

Resolution # 2-1

WHEREAS, it is necessary to systematically allocate costs incurred by County departments in providing support services to other County departments to (1) facilitate claiming indirect costs associated with federal programs, (2) determine the full costs of departments charging user fees to the public, and (3) charge enterprise funds for services provided by the general fund; and

WHEREAS, Sangamon County desires to allocate such costs based upon allocation data which is updated on biennially, and

WHEREAS, with Fiscal Year 2004 now completed, the currently-used allocation data based on Fiscal Year 2002 costs is two years old and due for recalculation, and

WHEREAS, Sangamon County has satisfactorily utilized MAXIMUS, Inc. to complete the previous two Cost Allocation Plans, and

WHEREAS, Sangamon County has received the attached proposal and professional services contract from MAXIMUS, Inc. in the fixed amount of \$10,200.00 for completion of the Fiscal Year 2004 Cost Allocation Plan,

NOW, THEREFORE, BE IT RESOLVED that the Sangamon County Board, in session this 24th day of January, 2005, hereby approves the attached contract with MAXIMUS, Inc. and authorizes the Chairman of the County Board sign said contract for completion of the Fiscal Year 2004 Cost Allocation Plan.

Finance Committee

Andy Adams, Chairman

Paul Vaughn, Member

Wife Bunch, Member

[Signature], Member

Rosemarie Long, Member

_____, Member

_____, Member

_____, Member

FILED

JAN 18 2005

Joe Aiello
Sangamon County Clerk

RECEIVED

JAN 10 2005

Paul Palazzolo
SANGAMON COUNTY AUDITOR

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**Proposal to Sangamon County
for Cost Allocation Services**

A. Qualifications of MAXIMUS, Inc. and the Staff assigned to the project

MAXIMUS is the leader nationwide in the preparation of governmental cost allocation plans and indirect cost rate proposals. We prepare more cost allocation plans annually than do all other firms combined.

MAXIMUS is one of America's largest governmental services companies devoted to providing state and local governments with program management, information technology, and consulting services. The Company has more than 5,000 employees located in more than 130 offices across the United States. Our staff has worked with nearly all of the States, over 1,000 counties and more than 500 cities on a variety of cost accounting and management issues. We have expertise in governmental cost accounting, cost recovery issues, federal grants management, and other professional services of importance to state and local governments.

For the sake of continuity from our last cost allocation plan project for Sangamon County, we will assign the same consultants for this project. They include:

- Robert Antrim, Director – Project manager
- Kurt Sames, Manager – Analyst

We have not specified specific project tasks to be assigned to specific project team members in this proposal. We will assign the specific tasks to the project team members as the project progresses. Each of the team members has extensive experience in any of the project areas, and will be assigned based on need and availability.

Project Staff Qualifications

Robert Antrim, Director

Mr. Antrim has worked as project manager on all Sangamon County CAP projects since the mid-1980's, including the FY 2002 CAP. Mr. Antrim is a CPA, has a bachelors degree in Economics and Business, a masters degree in Public Administration, and additional coursework in accounting. He has worked for MAXIMUS (or it predecessor DMG) since 1984 and is a specialist in government cost accounting, cost allocation, OMB Circular A-87 cost principles, and preparation of cost plans in accordance with ASMB C-10. In his 21 years with the firm he has managed literally hundreds of Circular A-87 cost allocation projects, including annual recurring projects with at least 10-12 State of Illinois departments.

Kurt Sames, Senior Consultant

Mr. Sames is a specialist in the area of cost allocation, preparation of cost allocation plans and indirect cost rate proposals. Mr. Sames also worked on the CFY 2002 and prior cost allocation projects for Sangamon County. Mr. Sames has worked closely with all of our Springfield Office cost allocation clients during his 11 years of experience with MAXIMUS. Mr. Sames also has been involved in all aspects of the annual preparation of cost allocation plans for 10-12 State agencies. During this period he has been

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assigned to dozens of cost allocation projects for Illinois State agencies, and for counties and cities in Illinois and Missouri. His day-to-day familiarity with governmental cost allocation and A-87 issues has led to his recognition as a cost allocation expert among Illinois State government and local government fiscal officers.

Mr. Sames has adapted efficient methods, including computer spreadsheet, database development and use of the MAXIMUS proprietary cost allocation software. He is a specialist in the use of data file downloads from mainframe report applications, and has highly developed skills in importing data into PC spreadsheet and database and "Monarch" software. His skills and PC experience provide an accomplished background for working on state costing issues.

