposal or any aspect of the project please do not hesitate to contact him at our Lansing Office at 517-484-4240.

MAXIMUS appreciates your continued confidence in our ability to meet the cost allocation needs for the Michigan State Police. We look forward to working with you on this very important project.

Sincerely,

MAXIMUS Consulting Services, Inc.

A handwritten signature in blue ink that reads "Nelson H. Clugson".

Nelson H. Clugson
Vice President

**PROPOSAL TO THE
MICHIGAN STATE POLICE
FOR AN FY 14 COST ALLOCATION PLAN
AND INDIRECT COST RATE PROPOSAL**

OCTOBER 2014

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**Proposal to
The Michigan Department of State Police
For the Preparation of
The FY 14 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 14 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, 2014. 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 2014 actual circumstances.
2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2014. For fiscal 2014, the MSP has a fixed rate approved by Homeland Security. Actual costs will be used to determine appropriate carry-forward amounts from FY 14 and to propose a new rate for use during 2016.
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 2016.

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. Resumes for the key consulting team are included at the end of this proposal.

COMPENSATION

Our contract with DTMB for the Statewide Cost Allocation Plan has been extended to cover the current year. As in the past, this contract includes provisions

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

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

DELIVERABLES

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

FY 2014 Actual Cost Allocation Plan
FY 2014 Actual (Proposed 2016) 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.



September 8, 2014

Mr. Ed Timpf, Administrator
Financial Operations
Michigan Department of Transportation
425 W. Ottawa
P.O. Box 30050
Lansing, MI 48909

Dear Mr. Timpf,

MAXIMUS Consulting Services, Inc. is pleased to present this proposal to the Michigan Department of Transportation for a cost allocation plan and indirect cost rate proposal based on actual costs for the year ending September 30, 2014. This project would be performed by staff from our Financial Services Division located in Lansing, Michigan.

A negotiation agreement issued by the Federal Highways Administration for the Michigan Department of Transportation established a fixed rate for use in FY 14. This rate must be reconciled to actual costs by preparing a cost allocation plan and indirect cost rate proposal based on actual costs for the period. The plan will be used to compute the FY 14 carry-forward, and to establish a new rate for FY 16.

As you know, our contract for the Statewide Cost Allocation Plan (SWCAP) contains a provision for other agencies to contract with MAXIMUS for cost allocation projects. We believe this project can be completed under the terms of this contract – 071B2200084. However, to do so you will need to obtain approval from the DTMB Office of Financial Management. If you wish to pursue this option, please contact Lora Mikula, our contract administrator at OFM.

Our work plan and qualification are detailed in the proposal. Please review the proposal at your convenience. Mr. William Maxwell, the director of our Lansing office, will serve as the project manager for this engagement. If you have any questions, do not hesitate to contact him directly at our Lansing office.

MAXIMUS appreciates your confidence in our ability to meet the cost allocation needs for the Michigan Department of Transportation. We look forward to working with you on this very important project.

Sincerely,
MAXIMUS Consulting Services, Inc.

Nelson Clugston
Vice President

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF TRANSPORTATION
FOR A CENTRAL SERVICES COST ALLOCATION PLAN AND
FEDERAL INDIRECT COST RATE PROPOSAL
FISCAL 2014 ACTUAL**

SEPTEMBER 2014

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

**Proposal to
The Michigan Department of Transportation
For Preparation of an FY 14 Actual
Cost Allocation Plan & Indirect Cost Rate Proposal**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary of MAXIMUS, Inc. (MAXIMUS) is pleased to present this proposal to the Michigan Department of Transportation (MDOT) for the preparation and negotiation of the FY 14 Actual Departmental Cost Allocation Plan and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

In order to accomplish the actual recovery of the costs attributed to any particular program within the Department, a Departmental Cost Allocation Plan (DCAP) and Indirect Cost

Rate Proposal must be prepared in accordance with OMB Circular A-87, Cost Principles for State and Local Governments.

The Department of Transportation submitted a Cost Allocation Plan and an Indirect Cost Rate Proposal based on actual expenditures for the year ended on September 30, 2012. Based on this submission, the Federal Highways Administration (FHWA) approved a fixed indirect cost rate for the Department of Transportation for FY 14.

Fixed indirect cost rates require that at the close of the fiscal year rates are reconciled to actual costs, and that adjustments be made to a subsequent year's rate to account for any difference or carry-forward. As such, the Department of Transportation needs to prepare a cost allocation plan and indirect cost rate proposal based on actual costs for FY 14 and submit the plan to FHWA for review and approval.

DESCRIPTION OF SERVICES

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

1. Preparation of the DCAP based on actual costs for the year ended September 30, 2014. The DCAP would be prepared utilizing *MAXCARS*, software developed by MAXIMUS for the specific purpose of preparing cost allocation plans. As much as possible, the plan will be prepared consistent with the Department's most recent submission in that the same pools of indirect costs will be allocated. However, the cost pools will be amended as necessary to reflect 2014 actual circumstances.
2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2014. Actual FY 14 costs will be used as the basis for establishing a new fixed rate for use in FY 16.
3. Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's Federal Cognizant Agency, FHWA of the U.S. Department of Transportation.

PLAN DEVELOPMENT

MAXIMUS proposes to develop for the Michigan Department of Transportation 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 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 Transportation.

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 FHWA for review and approval.

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

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

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

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

COMPENSATION

Based upon our experience in preparing the last submission, we anticipate that the project will require a total of 300 consultant hours to complete. At our standard hourly rate of \$120, we are prepared to quote a fixed fee of \$36,000 including all expenses incurred by us. Payment would be due upon delivery of the final bound report.

DELIVERABLES

The Department would be provided with two (2) bound and one (1) clipped copy of the following:

FY 2014 Actual Cost Allocation Plan & Indirect Cost Rate Proposal

TIMING

Work cannot begin until the current fiscal year is closed and final financial reports are available. Therefore we do not anticipate a start date until sometime after December 1, 2014. After all necessary financial information is obtained, approximately three to four months will be necessary for completion of the draft. Preparation of the final report and its submission to FHWA 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 Transportation that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87.

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

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

MAXIMUS Consulting Services, Inc.

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

CHANGE NOTICE NO. 20

to

CONTRACT NO. 071B2200084

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR:		PRIMARY CONTACT	EMAIL	
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906		William Maxwell	billmaxwell@maximus.com	
		TELEPHONE	CONTRACTOR #, MAIL CODE	
		(517) 484-4240		
STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	DTMB-OFM	Shawna Hessling	(517) 335-8917	hesslings@michigan.gov
BUYER:	DTMB	Angela Buren	(517) 373-0325	burena@michigan.gov

CONTRACT SUMMARY:

DESCRIPTION: **CENTRAL COST ANALYSIS AND SWCAP PREPARATION – DTMB**

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS	CURRENT EXPIRATION DATE
January 1, 2012	December 31, 2014	2, 1 yr.	December 31, 2015
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 45	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO

MINIMUM DELIVERY REQUIREMENTS:

N/A

DESCRIPTION OF CHANGE NOTICE:

OPTION EXERCISED: <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES	IF YES, EFFECTIVE DATE OF CHANGE: N/A	NEW EXPIRATION DATE: N/A
--	--	--------------------------

Effective August 29, 2014, the following work statements are hereby INCORPORATED into this Contract:

DTMB - FY 14 SWCAP	\$29,500.00
MDCH – Random Moment Sampling Conversion to WebRMS™, Training, and revised DCH Public Assistance Cost Allocation Plan	\$16,800.00
DTMB – Building Occupancy Cost Allocation Plan based on Actual Costs for FY 14	\$24,000.00
MEDC - Random Moment Sampling Conversion to WebRMS™, Training , and revised RMS Implementation Plan	<u>\$19,200.00</u>
Total Value of Proposal:	\$ 89,500.00
Remaining Amount Available on Contract:	\$458,820.00

ESTIMATED AGGREGATE CONTRACT VALUE REMAINS:: \$1,808,500.00

RMS Conversion to WebRMS™
For The Michigan Department of
Community Health

STATEMENT OF PROBLEM

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

The current RMS system was originally structured and continues to be maintained by MAXIMUS using proprietary RMS software, WINRMS. WINRMS is basically a paper sampling system. Samples are generated quarterly among the sampling universe with responses recorded on paper observation forms. The Department is interested in having their application converted to our latest generation of software, WebRMS™.

WebRMS™ OVERVIEW

MAXIMUS developed the random moment sampling (RMS) systems that most states consider the industry standard. Our previous RMS products have been utilized by many state and local health and human service agencies throughout the country, leading many competitor firms to copy and emulate our successful RMS applications. Our latest RMS application, WebRMS™ is a state-of-the-art web-based RMS system that has been developed to meet the demands and expectations of our clients.

WebRMS™ offers:

- Compliance with federal and HIPAA requirements
- Statistically valid time study results
- Ability to support multiple methods of data collection, including paper, telephone, and electronic (e-mail/Internet)
- Validation and verification of time study results
- A secure and scalable application
- Application and database hosting by MAXIMUS in our Corporate Data Center
- Comprehensive system backup and disaster recovery plans
- A flexible, web-based solution

Data Structure

The WebRMS™ base structures consist of master data such as locations, jobs, programs, positions, fund sources, services and activities. This data serves as the backbone of the entire system and is used as a validation reference during system configuration. This master data is completely dynamic and driven by the business needs and requirements of the Department.

MAXIMUS will establish this master data according to the needs of the Department as defined during the requirements gathering phase of the engagement.

Configurable Questions

For electronic data collection via secure internet connection, WebRMS™ provides the capability to prompt participants to provide information based on certain conditions. Questions can be configured conditionally based on the activity code or program code the respondent selects and/or the participant's position.

Participant Data

WebRMS™ provides the functionality to enter and maintain time study participant data manually using an on-line screen or through an external upload of participant data using an Excel™ data template. The system is capable of maintaining participant data such as names, work schedules, phone numbers, email addresses, jobs, positions, supervisors, identification numbers, regions and locations. Once operational, this data must be maintained and kept current.

Calendars and Work Schedules

WebRMS™ has no limitation on the number of calendars or work schedules that can be created. Calendars can be assigned at the agency level, region level, and/or location level. In addition, a unique work schedule can be created for each participant in the sample pool. Work schedules are flexible and can accommodate multiple break periods in a given day. *Exhibit 1: Maintain Work Schedule Screen* depict the screen used to add and edit work schedules.

	<input type="checkbox"/>	Day	Start Time (hh:mm)		End Time (hh:mm)
Edit	<input type="checkbox"/>	Monday	8:30 AM		5:30 PM
Edit	<input type="checkbox"/>	Tuesday	8:30 AM		5:30 PM
Edit	<input type="checkbox"/>	Wednesday	8:30 AM		5:30 PM
Edit	<input type="checkbox"/>	Thursday	8:30 AM		5:30 PM
Edit	<input type="checkbox"/>	Friday	8:30 AM		5:30 PM
		--Select--	<input type="text"/>	--Select--	<input type="text"/>

Exhibit 1: Maintain Work Schedule Screen. The work schedule module allows individual customization including multiple break periods within each workday.

Entity Configuration

The Entity Configuration Screen allows the user to specify time zones, response deadlines and validation percentages at the agency, region or location level. If using electronic data collection, WebRMS™ accommodates pre-notification, notification, and two reminder e-mails to be sent/made to sample respondents. The subject line, text and timing of these communications can be customized, including the amount of time survey participants have to respond.

Sample Generation

WebRMS™ allows the administrator to generate a sample for a specified period and number of observations according to defined sample parameters. MAXIMUS will utilize this functionality to generate samples of sufficient size to meet the Department's minimum required number of observations. After the sample is produced, WebRMS™ provides a number of statistical analysis results to assist in the quality assurance of the sample and support sample approval. *Exhibit 2: Sample Observation Distribution Chart* shows the observation distribution for a random moment sample generated by WebRMS™.

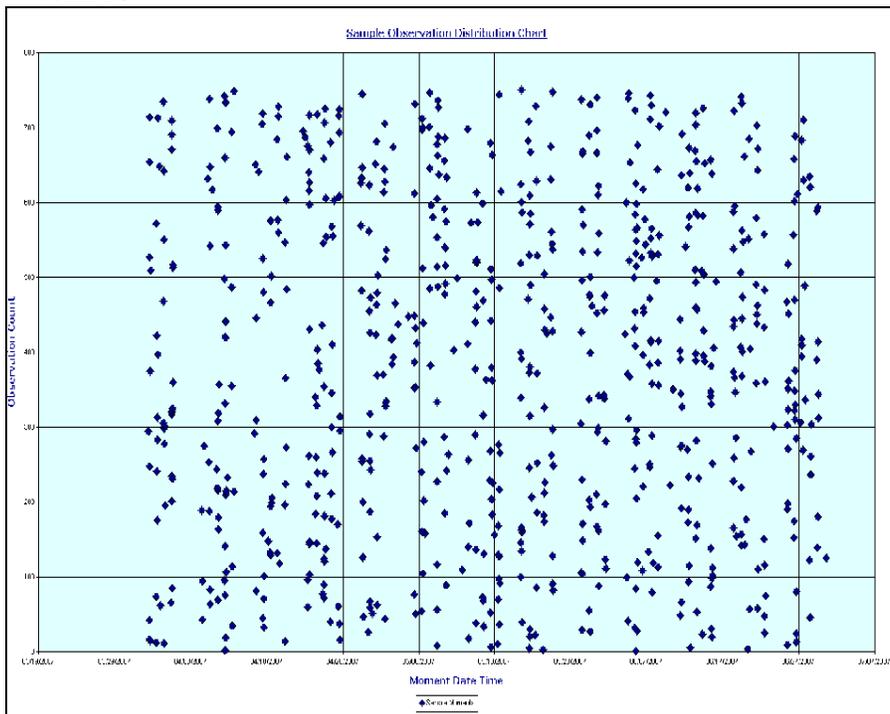


Exhibit 2: Sample Observation Distribution Chart. WebRMS™ plots the random moment observations for each sample.

