



Contract No.: 752-9228

Agreement to Supply: Indirect Cost Allocation Plan

This agreement, made and entered into this the _____ day of _____ 2006, is by and between the CITY OF FORT LAUDERDALE, a Florida municipality, City Hall, 100 North Andrews Avenue, Fort Lauderdale, FL 33301, hereinafter called the "City" and

Name of CONTRACTOR: MAXIMUS, Inc.

Address: 3800 Esplanade Way, Suite 300 City: Tallahassee State: FL Zip: 32311

A Corporation A Partnership An Individual Other: _____

authorized to do business in the State of Florida, hereinafter called the "Company" or "Contractor." Witnesseth that: Whereas, the City did advertise and issue a Request for Proposal (RFP) for supplying the requirements of the City for the items and/or service listed above for one (1) year, with four (4), one (1) year extension options and the Contractor submitted a proposal that was accepted and approved by the City.

Formal authorization of this contract was adopted by the City Commission on: December 6, 2005 Pur-11

Now, therefore, for and in consideration of the premises and the mutual covenants herein contained, the parties covenant and agree as follows:

1. The Company agrees to develop and prepare a detailed indirect cost allocation plan for the City's Finance Department according to the following specifications, terms, covenants and conditions:

a. The Request for Proposal containing General Conditions, Special Conditions, Specifications, addenda, if any, and other attachments forming a part of RFP Number 752-9228 and the Contractor's proposal in response, form a part of this contract and by reference are made a part hereof.

b. In construing the rights and obligations between the parties, the order of priority in cases of conflict between the documents shall be as follows:

- 1) This contract Form G-110, Rev. 12/00
- 2) The City's RFP and all addenda thereto
- 3) Contractor's proposal in response to the City's RFP

c. **Warranty:** The Company by executing this contract embodying the terms herein warrants that the product and/or service that is supplied to the City shall remain fully in accord with the specifications and be of the highest quality. In the event any product and/or service as supplied to the City is found to be defective or does not conform to specifications the City reserves the right to cancel that order upon written notice to the Contractor and to adjust billing accordingly.

d. **Cancellation:** The City may cancel this contract upon notice in writing should the Contractor fail to reasonably perform the service of furnishing the products and/or services as specified herein upon 30 days written notice. This applies to all items of goods or services.

e. **Taxes Exempt:** State Sales (#16-03-196479-54C) and Federal Excise (#59-600319) Taxes are normally exempt, however, certain transactions are taxable. Consult your tax practitioner for guidance where necessary.

f. **Invoicing:** Contractor will forward all invoices in duplicate for payment to the following: Finance Department, 100 N. Andrews Avenue, 6th Floor, Fort Lauderdale, FL 33301. If discount, other than prompt payment terms applies, such discount MUST appear on the invoice.

RECEIVED
10/24/06

RESEARCH

2. **Contract Special Conditions:** The following special conditions are made a part of and modify the standard provisions contained in this contract Form G-110.

3. **Contract Summary:**

- a. Attachments:
Maximus, Inc. response to the RFP, and a copy of the RFP document.

- b. Payment Terms: Per RFP

- c. Delivery: Per RFP

- d. Insurance: Yes No

- e. Performance Bond/Letter of Credit: Yes No

- f. Procurement Specialist's Initials: RE

4. **Contractor's Phone Numbers:** Office: 850-386-1101 Mobile: _____

5. **Contractor's Fax Number:** 850-386-3599

6. **Contractor's E-Mail Address:** richmclaughlin@maximus.com Website: www.maximus.com

City of Fort Lauderdale

By: _____
Director of Procurement Services (City Manager's Designee)

Date: 2/8/06

Assistant City Attorney (approved as to form)

Date: 1/18/16

Contractor/Vendor

Richard J. McLaughlin, MAXIMUS, INC
Name of Company Officer (please type or print)

By: Richard J. McLaughlin
Authorized Officer's Signature

Title: Senior Manager

Date: 2/16/06

SUSAN GRAY
Secretary (please type or print)

Attest: _____
Signature of Secretary

with the following information:

1. Name of the person
2. Address
3. Telephone number
4. Date of birth
5. Date of death

It is requested that you provide this information as soon as possible to the undersigned.

Very truly yours,
[Signature]

[Name]
[Address]
[City, State, Zip]

Enclosed for you are the following items:

1. [Item 1]
2. [Item 2]
3. [Item 3]

If you have any questions, please contact [Name] at [Phone Number].

Thank you for your cooperation.

Vendor: **MAXIMUS, Inc.**

PROPOSAL SIGNATURE PAGE

TO: The CITY of Fort Lauderdale, FL

The below signed hereby agrees to furnish the following article(s) or services at the price(s) and terms stated subject to all instructions, conditions, specifications addenda, legal advertisement, and conditions contained in the RFP. I have read all attachments including the specifications and fully understand what is required. By submitting this signed proposal I will accept a contract if approved by the CITY and such acceptance covers all terms, conditions, and specifications of this proposal.

Proposal submitted by: **Richard J. McLaughlin 08-30-2005**
(signature) (date)

Name (printed): **Richard J. McLaughlin** Title: **Senior Manager**

Company: (Legal Registration): **MAXIMUS, Inc.**

(CONTRACTOR, IF FOREIGN CORPORATION, SHALL BE REQUIRED TO OBTAIN A CERTIFICATE OF AUTHORITY FROM THE DEPARTMENT OF STATE, IN ACCORDANCE WITH FLORIDA STATUE §607.1501 (visit <http://www.dos.state.fl.us/doc/>)

Address: **3800 Esplanade Way, Suite 300**

CITY: **Tallahassee** State: **Florida** Zip: **32311**

Telephone No.: **850-386-1101** FAX No.: **850-386-3599**

E-MAIL: **richmclaughlin@maximus.com**



Does your firm qualify for MBE or WBE status In accordance with Section 1.08 of General Conditions? **MBE**
 WBE

ADDENDUM ACKNOWLEDGEMENT - Proposer acknowledges that the following addenda have been received and are included in his proposal:

<u>Addendum No.</u>	<u>Date Issued</u>
---------------------	--------------------

VARIANCES: State any variations to specifications, terms and conditions in the space provided below or reference in the space provided below all variances contained on other pages of RFP, attachments or proposal pages. No variations or exceptions by the Proposer will be deemed to be part of the proposal submitted unless such variation or exception is listed and contained within the proposal documents and referenced in the space provided below. If no statement is contained in the below space, it is hereby implied that your proposal complies with the full scope of this RFP.

Variances:

None

MAXIMUS, Inc.

Bid Contact **Susan Gray**
susangray@maximus.com
Ph 850-386-1101 x400

Address **ATTN: Susan Gray, Office Manager**
3800 Esplanade Way, Suite 300
Tallahassee, FL 32311

Bid Notes **SEE ATTACHED PROPOSAL. NOTE: Notified of Addendum for Change of Due Date (via email 09-01-2005).**

Item #	Line Item	Notes	Unit Price	Qty/Unit	Total Price	Attch.	Docs
752-9228-1-01	Completed Full Indirect Cost Plan	SEE ATTACHED PROPOSAL.	\$23,950.00	1 / each	\$23,950.00	Y	Y
752-9228-1-02	Computer Model	SEE ATTACHED PROPOSAL. \$12,500: License of Cost Allocation Software (includes first year maintenance of \$2,500). \$8,500: Software training.	\$21,000.00	1 / each	\$21,000.00		Y
752-9228-1-03	Negotiate the Plan	SEE ATTACHED PROPOSAL. No additional charge.	\$0.00	1 / each	\$0.00		Y
752-9228-1-04	Defend the Plan	SEE ATTACHED PROPOSAL. No additional charge.	\$0.00	1 / each	\$0.00		Y
Vendor Total					\$44,950.00		

MAXIMUS, Inc.

Item: Completed Full Indirect Cost Plan

Attachments

PROPOSAL_MAXIMUS Inc.pdf



City of Fort Lauderdale, Florida

Request For Proposal
For
Indirect Cost Allocation Plan

Bid Number: 752-9228

Presented By:

Richard McLaughlin
MAXIMUS, Inc.
3800 Esplanade Way, Suite 300
Tallahassee, FL 32311
Telephone: 850-386-1101

August 30, 2005



**PROPOSAL SIGNATURE PAGE
AND
TRANSMITTAL LETTER**

**Vendor Response Form
PROPOSAL SIGNATURE PAGE**

TO: The CITY of Fort Lauderdale, FL

The below signed hereby agrees to furnish the following article(s) or services at the price(s) and terms stated sub all instructions, conditions, specifications addenda, legal advertisement, and conditions contained in the RFP. read all attachments including the specifications and fully understand what is required. By submitting this : proposal I will accept a contract if approved by the CITY and such acceptance covers all terms, condition: specifications of this proposal.

Proposal submitted by: Richard J. McLaughlin 08-30-2005
(signature) (date)

Name (printed): Richard J. McLaughlin Title: Senior Manager

Company:

Registration): MAXIMUS, Inc.

**(CONTRACTOR, IF FOREIGN CORPORATION, SHALL BE REQUIRED TO OBTAIN A CERTIFICAT
AUTHORITY FROM THE DEPARTMENT OF STATE, IN ACCORDANCE WITH FLORIDA STATUE §607.1501
<http://www.dos.state.fl.us/doc/>**

Address: 3800 Esplanade Way, Suite 300

CITY: Tallahassee State: Florida Zip: 32311

Telephone No.: 850-386-1101 FAX No.: 850-386-3599

E-MAIL: richmclaughlin@maximus.com

Does your firm qualify for MBE or WBE status In accordance with Section 1.08 of General Conditions? MB
WBE

ADDENDUM ACKNOWLEDGEMENT - Proposer acknowledges that the following addenda have been received a included in his proposal:

Addendum No. Date Issued

VARIANCES: State any variations to specifications, terms and conditions in the space provided below or refere the space provided below all variances contained on other pages of RFP, attachments or proposal page variations or exceptions by the Proposer will be deemed to be part of the proposal submitted unless such varia exception is listed and contained within the proposal documents and referenced in the space provided below. statement is contained in the below space, it is hereby implied that your proposal complies with the full scope RFP.

Variances:

None



August 30, 2005

Electronically VIA RFP Depot

Mr. Richard Ewell, Procurement Specialist
Purchasing Division
City of Fort Lauderdale
Room 619, 6th Floor, City Hall
100 North Andrews Avenue
Fort Lauderdale, FL 33301

RE: PROPOSAL – RFP (BID) #752-9228 – INDIRECT COST ALLOCATION PLAN

Dear Mr. Ewell:

On behalf of MAXIMUS, I am pleased to submit this proposal as a response to the *City of Fort Lauderdale's Request for Proposal (Bid #752-9228) to prepare the Indirect Cost Allocation Plan*. MAXIMUS is also available under State Contract Number 973-001-00-1 for Management Skills. Text of this contract is available at http://www.myflorida.com/st_contracts/973001001/.

The services MAXIMUS will provide are as follows:

- Prepare the Fiscal Year 2005 Cost Allocation Plan based on OMB Circular A-87 Federal costing principles.
- Prepare the Fiscal Year 2005 Full Cost Allocation Plan.

We provide added value to our cost allocation engagements over and above the rote mechanical aspects associated with generating cost allocation plans. In this respect, we believe that a view of the City of Fort Lauderdale cost allocation structure from a fresh approach would be of great benefit. Our skills and experience in Florida have resulted in many millions in alternative revenue sources for state and local governmental entities over the past 21 years. We will review the City of Fort Lauderdale cost allocation structure from the standpoint of identifying revenue alternatives that may not be reflected in the current cost allocation structure.

Our unique qualifications for the proposed project include:

- Our experience in Florida over the past 21 years providing cost allocation services to many Florida cities and counties.
- Our preparation of over 1,800 cost allocation plans nationally.
- Our knowledge of cost allocation and negotiation from working with over 250 state agencies across the country and preparing 32 statewide cost allocation plans annually during the last five years.



In addition, several factors distinguish MAXIMUS from other small firms and sole proprietors:

- Government consulting and cost allocation is the core of our business, and we are the national leaders in the field of indirect cost and cost allocation plan preparation.
- MAXIMUS is the largest firm providing consulting services to the non-defense public sector and, therefore, has the staying power to serve our clients year in and year out.
- We are the nation's leading firm in negotiating cost allocation plans with federal agencies having successfully negotiated nearly 50,000 state and local cost allocation plans since our inception in 1975.

As a firm, we have over 5,400 employees in more than 265 offices across the country. MAXIMUS annually serves thousands of state and local government jurisdictions by providing cost allocation plans, indirect cost rate proposals, user fee studies, impact fee/special assessment studies and privatization studies for a variety of government and non-profit agencies.

Because of MAXIMUS' tenure in the field of cost allocation and general government cost management services, we are the preeminent firm in this area. It is this national expertise, along with our local governmental expertise, that will ensure the City of Fort Lauderdale a successful engagement.

MAXIMUS' focus is providing services to the public sector and at the core of our service provision are cost allocation plans. Because we have focused on cost allocation longer than other firms, we have more experience both in the development and negotiation of cost allocation plans. We have also safeguarded our clients from potential audit findings through enhancement of costing methodologies in order to comply with federal regulations and their interpretations.

It should be noted that MAXIMUS developed the first computerized cost allocation system for government. Our proprietary cost allocation software, MAXCARS, is the result of over 10 years of continuous development and refinement. Unlike other spreadsheet cost allocation applications, our system has been designed specifically for indirect cost allocation plan preparation. MAXCARS allows us to evaluate alternative allocation bases and to quickly assess the impact of changes during the negotiation process. The MAXIMUS methodology and computerized double step down cost allocation system has been reviewed and accepted by all cognizant agencies to which our plans have been submitted. The MAXCARS software can be available through an annual software license agreement.



All aspects of RFP #752-9228 and this proposal are binding for the duration of the contract term if this proposal is selected and a contract is awarded. Additionally, the contract may be renewed by mutual written agreement of the City of Fort Lauderdale and MAXIMUS under the same prices, terms and conditions. To the best of our knowledge, the retention of MAXIMUS will not result in a conflict with any party.

A general scope of services and work plan is attached to identify the tasks that will be involved in performing the cost revenue study.

Questions regarding this proposal or about contract issues should be directed to:

Mr. Richard J. McLaughlin, Project Manager
Cost Services Division
MAXIMUS, Inc.
3800 Esplanade Way * Suite 300
Tallahassee, FL 32311
Phone: (850) 386-1101 * Fax: (850) 386-3599
E-mail: richmclaughlin@maximus.com

If selected, MAXIMUS is prepared to commit all necessary resources to successfully complete the project tasks and deliverables. MAXIMUS will assume sole responsibility and dedication for completion of this project.

We appreciate the opportunity to offer services to the City of Fort Lauderdale for this important project. We look forward to answering questions, providing any additional requested information and remaining available to meet should clarification become necessary.

Sincerely,

Richard J. McLaughlin
Project Manager
Cost Services Division
MAXIMUS, Inc.
richmclaughlin@maximus.com



PROPOSAL PAGES ~ PART I

COST INFORMATION



PROPOSAL PAGES ~ PART I ~ COST INFORMATION

Cost to the City

The following table shows the proposed "fixed, not-to-exceed" fee for development of the Fiscal Year 2005 Cost Allocation Plans and includes the Option of Renewal for four (4) additional twelve (12) month periods.

PLAN	AMOUNT (\$)
Fiscal Year 2005 OMB Circular A-87 and Full Cost Plan	\$ 23,950
Fiscal Year 2006 OMB Circular A-87 and Full Cost Plan	\$ 23,950
Fiscal Year 2007 OMB Circular A-87 and Full Cost Plan	\$ 24,900
Fiscal Year 2008 OMB Circular A-87 and Full Cost Plan	\$ 25,900
Fiscal Year 2009 OMB Circular A-87 and Full Cost Plan	\$ 26,900
License of Cost Allocation Software (includes first year maintenance of \$2,500)	\$ 12,500
Software Training	\$ 8,500

Additional services to assist City departments in other cost-related projects will be provided at the standard hourly rate listed in the State Contract of \$150.00 per hour.



PROPOSAL PAGES ~ PART II

TECHNICAL INFORMATION



PROPOSAL PAGES ~ PART II ~ TECHNICAL INFORMATION

MAXIMUS Profile

MAXIMUS was founded to provide public sector agencies specialized services in the field of indirect cost recovery. In 1982 we extended our service offering to include user fee studies and general cost management consulting. We currently operate from 149 offices in thirty-four states. The firm employs over 300 professionals and annually serves over 1,800 state and local government jurisdictions by providing cost allocation plans, indirect cost proposals, user fee studies, impact fee/special assessment studies and privatization studies for a variety of government and non-profit agencies.

Because of MAXIMUS tenure in the field of cost allocation and general government cost management services, we have become the preeminent firm in this area. It is this national expertise along with our State of Florida city and county expertise of our Tallahassee Office that will ensure the City of Fort Lauderdale the most successful engagement possible. The Tallahassee project team assembled for this engagement has conducted over 50 Cost Allocation Plans, User Fee Evaluations and Alternative Financing Studies in Florida.

MAXIMUS in the past year has developed more Cost Allocation Plans, User Fee Studies and Revenue Enhancement in the state of Florida than all of our competitors combined. In every study conducted, the following issues have been addressed:

- Identification of the costs incurred by Cities and Counties to provide specific services;
- Recommendations as to the most practical means for funding these services; and
- Sound guidance as to policy formulation regarding the implementation of all recommendations.

MAXIMUS approach to project management is designed to ensure the highest level of success and economy for our clients. This engagement and all of its phases will be managed and directed from the Tallahassee Office of MAXIMUS. Our computer support and analysis resides in Tallahassee so that immediate access to data or client information can be maintained. This proximity to the engagement will guarantee the City of Fort Lauderdale the same continued high level of responsiveness that all clients within Florida receive.



MAXIMUS Experience

MAXIMUS experience in the State of Florida began in 1979 and continues to the present. We have completed work in 55 of the 67 counties. Due to our long-standing relationship and commitment with the State, MAXIMUS maintains 12 local office locations, with over 100 employees assigned to work and live in the State of Florida.

Over the past 21 years, MAXIMUS has carried out more than 750 projects for Florida counties, cities, court systems, universities, and airport authorities. The following table provides a break down of our experience with Florida Counties. These projects include cost allocation plans, child support enforcement studies, and many other different studies for state and local governments. The majority of these studies are partially if not totally related to issues pertaining to Office of Management and Budget A-87. This incredible amount of experience provides us with the background to address innumerable questions that may arise as we perform the tasks contemplated in the proposal. Moreover, no consulting firm has prepared and negotiated more cost allocation and indirect cost rate proposals, as has MAXIMUS. Additionally, the project team we propose to work with Court Clerks has dealt with A-87 cost allocation issues a combined total of more than forty years.

In response to the requirement on the RFP to provide information with respect to experience, below is a summary of our direct experience in providing consulting services to state and local governments in Florida alone for the development and implementation of cost allocation plans and a summary of our experience in providing consulting services to state and local governments for other services, including child support enforcement programs.

