

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

COMPENSATION

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

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

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

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

DELIVERABLES

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

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

TIMING

MAXIMUS is prepared to begin preparation of the FY 11 cost allocation plan once we receive a contract change notice issued by the DTMB Office of Purchasing amending our SWCAP contract to include this project. Providing all information is available in a timely manner, it is anticipated that approximately 16 weeks will be required to complete a draft of the plan. After submitting the draft, we still need to review the plan with the Department financial staff, and prepare the plan for federal submission. This internal review process can sometimes take several weeks to complete. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months. MAXIMUS will make every attempt to expedite the process, but we must advise the Department that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87.

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

MAXIMUS Consulting Services, Inc.

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

MAXIMUS Consulting Services, Inc.

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

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

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

NATURE OF CHANGE(S):

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

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

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

AUTHORITY/REASON:

Per agency/Contractor agreement and DTMB-Procurement approval.

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

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

MAXIMUS Consulting Services, Inc. is pleased to present this proposal to the Michigan Department of Community Health for cost allocation services to be performed during 2012. This proposal includes preparation and negotiation of a Departmental Cost Allocation Plan and Indirect Cost Rate Proposal based on actual costs for the year ending September 30, 2011, as well as maintenance of the random moment sampling (RMS) system currently being utilized by Budget and Finance. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

STATEMENT OF PROBLEM

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

The Department of Community Health prepared and submitted to DHHS a cost allocation plan and indirect cost rate proposal based on actual expenditures for the year ending September 30, 2009. Based upon this proposal, DHHS issued a federal negotiation agreement approving provisional indirect rates for use during fiscal 2011. As the rates were approved provisionally, federal guidelines require that they be "finalized" or reconciled to actual cost to determine any over or under charges to Federal programs. Accordingly, the Department of Community Health

needs to submit a cost allocation plan and indirect cost rate proposal based on actual costs for fiscal year 2011. The FY 11 cost allocation plan will be used to finalize the FY 11 provisional rates, and to propose new rates for use during FY 13.

During 1997, the Department of Community Health installed a random moment sampling (RMS) system to document the direct charging to Federal programs of some of the divisions of Budget and Finance, including Accounting, Budget, Grants and Contracts. In order to directly charge costs to Federal programs, standards regarding time distribution as outlined in Attachment B, Section 11.h of A-87 must be met. RMS is specifically mentioned as a viable substitute system for the support of time distribution. RMS is an on-going system, which through periodic sampling over an extended period of time can accurately determine the work effort of a group of workers. In order to continue charging Federal programs in 2012, the Department of Community Health will need to continue to generate and tabulate sampling data on a quarterly basis throughout the year.

DESCRIPTION OF SERVICES

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

1. Preparation of the Department of Community Health DCAP based on actual costs for the year ending September 30, 2011. Organizational charts and financial information will be needed for this task. R*STARS reports will be required that will provide financial information at the appropriate level. Depending on the accounting structure, either program or organization reports will most likely be required. MAXIMUS consultants will review the program and org structure and work with the Accounting Section to determine which reports will need to be scheduled.

The plan will be prepared in a manner consistent with the FY 10 actual plan. Indirect costs will be identified and segregated into discrete cost pools. Selective allocations of each pool will be made by applying the allocation base most appropriate to each circumstance. The overall

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

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

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

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

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

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

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

COMPENSATION

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

- **Actual FY 11 DCAP** (Including indirect cost rate proposal and Federal negotiations) - We estimate the actual DCAP, rate proposal and negotiations will require approximately 200 hours to complete. Based on an hourly billing rate of \$120, including all administrative overhead costs, our proposed fee is a fixed amount of \$24,000.

- **2012 RMS Maintenance** - Based upon our experience during the past year, we anticipated 20 hours of consultant time per quarter to maintain the RMS system. Based on an hourly billing rate of \$120, including all administrative overhead, our proposed fee is a fixed amount of \$2,400 per quarter (\$7,200 for the three quarters included with this proposal).

- **TOTAL FOR YEAR - \$31,200 - including all expenses**

PAYMENT SCHEDULE

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

- **DCAP** - \$24,000 due upon completion and submission to the appropriate Federal cognizant agency.