As shown by the chart, the sample generated by the system is truly random and does not follow any pattern. Also, a statistical summary of generated samples will assist the administrator in their review of samples. *Exhibit 3: Random Moment Sample Statistics Report* depicts the report which provides a statistical overview for each sample generated in WebRMS™. Once a sample is approved, the system writes the data to the history tables to be maintained for audit purposes.

Sample Statistics			
Total Participant Count:	493		
Total Observation Count:	3000		
Distinct Participant Count:	492		
Repeated Participant Count:	486		
Distinct Date Count:	60		
Distinct Time Count:	565		
Distinct Date Time Count:	2872		
Repeated Date Time Count:	125		
Sample Statistics Exceptions			
Count of Observations in Holidays:	0		
Repeated Participant Date Time Count:	0		
Sample Observation distribution chart.			
Day-wise Statistics			
Week Day	Observation Count	Participant Count	
Monday	499	324	
Tuesday	623	343	
Wednesday	670	370	
Thursday	596	354	
Friday	612	361	
Work Schedule-wise Statistics			
Work Schedule Code	Work Schedule Name	Observation Count	Participant Count
1	M-F7a-3:30p	16	3
2	M-F7a-4p	12	2
3	M-F7:30a-4p	41	7
4	M-F7:30a-4:30p	205	34
5	M-F8a-4:30p	72	15
6	M-F8a-5p	2215	365
7	M-F8:30a-5p	103	16
8	M-F8:30a-5:30p	336	50

Exhibit 3: Random Moment Sample Statistics Report. *WebRMS™ provides a statistical overview of each sample.*

Observation Data Collection

WebRMS™ accommodates several methods of observation data collection, including electronic via secure Internet connection, telephone, and paper-based. The electronic data collection approach offers the Department the least intrusive approach to fulfilling federal time reporting requirements.

DESCRIPTION OF SERVICES

1. Conversion of the current WINRMS system to our WebRMS™ system, utilizing electronic notification and response features.

An application will need to be created on our WebRMS™ server located in our Corporate Data Center. Once created, the application will be configured to meet the requirements of DCH. MAXIMUS consultants will meet with DCH to determine the following:

- The universe of sampled workers,
- The number of quarterly samples required,
- The programs and activities to be captured,
- The number of work schedules needed,
- Acceptable response times,
- Number of reminders, and
- Supervisory notification policy

Once the requirements are defined, MAXIMUS consultants will enter all sampled employee information and work schedules into the system; structure all allocation matrices; configure the sampling parameters; and generate samples for the initial sampling period.

2. Provide training to both the sampled workers and supervisor staff.

Quality training is the first step in developing knowledgeable and effective employees. MAXIMUS has extensive experience developing and providing training for state and local human services agencies nationwide. It is vital that end user training be readily available, comprehensive in nature, and conducted prior to the initiation of the WebRMS™ system implementation. MAXIMUS will develop sampling instructions and meet with both sampled workers and supervisors to conduct implementation training.

3. Provide assistance with revising language in the DCH Public Assistance Cost Allocation Plan (PACAP).

The agency's PACAP must be revised to reflect the change in the RMS system. MAXIMUS consultants will assist DCH staff with developing language that can be incorporated into their next submission to DHHS.

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 Lora Mikula, our contract administrator with the Office of Financial Management. Based upon our current negotiated rate of \$120 per hour, we are prepared to quote the following fee:

Creation of RMS Shell by MAXIMUS Data Center Staff	8 hours
Defining Requirements and Configuration of System by Local Staff	120 Hours
Develop RMS Instructions, Conduct Training, Assist with PACAP	12 Hours
Total Consultant Hours	140 Hours
Total Consultants Fee	\$16,800

Once implemented, ongoing maintenance of the WebRMS™ will continue to be provided under the scope of services provided in our annual cost allocation contract with DCH.

PAYMENT SCHEDULE

Payment of our fees would be due upon the completion of staff training and generation of the quarterly samples for the initial quarter.

TIMING

MAXIMUS is prepared to begin conversion of the RMS system as soon as a change notice to our SWCAP contract authorizing this project is fully executed. We suspect to have the conversion completed and the WebRMS™ system implemented for the next fiscal year beginning on October 1, 2014.

**BUILDING OCCUPANCY
COST ALLOCATION PLAN
BASED ON ACTUAL COSTS FOR THE YEAR ENDED
SEPTEMBER 30, 2014 FOR THE MICHIGAN DEPARTMENT OF
TECHNOLOGY, MANAGEMENT AND BUDGET**

DESCRIPTION OF SERVICES

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

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

DELIVERABLES

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

- Building Occupancy Cost Allocation Plan based on actual expenditures for year ended September 30, 2014 (including the A-87 Balance Sheet).

TIMING AND FEES

MAXIMUS is prepared to begin work on the FY 14 actual building rental rate CAP as soon as the State can provide final financial information. It is anticipated that approximately three to four months will be necessary to complete the draft of the actual building occupancy costs. The actual building occupancy plan and A-87 balance sheet should be completed by June 30, 2015, the projected date for federal submission of the SWCAP. Federal negotiations of the plan will begin after submission. MAXIMUS will make every effort to expedite the process; however final approval of the plan can often take several months to a year.

Our contract with DTMB for preparation of the Statewide Cost Allocation Plan provides for other cost allocation projects to be completed under the provisions of that contract.

We believe that this can be performed under the terms of this contract. Based upon 200 projected consultant hours at a rate of \$120 per hour, we are prepared to quote a fixed fee of \$24,000, including all expenses incurred by us. Our fees are based upon the following projected hours:

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

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

RMS Conversion to WebRMS™

For The Michigan Economic Development Corporation

STATEMENT OF PROBLEM

During 2011, the Economic Development Corporation installed a random moment sampling (RMS) system to document the direct charging to Federal programs of some of the administrative divisions of the MEDC. In order to directly charge costs to Federal programs, standards regarding time distribution as outlined in Attachment B, Section 11.h of A-87 must be met. RMS is specifically mentioned as a viable substitute system for the support of time distribution. RMS is an on-going system, which through periodic sampling over an extended period of time can accurately determine the work effort of a group of workers.

The current RMS system was originally structured and continues to be maintained by MAXIMUS using proprietary RMS software, WINRMS. WINRMS is basically a paper sampling system. Samples are generated quarterly among the sampling universe with responses recorded on paper observation forms. The MEDC is interested in having their application converted to our latest generation of software, WebRMS™.

WebRMS™ OVERVIEW

MAXIMUS developed the random moment sampling (RMS) systems that most states consider the industry standard. Our previous RMS products have been utilized by many state and local health and human service agencies throughout the country, leading many competitor firms to copy and emulate our successful RMS applications. Our latest RMS application, WebRMS™ is a state-of-the-art web-based RMS system that has been developed to meet the demands and expectations of our clients.

WebRMS™ offers:

- Compliance with federal and HIPAA requirements
- Statistically valid time study results
- Ability to support multiple methods of data collection, including paper, telephone, and electronic (e-mail/Internet)
- Validation and verification of time study results
- A secure and scalable application
- Application and database hosting by MAXIMUS in our Corporate Data Center
- Comprehensive system backup and disaster recovery plans
- A flexible, web-based solution

Data Structure

The WebRMS™ base structures consist of master data such as locations, jobs, programs, positions, fund sources, services and activities. This data serves as the backbone of the entire system and is used as a validation reference during system configuration. This master data is completely dynamic and driven by the business needs and requirements of the Department.

MAXIMUS will establish this master data according to the needs of the MEDC as defined during the requirements gathering phase of the engagement.

Configurable Questions

For electronic data collection via secure internet connection, WebRMS™ provides the capability to prompt participants to provide information based on certain conditions. Questions can be configured conditionally based on the activity code or program code the respondent selects and/or the participant's position.

Participant Data

WebRMS™ provides the functionality to enter and maintain time study participant data manually using an on-line screen or through an external upload of participant data using an Excel™ data template. The system is capable of maintaining participant data such as names, work schedules, phone numbers, email addresses, jobs, positions, supervisors, identification numbers, regions and locations. Once operational, this data must be maintained and kept current.

Calendars and Work Schedules

WebRMS™ has no limitation on the number of calendars or work schedules that can be created. Calendars can be assigned at the agency level, region level, and/or location level. In addition, a unique work schedule can be created for each participant in the sample pool. Work schedules are flexible and can accommodate multiple break periods in a given day. *Exhibit 1: Maintain Work Schedule Screen* depict the screen used to add and edit work schedules.

<input type="checkbox"/>	Day	Start Time (hh:mm)	End Time (hh:mm)
Edit <input type="checkbox"/>	Monday	8:30 AM	5:30 PM
Edit <input type="checkbox"/>	Tuesday	8:30 AM	5:30 PM
Edit <input type="checkbox"/>	Wednesday	8:30 AM	5:30 PM
Edit <input type="checkbox"/>	Thursday	8:30 AM	5:30 PM
Edit <input type="checkbox"/>	Friday	8:30 AM	5:30 PM
<input type="checkbox"/>	--Select--		

Exhibit 1: Maintain Work Schedule Screen. The work schedule module allows individual customization including multiple break periods within each workday.

Entity Configuration

The Entity Configuration Screen allows the user to specify time zones, response deadlines and validation percentages at the agency, region or location level. If using electronic data collection, WebRMS™ accommodates pre-notification, notification, and two reminder e-mails to be sent/made to sample respondents. The subject line, text and timing of these communications can be customized, including the amount of time survey participants have to respond.

Sample Generation

WebRMS™ allows the administrator to generate a sample for a specified period and number of observations according to defined sample parameters. MAXIMUS will utilize this functionality to generate samples of sufficient size to meet the MEDC's minimum required number of observations. After the sample is produced, WebRMS™ provides a number of statistical analysis results to assist in the quality assurance of the sample and support sample approval.

Exhibit 2: *Sample Observation Distribution Chart* shows the observation distribution for a random moment sample generated by WebRMS™.

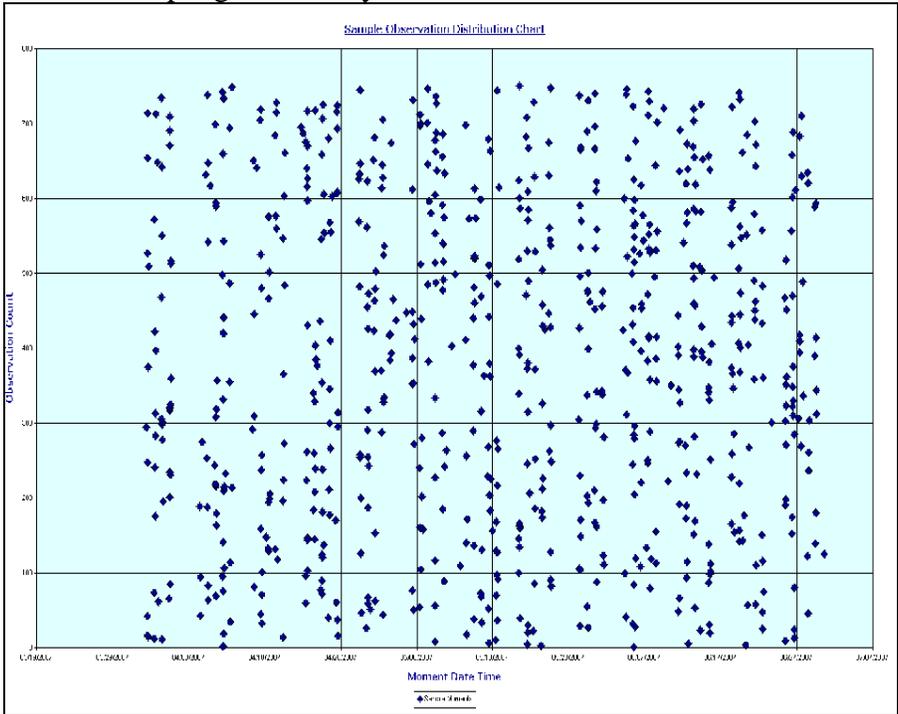


Exhibit 2: **Sample Observation Distribution Chart.** *WebRMS™* plots the random moment observations for each sample.

As shown by the chart, the sample generated by the system is truly random and does not follow any pattern. Also, a statistical summary of generated samples will assist the administrator in their review of samples. *Exhibit 3: Random Moment Sample Statistics Report* depicts the report which provides a statistical overview for each sample generated in WebRMS™. Once a sample is approved, the system writes the data to the history tables to be maintained for audit purposes.

Sample Statistics			
Total Participant Count:	493		
Total Observation Count:	3000		
Distinct Participant Count:	492		
Repeated Participant Count:	486		
Distinct Date Count:	60		
Distinct Time Count:	565		
Distinct Date Time Count:	2872		
Repeated Date Time Count:	125		
Sample Statistics Exceptions			
Count of Observations in Holidays:	0		
Repeated Participant Date Time Count:	0		
Sample Observation distribution chart.			
Day-wise Statistics			
Week Day	Observation Count	Participant Count	
Monday	499	324	
Tuesday	623	343	
Wednesday	670	370	
Thursday	596	354	
Friday	612	361	
Work Schedule-wise Statistics			
Work Schedule Code	Work Schedule Name	Observation Count	Participant Count
1	M-F7a-3:30p	16	3
2	M-F7a-4p	12	2
3	M-F7:30a-4p	41	7
4	M-F7:30a-4:30p	205	34
5	M-F8a-4:30p	72	15
6	M-F8a-5p	2215	365
7	M-F8:30a-5p	103	16
8	M-F8:30a-5:30p	336	50

Exhibit 3: **Random Moment Sample Statistics Report.** *WebRMS™* provides a statistical overview of each sample.

