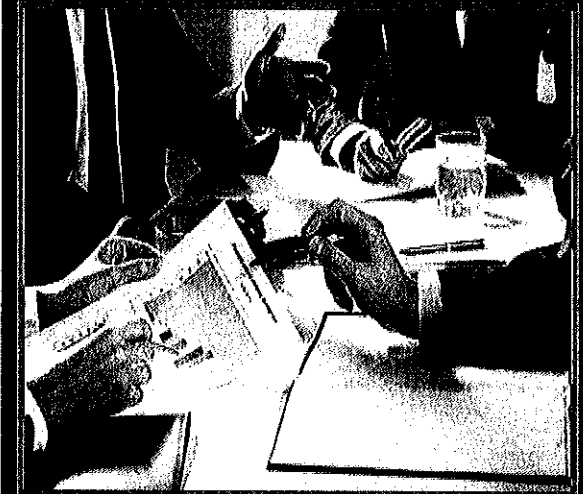


**MGT of America Response to
State of West Virginia
Department of Administration
Purchasing Division
Request for Quotation #FAR116021
Statewide Cost Allocation Plan (SWCAP)**

MGT of America, Inc.

COSTING SERVICES DIVISION • TALLAHASSEE, FLORIDA 32308
2123 Centre Pointe Blvd. | ph 850.386.3191 | fx 850.385.4501
www.mgtofamerica.com | mepstein@mgtamer.com
Mark Epstein, Senior Partner



**RESPONSE TO RFQ
and
TECHNICAL PROPOSAL**

Due: April 21, 2011

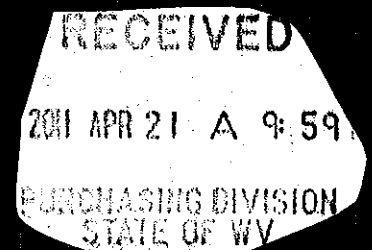


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MGT Florida
2123 Centre Pointe Blvd.
Tallahassee, FL 32308
p: (850) 386-3191
f: (850) 385-4501
www.mgtofamerica.com



April 18, 2011

Ms. Krista Ferrell
Department of Administration, Purchasing Division
State of West Virginia
Building 15
2109 Washington Street, East
Charleston, WV 25305-0130

Subject: RFQ#: FARI 16021, Statewide Cost Allocation Plan (SWCAP)

Dear Ms. Ferrell:

MGT of America, Inc. (MGT) is pleased to submit our proposal in response to the State of West Virginia (State) request for quotations (RFQ) FARI 16021, "Statewide Cost Allocation Plan (SWCAP)." MGT is committed to providing all requested RFQ services. MGT hereby confirms that MGT is authorized to do business in West Virginia (certificate attached) and will comply with all provisions of the RFQ. Neither the firm nor any individual to be assigned to work on the contract has any possible conflict of interest.

State of West Virginia/MGT Partnership

Founded in 1974, MGT is a national research and management consulting firm specializing in providing management and financial services to public-sector clients. As our clients will confirm, our staff of over 110 professionals bring a wealth of knowledge and depth of understanding to all client engagements, delivering the highest quality and timely services to clients.

While the qualifications and experience of a firm are important, perhaps more important are the qualifications and experience of a firm's proposed project team. The MGT costing services consultants proposed to complete the scope of services requested by the State have successfully completed numerous statewide cost allocation plans (SWCAP), indirect cost rate proposals, and service billing rate projects for state agencies. Members of our proposed project team have completed SWCAPs for the states of Alabama, Alaska, Arizona, Colorado, Florida, Idaho, Kansas, Louisiana, Montana, Nevada, New Mexico, Texas, and Washington. Within the last five years MGT has completed SWCAPs for the following states:

- ❖ Nevada – FY 2008, FY 2009, FY 2010, FY 2011, and FY 2012 SWCAPs. FY 2010/2011 ARRA Supplemental SWCAP.
- ❖ New Mexico – FY 2007, 2008, FY 2009, FY 2010, FY 2011, and FY 2012 SWCAPs. FY 2010/2011 ARRA Supplemental SWCAP.
- ❖ Texas – FY 2009, FY 2010 and FY 2011 SWCAPs. FY 2010/2011 ARRA Supplemental SWCAP. Currently preparing the FY 2012 SWCAP.
- ❖ Washington – FY 2012 SWCAP.
- ❖ U.S. Territory of the Virgin Islands – FY 2010 SWCAP. Currently preparing FY 2011 SWCAP.