County Client	Services
Florida Association of Counties	Review Medical Billing
	CAP- Agreement
	FEMA – Disaster Grants Management
	Compensation Studies for the Counties of Liberty, Jackson, Walkulla, Washington, Walton, and Holms
Alachua County	Facilities Location Study
	Operation Review
	Cost Allocation Plan
	User Fee Assessment
	User Fee Study
	Fleet Management Study
	Regional Library District Long Range Plan
	Diagnostic Appraisal
	Communications Study
	Jail Organization
Bay County	Child Support Financial Review/Analysis
	Cost Allocation Plan
	Develop Solid Waste DER 17-708 Full Cost
	Reporting Methodology, Forms and Report
	User Fee Study
Brevard County	Water/Wastewater Study
	Facility Surcharge Study
Broward County	Cost Allocation



County Client	Services
	User Fee Study Environmental Service Departmental Overhead Allocation Review EMS Study EMS Non-Ad Valorem Assessment EMS Services Study Fire Station Locations Compensation and Classification Study for Court Administrator and Sheriff's Office
Charlotte County	Cost Allocation Plan User Feed Study Non-Ad Valorem Assessment Fire Non-Ad Valorem Assessment Fire Study
Citrus County	Compensation and Classification Study
Collier County	Compensation and Classification Study (Tax Collector)
	Road Department Non-Ad Valorem Assessment
	Stormwater Utility Rate Study
	Compensation and Classification Study (Sheriff's Office)
Columbia County	Waste Management
	Cost Allocation Plan
De Soto County	Cost Allocation Plan
Escambia County	Operations Review – Road Department and Growth Management
	EMS Study
	Cost Allocation Plan
Flagler County	Cost Allocation Plan
Gadsden County	Develop Impact Fees for Departments of Road, EMS and Correction
Hardee County	Cost Allocation and Recovery Plan
Hendry County	Cost Allocation and Recovery Plan
Hernando County	Cost Allocation Plan
	Water/Waste Water Study
	Solid Waste Disposal System
	Rate Study
	Public Works Study
Highlands County	Cost Allocation and Recovery Plan
Hillsborough County	Cost Allocation Plan
	Cable Performance Audit
	Civil Service Performance Audit
	Animal Services Department Performance Audit
	Child Support Financial Review/Analysis
	Cross Organizational Study
	Animal Control Study
	Cross Planning Study
Indian River County	User Fee/Operations Study
	Review/Consolidation Study
	Parks and Recreation
Lafayette County	Alternative Revenue Study
Lake County	Service Cost Assessment
	Fire Non-Ad Valorem Assessment
	Fire Rescue Assessment
	Compensation and Classification Study
Lee County	Cost Allocation Plan
	User Fee Study
	Data Processing Cost Allocation Plan
	Sheriff's Jail Rate Study
	Impact Fee Administration Cost Study
Leon County	Cot Allocation Plan
	User Fee Study
	Management Information Systems Internal Service Fund Methodology Study



County Client	Services
	Clerk of Courts Cost Allocation Plan OMB Inventory of Existing Charges Fire Rescue Assessment
Madison County	Fire, EMS and Solid Waste Non-Ad Valorem Assessment
Manatee County	Cost Allocation Plan EPA Rate Proposal User Fee Study/Pollution Control User Fee Study/Environmental Health User Fee Study/Public Health Unit User Fee Study Capital Projects Overhead Rate Study Public Works Project Accounting Review Child Support Financial Review/Analysis
Marion County	Cost Allocation Plan User Fee Study Non-Ad Valorem Cost Allocation
Martin County	Cost Allocation Plan User Fee Study
Miami-Dade County	General Fund Reimbursement Study Develop Solid Waste DER 17-708 Full Cost Reporting Methodology, Forms and Report FEMA – Disaster Grants Management Ground Water Protection Cost Analysis Metro Dade Solid Waste Cost Analysis Metro Dade Fire Rescue Assessment
Miami-Dade County Schools	FEMA – Disaster Grants Management
Monroe County	Cost Allocation Plan
Nassau County	Cost Allocation Plan User Fee Study Landfill Study Personnel Study/Clerk of Circuit Court MSBU Assessment Study Solid Waste Contract Study DER 17-708 Solid Waste Full Cost Accounting Compensation and Classification Study for Board of County Commissioners Compensation and Classification Study for Clerk of County Courts
Okaloosa County	Cost Allocation Plan User Fee Study Landfill Study Personnel Study/Board of County Commissioners Personnel Study/Clerk of Circuit Court Operations Review (Water and Sewer) Training for NGCSII Software
Okeechobee County	User Fee-Growth Management Non-Ad Valorem Assessment Management Study Cost Allocation Plan Compensation and Classification Study Waste Management Study User Fee Study
Orange County	Cost Allocation Plan User Fee Assessment Child Support Financial Review/Analysis Service Cost Evaluation Compensation and Classification Study for the Sheriff's Office Compensation and Classification Study (School District)
Osceola County	Cost Allocation Plan



County Client	Services
	Performance Measurement Study
	MSBU Assessment Study
	Waste Management Study
Palm Beach County	Cost Allocation Plan
	User Fee Assessment
	User Fee Study
	Service Cost Evaluation
	Cost Allocation Plan and Federal Marshall's 243 Report
	Compensation and Classification Study for Clerk of the Circuit Courts
	Compensation and Classification Study for Health Care District
	Compensation and Classification Study for Waste Authority
	Compensation and Classification Study for Sheriff's Office
Pasco County	Cost Allocation Plan
Pinellas County	Cost Allocation Plan
	Fleet Maintenance
	Data Processing Study
	User Fee Study/Clerk of Courts
	Telecommunications Charge Back System
	Fleet Management Study
	Sheriff's Staffing Study
Pinellas County Sheriff	Departmental Cost Allocation Plan
	Service Cost Evaluation
Polk County	Fire Rescue Assessment
	Cost Allocation Plan
	User Fee Study
	Stormwater Utility Rate Study
	Indirect Cost Allocation Plan For Sheriff's Office
	Indirect Cost Allocation Plan for Sheriff's Office
	Compensation and Classification Study for the Board of County Commissioner, sheriff's Office
	Compensation and Classification Study for Clerk of Courts, Court Administrator, Property Appraiser, Supervisor of Elections Tax Collector, and Opportunity Council
	Job Descriptions with Americans with Disabilities
	Act Compliance Readiness Criteria for Selected Positions and Fair Labor Standards Act Status of Sheriff's Office Employees
Putnam County	Non-Ad Valorem Assessment
St. Johns County	Cost Allocation Plan
	Service Cost Evaluation
Sarasota County	User Fee-Land Development
	Cost Allocation Plan
	User Fee Study
	Data Processing Cost Allocation and Recovery
	Impact Fee Administration Cost Study
	Develop Solid Waste DER 17-708 Full Cost
	Reporting Methodology Forms and Reports User Fee-Bldg. And Operations Division Review
	Fire Rescue Non-Ad Valorem Assessment
	User Fee Study-Transportation/Planning Department



County Client	Services
	Construction Service Fee Study
	User Fee Study (Labor and Equip, Rates)
	Service Fees Assessment
	Fire Study
Sarasota County Sheriff	Cost Allocation Plan and Federal Marshall 243 Report
St. Lucie County	Cost Allocation Plan
	Building Department Study
Suwannee County	Financial Management Assistance
Taylor County	Solid Waste Non-Ad Valorem Assessment
	Fire Non-Ad Valorem Assessment
Wakulla County	Cost Allocation Plan
	DER 17-708 Solid Waste Full Cost Report
	Solid Waste Study
	Curbside collection Feasibility
Walton County	Solid Waste Study
	EMS Non-Ad Valorem Assessment Study
	Cost Allocation Plan
	Child Support Financial Review/Analysis
Washington County	Cost Allocation Plan

State of Florida Experience

MAXIMUS has an unparalleled understanding of the functions and business processes of Florida State government. MAXIMUS clients in Florida have included state and county agencies, school districts, universities, and courts. The projects have encompassed cost allocations, revenue maximization work, user fee studies, operations improvement projects for State health services and other programs, a wide range of systems planning and software installation/support projects, managed care organization claim dispute resolution child support enforcement services, among others. The following table is a representative list of our current and past work project experience in the State of Florida.

Project Title	State Agency	Service Provided
Hollywood 2001 Contract Task #3 and Hollywood Florida Contract 2001 - Task Order	City of Hollywood Florida	MAXIMUS is conducting a study that involves the delineation of city and resident objectives, evaluation of several rate alternatives and the identification of policy issues, which needed to be resolved before a multi-year rate could be determined.
Florida State University F&A Rate Project	Florida State University, Sponsored Research Accounting Services	Florida State University requested the use of the MAXIMUS Web-based Space Survey to conduct the A-21 space survey.
NICA Technical Assistance – Revenue Services	Birth Related Neurological Injury Compensation Association	The Birth Related Neurological Injury Compensation Association (NICA) is a quasi Florida state agency charged with keeping OB/GYN medical malpractice insurance premiums under control by providing direct compensation to parents for birth related neurological injuries.
Florida Agency for Workforce Innovation (AWI) One-Stop	Florida Agency for Workforce Innovation	MAXIMUS reviewed the State's compliance with Workforce Investment Act (WIA) requirements for cost allocation plans and resource sharing agreements.



Project Title	State Agency	Service Provided
Annual Support Renewal for Escambia County, Florida	Escambia County, Florida	MAXIMUS is providing annual support renewal for Escambia County, Florida for Courtview and Uniface for the Criminal and Civil courts.
Children's Medical Services Area Office Operation's Analysis and Recommendations	Florida Department of Health	MAXIMUS is analyzing the operations of the Children's Medical Services Network (CMSN) program.
Child Net Services/Florida Children's Home Society, Florida State University (FSU)	Florida Child Welfare	MAXIMUS is sub-contracting with FSU to develop a model child welfare program in the Miami district of the Florida Department of Children and Families. In addition, MAXIMUS is developing a child tracking system to help integrate several state systems.
School-Based Medicaid Services	Brevard County Florida School Board	MAXIMUS is providing Medicaid consulting services to the District. Tasks include developing a unified position with state and federal agencies; implementing a workable and effective program for accessing and maximizing federal Medicaid revenues; initiating and assisting the school district with enrollment as a Medicaid provider; assessing existing documentation and controls for compliance; developing a claiming process; and designing, developing and implementing software to operate and monitor necessary billing functions.
Osceola Performance Measures	Osceola County, Florida	MAXIMUS developed a performance measurement system for the County's government.
JuryView Implementation Project for the Sarasota County Court	Sarasota County, Florida	MAXIMUS is providing software license fees, implementation services, project management, and travel to implement JuryView for the Sarasota County Courts.
Florida Partnership for School Readiness a Simplified Point of Entry (SPE) System	State of Florida	MAXIMUS prepared a Statement of Work and a detailed Work Plan for a Simplified Point of Entry and Unified Waiting List system.
Florida Electronic Benefit Transfer (EBT) Quality Assurance Services	State of Florida Contracting Officer Ms. Connie Reinhardt	MAXIMUS provided technical and quality assurance services to support and assist the EBT project team in reprourement and renegotiation activities for the State of Florida's comprehensive EBT/EFT services.
Simplified Point of Entry - Unified Wait List (SPE/UWL) Project Management and Implementation Support	AWI-Partnership for School Business	MAXIMUS assisted in obtaining a vendor to develop the SPE/UWL.
Florida Healthy Kids Corporation (FHKC) Consulting Engagement	Florida Healthy Kids Corporation (FHKC)	MAXIMUS conducted a study of the eligibility determination process for the Florida KidCare program and issued a written report and made an oral presentation to the FHKC board.
State of Florida Advanced Document Planning Update (ADPU)	State of Florida, Department of Revenue	MAXIMUS assisted with the development of the ADPU for system related Personal Responsibility Work Opportunity Reconciliation Act of 1996 (PRWORA) and conditional Family Support Act (FSA) certification projects.
Florida Department of Revenue Policy and Procedures	Florida Department of Revenue	MAXIMUS developed and updated the Florida Child Support Enforcement Policy and Procedures Manual.



Project Title	State Agency	Service Provided
Florida Department of Education Project Management Services	Florida Department of Education	MAXIMUS served as temporary project manager and liaison for the Florida State Student Financial Aid Database Project.
Florida Healthy Kids Business Continuity and Contingency Plan (BCCP)	Florida Healthy Kids	MAXIMUS developed a business continuity and contingency plan (BCCP) for Florida Healthy Kids.
Payment Eligibility Assessment	Florida Department of Revenue	MAXIMUS provided data purification services to the Department's Child Support Enforcement Program. These services were designed to clean up the program's automated records so as to release child support collections to the appropriate party.
State of Florida Automated Fingerprint Identification System	Florida Department of Health and Rehabilitative Services	MAXIMUS assisted with planning and design of the Automated Fingerprint Identification System (AFIS) pilot system. This work entailed identification of system functional requirements and development of a general AFIS system design.
Technical Consulting Services for Florida's Project on Updating Child Support Orders	Office of Child Support Enforcement, Florida Department of Health and Rehabilitative Services	MAXIMUS assisted with establishing a proactive, streamlined process for modification of support for existing orders meeting certain criteria.
Florida EBT Systems Implementation Management	Florida Department of Health and Rehabilitative Services	MAXIMUS provided management expertise and technical assistance for its Electronic Benefits Transfer (EBT) System.
Pediatric Hospital Database For Florida	Nemours Children's Clinic	MAXIMUS produced a computerized data file containing hospital patient admissions in the 0 to 18 year old range.

Revenue Maximization and Other Financial Services

MAXIMUS has completed several revenue maximization or other financial services consulting projects for Florida state agencies over the past 15 years. These include a federal revenue maximization project for the former Department of Health and Rehabilitative Services several years ago that produced \$25 million in additional Federal funds owed to the Department. They also include projects for 25 Florida school districts in which we have recovered more than \$50 million in Federal funding through Medicaid service billing or administrative claiming on their behalf.

Our project work also includes preparing and negotiating approvals of federal cost allocation plans for several Florida state agencies over the years, including the Florida Department of Labor and Employment Security, the Florida Agency for Workforce Innovation, the Florida Department of Juvenile Justice, Florida Department of Environmental Protection, and the Florida Auditor General's Office. In addition, MAXIMUS has worked with the State Office of Planning and Budget to help develop the statewide cost allocation plan. We also have a long history of performing cost allocation or cost study work with almost every major city and county in Florida.

Descriptions of a few of our revenue maximization or financial services projects for Florida state agencies follow.



Florida Agency for Workforce Innovation Cost Allocation Plan Review and Training Project

Client: State of Florida Agency for Workforce Innovation

Period of Performance: July 2002 – October 2002

Results: Cost allocation plans and resource sharing agreements that meet federal standards

MAXIMUS provided the Florida Agency for Workforce Innovation with an assessment of its compliance with federal Workforce Investment Act cost allocation plan and resource sharing requirements, and training services to correct identified weaknesses. Our efforts included reviewing the current plans and agreements of the State's 24 regional workforce boards (RWBs), identifying weaknesses, developing "best practice" recommendations, providing training to the RWBs, and subsequently reviewing plans and agreements submitted by the RWBs for 2003.

Florida Department of Juvenile Justice Cost Allocation Project

Client: State of Florida Department of Juvenile Justice

Period of Performance: 1995 - 1996

Results: \$12 Million

MAXIMUS was hired by the then-new Florida Department of Juvenile Justice in 1995 to improve federal funding levels for juvenile justice program costs by reviewing and revising its cost allocation methodology and by installing an automated random moment sampling (RMS) system to support administrative claim development. MAXIMUS modified the cost allocation methodology to allow claiming of Title IV-A/Emergency Assistance funds. We also designed, implemented, and negotiated federal approval of an RMS system for the new agency, which also increased federal funding for juvenile justice programs. Our work on this project produced an additional \$12 million in funding for DJJ.

Florida Title IV-E Revenue Maximization Project

Client: State of Florida Department of Health and Rehabilitative Services

Period of Performance: 1988 - 1989

Results: Cost allocation plans and resource sharing agreements that meet federal standards

MAXIMUS conducted a project to obtain additional federal revenue for the former Florida Department of Health and Rehabilitative Services in 1988. The focus of the project was on increasing federal Title IV-E funding levels for child welfare program costs. Through changes in the eligibility determination process, agency cost allocation plan, and claim preparation procedures, MAXIMUS produced \$23 million in additional federal funds for the agency.



Other Revenue Related Projects

MAXIMUS has conducted several other projects that involve revenue recovery, debt collection, or other financial services. These include the following:

- Several projects, and software, for Florida state universities to develop Facilities and Administration Rate determination projects and software -- required to obtain federal research grants
- Various services related to child support enforcement for the Florida Department of Revenue, including clearing of a case backlog, a data clean-up project, and development and updating of the Florida Child Support Enforcement Policy and Procedures Manual (1997-2000 timeframes)
- Projects and software to accomplish asset valuation for the Florida Department of Commerce, Florida Department of Management Services, and several Florida universities, airports, counties, and cities
- A study of Medicaid revenue enhancement opportunities for the Florida Department of Health and Rehabilitative Services (1989- 1990 timeframe)
- A project to design and develop Title IV-E orientation and eligibility determination training for the Florida Department of Health and Rehabilitative Services, in conjunction with Florida State University (1989-1990)
- A specialized Medicaid TPL project for the Florida Department of Health and Rehabilitative Services (1990)

These projects provide further evidence of our existing familiarity with Florida program financing.

Operations Improvement Projects

Many states – including Florida – have turned to MAXIMUS for help in improving the operations of their programs, particularly in the health and human services areas. These projects add to our qualifications for state agency revenue work by building our understanding of state program policies and business procedures. Examples of several of our operations improvement projects follow.

Florida Developmental Services Waiver Prior Service Authorization Project

Client: State of Florida Department of Children and Families

Period of Performance: 2001 – Present

Results: Identified \$10 Million in unnecessary services requested for DD clients in the first year of operation

MAXIMUS was contracted by the Florida Department of Children and Families in 2001 to design and implement a Prior Service Authorization process for its Developmental Services Home and Community-Based Services Medicaid Waiver, in accordance with requirements set forth by the Department and the Agency for Health Care



Administration. The purpose of the prior service authorization review is to ensure that the services identified on an individual's support and cost plans provide medically necessary services that are appropriate to meet identified needs.

We first developed the necessary medical necessity definitions, the review selection criteria, and the operating guidelines for the program. We then assembled and trained review staff, trained developmental disabilities program support coordinators and district staff across the State on the new program, and began operations. On an ongoing basis, the MAXIMUS PSA project now is performing the following activities.

- Conducting comprehensive reviews of all cost plans within the state that 1) have a total cost of services that exceeds the average cost of ICF/DD services in Florida, 2) contain one or more services with a cost exceeding the statewide average, or 3) contain combinations of services that could be duplicative.
- Issuing Due Process notifications to individuals/families when determinations result in termination, denial, or reduction of services.
- Coordinating with the Florida Attorney General's Office when Medicaid Fair Hearings are requested and providing expert witnesses on the Department's behalf.
- Providing regular reports to the Department regarding completed reviews, cost efficiencies and related issues.