- **RMS Maintenance** - \$7,200 total, billed quarterly at \$2,400.

DELIVERABLES

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

Actual DCAP Indirect Cost Rate Proposal

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

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

Quarterly service summary results

Quarterly service by activity summary results

Quarterly activity by service summary results

Quarterly listing of actual RMS responses

Cumulative year-to-date program results each quarter

TIMING

MAXIMUS is prepared to begin preparation of the DCAP when the fiscal year is closed out and financial reports are available. As such, we project a start date during January of 2012. It is anticipated that approximately three months will be required to complete a draft of the plan, with another four weeks for review of the plan with Department of Community Health administration, and preparing the plan for Federal submission. The projected submission date would be approximately June 30, 2012. However, every effort will be made to submit the plan at the earliest possible date.

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

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

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

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

MAXIMUS Consulting Services, Inc.

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

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

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

NATURE OF CHANGE(S):

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

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

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

AUTHORITY/REASON:

Per agency/Contractor agreement and DTMB-Procurement approval.

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

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

NOVEMBER 2011

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

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

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

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

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

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

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

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

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

DESCRIPTION OF SERVICES

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

- 1. Preparation of the DCAP based on actual costs for the year ended September 30, 2011, prepared in accordance with OMB Circular A-87.** The DCAP would be prepared using a "multiple rate" methodology, whereby indirect costs would be segregated into discrete cost pools and selective allocations of costs will be made by applying an allocation base most appropriate to each circumstance. The overall objective

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

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

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

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

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

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

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

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

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

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

COMPENSATION

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

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

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

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

TIMING

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

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

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

MAXIMUS Consulting Services, Inc.

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

JANUARY 2012

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

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

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

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

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

STATEMENT OF PROBLEM

The Court prepared and submitted to the Department of Health and Human Services (DHHS) its initial cost allocation plan and indirect cost rate proposal based on actual expenditures for the year ending September 30, 2000. Subsequent proposals have been submitted each year since. Based upon these prior submissions, the U.S. Department of Health and Human Services (DHHS) issued a federal negotiation agreement approving provisional indirect cost rates for use in FY 11. As the rates were approved provisionally, federal guidelines require that they be "finalized" or reconciled to actual costs to determine any over or under charges to Federal programs. Accordingly, the Court needs to submit a cost allocation plan and indirect cost rate proposal based on actual costs for the year ending September 30, 2011. The FY 11 cost allocation plan will be used to finalize the FY 11 provisional rates, and to propose new rates for use beginning with FY 13.

DESCRIPTION OF SERVICES

MAXIMUS proposes to provide the following services for the Michigan Judiciary:

1. Preparation of the cost allocation plan based on actual costs for the year ended September 30, 2011. The cost allocation plan will serve as the documentation for the indirect costs included in the indirect cost rate proposal. The cost plan will be prepared utilizing **MAXCARS**, proprietary software developed by MAXIMUS for the specific purpose of preparing cost allocation plans.

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

- **Determining the appropriate financial reports to be used.** MAXIMUS consultants will meet with agency financial staff to review the various R*STARS or other reports which are available. It will be necessary to select reports that roll-up or report on an organizational basis.
- **Reconciliation of the financial reports.** As salaries and wages will most likely be used as the direct cost basis upon which any indirect cost rate will be computed, it will be necessary to reconcile salaries and wages by organization within the Court.
- **Identifying the various indirect cost pools to be included.** Based upon a review of the financial reports, organizational charts and functional descriptions, various indirect cost pools will be identified. Selected indirect cost pools will be reviewed for allowability, and cost will be documented for inclusion in the cost plan.
- **Identification of Statewide Costs** - The cost plan also needs to include statewide costs allocated to the Judiciary in the Statewide Cost Allocation Plan (SWCAP). The appropriate federally approved SWCAP agreement will be reviewed and costs will be included in the cost plan.

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2011. Based upon the results of the cost plan, an indirect cost rate proposal will be computed. As stated earlier, indirect cost rates were approved by the Department of Health and Human Services in Dallas for use during FY 11. This proposal will calculate final rates for FY 11 and also propose new provisional rates for use by the Court in FY 13.