Although we are committed and able to develop the most technically compliant SWCAPs, we believe our most important objective is to assist state agencies in the actual application of project results and the recovery of administrative costs from non-general fund sources. The extensive experience and understanding of cost recovery principles and state government operations by our consultants will enable us to assist West Virginia in identifying the maximum allowable administrative costs; and more

Ms. Krista Ferrell
RFQ#: FAR116021, Statewide Cost Allocation Plan (SWCAP)
April 18, 2011
Page 2

important, actually recovering those costs from non-general fund sources and reducing the State's risk of potential pay backs to the federal government.

As our clients will confirm, we will spend the extra time to train and educate State staff on generally accepted accounting and federal cost recovery principles, policies, and procedures; and to assist them in recovering administrative costs.

We believe you will find that our proposed project team and comprehensive work plan will provide the State with deliverables in compliance with OMB Circular A-87 that are defensible and optimize the State's goals and objectives. MGT provides a true team of consultants, all with a high level of experience with similar statewide cost allocation projects. By having a team of experienced individuals assigned to the project, the State will have consistent access to experts knowledgeable about this project if questions should arise, regardless of whether the Project Director happens to be immediately available. In addition to the team assigned, MGT has over 25 additional consultants that can be incorporated into the project team if needed.

Many MGT clients have chosen, and continue to rely on MGT for SWCAP and other federal cost recovery services precisely because of the high level of service and responsiveness to issues that our project team provides. In 2010, the State of Washington switched to MGT for SWCAP services. We encourage you to contact their assigned project coordinator, Michael Schaub, as he can attest to the MGT level of service and responsiveness gained by switching to MGT.

❖ **State of Washington**

Contact: Michael Schaub
Title: Office of Financial Management, State Financial Senior Consultant
Phone: 360-725-0225
E-Mail: Michael.Schaub@OFM.WA.GOV

MGT looks forward to the opportunity to serve the State of West Virginia. We believe the advantages for selecting MGT presented in our response to your RFQ and technical proposal will lead the State to conclude that we offer the best choice to provide the requested services and meet the State's objectives.

Person Authorized to Bind	Contact for Clarification
The person who is authorized to contractually obligate our firm with respect to this proposal is: Mr. Mark Epstein, Senior Partner MGT of America, Inc. 502 East 11 th Street, Suite 300 Austin, Texas 78701 Phone: 512-476-4697 Fax: 512-476-4699 E-mail: mepstein@mgtamer.com	The following individual should be contacted for clarification of our proposal: Mr. Joel Nolan National Director, Costing Services Practice MGT of America, Inc. 8067 N. 15th Drive Phoenix Arizona 85021 Phone: 602-595-9728 E-mail: jnolan@mgtamer.com

As an MGT Senior Partner, I authorize this RFQ Response and Technical Proposal which are valid for a period of 120 days.

Sincerely,



Mark Epstein, Senior Partner

CORPORATE RESOLUTION

I, the undersigned Secretary of MGT of America, Inc., a corporation organized and existing under the laws of the State of Florida, do hereby certify that a meeting of the Board of Directors of said corporation, duly held in the month of February in the year 2009 a quorum being present, the following resolution was adopted and entered upon the regular minute book of said corporation, is in accordance with the by-laws and is now in full force and effect to-wit:

The current list of qualifiers to act for the business organization in all matters connected with its contracting business has now been amended to read:

Ken Boutwell, CEO President
J. Kent Caruthers, Executive Vice President, Senior Partner
Michelle Juarez, Vice President of Finance and Administration, Senior Partner
Ed Humble, Secretary, Senior Partner and Vice President, Olympia, WA, Office
Robert Lauder, Vice President, Austin, TX Office
Karin Bloomer, Vice President, Sacramento, CA Office
Alan Pollock, Senior Partner
Jerry Ciesla, Senior Partner
Fred Seamon, Senior Partner
Mark Epstein, Senior Partner
Dodds Cromwell, Senior Partner
Mary McKeown-Moak, Senior Partner
J. Bradley Burgess, Senior Partner
JoAnn Cox, Senior Partner

I HEREBY certify that the forgoing is a true and exact copy of the resolution adopted by the Board of Directors of this Corporation, and that such resolution not been amended, modified, or revoked and is still in force and effect.