Florida Children's Medical Services Re-Engineering Project

Client: State of Florida Department of Health

Period of Performance: September 2002 – Present

Results: Project in progress

MAXIMUS was hired in September 2002 to analyze the operations of the Children's Medical Services Network (CMSN) program for the Florida Department of Health. Our work on this project is including: identification of service duplications among local and headquarters staff, review of operational policies and procedures for inconsistency and subjectivity problems, determination of appropriate functions for headquarters verses local staff, recommendation of policy and business process changes to improve service delivery, and examination of ways in which current and contemplated CMS technology can improve program efficiency and productivity.

Florida Child Welfare Improvement Project

Client: State of Florida Department of Children and Families via Florida State University

Period of Performance: December 2002 – March 2003

Results: Project in progress

MAXIMUS is developing a model child welfare program for the Miami district of the Florida Department of Children and Families, through a subcontracting arrangement



with Florida State University. The model child welfare program effort will develop best practice solutions to current problems in the provision of child welfare services and systems of supervisory review and quality assurance, and provide training and support to implement those practices in Miami. New processes established for the Miami district will be extended to other DCF child welfare districts over time. We also are doing a closely related project for the Florida Children's Home Society under which a new case and care tracking system will be developed for DCF.

Florida Healthy Kids Corporation Projects

Client: Florida Healthy Kids Corporation

Period of Performance: November 1998 – June 2002

Results: Business process and system improvements

MAXIMUS has performed a series of projects for the Florida Healthy Kids Corporation. These include: a business process re-engineering study and implementation project, a Year 2000 business continuity and contingency plan project, and a study and implementation assistance to improve the eligibility determination process under the Florida KidCare program.

Reduction of AFDC Payment Error Rate

Client: Florida Department of Health and Rehabilitative Services

Period of Performance: August 1998 – October 1989

Results: 50 percent error rate reduction in test district

MAXIMUS was hired by the Florida Department of Health and Rehabilitative Services to design and test a series of management improvements directed at reducing AFDC payment error rates. MAXIMUS established a District Quality Assurance team in the test district (Tampa area) that reviewed 800 cases to establish a project baseline and identify the types of errors being made. MAXIMUS then developed an improved quality assurance process; simplified case processing policies and procedures; developed a statistical tracking tool, established district and service center corrective action committees, and developed a staff accountability, error awareness, and motivation campaign. Implementation of the MAXIMUS plan resulted in a reduction of more than 50 percent in the test district's error rate.

Food Stamp Office Operations Improvement Project

Client: Florida Department of Health and Rehabilitative Services

Period of Performance: August 1998 – October 1989

Results: Drop in Food Stamp error rate from > 10 percent to < 6 percent following the project

MAXIMUS performed a comprehensive operations improvement project for the State of Florida's Food Stamp Office operations over a six-month period in 1988-1989. The



study included on-site reviews at 12 urban and rural offices. MAXIMUS completed the following activities:

- Classifying all business tasks and subtasks, analyzing operational methods and techniques, and developing recommendations for improving the efficiency and effectiveness of the office operations.
- Developing performance evaluation criteria and evaluation instruments for eligibility staff and unit supervisors.
- Assessing the adequacy of existing personnel classifications and pay grades using comparative data from five other states.
- Assessing procedures and capabilities for document receipt, generation, storage, and retrieval.
- Preparing a corrective action plan to reduce eligibility and payment errors in the Food Stamp Program.

As a result of our multi-faceted work, the Food Stamp error rate in Florida dropped from more than ten percent to less than six percent following the project.

Systems Projects and Software Product Use

MAXIMUS has been involved in the development and implementation of several automated systems used in Florida state government. These include the systems used for public assistance, Food Stamps, child support enforcement, school readiness, childcare, and student financial assistance programs, among others. Most recently, we began work on Florida FLAIR – a new state financial management system for the Department of Financial Services. These projects have added to our detailed understanding of many Florida agencies and programs – including their current system capabilities. Descriptions of several of the projects are provided in the following text.

State of Florida Independent Project Management for the FLAIR and CMS Replacement Project

Client: Florida Department of Financial Services

Period of Performance: July 2002 – June 2005

Results: Project in progress; all target dates have been met

The State of Florida has set a bold agenda for improving resource management across the enterprise: replacing the Florida Accounting Information Resource (FLAIR) and Cash Management Subsystem (CMS) by the end of June 2005. These subsystems have served the State for the better part of two decades, becoming vital, enduring fixtures of the State's general ledger accounting and cash management operations. The State realized it could improve on these systems using the latest software and integration technologies that are built on innovative and proven business processes.



The State engaged MAXIMUS to serve as project manager and oversee the FLAIR and CMS Replacement Project. In this role, MAXIMUS:

- Serves as the Independent Project Manager for the project's duration.
- Developed a detailed operational workplan analyzing the resources necessary, outlining a procurement strategy, and describing the business objectives and expected outcomes to be attained, along with anticipated completion dates and total costs for the project.
- Developed the procurement process and documents for the FLAIR and CMS Replacement Project software and implementation services.
- Guides the selection process for Project software and implementation services.
- Assists the State in negotiating contracts for Project software and services.
- Assists the State in evaluating and monitoring the performance and the deliverables of the vendor(s) selected to provide software and implementation services.

Thus far, MAXIMUS has guided the State through the development of the procurement document, the evaluation of written responses, selection of semi-finalists, and oral presentations. MAXIMUS is setting the foundation for a stable, constructive engagement.

Florida Partnership for School Readiness Simplified Point of Entry Project Management and Implementation Support Project

Client: Florida Partnership for School Readiness

Period of Performance: March 2001 – June 2002

Results: Procurement and management assistance

MAXIMUS assisted the Florida Partnership for School Readiness with obtaining a vendor to develop its Simplified Point of Entry-Unified Wait List system. MAXIMUS helped the Partnership establish a system project website, prepare the Statement of Work and Detailed Workplan, obtain the services of a system contractor, and assess the readiness of involved program agencies and supporting infrastructures. We also provided quality assurance and project management support services during the development of the new system.

Florida Child Care Electronic Benefits and Funds Transfer Project

Client: Florida Department of Children and Families

Period of Performance: March 2001 – June 2002

Results: Baseline Study



MAXIMUS provided technical assistance to the Florida Department of Children and Families as it prepared to establish a mechanism for making subsidized child care payments via electronic benefits and funds transfers. MAXIMUS conducted a baseline study of technical ability of involved agencies to implement such a payment program, identified business process changes that would benefit program operations, provided progress assessments of the project effort, and performed quality assurance of EBT system vendor changes and enhancements during program rollout.

Comprehensive Computer System for Public Assistance, Food Stamps, and Child Support Enforcement Transfer Project

Client: State of Florida Department of Health and Rehabilitation Services

Period of Performance: December 1987 – December 1991

Results: Davis Productivity Award for procurement and project management assistance

MAXIMUS assisted the Florida Department of Health and Rehabilitation Services with transferring and implementing a comprehensive computer system to support the public assistance, Food Stamp, and child support programs. MAXIMUS assisted the Department with preparation and federal approval of the Advance Planning Document, integrated the State's public assistance and child support enforcement policies manuals in preparation for loading onto an on-line system, assisted with the procurement process, and provided system vendor quality assurance monitoring and other project management support. For its work on this project, MAXIMUS was awarded the distinguished *Davis Productivity Award*, a privately funded program designed to recognize and reward work for State government that measurably increases productivity and promotes innovation.

Other Systems and Systems Related Projects/Products

Additional examples of how MAXIMUS is assisting Florida public agencies with their automation needs are provided below.

- MAXIMUS served as temporary project manager and liaison for the Florida State Student Financial Aid Database Project, prior to the hiring of a permanent project manager.
- MAXIMUS software products for criminal, juvenile, and civil courts (CourtView, RecordView, JailView, and JuryView) are used across 24 Florida counties. The CourtView software contains capabilities for electronic filing of documents throughout the court process.
- MAXIMUS assisted the predecessor of the Department of Children and Families with the planning and design of an automated fingerprint identification pilot and provided technical assistance to the agency when it implemented statewide Electronic Benefits Transfer (EBT), and subsequently



was contracted by the Department of Children and Families to provide follow-on support for its EBT efforts.

Other Types of Florida Projects

Examples of the many other projects we have performed in Florida are highlighted below.

- The MAXIMUS Center for Health Dispute Resolution is under contract to the Agency for Health Care Administration (ACHA) for statewide provider and managed care organization claim dispute resolution.
- MAXIMUS developed a physician tracking and quality measurement system under a project for AHCA.
- MAXIMUS has also performed executive search services throughout the State, including Broward County, Jacksonville Transportation Authority, the Cities of Jupiter, Sarasota, Clearwater and Palm Beach, and Miami Airport Aviation Authority.



Representative list of Local Governments

MAXIMUS has unparalleled experience with providing cost allocations, operational review and audits, revenue maximization analyses, and user fee studies. We have a history – collectively extending for more than two decades – of providing exactly the set of services and expertise required to ensure the success of the FCFs Revenue Enhancement and Cost Management Services Contract. In fact, MAXIMUS has conducted projects for over 250 clients in the State of Florida alone. These clients include Counties, Cities, State Agencies, and Special Districts which are shown in *Exhibit 2.5-1: MAXIMUS Florida Clients by Type*. These projects have ranged from the preparation of cost allocation plans and user fee studies to encompassing operational improvement services, revenue maximization, systems projects, and other services.

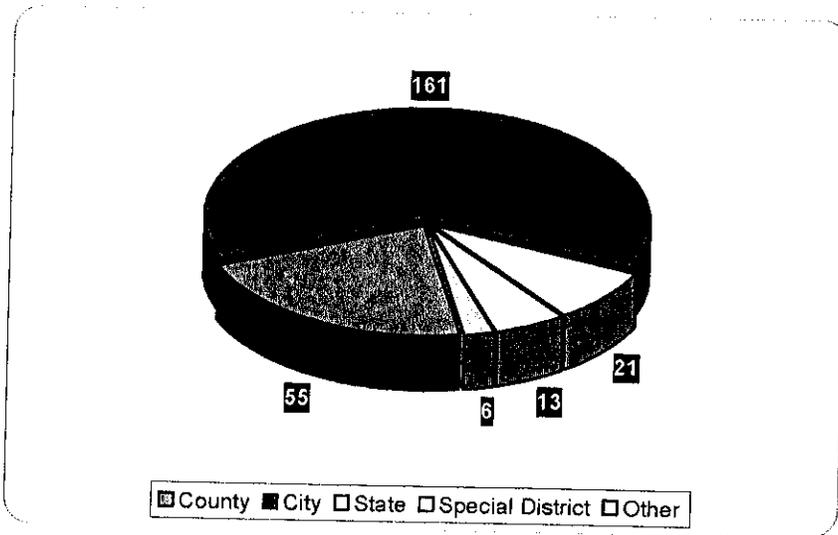


Exhibit 2.5-1: MAXIMUS Florida Clients by Type. This exhibit shows the delineation of clients and the number of clients in each category.

With our extensive national expertise, we believe that focusing on the accomplishments from our Florida client list best demonstrates our abilities. We have successfully completed hundreds of projects for these clients since 1979. *Exhibit 2.5-2: MAXIMUS Florida Clients* geographically shows clients by type and location. Our experience in working in multiple locations around the state enhances our knowledge of the issues being addressed by the county from the following perspectives: locally, regionally, and statutorily.



MAXIMUS has provided our Florida County client list in *Section 2.3* and specific project references in *Section 4*.

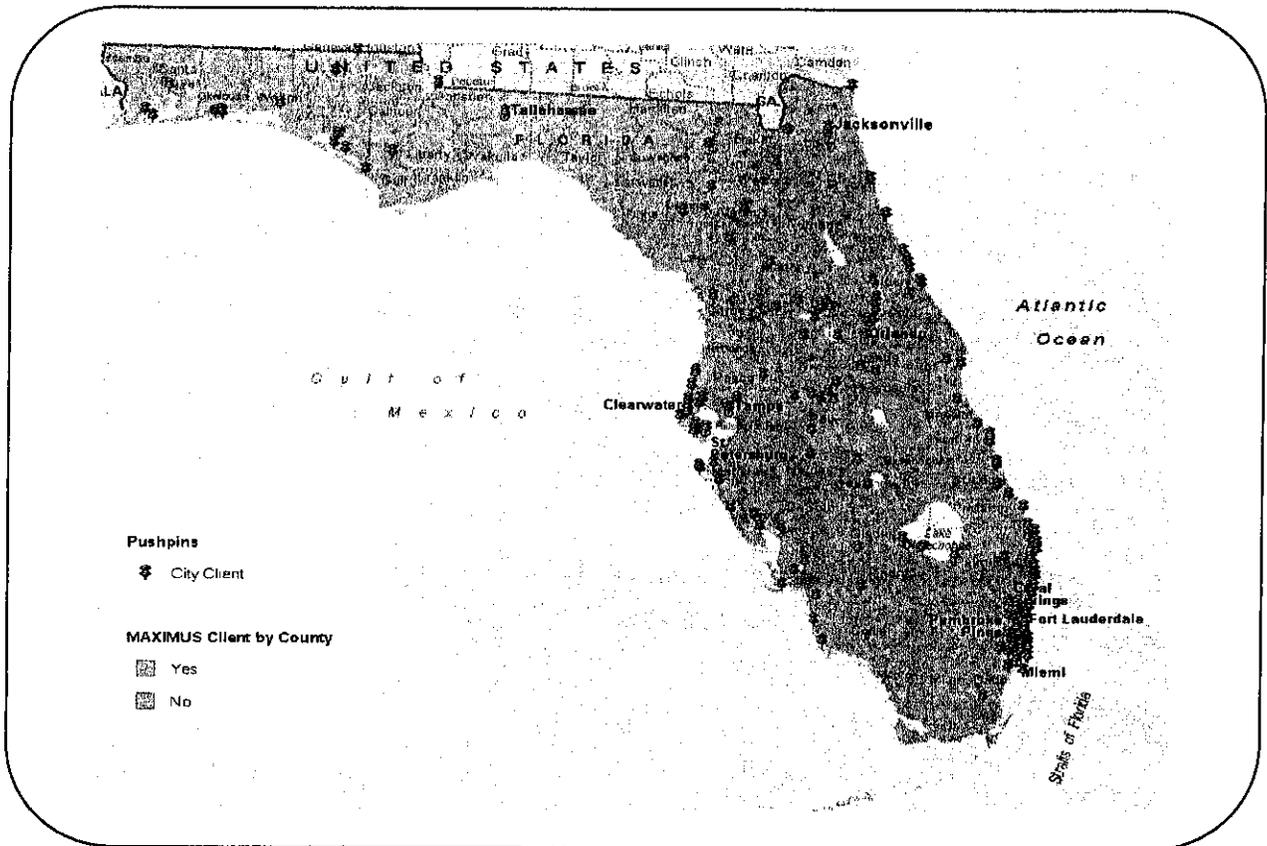


Exhibit 2.5-2: MAXIMUS Florida Clients. *This exhibit graphically shows the clients by type and location.*

Project Management

MAXIMUS will be utilizing several concepts to ensure the highest level of goals and objectives attainment. MAXIMUS would recommend an initial project kick off meeting involving key leadership and administrative staff. This will provide an opportunity both for the staff and the consultants to clearly outline the project's goals and objectives.

MAXIMUS will also maintain constant contact with the City during our off-site analysis and report compilation. This will allow for continued consensus building during the course of the engagement and will eliminate the likelihood of any unanticipated results.

There are other factors, which will save the City time, money, and assure the implementation of the study:



- **Experienced Staff.** Our project team is experienced professionals; we do not train our staff at the client's expense. Specific job assignments are made on the basis of the consultant's experience. Cost Allocation Plans are one of our major products in Florida.
- **Familiarity with Departments.** Our familiarity with the City of Fort Lauderdale departmental structure, services provided, as well as the national and regional experience of team members assures the City that our recognition of special factors will provide the City with the maximum service possible at the most efficient costs.
- **Formalized Work Plan.** Our familiarity with Florida municipal governmental structure and cost allocation guidelines, including OMB Circular A-87, gained from other studies allows us to formalize a work plan immediately. The City will not be paying for unnecessary planning and strategy sessions. We will commence our analysis on day one of the job.
- **On-site Working Manager.** By having an on-site working manager, the City will not be paying for an extra tier of overhead. Special issues that arise can be thoroughly analyzed and resolved immediately.
- **Flexible Computerized Modeling Software.** Our software was specifically designed for one sole purpose, to develop cost allocation models. Our system permits for an easy revision process and incorporates a double step-down allocation procedure.
- **Location.** Our office is based in Tallahassee, Florida and key staff members reside in the state. In addition to a reduction of travel expenses, this assures the City of immediate response to any questions which may arise as a result of the study and staff with knowledge of Florida governments and Federal guidelines, trends, and other intangible knowledge.

A. Management Structure

MAXIMUS will be utilizing a full-time Project Manager who will be responsible for all phases of each project. The management structure utilized for each project is consistent with that used in all Florida engagements in the past eighteen months. Because of this approach, we have been able to respond to timetables and project objectives that would strain most resources. MAXIMUS has met all project schedules. In every case, the revenue identified exceeded those anticipated.

MAXIMUS has assigned the most experienced project team to this engagement. The Project Manager, and consultants assigned to this engagement have extensive experience in managing multiple projects.



B. Staff Support From City

MAXIMUS would require that one main point of contact be assigned to assist MAXIMUS with the following:

1. Obtaining reports necessary for completion of the Cost Allocation Plan, and
2. Setting up interviews with staff necessary for the development of the Cost Allocation model.

Other staff support from the City would be minimal and consist mainly of time for interviews.

Approach and Work Plan

At MAXIMUS, we have made effective project management our hallmark. Most of our achievements can be traced to our proficiency at managing projects. Our proficiency is a result of our development and employment of a proven project management methodology. This methodology is based on the best practices of successfully providing professional services to over 12,000 clients since 1975 and guidelines of the Project Management Institute (PMI).

Proven Project PLAN and Methodological Approach

Having set a foundation based on an understanding of our clients' expectations, we built an approach based on the best practices and guidelines as adapted by our extensive experience. Many cities and counties are involved in the recovery of expenditures that support the administration of Federal programs. Under OMB Circular A-87 guidelines, local governments are allowed to be reimbursed for these administrative and support costs.

The City of Fort Lauderdale spends considerable revenue to provide central services such as accounting, purchasing, personnel, information technology and other functions to the various City of Fort Lauderdale departments. The OMB A-87 Circular provides a costing methodology that, if carefully followed, results in a more comprehensive identification of central services cost and the benefits provided to Federal programs and City departments. If other departments administer Federal programs, and the programs benefit from the central services provided to the department, then the Federal government will pay its fair share of the City of Fort Lauderdale's cost of providing these services.

The determination of the indirect costs of programs, activities, and services in government may have benefits beyond the recovery of Federal funds from grant programs. For example, the City administers funds that must be self-sustaining from



operating revenues. By determining the indirect costs, which support these funds, charges for services provided by the General Fund can be better, supported and recovered. In addition, other departments or operations may need to know their total costs (direct and indirect) in order to establish user fees, permits, contract rates, professional hourly rates, and costs of special services.