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

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

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

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

COMPENSATION

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

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

DELIVERABLES

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

Actual Cost Allocation Plan
Indirect Cost Rate Proposal

TIMING

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

12 weeks will be required to complete a draft of the plan, after which we still need to review the plan with the Court financial staff, and prepare the plan for federal submission. The projected submission date would be approximately June 30, 2012. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months. MAXIMUS will make every attempt to expedite the process, but we must advise the Court that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the procedures set forth in Circular A-87.

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

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

MAXIMUS Consulting Services, Inc.

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

JANUARY 2012

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

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

MAXIMUS Consulting Services, Inc. is pleased to present this proposal to the Michigan Economic Development Corporation (MEDC) for cost allocation services to be performed during 2012. This proposal includes preparation and negotiation of a Departmental Cost Allocation Plan and Indirect Cost Rate Proposal based on actual costs for the year ending September 30, 2011, as well as maintenance of the random moment sampling (RMS) system currently being utilized by some of the administrative programs of MEDC. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

STATEMENT OF PROBLEM

The MEDC was initially created by Executive Order 1999-1. MEDC is a public corporation created through an interlocal agreement between state and local governments. The State of Michigan's portion of the corporation is accounted for in the Michigan Strategic Fund (MSF). The Economic Development Corporation prepared and submitted to HUD a cost allocation plan and indirect cost rate proposal based on actual expenditures for the year ending September 30, 2009. Based upon this proposal, HUD issued a federal negotiation agreement approving provisional indirect rates for use during fiscal 2011. As the rates were approved provisionally, federal guidelines require that they be "finalized" or reconciled to actual cost to determine any over or under charges to Federal programs. Accordingly, the Economic Development Corporation needs to submit a cost allocation plan and indirect cost rate proposal based on actual costs for fiscal year 2011. The FY 11 cost allocation plan will be used to finalize the FY 11 provisional rates. The proposal will be used to only finalize FY 11 rates with HUD.

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

In October of 2011, the Economic Development Corporation installed a random moment sampling (RMS) system to document the direct charging to Federal programs of some of the divisions of the administrative office of MEDC. In order to directly charge costs to Federal programs, standards regarding time distribution as outlined in Attachment B, Section 11.h of A-87 must be met. RMS is specifically mentioned as a viable substitute system for the support of time distribution. RMS is an on-going system, which through periodic sampling over an extended period of time can accurately determine the work effort of a group of workers. In order to continue charging Federal programs in 2012, the Economic Development Corporation will need to continue to generate and tabulate sampling data on a quarterly basis throughout the year.

DESCRIPTION OF SERVICES

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

1. Preparation of the Economic Development Corporation DCAP based on actual costs for the year ending September 30, 2011. Organizational charts and financial information will be needed for this task. R*STARS reports will be required that will provide financial information at the appropriate level. Depending on the accounting structure, either program or organization reports will most likely be required. MAXIMUS consultants will review the program and org structure and work with the Accounting Section to determine which reports will need to be scheduled.

The plan will be prepared in a manner consistent with the FY 10 actual plan. Indirect costs will be identified and segregated into discrete cost pools. Selective allocations of each pool will be made by applying the allocation base most appropriate to each circumstance. The overall

objective is to allocate indirect costs consistent with the manner in which services are actually provided to programs and bureaus that benefit from the services.

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

3. Negotiation of the DCAP and Indirect Cost Rate Proposal with the Department's Federal cognizant agency. Once completed, the plan will be submitted to the appropriate Federal agency for approval. The cognizant federal agency of MEDC for FY 11 was the U.S. Department of Housing and Urban Development.

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

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

However, it should be noted that the annual maintenance does not include a redesign of the system to reflect any organizational or procedural changes requiring major modifications to

the allocation bases, programs or activities. Major changes to the original design of the system will be billed at our standard hourly rate.