Observation Data Collection

WebRMS™ accommodates several methods of observation data collection, including electronic via secure Internet connection, telephone, and paper-based. The electronic data collection approach offers the Department the least intrusive approach to fulfilling federal time reporting requirements.

DESCRIPTION OF SERVICES

1. Conversion of the current WINRMS system to our WebRMS™ system, utilizing electronic notification and response features.

An application will need to be created on our WebRMS™ server located in our Corporate Data Center. Once created, the application will be configured to meet the requirements of MEDC. MAXIMUS consultants will meet with MEDC to determine the following:

- The universe of sampled workers,
- The number of quarterly samples required,
- The programs and activities to be captured,
- The number of work schedules needed,
- Acceptable response times,
- Number of reminders, and
- Supervisory notification policy

Once the requirements are defined, MAXIMUS consultants will enter all sampled employee information and work schedules into the system; structure all allocation matrices; configure the sampling parameters; and generate samples for the initial sampling period.

2. Provide training to both the sampled workers and supervisor staff.

Quality training is the first step in developing knowledgeable and effective employees. MAXIMUS has extensive experience developing and providing training for state and local human services agencies nationwide.

It is vital that end user training be readily available, comprehensive in nature, and conducted prior to the initiation of the WebRMS™ system implementation. MAXIMUS will develop sampling instructions and meet with both sampled workers and supervisors to conduct implementation training.

3. Prepare and submit a Revised RMS Implementation Plan to the MEDC cognizant federal agency, the US Department of Labor.

An RMS Implementation Plan was submit to DOL in 2011. A revised plan describing the new sampling methodology and procedures needs to be submitted. MAXIMUS consultants will prepare the plan and submit it to the DOL Division of Cost Allocation for review.

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 Lora Mikula, our contract administrator with the Office of Financial Management. Based upon our current negotiated rate of \$120 per hour, we are prepared to quote the following fee:

Creation of RMS Shell by MAXIMUS Data Center Staff	8 hours
Defining Requirements and Configuration of System by Local Staff	120 Hours
Develop RMS Instructions, Conduct Training	16 Hours
<u>Prepare and Submit Revised RMS Implementation Plan</u>	<u>16 Hours</u>
Total Consultant Hours	160 Hours
Total Consultants Fee	\$19,200

Once implemented, ongoing maintenance of the WebRMS™ will continue to be provided under the scope of services provided in our annual cost allocation contract with MEDC.

PAYMENT SCHEDULE

Payment of our fees would be due upon the completion of staff training and generation of the quarterly samples for the initial quarter.

TIMING

MAXIMUS is prepared to begin conversion of the RMS system as soon as a change notice to our SWCAP contract authorizing this project is fully executed. We suspect to have the conversion completed and the WebRMS™ system implemented for the next fiscal year beginning on October 1, 2014.

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

CHANGE NOTICE NO. 19
 to

CONTRACT NO. 071B2200084
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:		PRIMARY CONTACT	EMAIL	
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906		William Maxwell	billmaxwell@maximus.com	
		TELEPHONE	CONTRACTOR #, MAIL CODE	
		(517) 484-4240		
STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	DTMB-OFM	Shawna Hessling	(517) 335-8917	hesslings@michigan.gov
BUYER:	DTMB	Angela Buren	(517) 373-0325	burena@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: CENTRAL COST ANALYSIS AND SWCAP PREPARATION – DTMB			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS	CURRENT EXPIRATION DATE
January 1, 2012	December 31, 2014	2, 1 yr.	December 31, 2014
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 45	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card	<input type="checkbox"/> Direct Voucher (DV)	<input type="checkbox"/> Other	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
MINIMUM DELIVERY REQUIREMENTS:			
N/A			
DESCRIPTION OF CHANGE NOTICE:			
OPTION EXERCISED: <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES		IF YES, EFFECTIVE DATE OF CHANGE: N/A	NEW EXPIRATION DATE: N/A
Effective July 29, 2014, the following proposal is hereby INCORPORATED into this Contract (see attachments):			
DIFS – Cost Allocation Plan and Indirect Cost Rate Proposal FY14 Budget		\$ 7,200.00	
Total Value of Proposal:		\$ 7,200.00	
Remaining Amount Available on Contract:		\$548,320.00	
.			
ESTIMATED AGGREGATE CONTRACT VALUE REMAINS::			\$1,808,500.00

**Preparation of a Federal Indirect Cost Rate Proposal
For The Department of Insurance and Financial Services
Fiscal 2014 Budget**

DESCRIPTION OF SERVICES

1. Preparation of a DIFS departmental indirect cost allocation plan (DCAP) based on projected costs for the year ended September 30, 2014. The DCAP will be used to allocate expenditure into direct and indirect cost pools to be used in developing an indirect cost rate.

2. Preparation of a Departmental Indirect Cost Rate Proposal based on projected costs for the year ended September 30, 2014. The proposal will be used to establish an indirect cost rate. The effective years for the rate will be discussed with DIFS administration during the engagement. In addition, we will need to discuss the cost basis upon which the rates will be developed; direct salaries, total personnel, or total direct expenditures.

3. Negotiation of the Indirect Cost Rate Proposal with the Department's Federal Cognizant Agency. We believe since the preponderance of federal funding currently comes from the Department of Health and Human Services (HHS), that HHS will be cognizant for DIFS.

COMPENSATION

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

DELIVERABLES

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

- Cost Allocation Plan and Indirect Cost Rate Proposal - based on projected expenditures for the year ended September 30, 2014 and proposing rates for use in fiscal 2015, or possibly also fiscal 2014.

TIMING

MAXIMUS is prepared to begin preparation of the cost plan and indirect cost rate proposal within 10 working days of approval by the Department. After necessary financial information is obtained, approximately three to four weeks will be necessary for preparation of the draft documents. Upon review and approval of the draft report, MAXIMUS will finalize the plan and prepare the submission to the HHS Division of Cost Allocation in Dallas, Texas. 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.

PAYMENT SCHEDULE

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

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. 18
 to
CONTRACT NO. 071B2200084
 between
THE STATE OF MICHIGAN
 and

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

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	DTMB-OFM	Shawna Hessling	(517) 335-8917	hesslings@michigan.gov
BUYER	DTMB	Angela Buren	(517) 284-7005	burena@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, 2014
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 45	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1 year	December 31, 2015
VALUE/COST OF CHANGE NOTICE:		ESTIMATED REVISED AGGREGATE CONTRACT VALUE:		
\$400,000.00		\$1,808,500.00		

Effective December 31, 2014, this Contract is exercising the first option year and is INCREASED by \$400,000.00. The REVISED Contract expiration date is December 31, 2015.

All other terms, conditions, specifications, and pricing remain the same. Per vendor and agency agreement, DTMB Procurement approval, and the approval of the State Administrative Board on July 29, 2014.

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

**CHANGE NOTICE NO. 17
 to
 CONTRACT NO. 071B2200084
 between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF CONTRACTOR:		PRIMARY CONTACT	EMAIL	
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906		William Maxwell	billmaxwell@maximus.com	
		TELEPHONE	CONTRACTOR #, MAIL CODE	
		(517) 484-4240		
STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	DTMB-OFM	Shawna Hessling	(517) 335-8917	hesslings@michigan.gov
BUYER:	DTMB	Angela Buren	(517) 373-0325	burena@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: CENTRAL COST ANALYSIS AND SWCAP PREPARATION – DTMB			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS	CURRENT EXPIRATION DATE
January 1, 2012	December 31, 2014	2, 1 yr.	December 31, 2014
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 45	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MIDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
MINIMUM DELIVERY REQUIREMENTS:			
N/A			
DESCRIPTION OF CHANGE NOTICE:			
OPTION EXERCISED:		IF YES, EFFECTIVE DATE OF CHANGE:	NEW EXPIRATION DATE:
<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES		N/A	N/A
Effective immediately, the following proposal is hereby INCORPORATED into this Contract (see attachments):			
DTMB – Building Occupancy Cost Allocation Plan Based on Budgeted Costs for FY 16		\$24,000.00	
Total Value of Proposals:		\$24,000.00	
Remaining Amount Available on Contract:		\$155,520.00	
.			
ESTIMATED AGGREGATE CONTRACT VALUE REMAINS::			\$1,408,500.00

**BUILDING OCCUPANCY COST ALLOCATION PLAN
BASED ON BUDGETED COSTS FOR THE YEAR ENDING SEPTEMBER 30, 2016
FOR THE MICHIGAN DEPARTMENT OF TECHNOLOGY,
MANAGEMENT AND BUDGET**

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, 2016. MAXIMUS has prepared this plan for the past several years and will develop the FY 16 budget plan in a consistent manner with prior year plans. Preparation of the plan will include the following tasks:

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

DELIVERABLES

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

- Building Occupancy Cost Allocation Plan based on budgeted expenditures for year ending September 30, 2016. (Including summary schedule showing the full operating cost and projected rental rate for each facility.)

TIMING AND FEES

MAXIMUS is prepared to begin work on the FY 16 budgeted building rental rate CAP as soon as the State can provide the projected financial information and building inventories. It is anticipated that approximately two to three months will be necessary to complete the draft of the building occupancy cost plan and rate summary. The draft report will be delivered to DTMB for review and will be revised as necessary to reflect any necessary changes. Delivery of the final report will be contingent upon the review and approval of the draft report. However, we anticipate that the final report will be delivered within four months of the outset of the project.

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

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

FOR THE CONTRACTOR:

Maximus Consulting Services, Inc.

Firm Name

Authorized Agent Signature

Authorized Agent (Print or Type)

Date

FOR THE STATE:

Signature

Jeff Brownlee, Chief Procurement Officer

Name/Title

Enter Name of Agency

Date

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

CHANGE NOTICE NO. 16
 to

CONTRACT NO. 071B2200084
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:		PRIMARY CONTACT	EMAIL	
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906		William Maxwell	billmaxwell@maximus.com	
		TELEPHONE	CONTRACTOR #, MAIL CODE	
		(517) 484-4240		
STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	DTMB-OFM	Shawn Hessling	(517) 373-1039	mcdonaldp@michigan.gov
BUYER:	DTMB	Angela Buren	(517) 373-0325	burena@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: CENTRAL COST ANALYSIS AND SWCAP PREPARATION – DTMB			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS	CURRENT EXPIRATION DATE
January 1, 2012	December 31, 2014	2, 1 yr.	December 31, 2014
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 45	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card	<input type="checkbox"/> Direct Voucher (DV)	<input type="checkbox"/> Other	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
MINIMUM DELIVERY REQUIREMENTS:			
N/A			
DESCRIPTION OF CHANGE NOTICE:			
OPTION EXERCISED: <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES		IF YES, EFFECTIVE DATE OF CHANGE: N/A	NEW EXPIRATION DATE: N/A
Effective immediately, the following proposals are hereby INCORPORATED into this Contract (see attachments):			
MDOS – FY 13 Actual Cost Allocation Plan for Motor Vehicle Program costs		\$72,000.00	
MDOC – FY 13 Actual Cost Allocation Plan and Indirect Cost Rate Proposal		\$14,400.00	
Total Value of Proposals:		\$86,400.00	
Remaining Amount Available on Contract:		\$179,520.00	
.			
ESTIMATED AGGREGATE CONTRACT VALUE REMAINS::			\$1,408,500.00

**Fiscal 2013 Cost Allocation Plan
For Motor Vehicle Program Costs for
The Michigan Department of State**

DESCRIPTION OF SERVICES

1. The Michigan Department of State's primary goal for this project is to update the cost allocation model based upon fiscal 2013 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.

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.

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

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

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

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

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

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

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

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

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

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

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

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

Task 7 - Prepare Final Report Regarding Other Funding Sources and User Fees. The cost allocation methodology provides the framework to address two other issues:

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

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

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

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

DELIVERABLES

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

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

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

COMPENSATION

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

<u>Task</u>	<u>Amount</u>
Project Initiation	\$ 5,000
Central Services Cost Allocation Plan	\$ 10,000
Branch Offices Cost Allocation Plan	\$ 5,000
BVDR Cost Allocation Plan	\$ 10,000
Information Security Cost Allocation Plan	\$ 5,000
Regulatory Services Cost Allocation Plan	\$ 5,000
A-87 Cost Rate Proposal	\$ 10,000
Summary of Cost By Service Allocation Plan	\$ 4,000
Summary of Cost by Fund Allocation Plan	\$ 4,000
Draft Report on MTF Funding	\$ 4,000
Final Report on MTF Funding	\$ 5,000
<u>Final Report on User Fees</u>	<u>\$ 5,000</u>
Project Total	\$ 72,000

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

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

TIMING

MAXIMUS is prepared to begin work within 10 working days of the issuance of a contract by DOS. However we cannot begin the project until final financial reports are completed. Once we have financial reports, it is anticipated that approximately four to five months will be required to complete the draft report. Once the draft report is accepted by the Department of State, bound copies of the final report can be delivered within two weeks. Assuming a start date of April 1, final delivery is estimated to be approximately September 30, 2014. The federal indirect cost rate proposal will be submitted as soon as that task has been completed and accepted by the Department. It is anticipated that the federal proposal will be submitted by July 31, 2014. 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.

**FY 13 ACTUAL COST ALLOCATION PLAN
AND INDIRECT COST RATE PROPOSAL FOR
THE MICHIGAN DEPARTMENT OF CORRECTIONS**

DESCRIPTION OF SERVICES

1. Preparation of the cost allocation plan based on actual costs for the year ended September 30, 2013. The cost allocation plan will serve as the documentation for the indirect costs included in the indirect cost rate proposal. The cost plan will be prepared utilizing *MAXCars*, proprietary software developed by MAXIMUS for the specific purpose of preparing cost allocation plans.

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

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

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2013. 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 2013, and new rate for the fiscal year beginning October 1, 2014 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.