Signed and sealed this 7th day of July, 2009

(Seal of Corporation)

Edward P. Humble, Secretary



JUN 28 2010

**WEST VIRGINIA
STATE TAX DEPARTMENT
BUSINESS REGISTRATION
CERTIFICATE**

ISSUED TO:
**MGT OF AMERICA INC
2123 CTR PT BLVD
TALLAHASSEE, FL 32308-4930**

BUSINESS REGISTRATION ACCOUNT NUMBER: 1049-4451

This certificate is issued on: 06/11/2010

*This certificate is issued by
the West Virginia State Tax Commissioner
in accordance with W.Va. Code § 11-12.*

*The person or organization identified on this certificate is registered
to conduct business in the State of West Virginia at the location above.*

This certificate is not transferrable and must be displayed at the location for which issued.

This certificate shall be permanent until cessation of the business for which the certificate of registration was granted or until it is suspended, revoked or cancelled by the Tax Commissioner.

Change in name or change of location shall be considered a cessation of the business and a new certificate shall be required.

TRAVELING/STREET VENDORS: Must carry a copy of this certificate in every vehicle operated by them.
CONTRACTORS, DRILLING OPERATORS, TIMBER/LOGGING OPERATIONS: Must have a copy of this certificate displayed at every job site within West Virginia.

RFQ FORMS (PAGES 1-12)





Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Quotation
 MAR 28 2011

FAR116021

ADDRESS CORRESPONDENCE TO ATTENTION OF

KRISTA FERRELL
 304-558-2596

*225160054 850-386-3191
 MGT OF AMERICA INC
 2123 CENTRE POINTE BLVD
 TALLAHASSEE FL 32308

DEPARTMENT OF ADMINISTRATION
 FINANCIAL ACCOUNTING AND
 REPORTING SECTION
 2101 WASHINGTON ST E
 CHARLESTON, WV
 25305-1510 304-558-4083

DATE PRINTED: 03/23/2011 TERMS OF SALE: SHIP VIA: F.O.B.: FREIGHT TERMS:

BID OPENING DATE: 04/21/2011 BID OPENING TIME: 01:30PM

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
0001	1	LS		961-20	\$27,500	\$27,500
STATEWIDE COST ALLOCATION PLAN (SWCAP) REQUEST FOR QUOTATION (RFQ) THE WEST VIRGINIA STATE PURCHASING DIVISION FOR THE AGENCY, THE WEST VIRGINIA DEPARTMENT OF ADMINISTRATION'S DIVISION OF FINANCE, IS SOLICITING BIDS FOR THE PREPARATION, ANALYSIS, AND NEGOTIATION OF THE STATEWIDE COST ALLOCATION PLAN (SWCAP) PER THE ATTACHED SPECIFICATIONS. TECHNICAL QUESTIONS CONCERNING THIS SOLICITATION MUST BE SUBMITTED IN WRITING TO KRISTA FERRELL IN THE WEST VIRGINIA STATE PURCHASING DIVISION VIA MAIL AT THE ADDRESS LISTED IN THE BODY OF THIS RFQ, VIA FAX AT 304-558-4115, OR VIA EMAIL AT KRISTA.S.FERRELL@WV.GOV. VENDORS SHOULD INCLUDE THE RFQ NUMBER ON ALL INQUIRY REQUESTS. IF SUBMITTING, VIA EMAIL, PLEASE INCLUDE IN THE SUBJECT LINE OF THE RFQ. DEADLINE FOR ALL TECHNICAL QUESTIONS IS 04/05/2011 AT THE CLOSE OF BUSINESS. ANY TECHNICAL QUESTIONS RECEIVED WILL BE ANSWERED BY FORMAL WRITTEN ADDENDUM TO BE ISSUED BY THE PURCHASING DIVISION AFTER THE DEADLINE HAS LAPSED. VERBAL COMMUNICATION: ANY VERBAL COMMUNICATION BETWEEN THE VENDOR AND ANY STATE PERSONNEL IS NOT BINDING. ONLY INFORMATION ISSUED IN WRITING AND ADDED TO THE RF						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE: *Mark Epstein* TELEPHONE: 512-476-4697 DATE: April 18, 2011
 TITLE: Senior Partner FEIN: 59-1576733 ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'



Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

QUOTATION

FAK116021

4

ADDRESS CORRESPONDENCE TO ATTENTION OF
 KRISTA FERRELL
 304-558-2596

*225160054 850-386-3191
 MGT OF AMERICA INC
 2123 CENTRE POINTE BLVD
 TALLAHASSEE FL 32308

DEPARTMENT OF ADMINISTRATION
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 REPORTING SECTION
 2101 WASHINGTON ST E
 CHARLESTON, WV
 25305-1510 304-558-4083