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

COMPENSATION

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

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

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

PAYMENT SCHEDULE

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

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

DELIVERABLES

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

Actual DCAP
Indirect Cost Rate Proposal

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

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

TIMING

MAXIMUS is prepared to begin preparation of the DCAP when the fiscal year is closed out and financial reports are available. As such, we project a start date during February of 2012. It is anticipated that approximately three months will be required to complete a draft of the plan, with another four weeks for review of the plan with Economic Development Corporation administration, and preparing the plan for Federal submission. The projected submission date would be approximately June 30, 2012. However, every effort will be made to submit the plan at the earliest possible date.

Upon completion and federal submission of the plan and indirect cost rate proposal MAXIMUS will begin negotiations for approval. Based upon our experience, negotiation and approval of the documents can take anywhere from several weeks to several months. MAXIMUS will make every attempt to expedite the process, but must advise the Michigan Economic Development Corporation that the process can in some instances take up to a year. In any case, we are committed to securing the fairest possible negotiation agreement within the

procedures set forth in Circular A-87, and MAXIMUS is available to defend the plan against audit for a three-year period at no additional charge.

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

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

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

MAXIMUS Consulting Services, Inc.

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

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

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

NATURE OF CHANGE(S):

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

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

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

AUTHORITY/REASON:

Per agency/Contractor agreement and DTMB-Procurement approval.

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

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

JANUARY 2012

**CERTAIN PARTS OF THIS PROPOSAL MAY CONTAIN PROPRIETARY INFORMATION.
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**PROPOSAL TO
THE MICHIGAN DEPARTMENT OF TREASURY
FOR AN ASSESSMENT OF ITS COST ALLOCATION PLAN
FOR DETERMINING THE COST OF COLLECTING
TRANSPORTATION RELATED TAXES**

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

BACKGROUND

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

STATEMENT OF PROBLEM

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

DESCRIPTION OF SERVICES

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

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

Tax Policy – Hearings

Tax Policy – Special Taxes

Tax Policy – Tax Policy

Tax Processing – Return Processing

Revenue and Tax Analysis – Tax Analysis

Customer Service – Customer Contact

Tax Compliance – Discovery and Tax Enforcement

Tax Compliance – Field Audit 1

Tax Compliance – Field Audit 2

Office of Taxpayer Advocate

Departmental Services – Mail Operations

Departmental Services – Forms and Document Services

Financial Services – Collections

Financial Services – Receipts Processing

Information Technology

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

Finance and Accounting

Budget

Purchasing

Facilities

Departmentwide – Travel

Departmentwide – Rent

Departmentwide – Workers Compensation

Executive Direction

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

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

COMPENSATION

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

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

TIMING

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

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

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

MAXIMUS Consulting Services, Inc.

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

NOVEMBER 2011

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

MAXIMUS Consulting Services, Inc. is pleased to present this proposal to the Michigan Department of Licensing and Regulatory Affairs (LARA) for cost allocation services to be performed during 2012. This proposal includes preparation and negotiation of a Departmental Cost Allocation Plan (DCAP) and Indirect Cost Rate Proposal based on actual costs for the year ending September 30, 2011, as well as maintenance of the random moment sampling (RMS) system currently being utilized by the Bureau of Administrative Services. The following information outlines the services we would provide and the associated costs.

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

STATEMENT OF PROBLEM

The Michigan Department of Licensing and Regulatory Affairs annually submits a cost allocation plan and indirect cost rate proposal to the US Department of Labor. FY 11 rates were approved provisionally and federal guidelines require that they be "finalized" or reconciled to actual cost to determine any over or under charges to Federal programs. Accordingly, LARA will need to prepare a cost allocation plan and indirect cost rate proposal based on actual costs for FY 11. This plan will be used to finalize the FY 11 indirect cost rates and to establish a new rate for fiscal year 13.

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

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

DESCRIPTION OF SERVICES

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

1. Preparation of the DCAP based on actual costs for the year ending September 30, 2011. Organizational charts and financial information will be needed for this task. R*STARS reports will be required which will provide financial information at the appropriate level. Depending on the accounting structure, either program or organization reports will most likely be required. MAXIMUS consultants will review the program and org structure and work with the Finance Division to determine which reports will need to be scheduled.