COMPENSATION

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

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

Task	Consultant Hours
Project Initiation – Review relevant background information including org charts, financial reports, and prior audit.	8
Determine Central Service Pools – Review the functional responsibilities of administrative programs. Determine allowable activity pools and unallowable costs. Meet with staff to determine most appropriate allocation methodology for each allowable central service.	16
Design and Prepare Cost Allocation Plan – Develop allocation statistics for each administrative activity pool. Prepare costing schedules and enter financial and statistical information in the cost allocation software.	56
Prepare Draft Cost Plan – Prepare a draft of the cost allocation plan, including narratives for each indirect cost pool, and present to DOC for review and approval.	16
Prepare Indirect Cost Rate Proposal – Determine the number of needed rate pools, determine direct cost base for each pool, compute rates and present draft report, with narrative, to DOC for review and approval.	16
Final Report and Submission – Prepare final cost plan and rate proposal and submit, with supporting documentation, to the federal cognizant agency. Answer questions regarding plan and assist with negotiating the final rate agreement.	8
Total Consultant Hours	120

DELIVERABLES

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

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

TIMING

MAXIMUS is prepared to begin preparation of the FY 13 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.

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

CHANGE NOTICE NO. 15

to

CONTRACT NO. 071B2200084

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR:		PRIMARY CONTACT	EMAIL	
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906		William Maxwell	billmaxwell@maximus.com	
		TELEPHONE	CONTRACTOR #, MAIL CODE	
		(517) 484-4240		
STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	DTMB-OFM	Paul McDonald	(517) 373-1039	mcdonaldp@michigan.gov
BUYER:	DTMB	Angela Buren	(517) 373-0325	burena@michigan.gov

CONTRACT SUMMARY:

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

DESCRIPTION OF CHANGE NOTICE:

OPTION EXERCISED: <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES	IF YES, EFFECTIVE DATE OF CHANGE: N/A	NEW EXPIRATION DATE: N/A
--	--	--------------------------

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

MDARD – FY 13 Actual Departmental Cost Allocation Plan	\$10,200.00
DEQ – FY 13 Departmental Cost Allocation Plan and Indirect Cost Rate Proposal	\$ 7,200.00
MSP – FY 13 Actual Departmental Cost Allocation Plan and Indirect Cost Rate Proposal	\$18,000.00
DNR – Cost Allocation Plan FY 13 Actual/Year End	\$25,200.00
Judiciary - FY 13 Actual Departmental Cost Allocation Plan and Indirect Cost Rate Proposal	\$ 9,600.00
Total Value of Proposals:	\$70,200.00
Remaining Amount Available on Contract:	\$265,920.00

ESTIMATED AGGREGATE CONTRACT VALUE REMAINS::	\$1,408,500.00
--	----------------

**FY 13 ACTUAL
DEPARTMENTAL COST ALLOCATION PLAN
FOR THE MICHIGAN DEPARTMENT OF
AGRICULTURE AND RURAL DEVELOPMENT**

DESCRIPTION OF SERVICES

1. Preparation of the DCAP based on actual costs for the year ended September 30, 2013. The DCAP will be prepared utilizing *MAXCARS*, software developed by MAXIMUS for the specific purpose of preparing cost allocation plans, and it will be consistent with the Department's most recent submission in that the same pools of indirect costs will be allocated. The following is a listing of the indirect cost pools and centrally budgeted items that we anticipate will be allocated. However, the cost pools will be amended as necessary to reflect FY 13 actual circumstances.

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

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2013. Actual FY 13 costs will be used to finalize current rates approved by USDA for use during fiscal 2013, and will also be used to propose new fixed or provisional rates for use in fiscal 2015. It is anticipated that fixed rates will be proposed, however the type of rate that will be proposed will be determined through discussions with Department representatives during the course of the engagement.
3. Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's Federal Cognizant Agency, the U.S. Department of Agriculture, in Washington D.C.

COMPENSATION

Our current contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan (SWCAP) provides for additional departmental cost allocation projects to be completed as amendments to the original contract. We believe this project can be performed under the provisions of this contract. Based upon prior experience in preparing the plan for your Department, we anticipate that the project will require 85 hours to complete. At our standard hourly rate of \$120 we are prepared to quote a fixed fee of \$10,200, including all expenses incurred by MAXIMUS.

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

DELIVERABLES

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

**FY 13 Actual Cost Allocation Plan
& Indirect Cost Rate Proposal**

TIMING

MAXIMUS is prepared to begin preparation of the cost plan and indirect cost rate proposal within 10 working days of approval by the Department. However, work cannot begin until the fiscal year is closed out and final financial reports are available. Once the necessary financial information is obtained, approximately twelve weeks will be necessary for preparation of the draft documents. Upon review and approval of the draft, MAXIMUS will finalize the plan and prepare the submission to the U.S. Department of Agriculture. The anticipated submission date is June 30, 2014. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months. We will make every attempt to expedite the process, but we must advise the Department 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.

**FY 13 DEPARTMENTAL COST ALLOCATION PLAN
AND INDIRECT COST RATE PROPOSAL FOR
THE MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY**

DESCRIPTION OF SERVICES

4. Preparation of a DEQ departmental indirect cost allocation plan (DCAP) based on actual costs for the year ended September 30, 2013.
5. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2013. The FY 13 proposal will be used to reconcile FY 13 rates and to propose a new rate for fiscal 2015.
6. Negotiation of the Indirect Cost Rate Proposal with the Department's Federal Cognizant Agency, the EPA in Washington, DC

COMPENSATION

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

DELIVERABLES

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

- **Cost Allocation Plan and Indirect Cost Rate Proposal - based on actual expenditures for the year ended September 30, 2013 and proposing fixed rates for DEQ for use fiscal 2015.**

TIMING

MAXIMUS is prepared to begin preparation of the cost plan and indirect cost rate proposal within 10 working days of approval by the Department of Environmental Quality. However, we cannot begin work until the 2013 fiscal year has been closed. After necessary financial information is obtained, approximately six to eight weeks will be necessary for preparation of the draft documents. Upon review and approval of the draft report, **MAXIMUS** will finalize the plan and prepare the submission to the US Environmental Protection Agency in Washington DC. The anticipated submission date is April 30, 2014. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months. **MAXIMUS** will make every attempt to expedite the process, but we must advise the Department of Environmental Quality that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87.

**FY 13 ACTUAL DEPARTMENTAL COST ALLOCATION PLAN
& INDIRECT COST RATE PROPOSAL
FOR THE MICHIGAN DEPARTMENT OF STATE POLICE**

DESCRIPTION OF SERVICES

1. Preparation of the DCAP based on actual costs for the year ended September 30, 2013. 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 2013 actual circumstances.
2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2013. For fiscal 2013, the MSP has a fixed rate approved by Homeland Security. Actual costs will be used to determine appropriate carry-forward amounts from FY 13 and to propose a new rate for use during 2015.
3. Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's cognizant federal agency, the Department of Homeland Security.

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

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

DELIVERABLES

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

**FY 2013 Actual Cost Allocation Plan
FY 2013 Actual (Proposed 2015) 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.

**COST ALLOCATION PLAN BASED ON ACTUAL COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
FOR THE MICHIGAN DEPARTMENT OF NATURAL RESOURCES**

DESCRIPTION OF SERVICES

1. Preparation of the DCAP based on actual costs for the year ended September 30, 2013, 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, 2013. 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 13 carry-forwards and the incorporation of these amounts into proposed rates for use during state fiscal year 2015. 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.

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.

**PREPARATION OF AN FY 13 ACTUAL
COST ALLOCATION PLAN AND
INDIRECT COST RATE PROPOSAL
FOR THE MICHIGAN JUDICIARY**

DESCRIPTION OF SERVICES

1. Preparation of the cost allocation plan based on actual costs for the year ended September 30, 2013. 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, 2013. 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 13. This proposal will calculate final rates for FY 13 and also propose new provisional rates for use by the Court in FY 15.

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.

COMPENSATION

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

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

DELIVERABLES

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

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

TIMING

MAXIMUS is prepared to begin preparation of the FY 13 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 2014. 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, 2014. 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.

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

CHANGE NOTICE NO. 14
 to
CONTRACT NO. 071B2200084
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:		PRIMARY CONTACT	EMAIL	
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906		William Maxwell	billmaxwell@maximus.com	
		TELEPHONE	CONTRACTOR #, MAIL CODE	
		(517) 484-4240		
STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	DTMB-OFM	Paul McDonald	(517) 373-1039	mcdonaldp@michigan.gov
BUYER:	DTMB	Angela Buren	(517) 373-0325	burena@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: CENTRAL COST ANALYSIS AND SWCAP PREPARATION – DTMB			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS	CURRENT EXPIRATION DATE
January 1, 2012	December 31, 2014	2, 1 yr.	December 31, 2014
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 45	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:		AVAILABLE TO MIDEAL PARTICIPANTS	
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other		<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	
MINIMUM DELIVERY REQUIREMENTS:			
N/A			
DESCRIPTION OF CHANGE NOTICE:			
OPTION EXERCISED:		IF YES, EFFECTIVE DATE OF CHANGE:	NEW EXPIRATION DATE:
<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES		N/A	N/A
Effective immediately, the following proposals are hereby INCORPORATED into this Contract (see attachments):			
LARA – Departmental Cost Allocation Plan – Actual FY 13		\$24,000.00	
AG – FY 13 Actual Cost Allocation Plan and Indirect Cost Rate Proposal		\$14,400.00	
MDOT – FY 13 Actual Cost Allocation Plan and Indirect Cost Rate Proposal		\$36,000.00	
DTMB – Building Occupancy Cost Allocation Plan for FY 13 Actual/Year End		\$24,000.00	
Total Value of Proposals:		\$98,400.00	
Remaining Amount Available on Contract:		\$336,120.00	
.			
ESTIMATED AGGREGATE CONTRACT VALUE REMAINS::		\$1,408,500.00	

**Actual FY 13
Departmental Cost Allocation Plan For
The Michigan Department of Licensing and Regulatory Affairs**

DESCRIPTION OF SERVICES

1. Preparation of the DCAP based on actual costs for the year ending September 30, 2013. Organizational charts and financial information will be needed for this task. R*STARS reports will be required which will provide financial information at the appropriate level. Depending on the accounting structure, either program or organization reports will most likely be required. MAXIMUS consultants will review the program and org structure and work with the Finance Division to determine which reports will need to be scheduled.

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2013. As discussed earlier, the FY 13 indirect cost rates were approved on a provisional basis. This proposal will calculate final rates for FY 13, and will also propose new rates for use in fiscal year 2015.

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

PAYMENT SCHEDULE

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

- **DCAP** - \$24,000 due upon completion and submission to the appropriate Federal cognizant agency. The plan cannot be completed until fiscal 2013 is closed out, and as such, the submission is not projected until approximately June 30, 2014.

DELIVERABLES

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

**Actual DCAP
Indirect Cost Rate Proposal**

TIMING

MAXIMUS cannot begin preparation of the DCAP until the fiscal year is closed out and final financial reports are available. As such we do not project a start date until sometime early next calendar year. It is anticipated that approximately six months will be required to complete a draft of the plan, review the plan with Department administration, and prepare the plan for Federal submission. The projected submission date would be approximately June 30, 2014.

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

Preparation of an FY 13 Actual Cost Allocation Plan & Indirect Cost Rate Proposal For The Michigan Attorney General

DESCRIPTION OF SERVICES

4. Preparation of the DCAP based on actual costs for the year ended September 30, 2013. The DCAP would be prepared utilizing *MAXCARS*, software developed by MAXIMUS for the specific purpose of preparing cost allocation plans. As much as possible, the plan will be prepared consistent with the Department's most recent submission in that the same pools of indirect costs will be allocated. However, the cost pools will be amended as necessary to reflect 2013 actual circumstances.
5. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2013. Actual FY 13 costs will be used as the basis for establishing a new fixed or provisional rate for use in FY 15. The type of rate that will be proposed will be determined through discussions with Michigan Attorney General representatives during the course of the engagement.
6. Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's Federal Cognizant Agency, the U.S. Department of Health and Human Services, Division of Cost Allocation (DCA), in Dallas, Texas.

PAYMENT SCHEDULE

Based upon our experience in preparing the last submission, we anticipate that the project will require a total of 120 consultant hours to complete. At our standard hourly rate of \$120, we are prepared to quote a fixed fee of \$14,400 including all expenses incurred by us. Payment would be due upon delivery of the final bound report.

DELIVERABLES

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

FY 2013 Actual Cost Allocation Plan & Indirect Cost Rate Proposal

TIMING

Work cannot begin until the current fiscal year is closed and final financial reports are available. Therefore we do not anticipate a start date until sometime after January 1, 2014. After all necessary financial information is obtained, approximately three to four months will be necessary for completion of the draft. Preparation of the final report and their submission to the HHS will be at the discretion of the Department. Once submitted, negotiation and approval of the documents can take anywhere from several weeks to several months. We will make every attempt to expedite the process, but we must advise the Attorney General that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87.

FY 13 Actual Cost Allocation Plan & Indirect Cost Rate Proposal For The Michigan Department of Transportation

DESCRIPTION OF SERVICES

7. Preparation of the DCAP based on actual costs for the year ended September 30, 2013. The DCAP would be prepared utilizing *MAXCARS*, software developed by MAXIMUS for the specific purpose of preparing cost allocation plans. As much as possible, the plan will be prepared consistent with the Department's most recent submission in that the same pools of indirect costs will be allocated. However, the cost pools will be amended as necessary to reflect 2013 actual circumstances.
8. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2013. Actual FY 13 costs will be used as the basis for establishing a new fixed rate for use in FY 15.
9. Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's Federal Cognizant Agency, FHWA of the U.S. Department of Transportation.

PAYMENT SCHEDULE

Based upon our experience in preparing the last submission, we anticipate that the project will require a total of 300 consultant hours to complete. At our standard hourly rate of \$120, we are prepared to quote a fixed fee of \$36,000 including all expenses incurred by us. Payment would be due upon delivery of the final bound report.