Prior to joining MAXIMUS, Mr. Sames was an economic planner for the City of Springfield, Department of Public Utilities. He has a Bachelors and Masters degree in Economics from the University of Illinois - Springfield.

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B. Project approach and information to be supplied by Sangamon County

Indirect Cost Allocation Plan (CAP) for CFY 2004

The assistance we would provide is described below for the CFY 2004 CAP.

- We will prepare a CAP based on County fiscal year 2004 actual costs. A single version of the CAP will be completed, which will provide the necessary cost information for indirect cost rates used for grants. Therefore, the CAP will comply with federal costing guidelines as described in OMB Circular A-87. Some "federally unallowable" activities and costs may be excluded from the cost allocation process (a necessary step if the plan is to be used for grant claims).
- The CAP will also provide cost documentation for County internal fund charges, fee studies, or other non-grant indirect cost charges.
- We will use the MAXIMUS proprietary cost allocation software (MAXCARS) to prepare the Cost Allocation Plan.
- The project scope does not necessarily provide for completion of separate federal or state indirect cost rate proposals (if any are required), although we will assist to the extent that no more than 6 additional professional staff hours are required. Additional arrangements can be made if additional assistance is required.
- We will complete a draft version of the CAP for the County to review and suggest changes. We will discuss the changes, if any, and complete a final version based on the agreed upon amendments.

Our responsibility is to insure success of the engagement, and, with your assistance, we will successfully complete the project within the timeframe required. We will meet with central indirect department personnel as necessary to assist the County in gathering information required. We will also instruct, as necessary, essential personnel in the use of the cost allocation results

However, we will rely on certain information that is to be provided by the County. This information is described in the section following.

As in our past studies, we will be sensitive to the need for these studies to complete interviews and data collection in a way that is minimally disruptive to the ongoing operations of the departments.

Project assistance to be provided by the County

County personnel will be assigned to coordinate the engagement, and the assigned County personnel will be available as liaison with various department personnel. In addition, the County will help to gather allocation data for input into the Cost Allocation Plan software, including:

- Gather updated statistical allocation information as was provided by various departments and used for the prior year CAP
- Gather updated functional salary information, with detail on percentages of time spent by central indirect staff on various activities. This information should be

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provided in a format similar to the functional "salary and wage analysis" forms completed for the prior CAP projects.

- Provide CFY 2004 cost information in an automated format with detail of costs by department, by line item and by fund.

This project is not an audit. As such, we will be entitled to rely on the accuracy of data provided by the County.

C. Activities Work Plan

The CAP documents will identify the allocable costs of County central services, and will summarize the allocations of these costs to all direct County departments and funds. The results of the CAP are to be used as the source of final indirect costs for computation of the indirect cost rates.

Completion of CFY 2004 Cost Allocation Plan
<p>Task 1. <u>Confirm objectives of project.</u> This task includes initial discussion of the project to assist in our understanding of the background and reconfirm the scope and requirements of the engagement. We will meet with the designated accounting staff to review the status of indirect cost allocation issues, obtain copies of the existing indirect and review other initial basic information needs and discuss the general framework of the CAP.</p>
<p>Task 2. <u>Determine available financial information.</u> This task involves identifying the sources of financial information to be used. The actual expenditures for the fiscal year, charts of accounts, and a current County organization chart are required. The organization chart and expenditure account codes will be reviewed in detail to identify specific organizational unit functions and responsibilities. We will also review any existing arrangements for directly billing central services (indirect departments) costs to programs. At a minimum we will require expenditure reports and employee YTD salary data by organizational unit. If possible the information should be made available via data downloads or from the PC spreadsheet files maintained by the County. We will make initial arrangements for the data file transfer once the data information needs and criteria have been established. We will analyze the cost information and categorize the information necessary to group and summarize indirect costs prior to the allocation.</p>
<p>Task 3. <u>Classify all County organization units.</u> After reviewing and updating the latest organization chart, all organization units are classified either as indirect (overhead) units or direct units. The direct units are the defined "final cost objectives" that will receive the allocated indirect costs. This process is required to determine which overhead costs should be identified for inclusion in the allocable indirect cost pools. We will group the County organizational accounts into the indirect and direct cost pools. We will use Circular A-87 as a guide in determining allocable activities.</p>
<p>Task 4. <u>Determine the indirect cost "pools" to be allocated.</u> From the final expenditure reports and the organization chart, we will conduct a detail analysis of indirect costs, and record the cost pools to be allocated. As necessary, we will interview County central services (overhead unit) managers (as necessary) to determine the allowable activities and costs of each unit. At this point, using Circular A-87 as a guide, we will determine the basic allocable indirect functions within each indirect unit, and determine the costs related to each function. This task may also involve a review of the</p>