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

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

4. *RMS maintenance and administration for calendar year 2012.* MAXIMUS will provide the following services necessary to maintain the RMS system currently utilized by the Bureau of Administrative Services:

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

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

EXPERIENCE AND QUALIFICATIONS

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

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

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

STAFFING

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

COMPENSATION

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

- **Actual FY 11 DCAP** (Including indirect cost rate proposal and Federal negotiations) -- We estimate the actual DCAP, rate proposal and negotiations will require 200 hours to complete. Based on an hourly billing rate of \$120, including all administrative overhead, our proposed fee is a fixed amount of \$24,000.
- **2012 RMS Maintenance** - Based upon our experience during the past year, we anticipated 30 hours of consultant time per quarter to maintain the RMS system. Based

on an hourly billing rate of \$120, including all administrative overhead, our proposed fee is a fixed amount of \$3,600 per quarter (\$14,400 annually).

- **TOTAL FOR YEAR - \$38,400 – Including all Expenses**

PAYMENT SCHEDULE

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

- **DCAP** - \$24,000 due upon completion and submission to the appropriate Federal cognizant agency. The plan cannot be completed until fiscal 2011 is closed out, and as such, the submission is not projected until approximately June 30, 2012.
- **RMS Maintenance** - \$14,400, billed quarterly at \$3,600.

DELIVERABLES

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

Actual DCAP

Indirect Cost Rate Proposal

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

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

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

TIMING

MAXIMUS cannot begin preparation of the DCAP until the fiscal year is closed out and final financial reports are available. As such we do not project a start date until sometime early next calendar year. It is anticipated that approximately six months will be required to complete a draft of the plan, review the plan with Department administration, and prepare the plan for Federal submission. The projected submission date would be approximately June 30, 2012.

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

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

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

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

MAXIMUS Consulting Services, Inc.

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

NOVEMBER 2011

MAXIMUS
HELPING GOVERNMENT SERVE THE PEOPLE™

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

INTRODUCTION

MAXIMUS Consulting Services, Inc. is pleased to present this proposal to the Michigan Department of State to develop a cost allocation plan for the purpose of documenting the cost of operating motor vehicle programs. The plan will be based on actual expenditure and statistical information for fiscal year 2011. The following information outlines our qualifications, experience and information regarding the scope of services.

BUSINESS ORGANIZATION

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

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

BACKGROUND

The Department of State (DOS) has responsibility for administering Michigan's motor vehicle programs as provided in the Motor Vehicle Code, PA 300 of 1949. The DOS is designated to collect fees and taxes for all motor vehicle programs. The expenses incurred in the administration of motor vehicle programs are funded from a variety of sources, including a

significant portion from a grant appropriated from the Michigan Transportation Fund (MTF). It is necessary for the Department of State to periodically examine the cost of operating motor vehicle programs, and to determine a cost allocation methodology to allocate costs across the various funding sources, in particular, the MTF.

STATEMENT OF PROBLEM

The Michigan Department of State receives substantial funding for the operation of various motor vehicle programs it administers from the Michigan Transportation Fund. The Department spends considerable resources to operate and administer these programs. Prior to 1996, the Auditor General of the State of Michigan found that the DOS did not have an adequate cost allocation methodology and could not substantiate the appropriateness of its allocation of costs to the MTF. During 1997, the DOS contracted with MAXIMUS to develop a cost allocation methodology. The original study was based upon fiscal 1996 cost and statistical data. The model has subsequently been updated by MAXIMUS each of the past fiscal years. The DOS now desires to have the allocation plan updated based upon fiscal 2011 information.

OBJECTIVES

1. The Michigan Department of State's primary goal for this project is to update the cost allocation model based upon fiscal 2011 financial and statistical information to determine the appropriateness of the MTF funding for the year.
2. Secondly, the Department wishes to have a cost of service analysis completed for various driver and vehicle services provided by the Department. This includes the development of a cost allocation model to accumulate the full cost, including indirect costs, associated with each service.
3. Finally, the Department wishes to include preparation and submission of a federal indirect cost rate in compliance with the provisions of OMB Circular A-87.