Approximately 1,800 cities, counties and federal grant recipients nationwide are currently developing these plans with MAXIMUS' assistance and will recover substantial sums of money. Many Federal programs have agreed to a policy of paying Federal participation in these funds to local governments if they prepare the required cost allocation plan. Throughout the nation, more counties and cities have selected MAXIMUS to prepare their cost allocation plans than all other firms combined.

There are primary objectives of the cost allocation services offered by MAXIMUS. The objectives of the cost allocation plan are:

- To develop a cost allocation plan for fiscal year 2005 that follows the guidelines of OMB A-87 and will be approved by the cognizant Federal agency, or its designee. Costs will be allocated to the Department level.
- To develop a full cost allocation plan for fiscal year 2005 that allocates costs to the Department level.

Each of these objectives can be met with minimal cost to the City, and can potentially yield millions of dollars in revenues.

MAXIMUS will first develop a cost allocation plan in accordance with OMB Circular A-87. This cost plan will identify the central services costs for all Federal and non-Federal grants and contracts that require costing to be based on OMB Circular A-87.

Secondly, MAXIMUS will develop the charge backs to the non-Federal programs and special service district for support services. These funds should pay their full costs of operations because they benefit from general funded services such as payroll, building maintenance, etc.

In addition to the aforementioned, we will also provide the following services to the City of Fort Lauderdale:

- Successfully negotiate the cost allocation plan, if required.
- Successfully defend the cost allocation plan for a period of three years if the cost allocation plan is audited by Federal or State representatives.
- MAXIMUS will not request additional fees from the City regardless of the actual time on the engagement.
- Furnish the City with copies of all documents and materials prepared or developed in relation to the project.



- Prepare an oral and written presentation of enhancements to the central services cost allocation plan.
- Provide ten (10) copies of the cost allocation plan, including supplemental schedules proposing costs for the fiscal year.
- Offer under a license agreement a computerized model that may be updated by City staff.

Development of the OMB A-87 Cost Allocation Plan, the Full Cost Allocation Plan and Two Departmental Cost Allocation Plans

MAXIMUS has identified comprehensive work plan tasks for preparing cost allocation plans. These tasks outline the work necessary to develop the plan. During this phase the total costs of City departments and divisions that provide services are clearly identified and allocated to the users of those services. The tasks are as follows:

Task 1. Project Initiation

Our approach to overall project management begins with project initiation activities. To facilitate communication from the outset, MAXIMUS recommends a formal kick-off meeting be conducted to bring together our personnel and client project participants. This meeting is intended to solidify a partnership around the Project, gain commitment to a common objective, and gauge the expectations of various participants. A clear and mutual understanding of Project objectives is necessary at project initiation to ensure ongoing success. The purpose of this meeting is to:

- Introduce the MAXIMUS Project Team;
- Review Project objectives with the group;
- Confirm Project work plan elements including scope and overall work plan;
- Define communication and control procedures to be used;
- Discuss Project deliverables and schedules;
- Establish points of contact, and
- Review Project reporting requirements.
- Discuss data available in electronic format and capability of sending through e-mail, etc.

We expect the client will bring the MAXIMUS Project Team up-to-date as to the status of the Project and will present any issues or concerns regarding the Project.

Task 2. Obtain Available Financial Information

This task involves obtaining copies of the various sources of financial information that identify the City's costs for FY 2005. At a minimum, we will need copies of the following information:



- 2005 Operating Expenditures
- 2006 General Budget
- 2005 Comprehensive Annual Financial Report
- 2005 Detail Listing of Revenues versus Budget
- 2005 Detail Listing of Obligations versus Budget

We will use actual financial results for 2005 to prepare the cost plan based on actual expenditures.

Task 3. Obtain and Review Current Organization Chart

This task involves reviewing the City's organization chart applicable to FY 2005 as well as FY 2006 and comparing the chart to the prior year's organization chart to determine if there have been any changes. Again, this process will be repeated for subsequent years' cost allocation plans. We will also review the prior year's cost allocation plan to determine if there are additional opportunities for including central service costs.

Task 4. Meet with City Staff to Confirm Organization Changes

This task involves meeting with appropriate City staff to confirm any evident changes, determine their impact on the cost plan structure, and discuss any other changes in the cost plan structure that may better serve the present and future needs of City management.

Task 5. Inventory Federal funds administered by the City

This involves surveying targeted departments to determine what Federal funds are being received, the programs that receive them, which agency administers them, and the extent of recovery of administrative costs. This information is used as an aid in identifying the areas of greatest potential for additional cost recovery.

Task 6. Establish and Classify Plan Cost Centers

The level of detail within the City's account code structure required for cost centers to be reflected in the plans will be determined. Each cost center will be classified either as a "central service" (source of indirect costs) or "receiving" (receiver of indirect costs) department for Plan purposes. From these determinations, the basic structure of the Plan will be developed using the MAXCARS software.

Task 7. Interview Central Service Staff

Interviews with managers of appropriate City staff will be scheduled and held to carefully determine what variety of distinct administrative functions may exist within a single administrative cost center. The best rationale for distributing the administrative unit's costs across those internal functions and the best available statistical indicator to be used for allocating each function's costs to user cost centers will also be identified.



Task 8. Record Administrative Costs

Actual costs of each administrative cost center for each fiscal year will be recorded and distributed by functional activity using MAXCARS System.

Task 9. Develop Allocation Base Data

This task of the project involves the analysis of a diverse variety of statistical reports and other information collected as the best available indicators of relative levels of administrative support provided by administrative units to their respective users. Depending upon the level of cost center detail reflected in these reports, allocation base data will be summarized or extrapolated to correlate with the level of detail upon which the Plans will be structured. Follow-up discussions with appropriate City staff will be necessary to complete this task.

Task 10. Review Administrative Cost Centers for Costs Recovered by Direct Billings, Budget Transfers, etc.

Occurrences of reimbursements to administrative units directly to the General Fund, which may not be readily apparent from financial records reviewed, will be determined. These costs will be examined and appropriate adjustments of allocable costs will be made.

Task 11. Supervise and Verify Data Entry

The Project Manager will be responsible for supervising and verifying the accuracy and completeness of data entered into the MAXCARS System. Advanced data editing and verification capabilities are major enhancements incorporated into the current MAXIMUS software.

Task 12. Review First Draft of the Plan

The Project Manager will carefully review the summary and detail schedules for accuracy and clarity of presentation. MAXIMUS will develop and provide a schedule of indirect cost rates at the departmental level.

Task 13. Present First Draft and Work papers to the City

Three copies of the first draft of the Cost Plan will be presented to the City along with the comparative analysis described above. This task includes time devoted to receiving and responding to questions and comments received from City staff during their review of the draft plan. During this period of review, all work papers used in the preparation of the plan will be available to City staff upon request.

Task 14. Revise Plan to Final Form and Present to the City

Following completion of the City's review of the draft plan and receipt of any requests for changes, plan data will be revised and ten (10) hard copies and one (1) electronic copy in will be presented to the City.



Task 15. Submit and Negotiate A-87 Plan, If Required

Within two weeks of completion of the cost plan, MAXIMUS, on behalf of the City, will submit to the City's cognizant Federal agency copies of the A-87 Plan for their review, if necessary. The plan shall be documented with comprehensive work papers that will become the property of the City. Also, MAXIMUS will defend the plan against any audit for a three-year period at no cost to the City.

Task 16. Final Approved Plan by Cognizant Agency, If Required

MAXIMUS will furnish to the City ten (10) copies of the completed cost allocation plan that has been accepted by the cognizant agency, with figures and narratives included.

Task 17. Instruction for City Staff

MAXIMUS will provide instruction for City Staff to insure proper implementation of the plan as prepared.

Task 18. Development of a Full Cost Allocation Plan for Non-Federal Areas

This phase of the work involves costing services provided to non-Federal programs, such as special service districts. Therefore, the cost principles of OMB A-87 need not be used and substitution of full cost principles will be necessary.

Our first task in this phase will be to convert the A-87 plan to one which (1) expenses capital outlays, (2) includes certain general government operations, (3) allows interest expense on building and equipment, and (4) uses allocation bases which may not be acceptable to Federal negotiators. The plan will be re-calculated and reviewed with City staff. Ten (10) hard copies and one (1) electronic copy will be presented to the City

Task 19. Determine Charges to Enterprise Funds and Non-Federal Sources

This task will center upon developing billings to enterprise funds but will also provide estimates of increased revenues from new or increased user fees, licenses, permits, and contract costing. These estimates will direct the City to the areas where further cost analysis would appear to be justified for increasing revenue.

MAXIMUS Plan for Quality Assurance and Meeting Client Expectations

Through the many projects we have performed for our state, local, federal, higher education, and non-profit clients over the past 27 years, we have found that both a successful project and a satisfied client require that we fulfill nine critical success factors:

- Ready Access to the MAXIMUS Project Director and Manager;
- Ready Access to MAXIMUS Corporate Management as Necessary;
- Detailed "Up-Front" Planning of the Project;



- Timely Delivery of Products and Services;
- High Quality Products and Services;
- Effective Budgeting and Control;
- Flexibility in Responding to the Client Requests for "Mid-Course" Corrections;
- Quality and Continuity of Staff; and
- Responsiveness to Client Concerns.

Each of these factors is described below.

Ready Access to the MAXIMUS Project Director and Manager

Government managers expect to have ready access to our Project Director and Manager at all times. As with other clients, you expect to be able to communicate with these individuals on an "as-needed" basis to obtain fast answers to your questions and concerns. In addition, key stakeholders expect to be kept informed on a regular basis about the progress of the project.

The MAXIMUS Project Manager assigned to an engagement will provide an up-to-date schedule of all project staff assigned. This schedule will include the phone number where the Project Manager and the Project Director can be contacted.

You can be assured that the Project Manager will respond to your concerns about the project. In addition, the Project Manager's response will be constructive and effective in resolving problems.

Our customers expect us to be flexible in accommodating their desires, even if a contract amendment is required. They do not wish to deal with a Project Manager who cannot authorize minor changes in the scope of a project without receiving approval from several layers of corporate management. MAXIMUS authorizes the Project Manager to agree to minor modifications in the scope or schedule of a project in response to client requests. As long as the required changes are within the approved Project budget and statement of work, the Project Manager does not have to receive approval from the Project Director or other corporate managers. In addition, we actively encourage our Project Managers to avoid a narrow interpretation of the terms of the contract. We live by our motto, "we will do whatever it takes" to help you and your project succeed.

Ready Access to MAXIMUS Corporate Management as Necessary

Client management can be assured that, if necessary, they can speak directly to a Corporate Officer to discuss any concerns about the project. If the Project Manager is unable to address a client's concerns, we will provide access to executive management. Our corporate officers will always be available to client officials as they have been on our past and existing contracts.



We always provide our clients with access to the highest levels of MAXIMUS corporate management. Our designated Project Managers can call upon corporate resources as necessary to secure the success of our efforts.

Detailed Up-Front Planning of the Project

MAXIMUS clients have traditionally placed high priority on detailed up-front planning as a key indicator of successful management. We subscribe to the axiom "Failing to plan is planning to fail." We have provided in this proposal all the tasks, activities, and assignments to meet the project objectives. We fully understand that clients want to understand the detailed plans and schedules for completing each major task and subtask. MAXIMUS takes steps to ensure all project staff have a complete understanding of all the plans and schedules.

Timely Delivery of Products and Services

Timely completion of project deliverables is of paramount concern to all our customers. We understand this and provide early warning of any potential delays or other problems that may occur in the completion of specific tasks. This is accomplished by regular status reporting, the frequency of which is determined by the requirements of the project. Status reports are focused on the work plan, attendant issues, and action items, while also providing the opportunity to declare and celebrate project accomplishments. Clients may also wish to know if the problems are internal to their own organization. These activities are also important to all project staff that must plan their work accordingly. We are sensitive to the need to meet ambitious schedules and we provide timely materials and services to support on-time completion of products and services.

High Quality Products and Services

Clients rightfully expect to receive the highest quality products and services available within the allowable project resources. Products and services must be excellent, not merely "acceptable." We understand quality products and services – our first priority is to provide our own quality products and services – and our project management approach helps other associated project participants develop quality products for the client. It is imperative that Project Team members, be they client staff or contractor personnel, understand what is expected and how the products will be evaluated. Our reviews will be timely and we will provide high quality feedback. We pride ourselves on being an integral part of the solution. We are part of the Team. We align ourselves to be agents of success to the completion of the project.

Effective Budgeting and Control

Inadequate attention to the budget can pose serious obstacles to effective project management. If the available resources are not applied carefully, clients will not receive the best possible products and services for their investment.



An essential part of budget control is scope control. We continually refine the scope of work both for ourselves and for associated project participants to ensure that all entities remain focused on the objectives of the project. Through this review process we are able to provide high quality professional services while maintaining that the client is receiving the best value for their investment.

It is not uncommon for our customers to request occasional changes in project direction in response to unforeseen developments. In addition, customers may wish to "fine-tune" specific tasks and sub-tasks as the project progresses. MAXIMUS is known for its flexibility in accommodating these desires, even if a contract amendment is required. Our approach empowers the Project Manager to authorize minor modifications in the scope or schedule of a project in response to client requests. In addition, our Project Managers have ready access to the Project Director for accommodating more significant changes in direction with minimal disruption.

Quality and Continuity of Staff

Clients are understandably concerned about the qualifications and continuity of the staff assigned to the Project Team. Clients do not want to see any replacements of senior-level staff during the project. They also don't want their project used as a "training ground" for junior-level staff. Additionally, by being a national firm, MAXIMUS has the ability to utilize internal resources to resolve the most complex issues. MAXIMUS integrates proven quality assurance methods with sound project management techniques to ensure proper and stable staffing for projects.

Responsiveness to Client Concerns

Client managers expect our project managers to respond immediately to their concerns about the project; and our response is expected to be constructive and effective in resolving the problem. MAXIMUS provides an extensive depth and range of experience that provides clients a confidence level that is unmatched by our competitors. We are able to respond with effective, constructive information due to the experience level of our Project Managers and Project Directors, and the ready access you will have to other experienced individuals within our organization.

Conclusion

With hundreds of cost allocation plans underway across the country at any given time, MAXIMUS has the Project Management skills, knowledge, and expertise that are essential for the overall success of our customers. Our Project Management methodology and principles provide the foundation for our projects, and it is upon this foundation that our technical methodologies are structured.



Timeline by Major Task

Task	Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Task 1.	Project Initiation														
Task 2.	Obtain Available Financial Information														
Task 3.	Review Current Cost Allocation Model and Data Changes in the Account Code/Organization Structure and apply it to the current Allocation Methodology.														
Task 4.	Initial Meetings with Receiving Department(s)														
Task 5.	Review of Federal Funds administered by the City.														
Task 6.	Establish and Classify Plan Cost Centers.														
Task 7.	Interview Central Service Staff.														
Task 8.	Compile Administrative Costs.														
Task 9.	Develop Allocation Base Data.														
Task 10.	Review Administrative Cost Centers for Costs Recovered by Direct Billings, Budget Transfers, etc.														
Task 11.	Supervise and Verify Data Compilation.														
Task 12.	Review First Draft of the Cost Pools in Cost Allocation Model														
Task 13.	Present First Draft of Cost Allocation Model														
Task 14.	Revise Cost Allocation Model and Present Final Version of Cost Allocation Model.														
Task 15.	Submit and Negotiate A-87 Plan, if required.														
Task 16.	Provide City with ten (10) copies of the final plan.														
Task 17.	Provide Instruction for City Staff.														
Task 18.	Develop Full Cost Allocation Plan.														
Task 19.	Determine Charges to Enterprise Funds.														



Staff Matrix

Resumes are Presented as Attachment 1

MAXIMUS Project Staffing Requirements	Zitzow	McLaughlin	Tangen	Clugston	Keith
Certified Public Accountant			x		
Federal Cost Plan Experience	x	x	x	x	x
Proven Experience with Information Technology Services Rate Analysis	x	x	x	x	x
Proven Success in Negotiating and Securing Federal Approval	x	x	x	x	x
Computerized Cost Allocation Model Work Experience	x	x	x	x	x
Federal Claims and Billing Systems Experience	x	x	x	x	x
OMB Circular A-87 Knowledge and Experience	x	x	x	x	x
Systems Documentation	x	x	x	x	x
Policies and Procedures	x	x	x	x	x
Training Experience	x	x	x	x	x
On-Going Support	x	x	x	x	x
Hardware and Software Knowledge	x	x	x	x	x
Project Management Skills	x	x	x	x	x



PROPOSAL PAGES ~ PART III

QUESTIONNAIRE

PROPOSAL PAGES PART III QUESTIONNAIRE

Prior Experience:

Number of years experience the proposer has had in providing similar services:

26 Years

List below those persons who will be working with the City, if you are awarded the contract. List name, title or position, and project duties. A resume or summary of experience and qualifications must accompany your proposal.

Name	Title	Project Duties
Chris Zitzow	Senior Vice President	Project Director
Troy Tangen	Director	Project Manager
Richard McLaughlin	Senior Manager	Project Manager
Anthony Keith	Manager	Project Staff
Nelson Clugston	Senior Manager	Technical Advisor

List five clients (public reference if possible) for whom you have provided similar services in the last three years. Provide agency name, address, telephone number, contact person, email address and date service was provided. If services provided differs from the one presented in your proposal, please delineate such differences (Florida clients).

Client	Contact Information	Date Service Provided
City of Jacksonville, FL	John Herbst Budget Analyst Principal * Budget Office 117 West Duval Street * Suite 325 * Jacksonville, FL 32202 Phone: 904-630-1286 * Email: jherbst@coj.net	FY2004 CAP Prepared 2005
City of Plantation, FL	Herbert Herriman Director * Financial Services 400 Northwest 70 th Avenue * Plantation, FL 33317-1678 Phone: 954-585-2354 * Email: hherriman@plantation.org	FY2004 CAP Prepared 2005
City of Tallahassee, FL	Raoul Lavin Manager * Office of Budget and Policy 300 South Adams Street * Tallahassee, FL 32301-1731 Phone: 850-891-8488 * Email: lavinr@talgov.com	FY2004 CAP Prepared 2005
Alachua County, FL	Suzanne Gable Director * Office of Management and Budget 105 Southeast 1 st Avenue * Suite 6 * Gainesville, FL 32601 Phone: 352-374-5262 * Email: omb@co.alachua.fl.us	FY2004 CAP Prepared 2005
Sarasota County, FL	Michael Delcioppo Budget/Management Analyst * Office of Financial Planning 1660 Ringling Boulevard * Sarasota, FL 34236 Phone: 941-861-5442 * Email: mdelciop@scgov.net	FY2003 CAP Prepared 2005
St. Johns County, FL	Doug Timms Director * Office of Budget and Management 4020 Lewis Speedway * St. Augustine, FL 32084 Phone: 904-209-0566 * Email: dtimms@co.st-johns.fl.us	FY2004 CAP Prepared 2005

List those City of Fort Lauderdale agencies with which the proposer has had contracts or agreements during the past three (3) years:

Client	Contract	Date Service Provided
City of Ft. Lauderdale, FL	Sanitation Fee and Rate Study	Based On Budgeted Expenditures For The Year Ending September 30, 2001 Prepared 2000

Lawsuits (any) pending or completed involving the corporation, partnership or individuals with more than ten percent (10%) interest:

a. List all pending lawsuits which are concerned directly with the staff or part of your organization proposed for the contract:

N/A - None

b. List all judgments from lawsuits in the last 5 years which are concerned directly with the staff or part of your organization proposed for the contract.