PROPERTY

PROPERTY

DATE PRINTED	TERMS OF SALE	SHIP VIA	FOB	FREIGHT TERMS
03/23/2011				
BID OPENING DATE: 04/21/2011		BID OPENING TIME 01:30PM		

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
BY FORMAL WRITTEN ADDENDUM IS BINDING. NO CONTACT BETWEEN THE VENDOR AND THE AGENCY IS PERMITTED WITHOUT THE EXPRESS WRITTEN CONSENT OF THE STATE BUYER. VIOLATION MAY RESULT IN REJECTION OF THE BID. THE STATE BUYER NAMED ABOVE IS THE SOLE CONTACT FOR ANY AND ALL INQUIRIES AFTER THIS RFQ HAS BEEN RELEASED. EXHIBIT 10 REQUISITION NO.: ADDENDUM ACKNOWLEDGEMENT I HEREBY ACKNOWLEDGE RECEIPT OF THE FOLLOWING CHECKED ADDENDUM(S) AND HAVE MADE THE NECESSARY REVISIONS TO MY PROPOSAL, PLANS AND/OR SPECIFICATION, ETC. ADDENDUM NO.'S: NO. 1 No addenda. NO. 2 NO. 3 NO. 4 NO. 5 I UNDERSTAND THAT FAILURE TO CONFIRM THE RECEIPT OF THE ADDENDUM(S) MAY BE CAUSE FOR REJECTION OF BIDS. VENDOR MUST CLEARLY UNDERSTAND THAT ANY VERBAL REPRESENTATION MADE OR ASSUMED TO BE MADE DURING ANY						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>Mark Gyster</i>		TELEPHONE 512-476-4697	DATE April 18, 2011
SENIOR PARTNER		FEIN 59-1576733	ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'



Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

FAR116021

ADDRESS CORRESPONDENCE TO ATTENTION OF

KRISTA FERRELL
 304-558-2596

*225160054 850-386-3191
 MGT OF AMERICA INC
 2123 CENTRE POINTE BLVD
 TALLAHASSEE FL 32308

DEPARTMENT OF ADMINISTRATION
 FINANCIAL ACCOUNTING AND
 REPORTING SECTION
 2101 WASHINGTON ST E
 CHARLESTON, WV
 25305-1510 304-558-4083

DATE PRINTED TERMS OF SALE SHIP VIA F.O.B. FREIGHT TERMS

03/23/2011

BID OPENING DATE: 04/21/2011 BID OPENING TIME 01:30PM

LINE	QUANTITY	UQP	CAT NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
<p>ORAL DISCUSSION HELD BETWEEN VENDOR'S REPRESENTATIVES AND ANY STATE PERSONNEL IS NOT BINDING. ONLY THE INFORMATION ISSUED IN WRITING AND ADDED TO THE SPECIFICATIONS BY AN OFFICIAL ADDENDUM IS BINDING.</p> <p style="text-align: center;"><i>Mark Epstein</i> SIGNATURE</p> <p style="text-align: center;">MGT of America, Inc. COMPANY</p> <p style="text-align: center;">April 18, 2011 DATE</p> <p>NOTE: THIS ADDENDUM ACKNOWLEDGEMENT SHOULD BE SUBMITTED WITH THE BID.</p> <p>REV. 09/21/2009</p> <p>EXHIBIT 3</p> <p>LIFE OF CONTRACT: THIS CONTRACT BECOMES EFFECTIVE ON AWARD AND EXTENDS FOR A PERIOD OF ONE (1) YEAR OR UNTIL SUCH "REASONABLE TIME" THEREAFTER AS IS NECESSARY TO OBTAIN A NEW CONTRACT OR RENEW THE ORIGINAL CONTRACT. THE "REASONABLE TIME" PERIOD SHALL NOT EXCEED TWELVE (12) MONTHS. DURING THIS "REASONABLE TIME" THE VENDOR MAY TERMINATE THIS CONTRACT FOR ANY REASON UPON GIVING THE DIRECTOR OF PURCHASING 30 DAYS WRITTEN NOTICE.</p> <p>UNLESS SPECIFIC PROVISIONS ARE STIPULATED ELSEWHERE IN THIS CONTRACT DOCUMENT, THE TERMS, CONDITIONS AND PRICING SET HEREIN ARE FIRM FOR THE LIFE OF THE</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE *Mark Epstein* TELEPHONE 512-476-4697 DATE April 18, 2011
 TITLE Senior Partner FEIN 59-1576733 ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'



Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Quotation

FAR116021

4

ADDRESS CORRESPONDENCE TO ATTENTION OF

KRISTA FERRELL
 304-558-2596

*225160054 850-386-3191
 MGT OF AMERICA INC
 2123 CENTRE POINTE BLVD
 TALLAHASSEE FL 32308

DEPARTMENT OF ADMINISTRATION
 FINANCIAL ACCOUNTING AND
 REPORTING SECTION
 2101 WASHINGTON ST E.
 CHARLESTON, WV
 25305-1510 304-558-4083

VENDOR

SHIP TO

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
03/23/2011				

BID OPENING DATE: 04/21/2011 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
<p>CONTRACT.</p> <p>RENEWAL: THIS CONTRACT MAY BE RENEWED UPON THE MUTUAL WRITTEN CONSENT OF THE SPENDING UNIT AND VENDOR, SUBMITTED TO THE DIRECTOR OF PURCHASING THIRTY (30) DAYS PRIOR TO THE EXPIRATION DATE. SUCH RENEWAL SHALL BE IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE ORIGINAL CONTRACT AND SHALL BE LIMITED TO TWO (2) ONE (1) YEAR PERIODS.</p> <p>CANCELLATION: THE DIRECTOR OF PURCHASING RESERVES THE RIGHT TO CANCEL THIS CONTRACT IMMEDIATELY UPON WRITTEN NOTICE TO THE VENDOR IF THE COMMODITIES AND/OR SERVICES SUPPLIED ARE OF AN INFERIOR QUALITY OR DO NOT CONFORM TO THE SPECIFICATIONS OF THE BID AND CONTRACT HEREIN.</p> <p>OPEN MARKET CLAUSE: THE DIRECTOR OF PURCHASING MAY AUTHORIZE A SPENDING UNIT TO PURCHASE ON THE OPEN MARKET, WITHOUT THE FILING OF A REQUISITION OR COST ESTIMATE, ITEMS SPECIFIED ON THIS CONTRACT FOR IMMEDIATE DELIVERY IN EMERGENCIES DUE TO UNFORESEEN CAUSES (INCLUDING BUT NOT LIMITED TO DELAYS IN TRANSPORTATION OR AN UNANTICIPATED INCREASE IN THE VOLUME OF WORK.)</p> <p>BANKRUPTCY: IN THE EVENT THE VENDOR/CONTRACTOR FILES FOR BANKRUPTCY PROTECTION, THE STATE MAY DEEM THE CONTRACT NULL AND VOID, AND TERMINATE SUCH CONTRACT WITHOUT FURTHER ORDER.</p> <p>THE TERMS AND CONDITIONS CONTAINED IN THIS CONTRACT SHALL SUPERSEDE ANY AND ALL SUBSEQUENT TERMS AND CONDITIONS WHICH MAY APPEAR ON ANY ATTACHED PRINTED DOCUMENTS SUCH AS PRICE LISTS, ORDER FORMS, SALES AGREEMENTS OR MAINTENANCE AGREEMENTS, INCLUDING ANY ELECTRONIC MEDIUM SUCH AS CD-ROM.</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>Mark Epstein</i>	TELEPHONE 512-476-4697	DATE April 18, 2011
TITLE Senior Partner	FEIN 59-1576733	ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'



Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Quotation

FAR116021

5

ADDRESS CORRESPONDENCE TO ATTENTION OF

KRISTA FERRELL
 304-558-2596

*225160054 850-386-3191
 MGT OF AMERICA INC
 2123 CENTRE POINTE BLVD
 TALLAHASSEE FL 32308

DEPARTMENT OF ADMINISTRATION
 FINANCIAL ACCOUNTING AND
 REPORTING SECTION
 2101 WASHINGTON ST E
 CHARLESTON, WV
 25305-1510 304-558-4083

PROPERTY

SHIP TO

DATE PRINTED	TERMS OF SALE	SHIP VIA	FOB	FREIGHT TERMS
03/23/2011				
BID OPENING DATE: 04/21/2011		BID OPENING TIME 01:30PM		