DELIVERABLES

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

FY 2013 Actual Cost Allocation Plan & Indirect Cost Rate Proposal

TIMING

Work cannot begin until the current fiscal year is closed and final financial reports are available. Therefore we do not anticipate a start date until sometime after December 1, 2013. After all necessary financial information is obtained, approximately three to four months will be necessary for completion of the draft. Preparation of the final report and its submission to FHWA 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 Transportation 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.

**A BUILDING OCCUPANCY COST ALLOCATION PLAN BASED ON ACTUAL COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
FOR THE MICHIGAN DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET**

DESCRIPTION OF SERVICES

Prepare the Building Occupancy Cost Allocation Plan (CAP) based on actual expenditures for the year ended September 30, 2013. MAXIMUS has prepared this plan for the past several years and will develop the FY 13 plan in a consistent manner with prior year plans. Preparation of the plan will include the following tasks:

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

DELIVERABLES

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

- Building Occupancy Cost Allocation Plan based on actual expenditures for year ended September 30, 2013 (including the A-87 Balance Sheet).

TIMING AND FEES

MAXIMUS is prepared to begin work on the FY 13 actual building rental rate CAP as soon as the State can provide final financial information. It is anticipated that approximately three to four months will be necessary to complete the draft of the actual building occupancy costs. The actual building occupancy plan and A-87 balance sheet should be completed by June 30, 2014, the projected date for federal submission of the SWCAP. Federal negotiations of the plan will begin after submission. MAXIMUS will make every effort to expedite the process; however final approval of the plan can often take several months to a year.

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

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

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

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

**CHANGE NOTICE NO. 13
 to
 CONTRACT NO. 071B2200084
 between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF CONTRACTOR:		PRIMARY CONTACT	EMAIL	
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906		William Maxwell	billmaxwell@maximus.com	
		TELEPHONE	CONTRACTOR #, MAIL CODE	
		(517) 484-4240		
STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	DTMB-OFM	Paul McDonald	(517) 373-1039	mcdonaldp@michigan.gov
BUYER:	DTMB	Angela Buren	(517) 373-0325	burena@michigan.gov

CONTRACT SUMMARY:

DESCRIPTION: CENTRAL COST ANALYSIS AND SWCAP PREPARATION – DTMB

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS	CURRENT EXPIRATION DATE
January 1, 2012	December 31, 2014	2, 1 yr.	December 31, 2014
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 45	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO

MINIMUM DELIVERY REQUIREMENTS:

N/A

DESCRIPTION OF CHANGE NOTICE:

OPTION EXERCISED: <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES	IF YES, EFFECTIVE DATE OF CHANGE: N/A	NEW EXPIRATION DATE: N/A
---	---	---------------------------------

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

MDCH - FY 13 Central Services Cost Allocation Plan and RMS Services for FY 14	\$33,600.00
MEDC – FY 13 Cost Allocation Plan and RMS Services for FY 14	\$21,600.00
Total Value of Proposals:	\$55,200.00
Remaining Amount Available on Contract:	\$434,520.00

ESTIMATED AGGREGATE CONTRACT VALUE REMAINS::	\$1,408,500.00
---	----------------

**ACTUAL FY 13
DEPARTMENTAL INDIRECT COST ALLOCATION PLAN
AND FY 2014 RMS MAINTENANCE FOR
THE MICHIGAN DEPARTMENT OF COMMUNITY HEALTH**

DESCRIPTION OF SERVICES

1. *Preparation of the Department of Community Health DCAP based on actual costs for the year ending September 30, 2013.* Organizational charts and financial information will be needed for this task. R*STARS reports will be required that will provide financial information at the appropriate level. Depending on the accounting structure, either program or organization reports will most likely be required. MAXIMUS consultants will review the program and org structure and work with the Accounting Section to determine which reports will need to be scheduled.

The plan will be prepared in a manner consistent with the last plan. Indirect costs will be identified and segregated into discrete cost pools. Selective allocations of each pool will be made by applying the allocation base most appropriate to each circumstance. The overall objective is to allocate indirect costs consistent with the manner in which services are actually provided to programs and bureaus that benefit from the services. The plan will allocate any indirect costs accounted for in following organizations:

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

2. *Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2013.* As discussed earlier, FY 13 indirect cost rates are currently approved on a provisional basis. The proposal will calculate final rates for FY 13, and will also propose new rates for use during FY 15.

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

4. *RMS maintenance and administration for FY 2014.* MAXIMUS will provide the following services necessary to maintain the RMS system currently utilized by Budget and Finance. Services will be provided for each of the 4 quarters of the fiscal year.

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

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

PAYMENT SCHEDULE

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

- **DCAP** - \$24,000 due upon completion and submission to the appropriate Federal cognizant agency.
- **RMS Maintenance** - \$9,600 total, billed quarterly at \$2,400.
- **TOTAL FOR YEAR - \$33,600 - including all expenses**

DELIVERABLES

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

Actual DCAP Indirect Cost Rate Proposal

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

- Quarterly personnel listing of sampling universe**
- Chronological listing of all quarterly samples**
- Quarterly listing of actual RMS responses**
- Cumulative year-to-date program results each quarter**

TIMING

MAXIMUS is prepared to begin preparation of the DCAP when the fiscal year is closed out and financial reports are available. As such, we project a start date during January of 2014.

It is anticipated that approximately three months will be required to complete a draft of the plan, with another four weeks for review of the plan with Department of Community Health administration, and preparing the plan for Federal submission. The projected submission date would be approximately June 30, 2014. However, every effort will be made to submit the plan at the earliest possible date.

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

As the RMS sampling will need to begin October 1, 2013, MAXIMUS will need to begin updating the sample universe and making any required changes to the system by the end of September. The RMS maintenance activities will be provided on an on-going basis throughout the year. Final reports for the last quarter of the year will be delivered around October 15, 2014.

ACTUAL FY 13
DEPARTMENTAL INDIRECT COST ALLOCATION PLAN
AND FY 14 RMS MAINTENANCE FOR
THE MICHIGAN ECONOMIC DEVELOPMENT
CORPORATION – STRATEGIC FUND

DESCRIPTION OF SERVICES

1. *Preparation of the Economic Development Corporation DCAP based on actual costs for the year ending September 30, 2013.* Organizational charts and financial information will be needed for this task. R*STARS reports will be required that will provide financial information at the appropriate level. Depending on the accounting structure, either program or organization reports will most likely be required. MAXIMUS consultants will review the program and org structure and work with the Accounting Section to determine which reports will need to be scheduled.

The plan will be prepared in a manner consistent with the last plan. Indirect costs will be identified and segregated into discrete cost pools. Selective allocations of each pool will be made by applying the allocation base most appropriate to each circumstance. The overall objective is to allocate indirect costs consistent with the manner in which services are actually provided to programs and bureaus that benefit from the services.

2. *Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2013.* As discussed earlier, FY 13 indirect cost rates are currently approved on a provisional basis. The proposal will calculate final rates for FY 13, and propose new rates for use in FY 15.

3. *Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's Federal cognizant agency.* Once completed, the plan will be submitted to the appropriate Federal agency for approval. The cognizant federal agency for of MEDC in FY 12 was the U.S. Department of Labor.

4. *RMS maintenance and administration for FY 2014.* MAXIMUS will provide the following services necessary to maintain the RMS system currently utilized by MEDC. Services will be provided for the each of the 4 quarters of the year, ending September 30, 2014.

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

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

PAYMENT SCHEDULE

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

- **DCAP** - \$9,600 due upon completion and submission to the appropriate Federal cognizant agency.
- **RMS Maintenance** - \$12,000 total, billed quarterly at \$3,000.
- **TOTAL FOR YEAR - \$21,600 - including all expenses**

DELIVERABLES

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

Actual DCAP Indirect Cost Rate Proposal

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

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

TIMING

MAXIMUS is prepared to begin preparation of the DCAP when the fiscal year is closed out and financial reports are available. As such, we project a start date during February of 2014. It is anticipated that approximately three months will be required to complete a draft of the plan, with another four weeks for review of the plan with Economic Development Corporation administration, and preparing the plan for Federal submission. The projected submission date would be approximately June 30, 2014. However, every effort will be made to submit the plan at the earliest possible date.

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

As the RMS sampling will need to begin October 1, 2013, MAXIMUS will need to begin updating the sample universe and making any required changes to the system by the end of September. The RMS maintenance activities will be provided on an on-going basis throughout the year. Final reports for the last quarter of the year will be delivered around October 15, 2014.

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

CHANGE NOTICE NO. 12

to

CONTRACT NO. 071B2200084

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR:		PRIMARY CONTACT	EMAIL	
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906		William Maxwell	billmaxwell@maximus.com	
		TELEPHONE	CONTRACTOR #, MAIL CODE	
		(517) 484-4240		
STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	DTMB-OFM	Paul McDonald	(517) 373-1039	mcdonaldp@michigan.gov
BUYER:	DTMB	Angela Buren	(517) 373-0325	burena@michigan.gov

CONTRACT SUMMARY:DESCRIPTION: **CENTRAL COST ANALYSIS AND SWCAP PREPARATION – DTMB**

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS	CURRENT EXPIRATION DATE
January 1, 2012	December 31, 2014	2, 1 yr.	December 31, 2014
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 45	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MI/DEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:

OPTION EXERCISED:	IF YES, EFFECTIVE DATE OF CHANGE:	NEW EXPIRATION DATE:
<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES	N/A	N/A

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

DTMB - FY 13 SWCAP	\$29,500.00
DTMB – Building Occupancy Cost Allocation Plan FY 15 Projected	\$24,000.00
MDOT – Cost Allocation Plan & Indirect Rates for Highway Programs FY 12 Actual	\$98,400.00
DIFS – FY 12 Administrative Cost Allocation Plan and Funding Rate Proposal	<u>\$24,000.00</u>
Total Value of Proposal:	\$175,900.00
Remaining Amount Available on Contract:	\$489,720.00

Additionally, LARA is discontinuing the RMS for FY14. Therefore, Contract costs of \$3,600.00 allocated to the RMS calculation for the 4th quarter of 2013 (reference CN #7 dated 8/15/2012) will be shifted towards calculating the new cost

plan for LARA. The Scope for this project will not change. No increased cost will be incurred as a result of this method change.

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

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF
TECHNOLOGY, MANAGEMENT & BUDGET
FOR A BUILDING OCCUPANCY
COST ALLOCATION PLAN
FY 15 PROJECTED COSTS**

MARCH 2013

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

**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, 2015**

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, 2015.

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

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

DESCRIPTION OF SERVICES

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

Prepare the Building Occupancy Cost Allocation Plan (CAP) based on budgeted expenditures for the year ending September 30, 2015. MAXIMUS has prepared this plan for the past several years and will develop the FY 15 budget plan in a consistent manner with prior year plans. Preparation of the plan will include the following tasks:

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

DELIVERABLES

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

- Building Occupancy Cost Allocation Plan based on budgeted expenditures for year ending September 30, 2015. (Including summary schedule showing the full operating cost and projected rental rate for each facility.)

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

TIMING AND FEES

MAXIMUS is prepared to begin work on the FY 15 budgeted building rental rate CAP as soon as the State can provide the projected financial information and building inventories. It is anticipated that approximately two to three months will be necessary to complete the draft of the building occupancy cost plan and rate summary. The draft report will be delivered to DTMB for

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

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

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

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

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

MAXIMUS Consulting Services, Inc.

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF TRANSPORTATION
FOR DEVELOPMENT OF A
COST ALLOCATION PLAN & CALCULATION OF INDIRECT
RATES FOR HIGHWAYS PROGRAMS
BASED ON FY 2012 ACTUAL COSTS**

JUNE 2013

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™



**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF TRANSPORTATION
FOR THE DEVELOPMENT OF A
COST ALLOCATION PLAN & CALCULATION OF
INDIRECT RATES FOR HIGHWAYS PROGRAMS
BASED ON FY 2012 ACTUAL COSTS**

TABLE OF CONTENTS

INTRODUCTION.....2
BUSINESS ORGANIZATION.....2
BACKGROUND.....2
STATEMENT OF PROBLEM.....3
GOALS AND OBJECTIVES.....4
APPROACH AND WORK PLAN.....6
DELIVERABLES.....11
EXPERIENCE AND QUALIFICATIONS.....12
STAFFING.....13
COMPENSATION.....14
TIMING.....14
ATTACHMENT A – MICHIGAN CLIENTS.....16
ATTACHMENT B – RESUMES.....19
ATTACHMENT C – PROJECTED TIMEFRAMES AND HOURS.....28



INTRODUCTION

MAXIMUS Consulting Services is pleased to present this proposal to the Michigan Department of Transportation for the preparation of a cost allocation plan for the purpose of calculating indirect cost rates for the various programs of Highways. The following information outlines our qualifications, experience and detailed information regarding the scope of services.

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 which has specialized in providing cost accounting and grants management services to state and local governments since 1976. The Division operates several offices across the continental United States, including two in the State of Michigan. This project would be performed out of our Lansing, Michigan office at the following address:

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

BACKGROUND

The Michigan Department of Transportation (MDOT) has responsibility for the design, construction and maintenance of the state highway system. MDOT operates out of numerous locations throughout the state and is organized into seven regions and central office support areas.

MDOT's gross appropriation for FY 12 was approximately \$3.3 billion. A significant portion of the funding relates to the highways component of the



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

STATEMENT OF PROBLEM

As state and local governments face increasingly more accountability for the use of funds, it becomes more and more important to assure that services are being provided in the most cost effective manner. MDOT wishes to be able to determine its full cost of providing services, including indirect costs, so that the Department can make more informed decisions regarding the cost effectiveness of the Department's transportation programs.