N/A - None

Attach a Balance Sheet and Statement of Profit and Loss of the proposing firm from the preceding calendar or fiscal year, certified by either an appropriate Corporate Officer, or an independent Certified Public Accountant. If proposing firm is a privately held corporation, providing such records, for City review, at a time and place convenient to the City, will satisfy this requirement. If the proposing firm is a newly formed corporate entity, the City may require a personal guarantee of performance by principals or stockholders.

The proposer understands that the information contained in these Proposal Pages is to be relied upon by the City in awarding the proposed Agreement, and such information is warranted by the proposer to be true. The proposer agrees to furnish such additional information, prior to acceptance of any proposal, relating to the qualifications of the proposer, as may be required by the City.

COMPLETE AND RETURN THE REQUIRED NUMBER OF PROPOSAL PAGES AND ATTACHMENTS.



ATTACHMENT 1

RESUMES



CHRIS M. ZITZOW, Vice President

RANGE OF EXPERIENCE

Ms. Zitzow has over twenty years of consulting experience with state and local governments and non-profit organizations. She is a frequent speaker on costing principles to national organizations. Ms. Zitzow coordinates the firm's OMB Circular A-87 Committee with OMB and numerous federal agencies regarding cost allocation methodology and regulations

- Ms. Zitzow has extensive experience with cost accounting, organizational studies, human resource consulting, revenue enhancement, and grants management.
- Conducted activity based costing studies for several local governments including: City of Roanoke, Virginia; Prince William County, Virginia; Loudoun County, Virginia; and the City of Alexandria, Virginia.
- Developed indirect cost proposals for the Commonwealth of Virginia. Assisted state agencies with the preparation of rate proposals.
- Managed and prepared user fee studies for fifteen localities in Virginia, DC, and Maryland.
- Directed local government cost allocation plan studies for several large Virginia human service agencies including Fairfax County and the City of Norfolk. These studies were used to allocate costs under the new Welfare Reform Act.
- Directed a regional government study for the commonwealth of Virginia Senate Finance Committee. This study examined consolidation opportunities for human services, utilities and transportation services in the Richmond Metro area.
- Developed grant proposals and budgets for the Virginia Center on Aging with the US Department of Health and Human Services.
- Developed over 350 grant-funding packages for the Richmond Redevelopment and Housing Authority urban renewal program, including the Section 8, Section 202 and Mod-Rehab programs.
- Managed several organizational studies for Virginia localities to assess the efficiency and effectiveness of government services. Also directed studies to assist local governments with evaluating consolidation and privatization opportunities.



- Assisted in the development of a publication on Unfunded Mandates for the National Association of Counties (NACO).

PROFESSIONAL HISTORY

- MAXIMUS, Midlothian, Virginia, Vice President since 1986.

EDUCATION

- B.S. in Sociology, James Madison University, Harrisonburg, Virginia, 1974.
- Masters in Public Administration, Virginia Commonwealth University, Richmond, Virginia, 1980.

TECHNICAL SKILLS

- Ms. Zitzow is skilled in the use of MAXCARS, MAXIMUS, Inc.'s cost allocation software and its predecessor NGCSII.

PROJECT EXPERIENCE

Since joining MAXIMUS, Ms. Zitzow has worked on the following projects:

- **United Nations Cost Study:** Directed a project for five United Nations specialized agencies to develop a cost methodology for allocating support costs to UN funded development projects in undeveloped countries. The result of this study was the implementation of a uniform method for allocating and charging technical assistance and administrative costs to United Nations development projects. This methodology was accepted and implemented by the United Nations system.
- **Public Works Cost Accounting:** Developed a public works labor rate costing methodology for projects administered by cities that was approved and implemented by the Virginia Department of Highways and Transportation.
- **Virginia Department of Social Services Compensation Study:** Directed a statewide classification study for 122 local human services agencies. The purpose of the study was to examine how the classification system should be changed to reflect changes in welfare reform. Over 73 classifications were reviewed during the study. In addition, a random sample of 7,000 employees and 24 agency site visits were completed as part of the study.
- **Commonwealth of Virginia Regional Government Study:** Directed a regional government study for the Commonwealth of Virginia Senate Finance



Committee. This study examined consolidation opportunities for human services, utilities and transportation services in the Richmond Metro area.

PRIOR EXPERIENCE

Prior to joining MAXIMUS, Ms. Zitzow gained the following experience:

- Budget Analyst, Commonwealth of Virginia. Ms. Zitzow was responsible for the preparation of the Statewide Cost Allocation Plan. In addition, she managed the preparation of state agency cost allocation plans. June 1978 to October 1980.

PUBLICATIONS

- Article on the changes to A-87 for the national GFOA magazine.
- Published articles and presented numerous seminars on cost principles for Federal Circular A-87 and A-122.
- Authored a publication entitled "The Art of Indirect Cost Recovery."
- Wrote an article on the principles of OMB Circular A-87 for GFOA.



TROY TANGEN, Director

Qualifications

Mr. Tangen has over 16 years of experience in governmental accounting and cost allocation studies. His range of project experience includes the following:

- Project management
- Full Cost, OMB Circular A-87 and OMB Circular A-122 Cost Allocation Plan development
- Rate setting
- Cost-Based rate development
- Design and implementation of cost survey documents

Relevant Experience

Since joining MAXIMUS, Mr. Tangen has participated in the following projects.

State and Local Government Cost Allocation Plans:

Mr. Tangen has prepared over 100 cost allocation plans for state and local governments. These cost allocation plans are utilized for the identification of allowable indirect costs associated with programs funded with federal and/or state funds, and have been negotiated with federal negotiators from Agriculture, Commerce, Health and Human Services, Housing and Urban Development, and the Interior.

State and Local Government Cost of Service Studies and Technical Assistance Projects:

Mr. Tangen has performed numerous costs of service studies for state and local governments. He has determined the full cost of services (including the direct cost of operations and allocated overhead costs) and computed cost-based user fees for local government operations such as solid waste disposal, facilities maintenance, and shared city/county services. He has also developed cost allocation plans to compute the cost of incarcerating prisoners in local government detention facilities and the housing U.S. Marshal prisoners in these facilities. Mr. Tangen has also prepared cost allocation plans for the development of chargeable rates and assisted in the review and assessment of cost allocation procedures performed for state information technology and telecommunication internal service funds in the states of Alabama, Georgia, and Mississippi.

State of Alabama Foster Care Rate-Setting/Cost-Based Rate Development Project:

Mr. Tangen provided assistance in the development of the foster care rate structure for the Alabama Department of Human Services for the purpose of identifying the actual cost basis of care and treatment offered in several foster



care settings. The analysis included the design and implementation of a foster care cost survey document; coordination of on site rate survey interviews; compilation of data from provider types to capture cost of care and treatment; and analysis of Medicaid treatment per diems under the Medicaid Rehabilitation Option.

State of Connecticut Cost Allocation and TANF Project:

Mr. Tangen served as a member of the MAXIMUS team responsible for the development, preparation, and implementation of the Department of Social Services' Public Assistance Cost Allocation Plan (PACAP). He also had primary responsibility for the submission and negotiation of the PACAP with the Department's federal cognizant agency. In addition, Mr. Tangen was instrumental in the development, implementation, and training of the cost allocation system software implemented at the Department to perform the quarterly allocation of costs to benefiting programs, grants and contracts.

State of Delaware Medicaid Claiming Services Project:

Mr. Tangen served as member of the MAXIMUS team responsible for the development of the cost allocation methodology utilizing a time study system for identifying employee effort associated with Medicaid reimbursable activities. In addition, Mr. Tangen is involved in the cost allocation process required for the preparation of the quarterly claims for Medicaid administrative costs.

State of Delaware Quarterly Cost Allocation Plan Project:

Mr. Tangen was lead consultant assisting the Division of Long Term Care Resident Protection in its quarterly cost allocation process. MAXIMUS conducted a quarterly time study review of time reports prepared by the Division staff; tabulated results; accumulated and summarized other cost allocation information and measurables; obtained expenditures information; performed the cost allocation process; submitted cost allocation reports that identified allocated costs by benefiting program; and prepared and submitted quarterly reports delineating the relative funding percentages by benefiting grant or program.

State of Delaware Public Assistance Cost Allocation Project:

Mr. Tangen was lead consultant in providing assistance to the Division of Social Services as Delaware implemented TANF provisions encompassed in Public Law 104-193. In addition, Mr. Tangen served as a member of the MAXIMUS team responsible for the preparation and negotiation of federal approval of the Division's Public Assistance Cost Allocation Plan; the development, installation and implementation of a personal computer based cost allocation system utilized by the Division of



Management Services for identifying allocable costs to federal and state programs; and the development of a random moment sampling time study system utilized by the Division for identifying employee effort associated with benefiting grants and programs.

State of Florida Revenue Maximization Project: Mr. Tangen is a member of the MAXIMUS team responsible for the development, implementation and operation of a Medicaid Administrative Claiming (MAC) initiative for Community Mental Health and Substance Abuse providers. The initiative utilizes a random moment sampling time study to document and quantify staff effort attributable to Medicaid reimbursable activities. Quarterly claims for Medicaid administrative costs are developed based on state and agency financial data and the results of the time study.

State of Florida Department of Health Information Technology (IT) Cost Distribution Project: Mr. Tangen was a member of the MAXIMUS team responsible for the development of cost allocation methodologies to distribute Information Technology (IT) costs to benefiting users of the agency. Further, Mr. Tangen was responsible for the development, implementation and operation of a personal computer based cost allocation application utilized to perform the monthly distribution of IT expenditures in compliance with the cost allocation methodologies.

State of Florida Department of Juvenile Justice Revenue Maximization Project: Mr. Tangen served as the Project Manager of the MAXIMUS team responsible for the development of the cost allocation methodologies utilizing a random moment sampling time study system for identifying and quantifying employee effort associated with Medicaid reimbursable case management activities. In addition, Mr. Tangen is involved in the cost allocation process required for the preparation of the quarterly claims for Medicaid administrative costs.

State of Florida Department of Transportation Information Technology (IT) Cost Allocation Project: Mr. Tangen was a member of the MAXIMUS team responsible for the development of cost allocation methodologies used to allocate Information Technology (IT) costs to the defined strategic and non-strategic IT services of the Department. In addition, Mr. Tangen assisted with the development of a cost allocation plan that allocated the IT costs of the Department to the benefiting IT services, and subsequently to the core operating processes and functions of the Department.

State of Georgia Title IV-E and TANF Revenue Maximization Project: Mr. Tangen served as a member of the MAXIMUS team. As part of this project, Mr. Tangen analyzed TANF and maintenance-of-effort (MOE) spending trends; identified



inconsistencies in reporting program cost pools; reviewed ACF-196 financial reporting from 1997 through 2000 and assessed the state's compliance with federal reporting requirements for assistance and non-assistance expenditures. In addition, Mr. Tangen assisted with the federal Title IV-E administrative cost and maintenance payments claiming associated with the Title IV-E reviews performed by MAXIMUS.

State of Georgia Food Stamp and Medicaid Administrative Cost Reduction Project: Mr. Tangen participated as a member of the MAXIMUS team in providing audit defense support with regard to the Food Stamp administrative cost reduction and Medicaid administrative cost determination associated with P.L. 105-185. The successful audit defense entailed review of the Department's original submission to the U.S. Department of Health and Human Services (DHHS); recalculation of the Medicaid determination based on two alternative methodologies; and assistance in the preparation of the final negotiation agreement with DHHS.

State of Illinois Public Assistance Cost Allocation Plan Project: Mr. Tangen was a member of the MAXIMUS team responsible for assisting the Department in the preparation and negotiation of a PACAP with federal cognizant agencies and implementing cost allocation systems. The implementation included detailed analyses to estimate the impact on federal recoveries associated with the PACAP methodologies and associated indirect cost rates.

State of Indiana Food Stamp Administrative Cost Reduction Project: Mr. Tangen participated as a member of the MAXIMUS team that assisted the State in responding to the Food Stamp administrative cost reduction associated with P.L. 105-185. The services included detailed analyses of the State's existing time reporting systems, the funding results produced by the systems, and associated cost pools.

Commonwealth of Kentucky Food Stamp Administrative Cost Reduction Project: Mr. Tangen participated as a member of the MAXIMUS team in providing audit defense support with regard to the Food Stamp administrative cost reduction associated with P.L. 105-185. The services included a detailed analysis of the state's original submission to the U.S. Department of Health and Human Services (DHHS) and recalculation of the cost reduction using alternative methodologies based on available information.

State of Louisiana Food Stamp Administrative Cost Reduction Project: Mr. Tangen participated as a member of the MAXIMUS team in providing audit defense support with regard to the Food Stamp administrative cost reduction associated with P.L. 105-185. The services included detailed analyses of the State's original



submission to the U.S. Department of Health and Human Services (DHHS) and the recalculation of alternative administrative amounts based on time studies and other pertinent information available for the applicable periods.

State of Louisiana Revenue Maximization Project: Mr. Tangen is a member of the MAXIMUS team currently providing revenue maximization assistance to the Louisiana Department of Social Services, Office of Community Services. This project is focusing on two particular areas of interest to the State of Louisiana: Targeted Case Management for foster care children and Title IV-E administrative cost recoveries.

State of Maryland Department of Human Resources Public Assistance Cost Allocation Plan Project: Mr. Tangen had primary responsibility for the development, preparation, submission and negotiation of the department's Public Assistance Cost Allocation Plan with the Department's federal cognizant agency.

State of Michigan Public Assistance Cost Allocation Plan Project: Mr. Tangen provided assistance in the preparation of the department's Public Assistance Cost Allocation Plan.

State of Mississippi Department of Wildlife Cost Allocation Plan Project: Mr. Tangen was Project Manager for the development and preparation of the Department's annual Cost Allocation Plan (CAP). The CAP's were utilized by the Department to claim federal revenues in support of grants administered by the Department. The CAP's were negotiated and approved by the U.S. DHHS.

State of New Hampshire Public Assistance Cost Allocation Plan Project: Mr. Tangen was lead consultant in assisting the Department of Health and Human Services in preparing a PACAP, implementing cost allocation systems, and negotiating the plan with cognizant federal agencies. The implementation included: comprehensive review of the organization after a department-wide restructuring to analyze the cost allocation plan and indirect cost rates and the impact on federal recoveries; implementation and staff training for two RMS systems; development, implementation and staff training of a personal computer based cost allocation system; and participation in negotiation of approval of the PACAP with federal cognizant agencies.

State of Ohio Department of Health Random Moment Sampling (RMS) System Project: Mr. Tangen was a member of the MAXIMUS team responsible for developing and implementing a random moment sampling system to measure and document



Department employees' effort attributable to various grants and programs.

State of South Carolina Revenue Maximization Project:

Mr. Tangen was a member of the MAXIMUS team responsible for the assisting the State to maximize its federal recoveries. Mr. Tangen was responsible for the development and implementation of a cost methodology for documenting the cost associated with transporting Special Needs Students to schools and therapy sessions. He also assisted with development of a Medicaid administrative claiming initiative involving community mental health centers.

Prior to joining MAXIMUS, Mr. Tangen gained the following professional experience:

While with the Florida Office of the Auditor General, Mr. Tangen performed Financial, Compliance and Operational Performance audits for the State of Florida, Department of Legal Affairs (State Attorney General's Office). In his capacity as Auditor-In-Charge, Mr. Tangen was responsible for audit plan and program development, staff supervision, work paper review and compilation, and audit report preparation. In addition, Mr. Tangen was a member of the audit teams assigned to perform OMB Circular A-128, A-133, and Yellow Book audits of the Florida Department of Education, Universities Board of Regents, State Board of Community Colleges, Florida State University, and Tallahassee Community College.

While as a graduate student at the Florida State University, Mr. Tangen worked with the Small Business Institute, which, in cooperation with the Small Business Administration (SBA), provided consulting services to area businesses.

While with the Government Services Division of the General Electric (G.E.) Company, Mr. Tangen assisted the Internal Auditor on various project audits related to contracts with the U.S. Air Force.

Professional History

MAXIMUS, Inc., Cost Services Division, Tallahassee, Florida, Director, 2004 – Present

MAXIMUS, Inc., Revenue Services Division, Tallahassee, Florida, Director, 2000-2004

DMG-MAXIMUS, Health and Human Services Consulting Division, Atlanta, Georgia, Manager, 1998 – 2000

David M. Griffith & Associates, Ltd., Atlanta, Georgia, Senior Consultant, 1991 – 1998



Florida Office of the Auditor General, Tallahassee, Florida, Public Accounts Auditor III, Financial, Compliance, and Operational Audits Division, 1989 – 1991

Small Business Institute, Tallahassee, Florida, Consultant, 1989

General Electric Company, Patrick Air Force Base, Florida, Accountant/Auditor, Government Services Division, 1988

Education M.B.A., Business Administration, Florida State University, Tallahassee, Florida, 1989
B.S., Accounting and Finance, Florida State University, Tallahassee, Florida, 1987

Certifications Certified Public Accountant (Licensed in Florida and Georgia)
Certified Government Financial Manager



RICHARD MCLAUGHLIN, Senior Manager

RANGE OF EXPERIENCE

Mr. Richard McLaughlin is a Senior Manager in the Tallahassee, Florida office of MAXIMUS, Inc. where he manages the government services consulting practice for the State of Florida. Mr. McLaughlin specializes in the development of activity based costing methodologies, cost recovery alternatives, and charge-back systems for state and local governments, as well as colleges and universities, and nonprofit organizations. Mr. McLaughlin brings over thirteen years of consulting experience and three years of administrative experience devoted to financial management issues.

Mr. McLaughlin often conducts seminars and workshops on activity based costing and rate setting strategies for internal service funds and other governmental operations. He also presents workshops on the application of Federal guidelines and publications including the Office of Management and Budget (OMB) Circulars A-87 and A-133. Additionally, he has developed training sessions for computer based accounting and financial management systems for human services agencies.

Professional History

- MAXIMUS, Inc., Tallahassee, Florida, Senior Manager, 1998 – present
- DMG-MAXIMUS (formerly David M. Griffith & Associates, Ltd.), Columbus, Ohio, Practice Manager, 1989 – 1998
- The Ohio State University, Office of Finance, Columbus, Ohio, Financial Consultant, 1983 – 1989

Education

Mr. McLaughlin received a Bachelor's of Science in Business Administration, with majors in Accounting and Human Resources Management, from The Ohio State University. He is currently continuing his Accounting studies in preparation for the Certified Management Accountant (CMA) examination.