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- major expenditure objects, contracts, etc. in overhead units to determine the allowability of such costs for allocation.
- Task 5. Eliminate unallowable costs from County overhead units and determine cost allocation adjustments.** Using Circular A-87 as a guide, we will eliminate all unallowable costs such as capital outlays. We will then determine any cost inclusions such as fringes, insurance, and other costs not shown on the financials, including Building and equipment use charges, or depreciation.
- Task 6. Determine method for cross-allocation.** This step involves deciding upon a method of cross-charging overhead costs between overhead units. For example, the Accounting and Budget Office may serve the HR Office and vice versa. Each office should have the ability to add to its costs the services provided to it by the other. To prevent an endless series of cross charges, several alternative procedures may be used.
- Task 7. Develop allocation data for each basis.** The services that are provided by each overhead unit must be measurable in specific units of service. For example, the payroll section provides payroll services to all other departments that have employees to be paid. Therefore, the number of personnel each program has on its payroll measures payroll services effort, and data must be collected on the percentage of payroll checks issued to each. We will use the best available as appropriate and as provided by the County. We will analyze, compile and summarize certain types of data for final entry into our proprietary MAXCARS Cost Allocation software.
- Task 8. Prepare cost allocation worksheets.** For each overhead unit, a worksheet showing the allowable expenditures of each overhead unit during the fiscal year is prepared (see Tasks 5 – 7). The resulting amount is allowable to benefiting programs based upon units of service identified in Task 8.
- Task 9. Prepare draft report that summarizes costs by benefiting organization unit and review with County.** A draft version of the CAP will be prepared using the MAXCARS proprietary software. Costs are summarized in the cost allocation plan for each "direct" department, fund, or other cost objective that receives services from central indirect departments. This summary schedule of allocated costs is used as the source for information that is included in the indirect rate proposal (below). A narrative description of all functions, activities and allocated bases will be included in the CAP. We will review the initial results of the CAP with the County representative, and make modifications as necessary.
- Task 10. Finalize CAP report, including up to 8 hours of related assistance on cost allocation issues.** A final version of the CAP will be prepared using the MAXCARS proprietary software. As needed and requested, we will work with the County on related tasks, including preparation of indirect cost rate proposals. The additional work is limited under the fixed fee portion of the contract to include no more than 8 hours of professional services. Additional hours, if needed and requested will be billed at an hourly rate as described in the pricing section of the proposal.

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D. Administrative arrangements, project timetable, and fees

Project Time table

The project will require eight weeks to complete, assuming that County staff is available for interviews and that they will review a draft report within one week. The County has agreed to fulfill our written data requests. We will specify a date by which we require a response. Each day of delays in response will result in a day's extension in the project completion date.

Based on ideal timeframes below, we will make every effort to adhere to the proposed project timetable. Of course we may have the project completed on an earlier timetable if information is made available in a timely manner.

Initial data requests to central indirect departments completed by County	mid December 2004
Internal expenditure chart of accounts and CFY 2004 expenditures available to MAXIMUS	early January , 2005
Commencement of on-site of Field work, assuming information has been provided	early January
Receipt of available allocation data and salary and wage information by function	mid January
Completion of interviews with central service managers, as necessary	end of January
Completion and delivery of draft Cost Allocation Plan	mid February
Completion of review of draft by County and discussion of intended changes	end of February
Completion and delivery of final cost allocation plan	early March

Project fee

Our practice is generally to use fixed fee agreements when the scope of work is predictable. Based on our experience, the work required to complete the CAP is fairly predictable. We are proposing a fixed, all-inclusive fee for these services. The fee will include all professional staff effort is all inclusive of the cost of clerical effort, travel, and expenses.

Preparation of the CFY 2004 CAP

- 1) We propose a fixed fee of **\$10,200** for completion of all planned tasks outlined in *Section C* of this proposal for the **CFY 2004 CAP**. As described in *Section C*, the fee does include up to eight (8) hours of additional assistance on related tasks, such as assistance in preparing indirect cost rates.
- 2) We will invoice 25 percent of the fixed fee upon commencement of onsite work, and the balance upon delivery of a final report.