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

Administrative costs are not identified by project. Administrative costs are captured in PCA codes, primarily 79900 General Overhead. In order to determine the full cost of service, an allocation methodology for all levels of administration needs to be developed. This needs to include all departmental administration, bureau level administration, regional administration, and statewide central services.



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

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

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

GOALS AND OBJECTIVES

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



PROPRIETARY

1. Develop indirect cost rates which are applicable to projects based on the type of work:

- Maintenance Work – Highways
- Construction Work – Highways
- Highway Design – Highways
- Real Estate - Highways
- Traffic and Safety - Highways

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

2. Develop indirect cost rates which are applicable to projects based on method of service delivery:

- In-House (MDOT) Projects
- Contracted Projects

3. Develop indirect cost rate that are applicable to work performed by the administrative operations of the Executive Bureau and Finance & Administration.

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



APPROACH AND WORKPLAN

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

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

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

Task 1 - Project Initiation. At the outset of the project, the MAXIMUS consulting team will meet with MDOT representatives in order to confirm the objectives, plans and schedule for the project. A critical issue that needs to be addressed at this point is the fiscal year on which the project is to be based. It is presently our understanding that FY 12 actual cost information will be used. As appropriate, any refinements in our approach as presented in this proposal will be identified and incorporated into our plans.

Task 2 - Review Background and Accounting Information. All relevant background material will be reviewed, including annual reports, organization charts, budget documents, other similar studies which may have been completed, etc. In addition, the MAIN accounting structure will be reviewed and



various R*STARS/MIDB reports will be examined to determine which reports will generate financial reports in the format necessary to complete the project. Depending on the structure, it may be necessary to request reports with detail by object code, program, organization, PCA, and appropriation. Once accounting reports are selected, if they are not routinely generated, it will be necessary to request the reports from MDOT, or if appropriate DTMB.

Task 3 - Develop a Departmental Administration (Central Services)

Cost Allocation Plan. A central services cost allocation plan that allocates centrally budgeted support costs will be developed. The plan will be prepared utilizing proprietary software developed by MAXIMUS. It is anticipated that this plan will include the allocation of the following MDOT programs or cost pools:

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

The purpose of the central services cost allocation plan is to allocate those programs which may not be directly involved in the delivery of services, but provide overall support to the direct program areas of the Department. Each central service program will be analyzed to determine the nature of the services provided. Costs within each program may be subdivided into multiple cost pools that represent discrete activity areas. Selective allocations of each cost pool will be made by applying the allocation base most appropriate to each circumstance. It is projected that most departmental administrative costs will be allocated as statewide support, and uniformly incorporated into indirect cost rates for all



MDOT programs. Where possible, costs may be allocated to specific program areas, e.g. local projects, contracted work, in-house work, etc., and incorporated into indirect cost rates applicable to only specific program areas.

Task 4 - Develop a Bureau of Highways Administration Cost Allocation Plan. The Bureau of Highways Administration cost allocation plan will allocate administrative costs incurred at the Central Office level. Allocated costs will include the Bureau Director's Office, Administrative Services, and any administrative costs within other program areas of the bureau that are generally not accounted for as direct project costs. It is anticipated that administrative costs will be allocated on a project type basis to the following categories:

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

Administrative costs will be segregated, as necessary, into discrete cost pools for allocation.



Tasks 5 - Develop a Consolidated Regional Administration Cost Allocation Plan. MAXIMUS consultants will develop a cost allocation plan to allocate all administrative costs incurred within the seven Highways regions. Allocated costs will include any regional level administrative costs that are generally not identified as direct project costs. It is anticipated that costs will be allocated on a project type basis to the following categories:

- Maintenance - MDOT In-House Projects
- Maintenance - Contracted Projects
- Design - MDOT In-House Projects
- Design - Contracted Projects
- Construction and Technology - MDOT In-House Projects
- Construction and Technology - Contracted Projects
- Real Estate - MDOT In-House Projects
- Real Estate - Contracted Projects
- Traffic and Safety - MDOT In-House Projects
- Traffic and Safety- Contracted Projects
- Local Projects
- Regional Overhead

Administrative costs will be segregated, as necessary, into discrete cost pools for allocation.

Task 6 - Calculate Indirect Cost Rates. Indirect cost rates will be computed for each of the cost allocation plans and result in three levels of rates that will be applicable to projects:

- **Central Service Indirect Cost Rates** – A rate for central services will be determined for each project category. The rates will be detailed by central services cost component, e.g. Department Administration, Human Resources, Financial Operations, etc.



- **Bureau of Highways Administration Rates** – A rate for administrative costs incurred within the Central Office will be determined for each project category.
- **Regional Administrative Rates** – A rate for administrative costs incurred at the regional level will be determined for each project category. Regional rates will be on a statewide basis; separate rates for each region will not be determined

Task 7 - Consolidate Indirect Cost Rates. Once all the rates are computed, the total indirect cost rate applicable to any project or contract would be determined by totaling the appropriate rates for the three levels of administration. For example, the final indirect cost rate for in-house maintenance by the Bureau of Highways in the Metro Region would be the sum of:

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

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

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

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



Task 8 - Compile and Present Draft and Final Results. Once all cost allocation plans are completed, a draft report will be prepared which explains the cost allocation procedures employed in developing each plan. The draft report will include the summary of indirect costs. The draft report will be presented to MDOT staff for final approval. As necessary, changes to the draft report will be addressed and the final report will be bound and delivered.

Task 9 – Prepare the Administrative Cost Allocation Plan and Rates. A separate cost plan will be prepared for the purpose of determining indirect costs applicable to the various administrative programs of the Department. This plan will be developed by utilizing the central services cost allocation plan as the basis. The central services plan will be revised to further detail costs by activity area and to incorporate a multiple step-down approach. The central services plan prepared for the development of the highways rates allocates administrative costs to broad categories such as Highways Support, Statewide Support, or Statewide Maintenance Support. This plan, where applicable, will include other central service programs in the allocation basis. This will allow indirect costs associated with each administrative program to be separately identified. The identified indirect cost will then be used to compute indirect cost rates associated with each program area. This plan and rate proposal will be delivered as a separate document from the other plans and rates.

Task 10 - Progress Meetings. It is our recommendation that periodic progress meetings be scheduled with MDOT staff assigned to oversee the project. The purpose of the meetings would be to discuss progress and any relevant issues regarding the development of each cost plan. The proposed methodology for the allocation of each cost pool could be presented and discussed. This would help assure that MDOT understands and approves the rationale for the allocation of each cost pool.

DELIVERABLES

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



<u>Document</u>	<u>Bound Copies</u>	<u>Clipped Copies</u>
Departmental Central Services Cost Allocation Plan	2	1
Bureau of Highways Central Office Cost Allocation Plan	2	1
Regional Administration Cost Allocation Plan	2	1
Draft Report	n/a	10
Administrative Cost Plan and Rates	2	1
Final Report (Including Indirect Rate Summary)	10	1

EXPERIENCE AND QUALIFICATIONS

MAXIMUS is the nation's leading firm in providing cost allocation services to state and local governments. MAXIMUS Financial Services Division currently serves over two thousand governmental cost allocation clients through over forty offices. MAXIMUS brings to this engagement a uniquely qualified staff of professionals with extensive experience in preparing central service cost allocation plans and other cost accounting services for state and local governments.

Furthermore, MAXIMUS has extensive experience in working with agencies of the State of Michigan. Since 1987, we have prepared all Statewide Cost Allocation Plans through the Department of Management and Budget, Office of Financial Management. In addition, MAXIMUS has prepared numerous departmental cost allocation plan, indirect cost rate proposal, RMS systems, and related cost accounting projects for State agencies.

MAXIMUS developed similar studies for MDOT in 2004 and 2007. Over the past few years, MDOT has implemented measures to better capture costs and to reduce overhead. In order to assess the impact of these measures, it is critical that the current project be prepared in a manner as consistently as possible with the earlier studies. MAXIMUS is uniquely qualified to satisfy this



PROPRIETARY

requirement and to ensure that consistent, meaningful results are obtained at the conclusion of the project.

The primary consulting team assigned to this project will include consultants from our Michigan offices in Lansing and Bay City. The MAXIMUS Michigan staff has extensive experience in developing central services cost allocation and indirect cost rate proposals for agencies of the State of Michigan. In addition, the Lansing staff was instrumental in the development of the 2004 and 2007 rates for MDOT. Attachment A provides a listing of some our State of Michigan clients and references. All of these projects were completed by our Lansing staff.

STAFFING

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

- William Maxwell - Mr. Maxwell is the director of the Lansing office of our Financial Services Division, and will be the Project Manager. He will be responsible for coordinating and managing the development of all cost allocation plans and other aspects of the project. Mr. Maxwell was also the Project Manager for the 2004 and 2007 projects.
- Nick Bohac - Mr. Bohac is a senior consultant assigned to our Lansing Office. He has worked with a number of State of Michigan agencies in preparing cost allocation plans, including the 2004 and 2007 MDOT projects. He will be directly involved with the preparation all cost allocation plans associated with this project.

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



COMPENSATION

Based on our prior experience, we have estimated that this project will require 820 hours of MAXIMUS consultant time to complete. At an average hourly billing rate of \$120 (SWCAP Negotiated Rate), we are prepared to quote a fixed fee of \$98,400, including all expenses incurred by us. However, if in the course of the engagement the scope of any of the tasks changes to materially increase the number of hours, MAXIMUS reserves the right to request an amendment to the proposed fee. Billings will be based upon deliverables as follows:

Project Initiation	\$ 10,000
Central Services Cost Allocation Plan	\$ 20,000
Bureau of Highways Cost Allocation Plan	\$ 20,000
Regional Cost Allocation Plan	\$ 20,000
Administrative CAP and Rates	\$ 10,000
Draft Report	\$ 10,000
<u>Final Report</u>	<u>\$ 8,400</u>
Total	\$ 98,400

TIMING

MAXIMUS is prepared to begin work within 10 working days of the issuance of a contract by MDOT. It is anticipated that approximately six months will be required to complete the draft report. Once the draft report is accepted, bound copies of the final report can be delivered within two weeks. Attachment C provides an outline of the projected time frames for each task.

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

**PROPOSAL TO THE
DEPARTMENT OF INSURANCE
AND FINANCIAL SERVICES
FOR AN FY 12 ADMINISTRATIVE
COST ALLOCATION PLAN
AND FUNDING RATE PROPOSAL**

MARCH 25, 2013

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

**Proposal to
The Department of Insurance and Financial Services
For Preparation of the
Fiscal 2012 Administrative
Cost Allocation Plan**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary of MAXIMUS, Inc. (MAXIMUS) is pleased to present this proposal to the Department of Insurance and Financial Services (DIFS), previously known as the Office of Financial and Insurance Regulation (OFIR), for preparation of an Administrative Cost Allocation Plan based on actual costs for the fiscal year ended September 30, 2012. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

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

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

BACKGROUND

The Department of Insurance and Financial Services 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, and Consumer Finance Fees. In addition to direct program costs associated with these funding sources, 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 funding sources in supporting the administration operations of the Department.

STATEMENT OF PROBLEM

DIFS has no general fund revenue appropriated to fund the administrative programs of the Department. DIFS needs to fund these operations with the various regulatory fees collected by the regulated industries. DIFS desires to have a detailed and defensible allocation methodology developed to support its use of the various revenue sources. In order to accomplish this, an administrative (central services) cost allocation plan needs to be prepared. The plan will need to examine the various administrative functions of the Department and develop a defensible approach for allocating costs to benefited programs, and ultimately to the various funding sources of DIFS. The plan should be based upon actual costs for the fiscal year ended September 30, 2012 and be used to establish funding ratios for the next appropriation year.

DESCRIPTION OF SERVICES

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

1. Preparation of an Administrative Cost Allocation Plan based on actual costs for the year ended September 30, 2012. The plan would be prepared utilizing *MAXCARS*, software developed by MAXIMUS for the specific purpose of preparing cost allocation plans. The following is a listing of the administrative cost pools that we anticipate will be allocated.

Commission's Office
Administrative Services
Chief Deputies
Enterprise Monitoring Administration
Charter Review
Consumer Services
Policy
License and Product Review Administration
Office of General Counsel

The above programs represent the allocated programs in the fiscal 2011 cost plan. The plan will be modified as necessary to reflect any reorganization or other changes that impact the allocated pools.

2. Preparation of the Administrative Funding Rate Proposal based on actual costs for the year ended September 30, 2012. The results of the cost allocation plan will be used to develop proposed administrative funding ratios for use during a subsequent period.

The rates will indicate the recommended percent of funding that should be provided by each funding source of the Department in support of the administrative operations.

PLAN DEVELOPMENT

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

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

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

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

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

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

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

MAXIMUS will assemble an experienced team of consultants to assist 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 manager of our MAXIMUS Lansing office. Other staff will be assigned to the project as needed by Mr. Maxwell. The resume for Mr. Maxwell is included at the end of this proposal.

COMPENSATION

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

DELIVERABLES

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

**FY 12 Actual Cost Allocation Plan
& Administrative Funding Rate Proposal**

TIMING

MAXIMUS is prepared to begin preparation of the cost plan and funding rate proposal as soon as practical after securing a contract or change notice to our SWCAP contract. However, work cannot begin until the FY 12 fiscal year is closed out and final financial reports are available. Once the necessary financial information is obtained, approximately three months will be necessary for preparation of the draft documents. The timing of the draft is however contingent upon the availability of 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.