Project Experience

Mr. McLaughlin's experience with MAXIMUS has entailed a wide variety of engagements. These engagements have included assisting agency directors and financial administrators in the recovery of costs through cost allocation plans, indirect cost rates, and billing rate systems. Additionally, Mr. McLaughlin conducts OMB Circular A-87 workshops and training seminars for users of computer based accounting and financial management systems. Mr. McLaughlin's major projects include the following:

- **Office of Planning and Budgeting, Intergovernmental Affairs Policy Unit** – Responsible for the preparation of the Statewide Cost Allocation Plan as well as the preparation of Section I and Section II documentation. Ms. Sandy Sartin, Chief Analyst, (850) 488-8114.



- **Florida Department of Children and Families** – Assist and oversee the monthly input of data into MAXIMUS proprietary software to develop a monthly cost allocation plan to establish cost pools for services provided in the preceding month. This information is cross-referenced to user data to determine the cost-based rates. Ms. Lottie Wood, Operations Management Consultant Manager, (850) 487-8171.
- **Florida Department of Community Affairs** – Since 1985, MAXIMUS has prepared the cost allocation plan annually for the department. Mr. Charles Anderson, Director of Audit Services, (850) 487-4658.
- **Florida Department of Juvenile Justice** – Since the early 1990's MAXIMUS has been responsible for cost plan requirements and preparation. Mr. Sterling Graham, Systems Analyst, (850) 921-6792.
- **State of Florida Department of Transportation Information Technology (IT) Cost Allocation Project:** Mr. McLaughlin was a member of the MAXIMUS team responsible for the development of cost allocation methodologies used to allocate Information Technology (IT) costs to the defined strategic and non-strategic IT services of the Department. In addition, Mr. McLaughlin assisted with the development of a cost allocation plan that allocated the IT costs of the Department to the benefiting IT services, and subsequently to the core operating processes and functions of the Department.
- Development and negotiation of over sixty Cost Allocation Plans and Indirect Cost Rate Proposals for the following State Agencies: **State of Ohio Departments of Administrative Services, Aging, Agriculture, Commerce, Development, Education, Environmental Protection Agency, Health, Industrial Relations, Natural Resources, and Rehabilitation Services Commission.** In each of these engagements, approvals for the Cost Allocation Plans and Indirect Cost Rate Proposals were successfully negotiated with the respective Federal Cognizant Agency. On-going interactions with Federal Cognizant Agencies include the U.S. Departments of Agriculture, Education, Energy, Environmental Protection Agency, Health and Human Services, Interior and Labor.
- **Ohio Department of Administrative Services, Computer Services Division, Office of Finance, and the Auditor of State.** Preparation and negotiation of Section II Billed Costs for these state agencies. These engagements involved management reviews of services provided, staffing assignments, identification of costs of services, and the design of cost flow methodologies. Activity-based costing models are developed and subsequently used to establish billing rate structures. In addition to negotiating the approval of the cost allocation plans and billing rate models, liability settlements of over/under billings for services were determined and successfully negotiated with the U.S. Department of Health and Human Services.
- **Ohio Department of Taxation.** Served on the project team to develop, implement, and train staff on the OROS activity-based-costing software. Specific



- tasks included conducting management interviews, developing service definitions, training staff, and presenting final model to management team.
- **Ohio Department of Education.** Direct comprehensive consulting services regarding the implementation of a state-wide initiative for developing indirect cost rate proposals for local school districts in Ohio. Additionally, developed the agency indirect cost rate proposal for the Ohio Department of Education (ODE) and will negotiate Federal approval of the proposal with the US Department of Education. Tasks include the development of electronic templates, users manual, and ongoing training and advisory services relative to OMB Circular A-87 guidelines.
 - **Ohio Department of Aging.** Conducted financial management reviews for the Ohio Department of Aging regarding cost recovery alternatives for direct and indirect costs. The goals of this engagement were to test alternatives for Medicaid program cost recoveries and to assist in the implementation of a cost recovery methodology. The final report included alternatives for direct charge methodologies, single rate methodologies, and multiple rate methodologies.
 - **Ohio Environmental Protection Agency.** Developed management policies and procedures and cost recovery methodologies for programs directed by the Ohio Environmental Protection Agency. These programs focus on environmental accidents and include Emergency Response, Remedial Response, Special Investigations, and the Voluntary Action Program. In each program the cost recovery alternatives were reviewed and approved by a review committee that consisted of EPA administrators, attorneys, engineers, environmentalists, and contaminated site representatives. Additionally, the methodology developed for the Voluntary Action Program was presented to and ultimately approved by the reviewing Senate sub-committee.
 - **Ohio Bureau of Workers' Compensation.** Coordinated a comprehensive financial review to develop an Administrative Cost Rate for the Ohio Bureau of Workers' Compensation and Industrial Commission. The results of this project were utilized in assessing the four major employer groups for administrative costs associated with Ohio's insurance program. This engagement involved detailed analysis of costs of services provided, development of a cost flow methodology, determination of cash flow needs, and development of billing rate methodologies. The final report was negotiated and accepted by the Administrative Cost Fund Review Committee and the Board of Directors.
 - **Ohio Auditor of State.** Design, preparation, and negotiation of the FY 1999 Federal cost study based on OMB Circular A-87 federal costing principles. Develop the hourly cost and billing rate for Audit services. Review and recommend mid-year billing rate adjustments. Determine the total cost of warrant writing and processing by the State of Ohio and calculate the appropriate charge-back rate.
 - **Michigan Management & Budget.** Development of an A-87 cost distribution plan and billing rate methodology for the Michigan Information Processing Center (MIPC) based on FY 1997 budgeted costs. Conducted quarterly reviews of



actual costs and customer usage. Determined mid-year rate adjustments. Developed recommendations for cost accounting structures and personnel costing requirements.

- **Indiana Division of Information and Technology.** Conducted a training workshop for Information Technology Services Division staff on activity based costing and rate setting methodologies for data processing services and telecommunications services. Specific topics included: OMB-Circular A-87, internal service fund guidelines, rate determination strategies and models, and current government challenges.
- **Indiana Division of Information and Technology.** Development of an A-87 cost distribution plan and billing rate methodology for the Indiana Division of Information Technology based on FY 1998 actual costs and FY 2000 budgeted costs. Conducted quarterly reviews of actual costs and customer usage. Determined mid-year rate adjustments. Developed recommendations for cost accounting structures and personnel costing requirements.
- **West Virginia, Department of Administration, Information Services and Communications Division.** Preparation and negotiation of Section II Billed Costs for these State's centralized information technology division. This engagement involved management reviews of services provided, staffing assignments, identification of costs of services, and the design of cost flow methodologies. Activity-based costing models are developed and subsequently used to establish billing rate structures. In addition to negotiating the approval of the cost allocation plans and billing rate models, liability settlements of over/under billings for services were determined and successfully negotiated with the U.S. Department of Health and Human Services.

WORKSHOP & SEMINAR EXPERIENCE

Mr. McLaughlin often prepares and conducts presentations for public sector organizations. Topics have included activity-based costing, and rate setting strategies for internal service funds and other governmental operations. He also presents workshops on the application of Federal guidelines and publications including the Office of Management and Budget (OMB) Circulars A-87, A-122, and A-133. Additionally, he has developed training sessions for computer based accounting and financial management systems for human services agencies. Mr. McLaughlin has made presentations for public sector organizations such as:

- National Chapter 1 Audit and Legal Affairs Conference
- Ohio Municipal League
- Ohio City Manager's Association
- Mid-Ohio Regional Planning Commission
- State of Indiana Division of Information Technology
- Ohio Department of Administrative Services
- Ohio Environmental Protection Agency
- Ohio Department of Education
- Management Council of the Ohio Education Computer Network



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- Ohio Municipal Finance Officer's Association

PRIOR EXPERIENCE

Prior to joining MAXIMUS, Mr. McLaughlin served on a staff of financial consultants for The Ohio State University. Reporting to the Vice President for Finance, he directed the University's annual budget process. During this time, he developed and implemented strategies and procedures for long-range financial planning activities and rate setting policies for internal service funds. Additionally, Mr. McLaughlin served as trust administrator for the University's endowment portfolio. In this role, he was responsible for developing management and legal reporting procedures and implementing policies congruent with fiduciary responsibilities.



NELSON H. CLUGSTON, Senior Manager

RANGE OF EXPERIENCE

Mr. Clugston has over thirteen years of experience in preparing cost allocation plans, indirect cost rate proposals, and federal funds claiming. His areas of project experience include the following:

- Preparation and negotiation of cost allocation plans and indirect cost rate proposals for state governments and non-profit organizations.
- Development of cost allocation plans for local governments.
- Development of overhead rates and methodologies for Public Works and Utility Departments.
- Preparation of certified pass-through claims for human service activities.

PROFESSIONAL HISTORY

- MAXIMUS, Midlothian, Virginia, Manager, September 1988 – Present.
- North Central Texas Council of Governments, Arlington, Texas, Final Position, Assistant Director of Administration, July 1982 – September, 1988.
- McNaughton & Co. CPA's. Harrisburg, Pennsylvania, Staff Accountant, October 1981 – April 1982.

EDUCATION

- B.S., Accounting, B.S., Public Service, Pennsylvania State University, University Park, Pennsylvania, 1981.

CERTIFICATION/TRAINING

- Certified Public Accountant in Virginia, since 1989 and in Texas from 1985 – 1988.

TECHNICAL SKILLS

- Mr. Clugston is skilled in the use of MAXCARS MAXIMUS' cost allocation software and its predecessor NGCSII.

PROJECT EXPERIENCE

Since joining MAXIMUS, Mr. Clugston has worked on the following projects:



- Prepares and negotiates the Delaware statewide cost allocation plan and nine departmental indirect cost rate calculations. Provides advice to the State of Delaware on how it can maximize its recovery of indirect costs.
- Prepared statewide cost allocation plans for the State of Maryland and Washington, DC.
- Developed, prepared and negotiated a cost allocation plan that allows the American Red Cross to recover indirect costs related to research grants it receives from the National Institutes for Health.
- Assisted on a project for five United Nations specialized agencies to develop a cost methodology for allocating support costs to UN funded development projects in undeveloped countries. The result of this study was the implementation of a uniform method for allocating and charging technical assistance and administrative costs to United Nations development projects. This methodology was accepted by the United Nations system.
- Prepared cost allocation plans for over forty different local governments in Virginia and Maryland. Prepared cost allocation plans for human service agencies such as Fairfax County and Bedford County, Virginia.
- Developed overhead rates for the City of Virginia Beach. The City uses these rates to charge overhead costs to their street maintenance program that is funded by the Virginia Department of Transportation.
- Developed a cost accounting system that the City of Norfolk Utility Department will use to calculate the cost of water production that Virginia Beach will share with Norfolk under an agreement where Virginia Beach purchases water from Norfolk.
- Prepares cost allocation plans and indirect cost rates for the Virginia Department of Mines, Minerals and Energy and the Virginia Department of Environmental Quality.

PRIOR EXPERIENCE

Prior to joining MAXIMUS, Mr. Clugston gained the following experience.

- Formerly employed as the Assistant Director of Administration for the North Central Texas Council of Governments. Responsibilities included supervising the accounting staff, coordinating the annual audit report and preparing the financial section of the financial statements that received the GFOA Certificate of Excellence in Financial Reporting.



ANTHONY KEITH, Manager

Qualifications

Mr. Keith's experience with MAXIMUS has focused on the review, analyses and assessment of information technology infrastructures, and the implementation and operation of cost allocation methodologies. His range of project experience includes the following:

- Systems Administration
- Review and assessment of information technology infrastructure
- Implementation of cost allocation methodologies
- Design, installation, implementation and operation of cost allocation systems and applications

Relevant Experience

Since joining MAXIMUS, Mr. Keith has served as a member of the MAXIMUS teams responsible for the development, preparation, implementation and operation of random moment sampling applications for state agencies in the following states: **Florida, Alaska, Connecticut, Kansas, Nevada, New Jersey, Wisconsin, South Dakota, Pennsylvania, and Iowa.** These studies involve the review, evaluation and assessment of existing client information technology systems and infrastructure for purposes of implementing computer-based cost/effort distribution applications. Further, Mr. Keith is responsible for the on-going maintenance and support of MAXIMUS proprietary software applications installed and operated by and for client agencies.

State of Florida - Agency for Persons with Disabilities: Mr. Keith serves as the PSA Project Database Administrator and is responsible for not only maintaining the relational database but also developing enhancements to continually improve database performance and functionality.

MAXIMUS – System Administration: Mr. Keith manages the MAXIMUS computer network for the Tallahassee office and is responsible for all aspects of system administration. This system includes multiple Microsoft based servers providing email services, web services, and database services. He also provides training to staff members in the use of multiple types of computer applications.

Professional History

- MAXIMUS, Inc., Cost Services Division, Tallahassee, Florida, Manager
- MAXIMUS, Inc., Tallahassee, Florida, WinRMS2000 Administrator, Medicaid Waiver PSA Review Database Administrator, Network Systems Administrator



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- Keith Industries LC, Tallahassee, Florida, Owner/Project Manager
 - Eastern Federal Corporation, Tallahassee, Florida, Assistant Manager/Computer System Trainer
 - Graybar Electric Inc., Tallahassee, Florida, Senior Stock Maintenance Administrator/Computer System Trainer

Education

- Liberal Arts Studies, Florida State University
- Liberal Arts Studies, Tallahassee Community College
- Advanced level Microsoft Access, Computer Tutors
- Advanced Computer Networking, We Train Technologies, Inc.
- Microsoft Server Systems Administration, We Train Technologies, Inc.



ATTACHMENT 2

CONSOLIDATED BALANCE SHEETS

AND

STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
MAXIMUS, Inc.

We have audited the accompanying consolidated balance sheets of MAXIMUS, Inc. as of September 30, 2004 and 2003, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of MAXIMUS, Inc. at September 30, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2004, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

McLean, Virginia
November 16, 2004

MAXIMUS, Inc.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	September 30,	
	2003	2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 117,372	\$ 91,854
Marketable securities	140	47,400
Restricted cash	3,653	1,379
Accounts receivable – billed, net	114,992	111,834
Accounts receivable – unbilled	29,142	42,280
Deferred income taxes	3,410	—
Prepaid expenses and other current assets	7,063	9,673
Total current assets	275,772	304,420
Property and equipment, net	26,217	23,693
Software development costs, net	14,683	18,251
Deferred contract costs, net	7,283	15,475
Goodwill	81,757	84,886
Intangible assets, net	7,212	9,807
Other assets	2,096	6,215
Total assets	\$ 415,020	\$ 464,747
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 21,578	\$ 27,476
Accrued compensation and benefits	23,219	21,224
Deferred revenue	22,356	21,195
Income taxes payable	2,837	—
Deferred income taxes	—	1,930
Current portion of capital lease obligations	809	1,649
Other accrued liabilities	3,653	1,432
Total current liabilities	74,452	74,906
Capital lease obligations, less current portion	3,821	5,108
Deferred income taxes	2,745	10,766
Other long-term liabilities	725	419
Total liabilities	81,743	91,199
Commitments and contingencies (Notes 10 and 14)		
Shareholders' equity:		
Common stock, no par value; 60,000,000 shares authorized; 21,200,197 and 21,319,847 shares issued and outstanding at September 30, 2003 and 2004, at stated amount, respectively	146,219	147,966
Accumulated other comprehensive loss	(95)	(345)
Retained earnings	187,153	225,927
Total shareholders' equity	333,277	373,548
Total liabilities and shareholders' equity	\$ 415,020	\$ 464,747

See notes to consolidated financial statements.

MAXIMUS, Inc.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Year ended September 30,		
	2002	2003	2004
Revenue	\$ 518,698	\$ 558,283	\$ 603,774
Cost of revenue	357,036	391,707	427,207
Gross profit	161,662	166,576	176,567
Selling, general and administrative expenses	97,323	109,534	113,521
Income from operations	64,339	57,042	63,046
Interest and other income, net	3,100	1,381	1,044
Income before income taxes	67,439	58,423	64,090
Provision for income taxes	27,093	23,077	25,316
Net income	\$ 40,346	\$ 35,346	\$ 38,774
Earnings per share:			
Basic	\$ 1.78	\$ 1.68	\$ 1.80
Diluted	\$ 1.73	\$ 1.66	\$ 1.76
Weighted average shares outstanding:			
Basic	22,675	20,999	21,589
Diluted	23,287	21,335	22,064

See notes to consolidated financial statements.

MAXIMUS, Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Dollars in thousands)

	Common Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
Balance at September 30, 2001	\$ 189,971	\$ (18)	\$ 111,461	\$ 301,414
Net income	—	—	40,346	40,346
Unrealized gain on marketable securities, net of tax of \$14	—	21	—	21
Foreign currency translation	—	21	—	21
Comprehensive income	—	—	—	40,388
Employee stock transactions	8,998	—	—	8,998
Repurchases of common stock	(50,842)	—	—	(50,842)
Non-cash equity based compensation	342	—	—	342
Tax benefit due to option exercises	1,829	—	—	1,829
Balance at September 30, 2002	150,298	24	151,807	302,129
Net income	—	—	35,346	35,346
Unrealized loss on marketable securities, net of tax of \$29	—	(53)	—	(53)
Foreign currency translation	—	(66)	—	(66)
Comprehensive income	—	—	—	35,227
Employee stock transactions	15,170	—	—	15,170
Repurchases of common stock	(21,944)	—	—	(21,944)
Non-cash equity based compensation	939	—	—	939
Tax benefit due to option exercises	1,756	—	—	1,756
Balance at September 30, 2003	146,219	(95)	187,158	333,277
Net income	—	—	38,774	38,774
Unrealized loss on marketable securities, net of tax of \$26	—	(40)	—	(40)
Foreign currency translation	—	(210)	—	(210)
Comprehensive income	—	—	—	38,524
Employee stock transactions	22,482	—	—	22,482
Repurchases of common stock	(25,656)	—	—	(25,656)
Non-cash equity based compensation	1,036	—	—	1,036
Tax benefit due to option exercises	3,885	—	—	3,885
Balance at September 30, 2004	<u>\$ 147,966</u>	<u>\$ (345)</u>	<u>\$ 225,927</u>	<u>\$ 373,548</u>

See notes to consolidated financial statements.

MAXIMUS, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Year ended September 30,		
	2002	2003	2004
Cash flows from operating activities:			
Net income	\$ 40,346	\$ 35,346	\$ 38,774
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	3,653	6,249	7,040
Amortization	3,631	4,981	6,110
Deferred income taxes	2,661	(2,310)	13,361
Non-cash equity based compensation	342	939	1,036
Tax benefit due to option exercises	1,829	1,756	3,885
Changes in assets and liabilities, net of effects from acquisitions:			
Accounts receivable – billed	12,792	(8,354)	3,158
Accounts receivable – unbilled	(4,666)	(1,176)	(13,138)
Prepaid expenses and other current assets	(489)	(355)	(2,366)
Deferred contract costs	—	(3,051)	(4,866)
Other assets	217	59	(4,752)
Accounts payable	(2,515)	9,965	5,866
Accrued compensation and benefits	252	2,631	(1,995)
Deferred revenue	(208)	9,004	(1,950)
Income taxes payable	1,111	512	(2,837)
Other liabilities	(592)	(1,149)	(253)
Net cash provided by operating activities	58,364	55,047	47,073
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	(23,706)	(14,715)	(6,605)
Purchases of property and equipment	(7,850)	(6,825)	(6,456)
Capitalized software costs	(5,063)	(4,359)	(8,078)
Decrease (increase) in marketable securities	1,093	(34)	(47,300)
Other	114	222	239
Net cash used in investing activities	(35,412)	(25,711)	(68,220)
Cash flows from financing activities:			
Employee stock transactions	8,998	15,170	22,482
Repurchases of common stock	(50,842)	(21,944)	(25,656)
Payments on capital lease obligations	(251)	(155)	(1,197)
Net cash used in financing activities	(42,095)	(6,929)	(4,371)
Net (decrease) increase in cash and cash equivalents	(19,143)	22,407	(25,518)
Cash and cash equivalents, beginning of period	114,108	94,965	117,372
Cash and cash equivalents, end of period	\$ 94,965	\$ 117,372	\$ 91,854

See notes to consolidated financial statements.