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
<p>REV. 05/26/2009</p> <p style="text-align: center;">NOTICE</p> <p>A SIGNED BID MUST BE SUBMITTED TO:</p> <p style="text-align: center;">DEPARTMENT OF ADMINISTRATION PURCHASING DIVISION BUILDING 15 2019 WASHINGTON STREET, EAST CHARLESTON, WV 25305-0130</p> <p>THE BID SHOULD CONTAIN THIS INFORMATION ON THE FACE OF THE ENVELOPE OR THE BID MAY NOT BE CONSIDERED:</p> <p>SEALED BID</p> <p>BUYER: KRISTA FERRELL-FILE 21</p> <p>RFQ. NO.: FAR116021</p> <p>BID OPENING DATE: 04/21/2011</p> <p>BID OPENING TIME: 1:30 PM</p> <p>PLEASE PROVIDE A FAX NUMBER IN CASE IT IS NECESSARY TO CONTACT YOU REGARDING YOUR BID:</p> <p style="text-align: center;">FAX: 512-476-4699</p> <p style="text-align: center;">-----</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>Mark Epstein</i>	TELEPHONE 512-476-4697	DATE April 18, 2011
TITLE Senior Partner	FEIN 59-1576733	ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'



Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Quotation

FAR116021

6

ADDRESS CORRESPONDENCE TO ATTENTION OF

KRISTA FERRELL
 304-558-2596

DEPARTMENT OF ADMINISTRATION
 FINANCIAL ACCOUNTING AND
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 2101 WASHINGTON ST E
 CHARLESTON, WV
 25305-1510 304-558-4083

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 MGT OF AMERICA INC
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 TALLAHASSEE FL 32308

VENDOR

SHIP TO

DATE PRINTED	TERMS OF SALE	SHIP VIA	FOB	FREIGHT TERMS
03/23/2011				
ID OPENING DATE: 04/21/2011		BID OPENING TIME 01:30PM		

LINE	QUANTITY	UQP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
CONTACT PERSON (PLEASE PRINT CLEARLY):						
Mark Epstein, Senior Partner, MGT of America						

mepstein@mgtamer.com 512-476-4697						
***** THIS IS THE END OF RFQ FAR116021 ***** TOTAL:						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>Mark Epstein</i>	TELEPHONE 512-476-4697	DATE April 18, 2011
TITLE Senior Partner	FEIN 59-1576733	ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'

Purpose

The WV State Purchasing Division for the Finance Division of the Department of Administration, is soliciting quotations from qualified vendors to provide preparation, analysis, and negotiation of the Statewide Cost Allocation Plan (SWCAP).

The contractor will analyze, develop, submit, and negotiate the State of West Virginia's SWCAP with the federal government.

Background

The performance of Federal grants and contracts usually requires the expenditure of resources of various organizations within State government. The Federal Government operates under the assumption that it is expected to pay its fair share of the state's operating cost in carrying out the work under Federal awards. OMB Circular A-87 (A-87) was issued by the Federal Government to provide principles and standards to present a uniform approach for establishing allowable costs to federal awards. A-87 is available at: http://www.whitehouse.gov/omb/circulars_a087_2004

Under the guidelines of A-87, the State of West Virginia is required to file an annual SWCAP with the U.S. Department of Health and Human Services (HHS). Preparation of the plan requires analysis of central service costs, which are allocated to the various departments and agencies.

Scope

The vendor will perform the following tasks:

1. Attain a thorough working knowledge of the State's accounting and cost systems, budgeting, billing, payroll systems and records, and other areas, as deemed necessary, to ensure the completion of the SWCAP and supplementary reports.
2. Review prior audit coverage and correspondence from (and to) the federal governmental relating to essential plan information.
3. Perform the necessary analysis of financial and accounting records, agency documentation, billing systems, budgets and any other information relevant to the SWCAP for the year under review.
4. Schedule reviews with central service agencies, if necessary, to ensure the accurate interpretation of financial data provided by the state agencies and to help ensure the overall accuracy of the SWCAP.
5. Prepare a report summarizing the carry-forward calculations on a service-by-service basis for each State agency.
6. Prepare a report summarizing the proposed fixed allocations for each State agency, including carry-forwards, to be submitted to the federal government.
7. Prepare the information necessary to satisfy the documentation requirements for Section II, as provided for in A-87.
8. Successfully negotiate the State of West Virginia's SWCAP with the federal government.