In order to achieve these goals, specific objectives or tasks must be completed. MAXIMUS has developed an approach that will achieve each goal above. A cost allocation plan will be designed to distribute costs to specific driver and vehicle service areas within the

Department. The cost allocation plan can therefore be used to determine the full cost of providing each service area. Those fee or service areas that relate to the Michigan Transportation Fund can be accumulated to determine the recommended level of MTF funding. In addition, a second cost allocation will be prepared that is designed to determine allowable federal indirect costs in compliance with federal standards. The tasks that MAXIMUS sees as necessary to meet the goals of the Department of State are outlined in the following section.

APPROACH AND WORKPLAN

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DELIVERABLES

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

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

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

EXPERIENCE AND QUALIFICATIONS

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

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

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

STAFFING

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

Financial Services Division from our Lansing, Michigan office. The Lansing staff has extensive experience in developing central services cost allocation plans and indirect cost rate proposals for agencies of the State of Michigan. The key members of the project team are as follows:

- William Maxwell - Mr. Maxwell is the director of the Lansing office of our Financial Services Division and will serve as the project manager. He will be responsible for overseeing and coordinating the development of all cost allocation plans, time studies and all other aspects of the project.
- Nick Bohac – Mr. Bohac is a consultant assigned to the Lansing office. He has worked with several State of Michigan agencies in preparing cost allocation plans. Mr. Bohac will be responsible for managing much of the actual preparation of the various cost allocation plans.

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

COMPENSATION

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

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

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

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

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

TIMING

MAXIMUS is prepared to begin work within 10 working days of the issuance of a contract by DOS. However we cannot begin the project until final financial reports are completed. Once we have financial reports, it is anticipated that approximately four to five months will be required to complete the draft report. Once the draft report is accepted by the Department of State, bound copies of the final report can be delivered within two weeks. Assuming a start date of April 1, final delivery is estimated to be approximately September 30, 2012. The federal indirect cost rate proposal will be submitted as soon as that task has been completed and accepted by the Department. It is anticipated that the federal proposal will be submitted by July 31, 2012. However, MAXIMUS has no control over the timing of the federal review and negotiations. We will make every effort to expedite the process, however we must advise the Department that negotiations generally require a minimum of three months and can often take as much as one year.

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

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

MAXIMUS Consulting Services, Inc.

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

OCTOBER 2011

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

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

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

BUSINESS ORGANIZATION

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

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

BACKGROUND

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

STATEMENT OF PROBLEM

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

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

DESCRIPTION OF SERVICES

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

1. Preparation of the DCAP based on actual costs for the year ended September 30, 2011. The DCAP will be prepared utilizing *MAXCARS*, software developed by MAXIMUS for the specific purpose of preparing cost allocation plans, and it will be consistent with the Department's most recent submission in that the same pools of indirect costs will be allocated. The following is a listing of the indirect cost pools and centrally budgeted items that we anticipate will be allocated. However, the cost pools will be amended as necessary to reflect FY 11 actual circumstances.

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

2. Preparation of the Departmental Indirect Cost Rate Proposal based on actual costs for the year ended September 30, 2011. Actual FY 11 costs will be used to finalize current rates approved by USDA for use during fiscal 2011, and will also be used to propose new fixed or provisional rates for use in fiscal 2013. It is anticipated that fixed rates will be proposed, however the type of rate that will be proposed will be determined through discussions with Michigan Department of Agriculture representatives during the course of the engagement.

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

PLAN DEVELOPMENT

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

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

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

After all the information is collected and any interviews conducted, our fieldwork will be completed. MAXIMUS consultants will then finalize the plan at our office. This minimizes any disruption to the normal operations of the Department. Upon completion of the plan we will develop the indirect cost rate proposal for the Michigan Department of Agriculture. The rate proposal will be used to finalize FY 11 rates and to propose a single departmental rate for use in FY 13.

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

EXPERIENCE AND QUALIFICATIONS

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

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

STAFFING

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

COMPENSATION

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

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

DELIVERABLES

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

**FY 11 Actual Cost Allocation Plan
& Indirect Cost Rate Proposal**

TIMING

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

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

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

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

MAXIMUS Consulting Services, Inc.