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- 3) This proposal does not cover services except as described in *Section C*. Any such services would be subject to mutual agreement and may involve changes in cost or timing. Except for the eight (8) hours of technical assistance referenced above the services described in *Section C* of this proposal do not provide for other technical assistance related to the Plan or negotiation of the Plan with outside funding sources. If requested by the County, we will bill only for professional services hours necessary to complete any additional related tasks based on the actual additional professional services hours required. The fee for these tasks will be in addition to the invoice amount for preparation of the Cost Allocation Plan. The standard hourly rates of \$125 for Senior Manager, and \$202 for Director. These rates apply only to additional CAP-related services and do not establish rates for any other non-CAP related services that might be proposed in future unrelated project engagements with MAXIMUS. The hourly rates are all inclusive.

**AGREEMENT TO PROVIDE
PROFESSIONAL CONSULTING SERVICES TO
SANGAMON COUNTY, ILLINOIS**

THIS AGREEMENT, entered into this 24th day of January, 2005, and effective immediately by and between MAXIMUS, Inc., a Virginia corporation (hereinafter called the "Consultant") and Sangamon County, Illinois (hereinafter called the "County"), **WITNESSETH THAT:**

WHEREAS, the County is interested in determining the cost of indirect costs of support services that may be recoverable from grants, funds and fees, and

WHEREAS, the Consultant has staff knowledgeable and experienced in the requirements of developing such governmental cost determination studies, and

WHEREAS, the County desires to engage the Consultant to assist in preparing such a study.

NOW THEREFORE, the parties hereto mutually agree as follows:

1. **Employment of Consultant.** The County agrees to engage the Consultant and the Consultant hereby agrees to perform the following services.

2. **Scope of Services.** The scope of services is a study of the cost of indirect costs of support services that may be recoverable from grants, funds and fees, as described in Consultant's November, 2004 proposal. That proposal is attached hereto and incorporated herein by reference.

3. **Time of Performance.** The services to be performed hereunder by the Consultant shall be undertaken and completed expeditiously, within 14 weeks after onsite commencement. Provided however, the Consultant shall not be liable for delays in performance that are caused in whole or in part by the County, third parties over which the Consultant does not have the legal right to control or forces de majeure. The period of performance shall be extended by the period of delay contemplated herein. One draft report and one final written report shall be submitted to the County. In the event that more than three weeks pass after delivery of the draft report without changes noted by County, Consultant shall reissue the report as final.

4. **Compensation.** Compensation shall be a fixed fee of \$10,200, inclusive of all professional services and expenses to complete the scope of work as described in Section C of the Consultant's November 2004 proposal. The fee includes up to eight (8) hours of related services after delivery of the final Cost Allocation Plan report. Any additional services, if requested by the County, will be billed at the rates of \$125 per hour for manager, and \$202 for Director. The rates are inclusive of expenses.

5. **Method of Payment.** The consultant shall be entitled to payment in accordance with the provisions of this paragraph. Consultant shall invoice 25 percent of the fixed fee upon commencement and the balance upon delivery of the final report. Any additional requested services that are based on hourly rates will be billed at the end of any month during which the hourly services are requested and performed.

6. **Changes.** The County may, from time to time, require changes in the scope of the services of the Consultant to be performed hereunder. Such changes, which are mutually agreed upon by and between the County and the Consultant, shall be incorporated in written amendment to this agreement.

7. **Services and Materials to be furnished by County.** The County shall make reasonable effort to furnish the Consultant with all available necessary information pertinent to the execution of this agreement. The County shall cooperate with the Consultant in carrying out the work herein, and shall provide adequate liaison between the Consultant and other agencies of the County. Consultant shall be entitled to rely upon the accuracy of information provided to it by County.

8. **Rights to Terminate Contract.** If, through any cause, the Consultant shall fail to fulfill in timely and proper manner his obligation under this agreement, the County shall thereupon have the right to terminate this agreement with or without cause, by giving written notice to the Consultant of such termination and specifying the effective date thereof, at least five (5) days before the effective date of such termination. Provided however, Consultant shall be compensated for services rendered and expenses incurred through the effective date of termination hereunder.

9. **Information and Reports.** The Consultant shall, at such time and in such form as the County may require, furnish such periodic reports concerning the status of the project and other information relative to the project as may be requested by the County. The Consultant shall furnish the County, upon request, subject to reasonable prior notice, with copies of all documents and other materials first prepared or developed in relation with or as part of the project. Consultant shall not be obligated to deliver copies in person.