MAXIMUS, Inc.

Notes to Consolidated Financial Statements
For the years ended September 30, 2002, 2003 and 2004

1. Business and Summary of Significant Accounting Policies*Description of Business*

MAXIMUS, Inc. (the "Company") provides consulting, systems solutions and operations program management primarily to government. The Company conducts its operations through three business segments: Consulting, Systems and Operations. The Consulting Segment provides specialized financial consulting services such as assisting states, local agencies, and schools in obtaining federal funding reimbursements for their programs, and implementing cost reductions strategies, as well as providing technical services and software products. The Systems Segment provides systems products including justice and asset software solutions as well as systems development, design and implementation to improve the efficiency and cost-effectiveness of program administration. The Operations Segment provides a variety of program management services, primarily the delivery of administrative services for government health and human service programs.

The Company operates predominantly in the United States. Revenue from foreign-based projects and offices was less than 5% of total revenue for the years ended September 30, 2002, 2003 and 2004.

Principles of Consolidation

The consolidated financial statements include the accounts of MAXIMUS, Inc. and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition

In fiscal 2004, approximately 83% of the Company's total revenue was derived from state and local government agencies; 7% from federal government agencies; and 10% from other sources, such as foreign and commercial customers. Revenue is generated from contracts with various pricing arrangements, including: (1) fixed-price; (2) performance-based criteria; (3) costs incurred plus a negotiated fee ("cost-plus"); and (4) time and materials. Also, some contracts contain "not-to-exceed" provisions. For fiscal 2004, revenue from fixed-price contracts was approximately 37% of total revenue; revenue from performance-based contracts was approximately 33% of total revenue; revenue from cost-plus contracts was approximately 18% of total revenue; and revenue from time and materials contracts was approximately 12% of total revenue. A majority of the contracts with state and local government agencies have been fixed-price and performance-based, and our contracts with the federal government generally have been cost-plus. Fixed-price and performance-based contracts generally offer higher margins but typically involve more risk than cost-plus or time and materials reimbursement contracts.

The Company recognizes revenue on fixed-priced contracts when earned, as services are provided. For certain fixed price contracts, primarily systems design, development and implementation, the Company recognizes revenue based on costs incurred using estimates of total expected contract revenue and costs to be incurred. The cumulative impact of any revisions in estimated revenue and costs is recognized in the period in which the facts that give rise to the revision become known. For other

fixed-price contracts, revenue is recognized on a straight-line basis unless evidence suggests that revenue is earned or obligations are fulfilled in a different pattern. With fixed-price contracts, the Company is subject to the risk of potential cost overruns. Provisions for estimated losses on incomplete contracts are provided in full in the period in which such losses become known. The Company recognizes revenue on our performance-based contracts as such revenue becomes fixed or determinable, which generally occurs when amounts are billable to customers. For certain contracts, this may result in revenue being recognized in irregular increments. Additionally, costs related to contracts may be incurred in periods prior to recognizing revenue. These costs are generally expensed. However, certain direct set up costs may be deferred until services are provided and revenue begins to be recognized, when such costs are recoverable from a contractual arrangement. Set up costs are costs related to activities that enable the Company to provide contractual services to a client. These factors may result in irregular revenue and profit margins.

Revenue on cost-plus contracts is recognized based on costs incurred plus an estimate of the negotiated fee earned. Revenue on time and materials contracts is recognized based on hours worked and expenses incurred.

The Company's most significant expense is cost of revenue, which consists primarily of project-related costs such as employee salaries and benefits, subcontractors, computer equipment and travel expenses. Management uses its judgment and experience to estimate cost of revenue expected on projects. Management's ability to accurately predict personnel requirements, salaries and other costs as well as to effectively manage a project or achieve certain levels of performance can have a significant impact on the gross margins related to our fixed-price, performance-based and time and materials contracts. If actual costs are higher than management's estimates, profitability may be adversely affected. Service cost variability has little impact on cost-plus arrangements because allowable costs are reimbursed by the customer.

The Company also licenses software under license agreements. License fee revenue is recognized when a non-cancelable license agreement is in force, the product has been delivered, the license fee is fixed or determinable, and collection is probable. If the fee is not fixed or determinable, revenue is recognized as payments become due from the customer. In addition, when software license contracts contain post-contract customer support as part of a multiple element arrangement, revenue is recognized based upon the vendor-specific objective evidence of the fair value of each element. Maintenance and post-contract customer support revenue are recognized ratably over the term of the related agreements, which in most cases is one year. Revenue from software-related consulting services under time and material contracts and for training is recognized as services are performed. Revenue from other software-related contract services requiring significant modification or customization of software is recognized under the percentage-of-completion method.

Beginning July 1, 2003, EITF 00-21, *Revenue Arrangements with Multiple Deliverables*, requires contracts with multiple deliverables to be divided into separate units of accounting if certain criteria are met. While EITF 00-21 has not had a material impact on our financial statements, the Company applies the guidance therein and recognize revenue on multiple deliverables as separate units of accounting if the criteria are met.

Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents are valued at cost, which approximates market.

Restricted Cash

Restricted cash represents amounts collected on behalf of certain customers and its use is restricted to the purposes specified under our contracts with these customers.

Marketable Securities

Marketable securities are classified as available-for-sale and are recorded at fair market value with unrealized gains and losses, net of taxes, reported as a separate component of shareholders' equity. Realized gains and losses and declines in market value judged to be other than temporary, of which there were none in 2002, 2003 and 2004, are included in other income. Interest and dividends are also included in other income. Marketable securities consist primarily of short-term auction rate bonds. At September 30, 2002, 2003 and 2004, accumulated unrealized gains (losses) on marketable securities, net of tax, included in accumulated other comprehensive loss, were approximately \$3,000, (\$50,000) and (\$90,000), respectively.

Property and Equipment

Property and equipment is stated at cost and depreciated using the straight-line method based on estimated useful lives not to exceed 39.5 years for the Company's buildings and between three and seven years for office furniture and equipment. Leasehold improvements are amortized over their useful life or the remaining term of the lease, whichever is shorter. Direct costs of time and material incurred for the application development of software for internal use are capitalized as property and equipment. These costs are depreciated using the straight-line method over the estimated useful life of the software, ranging from three to seven years.

Software Development Costs

Capitalized software development costs are capitalized in accordance with FAS No. 86, *Accounting for the Cost of Computer Software to be Sold, Leased, or Otherwise Marketed*. The Company capitalizes both purchased software that is ready for resale and costs incurred internally for software development projects from the time technological feasibility is established. Capitalized software development costs are reported at the lower of unamortized cost or estimated net realizable value. Upon the general release of the software to customers, capitalized software development costs for the products are amortized over the greater of the ratio of gross revenues to expected total revenues of the product or on the straight-line method of amortization over the estimated economic life of the product, which ranges from three to five years.

Deferred Contract Costs

Deferred contract costs consist of reimbursable direct project costs relating to the transition phase of a long-term contract in progress, which are required to be reimbursed under the terms of the contract. These costs include system development and facility build-out costs that are expensed over five years as services are provided under the contract.

Goodwill and Intangible Assets

The Company applies Statements of Financial Accounting Standards No. 141, *Business Combinations* ("FAS 141"), and No. 142, *Goodwill and Other Intangible Assets* ("FAS 142"). Under these rules, goodwill is not amortized but is subject to annual impairment tests in accordance with FAS

142. Annually, the Company performs a fair value analysis of its reporting units using valuation techniques prescribed in FAS 142. Based on the analysis performed as of July 1, 2004, the Company determined that there had been no impairment of goodwill.

Intangible assets from acquisitions, which consist primarily of customer contracts and relationships, technology-based intangibles and non-competition agreements, are amortized over five to ten years, based on their estimated useful lives.

Long-Lived Assets (excluding Goodwill)

The Company follows the provisions of FAS 144, *Accounting for the Impairment of Long-Lived Assets*. FAS 144 requires that long-lived assets be reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss is recognized if the sum of the long-term undiscounted cash flows is less than the carrying amount of the long-lived assets being evaluated. Any write-downs are treated as permanent reductions in the carrying amount of the assets. The Company believes that the carrying values of its assets as of September 30, 2004 are fully realizable.

Income Taxes

Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted rates expected to be in effect during the year in which the differences reverse. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income tax expense in the period that includes the enactment date. A tax benefit or expense is recognized for the net change in the deferred tax asset or liability during the year and the current tax liability for the year.

Comprehensive income (loss)

Comprehensive income (loss) includes changes in the balances of the items that are reported directly as separate components of shareholder's equity. Comprehensive income (loss) includes net income plus changes in the net unrealized gain (loss) on investments, net of taxes, and changes in cumulative foreign currency translation adjustments.

Foreign Currency

The assets and liabilities of foreign operations are translated into U.S. dollars at current exchange rates and revenue and expenses are translated at average exchange rates for the period. The resulting cumulative translation adjustment is included in accumulated other comprehensive income (loss) on the consolidated balance sheet. At September 30, 2002, 2003 and 2004, accumulated foreign currency gains (losses) included in accumulated other comprehensive loss were approximately \$21,000, (\$45,000) and (\$255,000), respectively. Foreign currency transaction gains and losses, including foreign currency gains and losses on short-term loans with our foreign subsidiaries, are included in other income and were approximately \$511,000 for the year ended September 30, 2004. Foreign currency transaction gains and losses were not significant for the years ended September 30, 2002 and 2003.

Earnings per Share

FAS 128, *Earnings Per Share*, requires dual presentation of basic and diluted earnings per share on the face of the Consolidated Statements of Income. Basic earnings per share exclude dilution and are computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Diluted earnings per share include the incremental effect of stock options and restricted stock units calculated using the treasury stock method.

Fair Value of Financial Instruments

The Company considers the recorded value of its financial assets and liabilities, which consist primarily of cash and cash equivalents, marketable securities, accounts receivable and accounts payable, to approximate the fair value of the respective assets and liabilities at September 30, 2003 and 2004.

Stock-Based Compensation

The Company currently accounts for stock options using the intrinsic value method in accordance with APB 25, as interpreted by FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation*. Accordingly, no compensation cost has been recognized for the granting of stock options to our employees and directors for the years ended September 30, 2002, 2003 and 2004, respectively, as all stock options granted under the plan had an exercise price equal to the market value of the underlying common stock on the date of grant. If stock options granted during these years had been accounted for based on their fair value as determined under FAS 123, the pro forma net income and pro forma net income per share would have been as follows (in thousands except per share data):

	Year ended September 30,		
	2002	2003	2004
Net income, as reported	\$ 40,346	\$ 35,346	\$ 38,774
Deduct: Stock compensation expense determined under fair value based method, net of taxes	(7,112)	(6,348)	(5,087)
Net income, as adjusted	\$ 33,234	\$ 28,998	\$ 33,687
Earnings per share:			
Basic - as reported	\$ 1.78	\$ 1.68	\$ 1.80
Basic - as adjusted	\$ 1.47	\$ 1.38	\$ 1.56
Diluted - as reported	\$ 1.73	\$ 1.66	\$ 1.76
Diluted - as adjusted	\$ 1.43	\$ 1.36	\$ 1.53

The weighted average fair value of stock options was estimated at the date of grant using the Black-Scholes option pricing calculation with the following assumptions: volatility of 59% for 2002, 58% for 2003 and 55% for 2004; risk free interest rate of 3.0% for 2002 and 2003 and 3.1% for 2004; dividend yield 0%; and an expected life of the option of 5.7 years in 2002 and 2003 and 5.4 years in 2004. The grant-date weighted average fair value per option of options granted was \$16.56 in 2002, \$13.79 in 2003 and \$18.20 in 2004.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used by the Company include estimates of profits or loss on contracts in process, estimates of collectibility of receivables, evaluation of asset impairment and accrual of estimated liabilities.

Reclassifications

Certain reclassifications have been made to prior period amounts to conform to the current year presentation.

2. Business Combinations

In fiscal 2003 and 2004, the Company acquired the businesses described below in business combinations accounted for as purchases. The accompanying consolidated financial statements include the results of operations of each acquired business since the date of their respective acquisition.

On October 1, 2002, the Company acquired Themis Program Management and Consulting Limited and GABA Management Ltd. (together "Themis"), located in British Columbia, Canada, for cash consideration of approximately \$1.7 million. In conjunction with the purchase, the Company recorded approximately \$1.0 million of goodwill and \$0.7 million of intangible assets, which have been assigned to the Operations Segment. The primary reasons for acquiring Themis were to expand the Company's presence in the child support market and to strategically complement the Company's current service offerings in the human services area.

On May 1, 2003, the Company acquired the National Misdemeanant Private Probation Operations business of B. I. Incorporated (referred to as "Correctional Services") for approximately \$10.6 million. In conjunction with the purchase, the Company recorded goodwill of \$9.1 million and intangible assets, primarily non-competition agreements and customer relationships, of \$1.2 million, and other net assets of approximately \$0.3 million, which have been assigned to the Operations Segment. The Correctional Services business constitutes one of the largest providers of community corrections services in the United States and provides services that includes treatment groups and education classes and drug and alcohol testing and monitoring. The primary reasons for acquiring the Correctional Services business were to expand the Company's presence in the correction services market and to strategically complement the Company's current service offerings in the human services area.

On May 3, 2004, the Company acquired substantially all the assets of TIECorp. for \$3.2 million. In conjunction with the purchase, the Company recorded intangible assets, primarily non-competition agreements and technology related intangibles, of \$3.4 million, and other net liabilities of approximately \$0.2 million, which have been assigned to the Consulting Segment. Per the terms of the acquisition agreement, additional consideration of up to \$16.5 million may be paid based on achievement of certain future performance objectives by TIECorp. This additional consideration will be expensed as incurred. The TIECorp. business is engaged in the development and marketing of instructional management software programs and related products and services in the educational field. The primary reasons for the acquisition were to expand the Company's presence in the educational software field and to strategically complement the Company's current product and service offerings in the educational market.

On June 1, 2004, the Company acquired certain assets of Manatron, Inc. for \$1.8 million. In conjunction with the purchase, the Company recorded goodwill of \$1.5 million and intangible assets, primarily customer contracts and relationships, of \$0.8 million, and other net liabilities of approximately \$0.5 million, which have been assigned to the Systems Segment. The acquired assets relate to the design, development, marketing and support of judicial software products for county, city and township governments. The primary reason for the acquisition was to increase the Company's market share in the justice solutions arena.

Unaudited pro forma results of operations information for the Company as if the companies acquired by the purchase method were acquired at the beginning of the periods being reported is as follows (in thousands, except per share data):

	Year ended September 30,	
	2003	2004
Revenue	\$ 568,016	\$ 605,519
Net income	36,366	39,242
Diluted earnings per share	\$ 1.70	\$ 1.78

3. Contract Receivables and Deferred Revenue

Uncompleted contracts consist of the following components (in thousands):

	Accounts receivable -- unbilled	Deferred revenue
September 30, 2003:		
Revenue	\$ 487,727	\$ 635,930
Billings	458,585	658,286
Total	\$ 29,142	\$ 22,356
September 30, 2004:		
Revenue	\$ 797,301	\$ 627,729
Billings	755,021	548,924
Total	\$ 42,280	\$ 21,198

Unbilled accounts receivable and deferred revenue relate primarily to contracts wherein the timing of billings to customers varies based on individual contracts and often differs from the period of revenue recognition. At September 30, 2003 and 2004, there was approximately \$1.0 million and \$2.7 million, respectively, billed but not paid by customers pursuant to contractual retainage provisions. Such balances are included in billed accounts receivable in the accompanying consolidated balance sheets.

Approximately \$4.4 million of billed long-term contract receivables, net of a \$1.0 million reserve, are included in other assets at September 30, 2004.

In evaluating the net realizable value of accounts receivable, the Company considers such factors as current economic trends, customer credit-worthiness, and changes in the customer payment terms and collection trends. Changes in the assumptions used in analyzing a specific account receivable may result in reserve being recognized in the period in which the change occurs.

Changes in the reserves against billed accounts receivable were as follows (in thousands):

	Year ended September 30,		
	2002	2003	2004
Balance at beginning of year	\$ —	\$ 3,165	\$ 4,997
Additions to cost and expense	3,165	2,132	6,401
Deductions	—	(300)	(4,847)
Balance at end of year	\$ 3,165	\$ 4,997	\$ 6,551

4. Property and Equipment

Property and equipment, at cost, consist of the following (in thousands):

	As of September 30,	
	2003	2004
Land	\$ 2,462	\$ 2,462
Building and improvements	11,625	11,699
Office furniture and equipment	30,012	36,011
Leasehold improvements	2,313	2,504
	46,412	52,676
Less: Accumulated depreciation and amortization	(20,195)	(26,983)
Total property and equipment, net	\$ 26,217	\$ 25,693

5. Software Development Costs

Software development costs consist of the following (in thousands):

	As of September 30,	
	2003	2004
Capitalized software development costs	\$ 23,383	\$ 30,918
Less: Accumulated amortization	(8,700)	(12,667)
Total Software development costs, net	\$ 14,683	\$ 18,251

During 2004, the Company wrote off approximately \$0.5 million of fully amortized software development costs and the related accumulated amortization. Capitalized software amortization expense for the years ended September 30, 2002, 2003 and 2004 was approximately \$2.7 million, \$3.8 million and \$4.5 million, respectively.

6. Deferred Contract Costs

Deferred contract costs consist of reimbursable direct project costs relating to the transition phase of a long-term contract in progress, which are required to be reimbursed under the terms of the contract. These costs include system development and facility build-out costs totaling \$7.3 million and \$18.2 million at September 30, 2003 and 2004, respectively, of which approximately \$4.2 million and \$7.6 million is leased equipment at September 30, 2003 and 2004, respectively. Deferred contract costs are expensed ratably over five years as services are provided under the contract, beginning January 2004. For the fiscal

year ended September 30, 2004, deferred contract costs expensed was approximately \$2.8 million, of which \$1.1 million is the amortization of capital lease assets included in deferred costs.