9. Submit the plan for approval, to the applicable Federal Agency within the time frame prescribed by such agency. The vendor will be responsible for obtaining approval of the statewide cost plan, representing the Finance Division in negotiations with the federal cognizant agency, being present during any site visits by federal officials, and explaining any and all aspects of the compilation of plan documents. The Vendor shall provide the Finance Division with detailed documentation of all issues discussed during the negotiations and provide recommendations of any actions needed to be taken by the state.
10. Review, respond, and resolve all audit adjustments and recommendations.

Note: We are seeking assistance and guidance from a qualified professional, not just a "software" solution.

Project Quantities and Deliverables

The vendor will be required to provide the following products in the performance of the contract:

1. Five copies of the Statewide Cost Allocation Plan, carry forward schedules, exhibits of proposed statewide costs, and associated work papers for each fiscal year outlined in the terms of this contract.
2. Upon completion of discussions of the plans with federal negotiators, the Finance Division is to be made aware of any adjustments made to the plan, as well as, any negotiated agreements requiring State approval.

Performance Standards

The following performance standards will be met:

1. The service to be performed by the Vendor shall be undertaken and completed in such sequence as to assure their expeditious completion and to best carry out the objectives of the Finance Division.
2. Progress reports, at a minimum of once a month until federal agency acceptance, will be made to the Director of Finance to assure that significant progress is maintained throughout the contract period.
3. Vendor must complete any additional tasks that may reasonably relate to preparation, negotiations, or defense of the plan prepared for a period of up to three (3) years following the federal approval of the fixed cost agreement date. The vendor must formally respond to state and federal auditors' findings, explaining differences, agreeing or disagreeing, and providing follow-up documentation to resolve the finding.
4. Retain records for five (5) years.

Expected Results

Preparation, submission, and successful negotiation of a Statewide Cost Allocation Plan for the State of West Virginia, in accordance with OMB Circular A-87, for the State Fiscal Year 2009, with possible extension of the scope to include Fiscal Years, 2010 and, 2011.

Vendor Qualifications

The Vendor must have prepared and successfully negotiated a minimum of three (3) Statewide Cost Allocation Plans, and must provide three (3) positive references of this prior experience. The vendor may provide software that can be used to compile all of the Statewide Cost Allocation Plan information. Any software provided must be accessible by State employees, as well as the vendor. Finally, the vendor must provide a copy of the most recent audited financial statement of the company.

Contract Terms

1. The contract term is one year, with two optional renewals after written consent is received from both parties.
2. The contract that results from this RFQ will remain in force and continue until federal agency acceptance of the negotiated plan for the year ending June 30, 2009.
3. The Finance Division may elect to extend the scope of the contract to provide for the same services (as outlined in the "Scope" section) for the fiscal year ending June 30, 2010, and June 30, 2011.
4. If changes to the original contract become necessary, a formal contract change order will be executed. An approved contract change order is defined as one approved by the Purchasing Division and approved as to form by the West Virginia Attorney General's office prior to the effective date of such amendment. An approved contract change order is required whenever the change affects the payment provision and/or the scope of the work. Such changes may be necessitated by new and amended federal and state regulations and requirements. **NO CHANGE SHALL BE IMPLEMENTATED BY THE VENDOR UNTIL SUCH TIME AS THE VENDOR RECEIVES AN APPROVED WRITTEN CHANGE ORDER.**

Confidentiality and Care of Data

Vendor agrees to protect the confidentiality of any files, data or other materials provided by the state agencies and to restrict their use to the purpose of performing this contract only. Vendor shall take all steps necessary to safeguard any data, files, reports, or other information from loss, destruction, or erasure. Any costs or expenses of replacing, or damages resulting from the loss of such data shall be borne by the vendor when such loss or damage occurred through its negligence.

Payment

One third (1/3) of the total contract will be paid once predetermined agency meetings have been held. An additional one third (1/3) will be paid when the plan is delivered to the Finance Division and

submitted to the cognizant federal agency. Payment of the remaining contract amount will be made after federal acceptance of the negotiated plan.

Price Quote

Vendor must provide separate quotes for the following per the attached cost sheet:

1. All fees associated with the job specifications and requirements outlined in the "Scope" section of the RFQ. The price quote must be all-inclusive. It must include any travel related expenses. In addition, the price quote must include the proposed cost for performing said services for the fiscal years ending June 30, 2010 and June 30, 2011.
2. All fees associated with the software, if provided. Vendor must provide a listing of any proprietary software that will be housed, used and purchased by the Finance Division, as well as, the number of licenses to be included in the price. Additionally, vendor must quote any post-contract software maintenance fees.