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
 530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 11
 to
CONTRACT NO. 071B2200084
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:		PRIMARY CONTACT	EMAIL	
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906		William Maxwell	billmaxwell@maximus.com	
		TELEPHONE	CONTRACTOR #, MAIL CODE	
		(517) 484-4240		
STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	DTMB-OFM	Paul McDonald	(517) 373-1039	mcdonaldp@michigan.gov
BUYER:	DTMB	Angela Buren	(517) 373-0325	burena@michigan.gov

CONTRACT SUMMARY:

DESCRIPTION: **CENTRAL COST ANALYSIS AND SWCAP PREPARATION – DTMB**

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS	CURRENT EXPIRATION DATE
January 1, 2012	December 31, 2014	2, 1 yr.	December 31, 2014
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 45	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card	<input type="checkbox"/> Direct Voucher (DV)	<input type="checkbox"/> Other	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO

MINIMUM DELIVERY REQUIREMENTS:

N/A

DESCRIPTION OF CHANGE NOTICE:

OPTION EXERCISED: <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES	IF YES, EFFECTIVE DATE OF CHANGE: N/A	NEW EXPIRATION DATE: N/A
--	--	--------------------------

Effective immediately, pursuant to Section 2.220 of this Contract, the Contractor's liability for each project approved under this Contract is limited to two times the value of the project.

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

Per vendor agreement and DTMB Procurement approval.

ESTIMATED AGGREGATE CONTRACT VALUE REMAINS::	\$1,408,500.00
--	----------------

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

CHANGE NOTICE NO. 10
 to
CONTRACT NO. 071B2200084
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:		PRIMARY CONTACT	EMAIL	
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906		William Maxwell	billmaxwell@maximus.com	
		TELEPHONE	CONTRACTOR #, MAIL CODE	
		(517) 484-4240		
STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	DTMB-OFM	Paul McDonald	(517) 373-1039	mcdonaldp@michigan.gov
BUYER:	DTMB	Angela Buren	(517) 373-0325	burena@michigan.gov

CONTRACT SUMMARY:

DESCRIPTION: CENTRAL COST ANALYSIS AND SWCAP PREPARATION – DTMB

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS	CURRENT EXPIRATION DATE
January 1, 2012	December 31, 2014	2, 1 yr.	December 31, 2014
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 45	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MIDEAL PARTICIPANTS
<input type="checkbox"/> P-card	<input type="checkbox"/> Direct Voucher (DV)	<input type="checkbox"/> Other	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO

MINIMUM DELIVERY REQUIREMENTS:

N/A

DESCRIPTION OF CHANGE NOTICE:

OPTION EXERCISED: <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES	IF YES, EFFECTIVE DATE OF CHANGE: N/A	NEW EXPIRATION DATE: N/A
---	---	---------------------------------

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

Judiciary – Cost Allocation Plan and Indirect Cost Rate Proposal- FY 12 Actual	\$ 9,600.00
DNR – Cost Allocation Plan and Indirect Cost Rate Proposal FY 12 Actual	\$24,600.00
DEQ – FY 12 Administrative Funding Cost Allocation Plan	\$14,400.00
DOC – FY 12 Cost Allocation Plan and Indirect Cost Rate Proposal	<u>\$14,400.00</u>
Total Value of Proposal:	\$63,000.00
Remaining Amount Available on Contract:	\$665,620.00

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

**PROPOSAL TO THE
MICHIGAN JUDICIARY
FOR A COST ALLOCATION PLAN AND
INDIRECT COST RATE PROPOSAL
FY 12 ACTUAL**

DECEMBER 2012

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

**PROPOSAL TO
THE MICHIGAN JUDICIARY
FOR PREPARATION OF AN FY 12 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 12 Actual Departmental Cost Allocation Plan (DCAP) and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

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

STATEMENT OF PROBLEM

The Court prepared and submitted to the Department of Health and Human Services (DHHS) its initial cost allocation plan and indirect cost rate proposal based on actual expenditures for the year ending September 30, 2000. Subsequent proposals have been submitted each year since. Based upon these prior submissions, the U.S. Department of Health and Human Services (DHHS) issued a federal negotiation agreement approving provisional indirect cost rates for use in FY 12. 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, 2012. The FY 12 cost allocation plan will be used to finalize the FY 12 provisional rates, and to propose new rates for use beginning with FY 14.

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, 2012. 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, 2012. 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 12. This proposal will calculate final rates for FY 12 and also propose new provisional rates for use by the Court in FY 14.

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

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

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

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

COMPENSATION

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

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

DELIVERABLES

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

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

TIMING

MAXIMUS is prepared to begin preparation of the FY 12 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 2013. 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, 2013. 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 DEPARTMENT OF
NATURAL RESOURCES
FOR A COST ALLOCATION PLAN AND
INDIRECT COST RATE PROPOSAL
FY 12 ACTUAL**

DECEMBER 2012

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**PROPOSAL TO THE MICHIGAN
DEPARTMENT OF NATURAL RESOURCES
FOR A COST ALLOCATION PLAN
BASED ON ACTUAL COSTS FOR
THE YEAR ENDED SEPTEMBER 30, 2012**

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, 2012.

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

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

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

The Department of Natural Resources annually negotiates indirect cost rates with the U.S. Department of Interior. FY 12 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 2012 rates, calculate appropriate carry-forwards for 2012, and to propose new rates for use in FY 14.

DESCRIPTION OF SERVICES

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

I. Preparation of the DCAP based on actual costs for the year ended September 30, 2012, prepared in accordance with OMB Circular A-87. The DCAP would be prepared using a "multiple rate" methodology, whereby indirect costs would be segregated into discrete cost pools and selective allocations of costs will be made by applying an allocation base most appropriate to each circumstance. The overall objective is to allocate indirect costs consistent with the manner in which services are actually provided to programs and bureaus which benefit from these services. A "multiple rate" DCAP provides for a much more accurate allocation of indirect costs than a single departmental rate as it recognizes differences in the level of support provided to various programs within the Department.

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

- State Rent - 1345
- Private Rent - 1346
- Executive Commission - 1092
- Executive Unclassified - 1093
- Executive Direction – 1001
- Legal Coordination – 1003
- Central Support - 1200
- 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, 2012. 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 12 carry-forwards and the incorporation of these amounts into proposed rates for use during state fiscal year 2014. Two rate pools will be proposed:

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

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

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

MAXIMUS will assemble an experienced team of consultants to assist the Michigan Department of Natural Resources in this engagement. The project team has prepared a numerous cost allocation plans and indirect cost rate proposals for state

agencies. Moreover, the team has extensive experience in negotiating cost allocation plans with the cognizant federal agencies on behalf of clients. The key members of the project team are as follows:

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

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

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

COMPENSATION

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

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

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

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

TIMING

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

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

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

MAXIMUS Consulting Services, Inc.

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF
ENVIRONMENTAL QUALITY
FOR AN FY 12 ADMINISTRATIVE FUNDING
COST ALLOCATION PLAN**

DECEMBER 2012

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**PROPOSAL TO
THE MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY
FOR PREPARATION OF AN FY 12
ADMINISTRATIVE FUNDING COST ALLOCATION PLAN**

MAXIMUS Consulting Services, Inc. (MAXIMUS) is pleased to present this proposal to the Michigan Department of Environmental Quality for the preparation of an Administrative Funding Cost Allocation Plan based on actual costs for the year ended September 30, 2012. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

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

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

BACKGROUND

The Michigan Department of Environmental Quality (DEQ) receives funding from a variety of state restricted funding sources to operate state programs. The DEQ spends considerable resources to administer these programs. These costs include administration, accounting services, personnel services, etc. Unlike federal programs,

state restricted programs are not charged indirect costs through the application of indirect cost rates. Instead, state restricted funding sources provide funding for the administrative programs as part of the annual appropriation process.

STATEMENT OF PROBLEM

Currently, the Department determines each fund's share of the administrative costs based on the relative percent of salaries funded. However, the DEQ believes this approach may not result in an equitable distribution of costs. Therefore, the Department desires to have a more detailed cost allocation plan prepared to better determine the appropriate amount of funding that should be provided by each state restricted funding source.

DESCRIPTION OF SERVICES

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

- Preparation of a DEQ administrative cost allocation plan based on actual costs for the year ended September 30, 2012. The plan will include allocation of the following programs:

Executive Direction

Unclassified

Central Support

Accounting Service Center

Rent

Building Occupancy

Information Technology (selected items of cost)

The plan will be prepared in a two-phased approach.

Phase I – Costs for each administrative program will be reviewed and allocated according to the allocation statistic that best reflects the benefit derived. In some instances programs may be segregated into multiple cost pools each allocated by a

separate statistic. For example, Central Support may be broken down into activities pools such as budget and purchasing; with budgeting costs allocated on budgeted dollars and purchasing allocated on the number of purchase orders processed. The number of activity pools for each administrative program will be determined through interviews with administrative personnel.

Where practical, in Phase I costs will be allocated directly to the funding sources. However, in many instances it will be possible to only allocate costs to the divisional level such as Water Resource or Air Quality.

Phase II – Phase II will be a redistribution of costs allocated to the divisional level down to the funding level. Costs allocated to each division will be reallocated according to the funding for the division. The allocated funding from Phase II will be combined with any directly assigned costs from Phase I to arrive at the total allocated for each funding source. The ultimate result will be that the total administrative costs allocated in the plan will be driven down to the individual funding sources.

PLAN DEVELOPMENT

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

We will collect appropriate current information for the development of the plan. Data to be collected includes appropriate organizational charts with adequate detail to identify divisions, bureaus and programs. Also required are appropriate financial records including detailed appropriation and expenditure reports. Staff will be interviewed to determine the allocation methodology for each program and any statistics necessary to develop the allocation base will be requested. Some of the anticipated statistical needs include:

- Assigned square footage by division within each occupied facility,
- The number of accounting transactions processed by fund,
- The number of purchase orders process by division, or if possible by fund,
- FTE's by Division,

- Fiscal year end payroll reports for each administrative program identifying the total annual payroll by employee,
- A schedule of funding for each appropriation.

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.

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

COMPENSATION

We project that this project will require 120 hours of consultant time to complete. Based upon our standard hourly billing 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 the submission of the cost allocation plan and indirect cost rate proposal to the appropriate federal agency.

DELIVERABLES

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

- **Cost Allocation Plan based on actual expenditures for the year ended September 30, 2012 identifying total allocated administrative costs by funding source.**

TIMING

MAXIMUS is prepared to begin preparation of the cost plan and indirect cost rate proposal within 10 working days of approval by the Department of Environmental Quality. However, we cannot begin work until the 2012 fiscal year has been closed and a contract, or in this instance, change notice to our SWCAP contract is executed. After necessary financial information is obtained, approximately ten to twelve weeks will be necessary for preparation of the draft documents.

PAYMENT SCHEDULE

Payment will be due upon submission of the final report.

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

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

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

MAXIMUS Consulting Services, Inc.

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF
CORRECTIONS
FOR AN FY 12 COST ALLOCATION PLAN
AND INDIRECT COST RATE PROPOSAL**

DECEMBER 2012

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**PROPOSAL TO
THE MICHIGAN DEPARTMENT OF CORRECTIONS
FOR THE PREPARATION OF AN FY 12 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 12 Actual Departmental Cost Allocation Plan (DCAP) and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

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

STATEMENT OF PROBLEM

Prior to FY 2005, the Michigan Department of Corrections had not developed an indirect cost rate proposal, and as such, had not assessed indirect costs to federally funded programs. DOC now prepares and submits to the U.S. Department of Justice an annual cost allocation plan and indirect cost rate proposal based on actual expenditures for the year. Based upon these submissions, indirect cost rates were proposed for use in fiscal year 2012. 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, 2012. The FY 12 cost allocation plan will be used to finalize the FY 12 provisional rates, and to propose new rates for use beginning with FY 14.

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, 2012. The cost allocation plan will serve as the documentation for the indirect costs included in the indirect cost rate proposal. The cost plan will be prepared utilizing *MAXCars*, proprietary software developed by MAXIMUS for the specific purpose of preparing cost allocation plans.

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

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

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

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

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

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

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

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2012. 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 2012, and new rate for the fiscal year beginning October 1, 2013 will be proposed.

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

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

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

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

COMPENSATION

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

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

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

MAXIMUS Consulting Services, Inc.

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

DELIVERABLES

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

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

TIMING

MAXIMUS is prepared to begin preparation of the FY 12 cost allocation plan once we receive a contract change notice issued by the DTMB Office of Purchasing amending our SWCAP contract to include this project. Providing all information is available in a timely manner, it is anticipated that approximately 16 weeks will be required to complete a draft of the plan. After submitting the draft, we still need to review the plan with the Department financial staff, and prepare the plan for federal submission. This internal review process can sometimes take several weeks to complete. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months. MAXIMUS will make every attempt to expedite the process, but we must advise the Department that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87.

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

MAXIMUS Consulting Services, Inc.

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

MAXIMUS Consulting Services, Inc.