7. Goodwill and Intangible Assets

Changes in goodwill for the years ended September 30, 2003 and 2004 are as follows (in thousands):

	Consulting	Systems	Operations	Total
Balance as of September 30, 2002	\$ 6,811	\$ 42,265	\$ 19,736	\$ 68,812
Goodwill activity during year	—	413	12,532	12,945
Balance as of September 30, 2003	6,811	42,678	32,268	81,757
Goodwill activity during year	—	1,881	1,248	3,129
Balance as of September 30, 2004	\$ 6,811	\$ 44,559	\$ 33,516	\$ 84,886

The following table sets forth the components of intangible assets (in thousands):

	As of September 30, 2003			As of September 30, 2004		
	Cost	Accumulated Amortization	Intangible Assets, net	Cost	Accumulated Amortization	Intangible Assets, net
Non-competition agreements	\$ 3,425	\$ 2,854	\$ 571	\$ 3,475	\$ 2,994	\$ 481
Technology-based intangibles	1,500	264	1,236	4,870	756	4,114
Customer contracts and relationships	6,700	1,295	5,405	7,475	2,268	5,207
Total	\$ 11,625	\$ 4,413	\$ 7,212	\$ 15,820	\$ 6,013	\$ 9,807

Intangible assets from acquisitions are amortized over a period of five to ten years. The weighted-average amortization periods for non-competition agreements, technology-based intangibles, and customer contracts and relationships are approximately five years, six years, and eight years, respectively. The weighted-average amortization period for total intangible assets is approximately seven years. The estimated amortization expense for the years ending September 30, 2005, 2006, 2007, 2008 and 2009 is \$2.1 million, \$2.0 million, \$1.6 million, and \$1.1 million, respectively.

8. Earnings Per Share

The following table sets forth the components of basic and diluted earnings per share (in thousands):

	Year ended September 30,		
	2002	2003	2004
Numerator:			
Net income	\$ 40,346	\$ 35,346	\$ 38,774
Denominator:			
Weighted average shares outstanding	22,675	20,999	21,589
Effect of dilutive securities:			
Employee stock options and unvested restricted stock awards	612	336	425
Denominator for diluted earnings per share	23,287	21,335	22,014

9. Credit Facilities

In June 2003, in connection with a long-term contract, the Company issued a standby letter of credit facility in an initial amount of up to \$20.0 million, which amount shall be reduced to \$10.0 million on April 1, 2005. The letter of credit, which expires on March 31, 2009, may be called by the customer in the event the Company defaults under the terms of the contract. The facility contains financial covenants that establish minimum levels of tangible net worth and earnings before interest, tax, depreciation and amortization ("EBITDA") and requires the maintenance of certain cash balances. The Company was in compliance with all covenants at September 30, 2004.

10. Leases

The Company leases office space under various operating leases, the majority of which contain clauses permitting cancellation upon certain conditions. The terms of these leases provide for certain minimum payments as well as increases in lease payments based upon the operating cost of the facility and the consumer price index. Rent expense for the years ended September 30, 2002, 2003 and 2004 was approximately \$21.1 million, \$21.3 million and \$23.3 million, respectively.

On July 15, 2003, the Company entered into a capital lease financing arrangement with a financial institution, whereby the Company may acquire assets pursuant to an equipment lease agreement. Rental payments for assets leased are payable over a 60-month period at a rate of 4.05% commencing in January 2004. On March 29, 2004, the Company entered into a supplemental capital lease financing arrangement with the same financial institution whereby the Company may acquire additional assets pursuant to an equipment lease agreement. Rental payments for assets leased under the supplemental arrangement are payable over a 57-month period at a rate of 3.61% commencing in April 2004. At September 30, 2004, capital lease obligations of approximately \$6.6 million were outstanding related to these lease arrangements for new equipment. Capital leases entered into during the fiscal year ended September 30, 2004 were approximately \$3.4 million.

Minimum future payments under leases in effect as of September 30, 2004 are as follows (in thousands):

Year ended September 30,	Capital Leases	Operating Leases
2005	\$ 1,893	\$ 18,242
2006	1,679	12,493
2007	1,679	7,771
2008	1,679	4,696
2009	420	2,265
Thereafter	—	1,686
Total minimum lease payments	7,350	\$ 47,153
Amount representing interest	(693)	
Present value of minimum lease payments	6,757	
Current portion	(1,649)	
Long-term portion	<u>\$ 5,108</u>	

11. Employee Benefit Plans and Deferred Compensation

The Company has 401(k) plans and other defined contribution plans for the benefit of all employees who meet certain eligibility requirements. The plans provide for Company match, specified Company contributions, and/or discretionary Company contributions. During the years ended September 30, 2002, 2003 and 2004, the Company contributed approximately \$5.1 million, \$4.2 million and \$3.7 million to the plans, respectively.

12. Income Taxes

The Company's provision for income taxes is as follows (in thousands):

	Year ended September 30,		
	2002	2003	2004
Current provision:			
Federal	\$ 19,823	\$ 20,893	\$ 9,791
State	4,343	4,494	2,164
Foreign	75	—	—
Total current provision	24,241	25,387	11,955
Deferred tax expense (benefit):			
Federal	2,468	(1,470)	10,820
State	384	(328)	2,299
Foreign	—	(512)	242
Total deferred tax expense (benefit)	2,852	(2,310)	13,361
	\$ 27,093	\$ 23,077	\$ 25,316

The provision for income taxes differs from that which would have resulted from the use of the federal statutory income tax rate as follows (in thousands):

	Year ended September 30,		
	2002	2003	2004
Expected federal income tax provision	\$ 23,604	\$ 20,448	\$ 22,481
State income taxes, net of federal benefit	3,441	2,674	2,929
Other	48	(45)	(44)
	\$ 27,093	\$ 23,077	\$ 25,316

The significant items comprising the Company's deferred tax assets and liabilities as of September 30, 2003 and 2004 are as follows (in thousands):

	As of September 30,	
	2003	2004
Deferred tax assets—current:		
Liabilities for costs deductible in future periods	\$ 4,576	\$ 5,364
Deferred revenue	8,372	7,294
Total deferred tax assets—current	12,948	12,658
Deferred tax liabilities—current:		
Accounts receivable – unbilled	9,538	14,588
Net deferred tax asset (liability) –current	\$ 3,410	\$ (1,930)
Deferred tax assets (liabilities)—non-current:		
Non-cash equity compensation	\$ 916	\$ 1,147
Amortization of goodwill	(1,759)	(3,443)
Depreciation	1,076	(1,828)
Capitalized software	(2,978)	(3,514)
Deferred contract costs	—	(3,128)
Net deferred tax liability—non-current	\$ (2,745)	\$ (10,766)

Cash paid for income taxes during the years ended September 30, 2002, 2003 and 2004 was approximately \$17.9 million, \$20.5 million and \$10.2 million, respectively.

Approximately 89% of the Company's total goodwill is expected to be deductible for income tax purposes.

13. Shareholders' Equity

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan permits employees to purchase shares of the Company's common stock each quarter at 85% of the market value on the first day of the quarter or the last day of the quarter, whichever is lower. During fiscal 2002, 2003 and 2004, respectively, the Company issued approximately 69,100, 115,300 and 71,400 shares of common stock pursuant to this plan at an average price of \$29.63, \$18.54 and \$28.40 per share.

Stock Repurchase Program

Under resolutions adopted in May 2000, July 2002, and March 2003, the Board of Directors has authorized the repurchase, at management's discretion, of up to an aggregate of \$90.0 million of the Company's common stock. In addition, in June 2002, the Board of Directors authorized the use of option exercise proceeds for the repurchase of the Company's common stock. During the years ended September 30, 2003 and 2004, the Company repurchased 1,040,900 and 806,800 shares, respectively. At September 30, 2004, approximately \$32.4 million remained available for future stock repurchases under the program.

Stock Option Plans

The Company's Board of Directors established stock option plans during 1997 pursuant to which the Company may grant incentive and non-qualified stock options to officers, employees and directors of the Company. Such plans also provide for stock awards and direct purchases of the Company's common stock.

The vesting period and share price for awards are determined by the Company's Board of Directors at the date of grant. Options generally vest over a period of four years and expire ten years after the date of grant. As of September 30, 2004, the Company's Board of Directors had reserved 6.6 million shares of common stock for issuance under the Company's stock option plans. At September 30, 2004, approximately 1.1 million shares remained available for grants under the Company's option plans.

In May 2002, the Company issued 170,000 Restricted Stock Units (RSUs) to certain executive officers and employees under its 1997 Equity Incentive Plan. The grant-date fair value of each RSU was \$30.14. In March 2004, the Company issued 96,800 RSUs to certain executive officers and employees under its 1997 Equity Incentive Plan. The grant-date fair value of each RSU was \$34.90. The RSUs vest ratably over six years with full vesting upon the sixth anniversary of the date of grant, provided, however, that the vesting will accelerate if the Company meets certain earnings targets determined by the Board of Directors. The fair value of the RSUs at the date of grant is amortized to expense over the vesting period. Compensation expense recognized related to these RSUs for the fiscal years ended September 30, 2003 and 2004 were approximately \$0.9 million and \$1.0 million, respectively.

For the year ended September 30, 2004, approximately 840,400 stock options were exercised under the Company's stock option plan and approximately 25,400 RSU's were vested.

A summary of the Company's stock option activity for the years ended September 30, 2002, 2003 and 2004 is as follows:

	Options	Weighted-Average Exercise Price
Outstanding at September 30, 2001	3,489,425	\$ 23.33
Activity during fiscal 2001:		
Granted	460,180	29.76
Exercised	(326,418)	20.63
Canceled due to termination	(246,094)	23.65
Outstanding at September 30, 2002	3,377,093	24.44
Activity during fiscal 2003:		
Granted	260,015	25.06
Exercised	(603,592)	21.80
Canceled due to termination	(204,904)	24.05
Outstanding at September 30, 2003	2,828,612	25.14
Activity during fiscal 2004:		
Granted	654,688	34.92
Exercised	(840,374)	24.84
Canceled due to termination	(91,812)	25.06
Outstanding at September 30, 2004	<u>2,551,114</u>	27.76

The following table provides certain information with respect to stock options outstanding at September 30, 2004:

Range of Exercise Prices	Stock Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life
\$ 0.01 - \$ 1.46	106,035	\$ 1.44	2.3
\$ 12.31 - \$ 20.96	614,253	20.42	6.0
\$ 21.00 - \$ 33.68	921,584	27.90	6.4
\$ 33.75 - \$ 46.03	909,242	35.65	8.4
	2,551,114	27.76	6.8

The following table provides certain information with respect to stock options exercisable at September 30, 2004:

Range of Exercise Prices	Stock Options Exercisable	Weighted Average Exercise Price
\$ 0.01 - \$ 1.46	106,035	\$ 1.44
\$ 12.31 - \$ 20.96	584,753	20.42
\$ 21.00 - \$ 33.68	674,236	27.77
\$ 33.75 - \$ 46.03	289,147	36.42
	1,654,171	25.00

14. Commitments and Contingencies

Litigation

On December 8, 2003, a former officer of the Company, sued MAXIMUS, David V. Mastran, our former CEO, and Lynn P. Davenport, our current CEO, in the federal District Court for the Northern District of Ohio in connection with the termination of his employment in August 2003. The matter was later transferred to the federal District Court for the Eastern District of Virginia. His complaint asserted that his employment was wrongfully terminated by the defendants, and he alleged breach of his employment contract, promissory estoppel, fraud, interference with contract, and intentional infliction of emotional distress. The complaint claimed damages of at least \$11.0 million. The parties have agreed to settle this matter. The expected settlement amount to be paid by MAXIMUS is not material to the Company's financial condition or results of operations and was expensed in the year ended September 30, 2004.

In the third quarter of fiscal 2004, the Company learned that two former employees who were principals in a small business MAXIMUS acquired in 2000 had signed fraudulent guarantees on behalf of MAXIMUS for computer equipment leases. Some of that equipment appears to have been used in businesses unrelated to MAXIMUS. The Company did not have knowledge of the leases or guarantees. Solarcom LLC, the leasing company, demanded \$31.0 million from MAXIMUS under the guarantees, which amount represents the remaining payments under the leases. Solarcom subsequently filed suit against MAXIMUS on August 17, 2004 in state court in Gwinnett County, Georgia. On August 6, 2004, De Lage Landen Financial Services, Inc. sued MAXIMUS and Solarcom in the federal District Court for the Eastern District of Pennsylvania seeking damages of at least \$10.0 million. On August 24, 2004, Fleet Business Credit sued MAXIMUS and Solarcom in the federal District Court for the Northern District of Georgia seeking damages of approximately \$8.0 million. Solarcom had sold and assigned certain of the lease payments to De Lage Landen and Fleet Business Credit. The Solarcom and Fleet Business Credit Services actions were consolidated in the federal District Court for the Northern District of Georgia on September 29, 2004. The Company believes the amounts claimed by De Lage Landen and Fleet Business Credit are part of the \$31.0 million demanded by Solarcom. Because the guarantees were fraudulently signed, and because the leasing company did not perform appropriate due diligence, the Company

believes that it is not liable under the guarantees and will vigorously contest any claim for payment. The Company has also reported the matter to law enforcement authorities, and has filed claims against the former employees. Those claims have been referred to arbitration for resolution. Although there can be no assurance of a favorable outcome, the Company does not believe that these actions will have a material adverse effect on its financial condition or results of operations, and the Company has not accrued for any loss related to this action.

In October 2004, MAXIMUS received a subpoena from the U.S. Attorney's Office for the District of Columbia. The subpoena requested records pertaining to the Company's work for the District of Columbia, primarily in the area of assisting in the submission and payment of federal Medicaid reimbursement claims prepared on behalf of the District of Columbia. Although the matter is in its early stages, the U.S. Attorney's Office appears to be investigating issues pertaining to compliance with federal health care laws. MAXIMUS does not believe it has violated those laws and is cooperating fully with the U.S. Attorney's Office. Although there can be no assurance of a favorable outcome, the Company does not believe that this matter will have a material adverse effect on its financial condition or results of operations, and the Company has not accrued for any loss related to this matter.

The Company is involved in various legal proceedings, including contract claims, in the ordinary course of its business. Management does not expect the ultimate outcome of any of these legal proceedings or contract claims to have a material adverse effect on the Company's financial condition or its results of operations. A substantial portion of payments to the Company from United States government agencies is subject to adjustments upon audit by the agency with which the Company has contracted. Audits through 1997 have been completed with no material adjustments. In the opinion of management, the audits of subsequent years are not expected to have a material adverse effect on the Company's financial position or results of operations.

Employment Agreements

The Company has employment agreements with 17 of its executives and other employees with terms of the employment obligations ending between 2005 and 2007.

15. Concentrations of Credit Risk and Major Customers

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of accounts receivable, billed and unbilled, on uncompleted contracts. To date, these financial instruments have been derived from contract revenue earned primarily from federal, state and local government agencies located in the United States.

For the year ended September 30, 2004, the Company derived 14% of its consolidated revenue from contracts with a single state customer, principally within our Operations Segment. For fiscal years 2002 and 2003, there was no revenue from transactions with a single federal, state or local customer amounting to 10% or more of the Company's consolidated revenue.

16. Business Segments

Effective September 30, 2004, we implemented certain internal organizational changes to better manage our business. All periods below reflect the change in the composition of our reportable segments as if we had always operated under the new organizational structure. The following table provides certain financial information for each business segment (in thousands):

	2002	2003	2004
Revenue:			
Consulting	\$ 92,525	\$ 102,620	\$ 103,312
Systems	118,495	133,446	139,057
Operations	307,678	322,217	361,405
Total	\$ 518,698	\$ 558,283	\$ 603,774
Income from operations:			
Consulting	\$ 20,018	\$ 15,599	\$ 10,977
Systems	17,072	15,272	15,352
Operations	25,127	25,059	35,117
Consolidating Adjustments	2,122	1,112	1,600
Total	\$ 64,339	\$ 57,042	\$ 63,046
Identifiable assets:			
Consulting	\$ 57,073	\$ 62,759	\$ 68,922
Systems	94,904	106,042	116,901
Operations	84,013	105,380	118,697
Corporate	116,100	140,839	160,227
Total	\$ 352,090	\$ 415,020	\$ 464,747
Depreciation and amortization:			
Consulting	\$ 1,622	\$ 1,741	\$ 1,962
Systems	3,098	5,136	5,577
Operations	1,190	2,776	3,587
Corporate	1,374	1,577	2,024
Total	\$ 7,284	\$ 11,230	\$ 13,150

Revenue from foreign operations was approximately \$9.3 million, \$26.7 million and \$30.0 million for fiscal years 2002, 2003 and 2004, respectively. Total assets of foreign operations were approximately \$17.0 million and \$18.7 million at September 30, 2003 and 2004, respectively.

17. Quarterly Information (Unaudited)

Set forth below are selected quarterly income statement data for the fiscal years ended September 30, 2003 and 2004. The Company derived this information from unaudited quarterly financial statements that include, in the opinion of Company's management, all adjustments necessary for a fair presentation of the information for such periods. Results of operations for any fiscal quarter are not necessarily indicative of results for any future period.

During the fourth quarter of fiscal 2004, we implemented certain internal organizational changes to better manage our business. The earlier periods are reflective of the change in the composition of our reportable segments as if we had operated under the new organizational structure during those periods.

	Quarter Ended			
	Dec. 31, 2002	March 31, 2003	June 30, 2003	Sept. 30, 2003
(In thousands, except per share data)				
Fiscal Year 2003				
Revenue:				
Consulting	\$ 22,768	\$ 23,346	\$ 29,129	\$ 27,377
Systems	32,194	31,411	34,295	35,546
Operations	77,729	75,906	78,317	90,265
Total revenue	132,691	130,663	141,741	153,188
Gross profit	42,261	38,586	42,420	43,309
Income from operation:				
Consulting	2,465	2,518	5,571	5,045
Systems	5,410	2,263	3,709	3,890
Operations	8,035	5,701	4,897	6,426
Consolidating adjustments	198	516	310	88
Total income from operations	16,108	10,998	14,487	15,449
Net income	10,076	6,890	8,965	9,415
Earnings per share:				
Basic	\$ 0.48	\$ 0.33	\$ 0.43	\$ 0.45
Diluted	\$ 0.47	\$ 0.32	\$ 0.43	\$ 0.44

	Quarter Ended			
	Dec. 31, 2003	March 31, 2004	June 30, 2004	Sept. 30, 2004
(In thousands, except per share data)				
Fiscal Year 2004				
Revenue:				
Consulting	\$ 26,672	\$ 24,764	\$ 25,150	\$ 26,726
Systems	33,293	36,476	36,778	32,510
Operations	78,929	89,467	98,230	94,779
Total revenue	138,894	150,707	160,158	154,015
Gross profit	42,583	44,631	45,462	43,891
Income from operations:				
Consulting	3,682	1,615	1,965	3,715
Systems	3,431	4,790	4,195	2,936
Operations	7,656	8,542	9,425	9,494
Consolidating adjustments	162	431	537	470
Total income from operations	14,931	15,378	16,122	16,615
Net income	9,149	9,507	9,930	10,188
Earnings per share:				
Basic	\$ 0.43	\$ 0.44	\$ 0.46	\$ 0.47
Diluted	\$ 0.42	\$ 0.43	\$ 0.45	\$ 0.47