10. **Records and Inspections.** The Consultant shall maintain full and accurate records with respect to all matters covered under this agreement. The County shall have free access at all reasonable and proper times to such records and the right to examine and audit the same and to make transcripts therefrom, and to inspect all program data, documents, proceedings and activities. Consultant shall maintain interview notes, working papers and other documentation of findings for a period of five years after delivery of the final report.

11. **Accomplishment of Project.** The Consultant shall commence, carry on, and complete the project with all practicable dispatch, in a sound economical and efficient manner, in accordance with the provisions thereof and all applicable laws. In accomplishing the project, the Consultant shall take such steps as are appropriate to

ensure that the work involved is properly coordinated with related work being carried on within the County.

12. Provisions Concerning Certain Waivers. Subject to applicable law, any right or remedy which the County may have under this contract may be waived in writing by the County by a formal waiver, if, in the judgment of the County, this contract, as so modified, will still conform to the terms and requirements of pertinent laws.

13. Matters to be Disregarded. The titles of the several sections, subsections, and paragraphs set forth in this contract are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of the provisions of this contract.

14. Completeness of Contract. This contract and any additional or supplementary document or documents incorporated herein by specific reference contain all the terms and conditions agreed upon by the parties hereto, and no other agreements, oral or otherwise, regarding the subject matter of this contract or any part thereof shall have any validity or bind any of the parties hereto.

15. County not Obligated to Third Parties. The County and the Consultant are the only parties to this Agreement and are the only parties entitled to enforce its terms. Nothing in this Agreement gives, is intended to give, or shall be construed to give or provide, any right or benefit, whether directly or indirectly or otherwise, to third persons.

16. When Rights and Remedies Not Waived. In no event shall the making by the County of any payment to the Consultant constitute or be construed as a waiver by the County of any breach of covenant, or any default which may then exist, on the part of the Consultant, and the making of any such payment by the County while any such breach or default exists shall in no way impair or prejudice any right or remedy available to the County in respect to such breach or default.

17. Personnel. The Consultant represents that he has, or will secure at his own expense, all personnel required in performing the services under this agreement. Such personnel shall not be employees of or have any contractual relationship with the County. All of the services required hereunder will be performed by the Consultant or under his supervision and all personnel engaged in the work shall be fully qualified to perform such services.

18. Consultant Certification. The Consultant certifies that the Consultant has not been convicted of, nor will it retain or employ anyone convicted of bribery or attempting to bribe an officer or employee of the County, nor has the Consultant made an admission of guilt of such conduct, which is a matter of record.

19. Indemnification. Each party shall be responsible for its own acts and will be responsible for all damages, costs, fees and expenses that arise out of that party's own

negligence, tortious acts and other unlawful conduct and the negligence, tortious acts and other unlawful conduct of its respective agents, officers and employees.

20. Assumption of Risk. In the absence of negligent or willful acts or omissions in Consultant's performance hereunder, County shall assume the risk from and against any claims, demands, actions, damages, expenses, fees and liabilities arising by virtue of any and all claims, demands or actions brought by third parties which are related in any way to County's implementations of Consultant's recommendation and findings.

21. Limitation of Liability. In no event shall either party, its directors, officers, employees or agents be liable for any special, incidental, punitive, indirect, or consequential damages arising out of or in connection with the services provided, even if advised of the possibility of such damages. This limitation shall apply to all claims whether under theory of contract, tort (including negligence), strict liability, or otherwise. Contractor's liability (if any) to the County or any third party is limited to four times the amount paid to contractor for the services.

22. Governing Law: The County and the Consultant understand and agree that the laws of the State of Illinois shall govern the rights, obligations, duties and liabilities of the parties to this Agreement and also govern the interpretation of this Agreement. Any litigation concerning this Agreement shall take place in the courts having jurisdiction over Sangamon County, Illinois.

23. Notices. Any notices, bills, invoices, or reports required by this agreement shall be sufficient if sent by the parties hereto in the United States mail, postage paid, to the addresses noted below. Notice shall be effective upon receipt.

Ryan McCrady
County Administrator
Sangamon County
201 County Complex
200 South 9th Street
Springfield, IL 62701

Robert Antrim
Director
MAXIMUS, Inc.
One West Old State Capitol Plaza
Suite 502
Springfield, IL 62701

IN WITNESS WHEREOF, the Commission and the Consultant have executed this agreement as of the date first written above.

County Of Sangamon, Illinois

MAXIMUS, Inc.

County Clerk
By: _____

Joe Aiello
Attest _____

Robert Antrim
By: Robert Antrim, Director _____