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

CHANGE NOTICE NO. 9

to

CONTRACT NO. 071B2200084

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR:		PRIMARY CONTACT	EMAIL	
Maximus Consulting Services, Inc. 935 North Washington Avenue Lansing, MI 48906		William Maxwell	billmaxwell@maximus.com	
		TELEPHONE	CONTRACTOR #, MAIL CODE	
		(517) 484-4240		
STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	DTMB-OFM	Paul McDonald	(517) 373-1039	mcdonaldp@michigan.gov
BUYER:	DTMB	Angela Buren	(517) 373-0325	burena@michigan.gov

CONTRACT SUMMARY:

DESCRIPTION: **CENTRAL COST ANALYSIS AND SWCAP PREPARATION – DTMB**

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS	CURRENT EXPIRATION DATE
January 1, 2012	December 31, 2014	2, 1 yr.	December 31, 2014
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
Net 45	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO

MINIMUM DELIVERY REQUIREMENTS:

N/A

DESCRIPTION OF CHANGE NOTICE:

OPTION EXERCISED: <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES	IF YES, EFFECTIVE DATE OF CHANGE: N/A	NEW EXPIRATION DATE: N/A
--	--	--------------------------

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

MDARD – FY 12 Cost Allocation Plan and Indirect Cost Rate Proposal	\$10,200.00
MSP – FY 12 Cost Allocation Plan and Indirect Cost Rate Proposal	\$18,000.00
Attorney General – FY 12 Cost Allocation Plan and Indirect Cost Rate Proposal	\$14,400.00
DEQ – FY 12 Central Services Cost Allocation Plan and Indirect Cost Rate Proposal	\$ 7,200.00
DOS – 2012 Cost Allocation Plan for Motor Vehicle Program	\$72,000.00
Total Value of Proposal:	\$121,800.00
Remaining Amount Available on Contract:	\$728,620.00

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

**PROPOSAL TO THE MICHIGAN
DEPARTMENT OF AGRICULTURE
AND RURAL DEVELOPMENT
FOR AN FY 12 COST ALLOCATION PLAN AND
INDIRECT COST RATE PROPOSAL**

OCTOBER 2012

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

**PROPOSAL TO
THE MICHIGAN DEPARTMENT OF
AGRICULTURE AND RURAL DEVELOPMENT
FOR PREPARATION OF THE
FY 12 ACTUAL
DEPARTMENTAL COST ALLOCATION PLAN**

MAXIMUS Consulting Services, Inc. (MAXIMUS) is pleased to present this proposal to the Michigan Department of Agriculture and Rural Development for the preparation and negotiation of the FY 12 Actual Departmental Cost Allocation Plan and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

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

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

BACKGROUND

The Michigan Department of Agriculture and Rural Development 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 Agriculture, a Departmental Cost Allocation Plan (DCAP) must be prepared in accordance with OMB Circular A-87, Cost Principles for State and Local Governments.

STATEMENT OF PROBLEM

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

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

DESCRIPTION OF SERVICES

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

1. Preparation of the DCAP based on actual costs for the year ended September 30, 2012. The DCAP will be prepared utilizing *MAXCARS*, software developed by MAXIMUS for the specific purpose of preparing cost allocation plans, and it will be consistent with the Department's most recent submission in that the same pools of indirect costs will be allocated. The following is a listing of the indirect cost pools and centrally budgeted items that we anticipate will be allocated. However, the cost pools will be amended as necessary to reflect FY 12 actual circumstances.

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

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2012. Actual FY 12 costs will be used to finalize current rates approved by USDA for use during fiscal 2012, and will also be used to propose new fixed or provisional rates for use in fiscal 2014. It is anticipated that fixed rates will be proposed, however the type of rate that will be proposed will be

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

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

PLAN DEVELOPMENT

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

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

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

After all the information is collected and any interviews conducted, our fieldwork will be completed. MAXIMUS consultants will then finalize the plan at our office. This minimizes any disruption to the normal operations of the Department. Upon completion of the plan we will develop the indirect cost rate proposal. The rate proposal will be used to finalize the FY 12 rate and to propose a single departmental rate for use in FY 14.

When the plan and departmental rate proposal are complete, we will present all the documents to the appropriate Department officials. After acceptance of the plan by the Department, we will submit the documents to the U.S. Department of Agriculture for review and approval. MAXIMUS will negotiate the plan with USDA personnel on behalf of the Department. We have negotiated several plans with the Washington D.C. regional office and therefore they are quite familiar with our plans and the quality of our work.

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

COMPENSATION

Our current contract with the State of Michigan for preparation of the Statewide Cost Allocation Plan (SWCAP) provides for additional departmental cost allocation projects to be completed as amendments to the original contract. We believe this project can be performed under the provisions of this contact. Based upon prior experience in preparing the plan for your Department, we anticipate that the project will require 85 hours to complete. At our standard hourly rate of \$120 we are prepared to quote a fixed fee of \$10,200, including all expenses incurred by MAXIMUS.

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

DELIVERABLES

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

FY 12 Actual Cost Allocation Plan & Indirect Cost Rate Proposal

TIMING

MAXIMUS is prepared to begin preparation of the cost plan and indirect cost rate proposal within 10 working days of approval by the Department. However, work cannot begin until the fiscal year is closed out and final financial reports are available. Once the necessary financial information is obtained, approximately twelve weeks will be

necessary for preparation of the draft documents. Upon review and approval of the draft, MAXIMUS will finalize the plan and prepare the submission to the U.S. Department of Agriculture. The anticipated submission date is June 30, 2013. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months. We will make every attempt to expedite the process, but we must advise the Department 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 Agriculture and Rural 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.

**PROPOSAL TO THE
MICHIGAN STATE POLICE
FOR AN FY 12 COST ALLOCATION PLAN
AND INDIRECT COST RATE PROPOSAL**

NOVEMBER 2012

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**Proposal to
The Michigan Department of State Police
For the Preparation of
The FY 12 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 12 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, 2012. 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 2012 actual circumstances.
2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2012. For fiscal 2012, the MSP has a fixed rate approved by Homeland Security. Actual costs will be used to determine appropriate carry-forward amounts from FY 12 and to propose a new rate for use during 2014.
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 2014.

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

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

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

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

COMPENSATION

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

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

DELIVERABLES

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

- FY 2012 Actual Cost Allocation Plan**
- FY 2012 Actual (Proposed 2014) 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 ATTORNEY GENERAL
FOR AN FY 12 COST ALLOCATION PLAN
AND INDIRECT COST RATE PROPOSAL**

OCTOBER 2012

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**Proposal to
The Michigan Attorney General
For Preparation of an FY 12 Actual
Cost Allocation Plan & Indirect Cost Rate Proposal**

MAXIMUS Consulting Services, Inc., a wholly owned subsidiary of MAXIMUS, Inc. (MAXIMUS) is pleased to present this proposal to the Michigan Attorney General (AG) for the preparation and negotiation of the FY 12 Actual Departmental Cost Allocation Plan and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

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

The Attorney General submitted a Cost Allocation Plan and an Indirect Cost Rate Proposal based on actual expenditures for the year ended on September 30, 2010. Based on this submission, the Department of Health and Human Services (HHS) approved provisional indirect cost rates for the Attorney General for FY 12.

Provisional indirect cost rates must be "finalized", or reconciled to actual costs, at the end of each year. As such, the Attorney General needs to prepare a cost allocation plan and indirect cost rate proposal based on actual costs for FY 12 and submit the plan to HHS for review and approval.

DESCRIPTION OF SERVICES

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

1. Preparation of the DCAP based on actual costs for the year ended September 30, 2012. The DCAP would be prepared utilizing *MAXCARS*, software developed by MAXIMUS for the specific purpose of preparing cost allocation plans. As much as possible, the plan will be prepared consistent with the Department's most recent submission in that the same pools of indirect costs will be allocated. However, the cost pools will be amended as necessary to reflect 2012 actual circumstances.
2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2012. Actual FY 12 costs will be used as the basis for establishing a new fixed or provisional rate for use in FY 14. The type of rate that will be proposed will be determined through discussions with Michigan Attorney General representatives during the course of the engagement.

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

PLAN DEVELOPMENT

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

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

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

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

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

negotiated numerous plans with HHS and therefore they are quite familiar with our plans and the quality of our work.

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

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

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

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

COMPENSATION

Based upon our experience in preparing the last submission, we anticipate that the project will require a total of 120 consultant hours to complete. At our standard hourly rate of \$120, we are prepared to quote a fixed fee of \$14,400 including all expenses incurred by us. Payment would be due upon delivery of the final bound report.

DELIVERABLES

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

FY 2012 Actual Cost Allocation Plan & Indirect Cost Rate Proposal

TIMING

Work cannot begin until the current fiscal year is closed and final financial reports are available. Therefore we do not anticipate a start date until sometime after January 1, 2013. After all necessary financial information is obtained, approximately three to four months will be necessary for completion of the draft. Preparation of the final report and their submission to the HHS will be at the discretion of the Department. Once submitted, negotiation and approval of the documents can take anywhere from several weeks to several months. We will make every attempt to expedite the process, but we must advise the Attorney General that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87.

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

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

MAXIMUS Consulting Services, Inc.

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF
ENVIRONMENTAL QUALITY
FOR AN FY 12 CENTRAL SERVICES COST
ALLOCATION PLAN AND
INDIRECT COST RATE PROPOSAL**

OCTOBER 2012

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**PROPOSAL TO
THE MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY
FOR PREPARATION OF THE FY 12
DEPARTMENTAL COST ALLOCATION PLAN
AND INDIRECT COST RATE PROPOSAL**

MAXIMUS Consulting Services, Inc. (MAXIMUS) is pleased to present this proposal to the Michigan Department of Environmental Quality for the preparation and negotiation of an FY 12 Actual Departmental Cost Allocation Plan and Indirect Cost Rate Proposal. The following information outlines the services we would provide and the associated costs.

BACKGROUND

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

STATEMENT OF PROBLEM

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

FY 12 rates were approved on a fixed with carry-forward basis. This requires that fixed indirect cost rates employed during a fiscal year be reconciled to actual cost at the end of the period. Differences between fixed rates and actual rates, or carry-forwards, are computed and incorporated into proposed rates for a future period.

DESCRIPTION OF SERVICES

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

1. Preparation of a DEQ departmental indirect cost allocation plan (DCAP) based on actual costs for the year ended September 30, 2012.
2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2012. The FY 12 proposal will be used to reconcile FY 12 rates and to propose a new rate for fiscal 2014.
3. Negotiation of the Indirect Cost Rate Proposal with the Department's Federal Cognizant Agency, the EPA in Washington, DC

PLAN DEVELOPMENT

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

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

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

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

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

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

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

COMPENSATION

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

DELIVERABLES

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

- **Cost Allocation Plan and Indirect Cost Rate Proposal - based on actual expenditures for the year ended September 30, 2012 and proposing fixed rates for DEQ for use fiscal 2014.**

TIMING

MAXIMUS is prepared to begin preparation of the cost plan and indirect cost rate proposal within 10 working days of approval by the Department of Environmental Quality. However, we cannot begin work until the 2012 fiscal year has been closed. After necessary financial information is obtained, approximately six to eight weeks will be necessary for preparation of the draft documents. Upon review and approval of the draft report, MAXIMUS will finalize the plan and prepare the submission to the US Environmental Protection Agency in Washington DC. The anticipated submission date is April 30, 2013. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months. MAXIMUS will make every attempt to expedite the process, but we must advise the Department of Environmental Quality that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87.

PAYMENT SCHEDULE

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

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

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

MAXIMUS Consulting Services, Inc.

**PROPOSAL TO THE
MICHIGAN DEPARTMENT OF STATE
FOR DEVELOPMENT OF THE
FISCAL 2012 COST ALLOCATION PLAN
FOR MOTOR VEHICLE PROGRAM**

DECEMBER 2012

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

**Proposal to
The Michigan Department of State
To Prepare the Fiscal 2012 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 2012. The following information outlines our qualifications, experience and information regarding the scope of services.

BUSINESS ORGANIZATION

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

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

BACKGROUND

The Department of State (DOS) has responsibility for administering Michigan's motor vehicle programs as provided in the Motor Vehicle Code, PA 300 of 1949. The DOS is designated to collect fees and taxes for all motor vehicle programs. The expenses incurred in the administration of motor vehicle programs are funded from a variety of sources, including a

significant portion from a grant appropriated from the Michigan Transportation Fund (MTF). It is necessary for the Department of State to 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 2012 information.

OBJECTIVES

1. The Michigan Department of State's primary goal for this project is to update the cost allocation model based upon fiscal 2012 financial and statistical information to determine the appropriateness of the MTF funding for the year.
2. Secondly, the Department wishes to have a cost of service analysis completed for various driver and vehicle services provided by the Department. This includes the development of a cost allocation model to accumulate the full cost, including indirect costs, associated with each service.
3. Finally, the Department wishes to include preparation and submission of a federal indirect cost rate in compliance with the provisions of OMB Circular A-87.

In order to achieve these goals, specific objectives or tasks must be completed. MAXIMUS has developed an approach that will achieve each goal above. A cost allocation plan will be designed to distribute costs to specific driver and vehicle service areas within the

Department. The cost allocation plan can therefore be used to determine the full cost of providing each service area. Those fee or service areas that relate to the Michigan Transportation Fund can be accumulated to determine the recommended level of MTF funding. In addition, a second cost allocation will be prepared that is designed to determine allowable federal indirect costs in compliance with federal standards. The tasks that MAXIMUS sees as necessary to meet the goals of the Department of State are outlined in the following section.

APPROACH AND WORKPLAN

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Task 7 - Prepare Final Report Regarding Other Funding Sources and User Fees. The cost allocation methodology provides the framework to address two other issues:

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

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

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

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

DELIVERABLES

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

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

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

EXPERIENCE AND QUALIFICATIONS

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

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

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

STAFFING

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

Financial Services Division from our Lansing, Michigan office. The Lansing staff has extensive experience in developing central services cost allocation plans and indirect cost rate proposals for agencies of the State of Michigan. The key members of the project team are as follows:

- William Maxwell - Mr. Maxwell is the director of the Lansing office of our Financial Services Division and will serve as the project manager. He will be responsible for overseeing and coordinating the development of all cost allocation plans, time studies and all other aspects of the project.
- Nick Bohac – Mr. Bohac is a consultant assigned to the Lansing office. He has worked with several State of Michigan agencies in preparing cost allocation plans. Mr. Bohac will be responsible for managing much of the actual preparation of the various cost allocation plans.

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

COMPENSATION

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

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

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

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

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

TIMING

MAXIMUS is prepared to begin work within 10 working days of the issuance of a contract by DOS. However we cannot begin the project until final financial reports are completed. Once we have financial reports, it is anticipated that approximately four to five months will be required to complete the draft report. Once the draft report is accepted by the Department of State, bound copies of the final report can be delivered within two weeks. Assuming a start date of April 1, final delivery is estimated to be approximately September 30, 2013. The federal indirect cost rate proposal will be submitted as soon as that task has been completed and accepted by the Department. It is anticipated that the federal proposal will be submitted by July 31, 2013. 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.