Cost Sheet

Meet with pre-determined agencies, prepare SWCAP, negotiate with federal cognizant agency, and provide, at a minimum, monthly progress reports

\$ 27,500 (FY end June 30, 2009)

Option A: Software

\$ No cost

Option B: Software Maintenance

\$ No cost

Total

\$ 27,500 (FY end June 30, 2009)

\$28,500 (FY end June 30, 2010)

\$28,500 (FY end June 30, 2011)

VENDOR PREFERENCE CERTIFICATE

Certification and application* is hereby made for Preference in accordance with West Virginia Code, §5A-3-37. (Does not apply to construction contracts). West Virginia Code, §5A-3-37, provides an opportunity for qualifying vendors to request (at the time of bid) preference for their residency status. Such preference is an evaluation method only and will be applied only to the cost bid in accordance with the West Virginia Code. This certificate for application is to be used to request such preference. The Purchasing Division will make the determination of the Resident Vendor Preference, if applicable.

- 1. Application is made for 2.5% resident vendor preference for the reason checked: Bidder is an individual resident vendor and has resided continuously in West Virginia for four (4) years immediately preceding the date of this certification; or, Bidder is a partnership, association or corporation resident vendor and has maintained its headquarters or principal place of business continuously in West Virginia for four (4) years immediately preceding the date of this certification; or 80% of the ownership interest of Bidder is held by another individual, partnership, association or corporation resident vendor who has maintained its headquarters or principal place of business continuously in West Virginia for four (4) years immediately preceding the date of this certification; or, Bidder is a nonresident vendor which has an affiliate or subsidiary which employs a minimum of one hundred state residents and which has maintained its headquarters or principal place of business within West Virginia continuously for the four (4) years immediately preceding the date of this certification; or,
2. Application is made for 2.5% resident vendor preference for the reason checked: Bidder is a resident vendor who certifies that, during the life of the contract, on average at least 75% of the employees working on the project being bid are residents of West Virginia who have resided in the state continuously for the two years immediately preceding submission of this bid; or,
3. Application is made for 2.5% resident vendor preference for the reason checked: Bidder is a nonresident vendor employing a minimum of one hundred state residents or is a nonresident vendor with an affiliate or subsidiary which maintains its headquarters or principal place of business within West Virginia employing a minimum of one hundred state residents who certifies that, during the life of the contract, on average at least 75% of the employees or Bidder's affiliate's or subsidiary's employees are residents of West Virginia who have resided in the state continuously for the two years immediately preceding submission of this bid; or,
4. Application is made for 5% resident vendor preference for the reason checked: Bidder meets either the requirement of both subdivisions (1) and (2) or subdivision (1) and (3) as stated above; or,
5. Application is made for 3.5% resident vendor preference who is a veteran for the reason checked: Bidder is an individual resident vendor who is a veteran of the United States armed forces, the reserves or the National Guard and has resided in West Virginia continuously for the four years immediately preceding the date on which the bid is submitted; or,
6. Application is made for 3.5% resident vendor preference who is a veteran for the reason checked: Bidder is a resident vendor who is a veteran of the United States armed forces, the reserves or the National Guard, if, for purposes of producing or distributing the commodities or completing the project which is the subject of the vendor's bid and continuously over the entire term of the project, on average at least seventy-five percent of the vendor's employees are residents of West Virginia who have resided in the state continuously for the two immediately preceding years.

Bidder understands if the Secretary of Revenue determines that a Bidder receiving preference has failed to continue to meet the requirements for such preference, the Secretary may order the Director of Purchasing to: (a) reject the bid; or (b) assess a penalty against such Bidder in an amount not to exceed 5% of the bid amount and that such penalty will be paid to the contracting agency or deducted from any unpaid balance on the contract or purchase order.

By submission of this certificate, Bidder agrees to disclose any reasonably requested information to the Purchasing Division and authorizes the Department of Revenue to disclose to the Director of Purchasing appropriate information verifying that Bidder has paid the required business taxes, provided that such information does not contain the amounts of taxes paid nor any other information deemed by the Tax Commissioner to be confidential.

Under penalty of law for false swearing (West Virginia Code, §61-5-3), Bidder hereby certifies that this certificate is true and accurate in all respects; and that if a contract is issued to Bidder and if anything contained within this certificate changes during the term of the contract, Bidder will notify the Purchasing Division in writing immediately.

Bidder: _____ Signed: _____
Date: _____ Title: _____

*Check any combination of preference consideration(s) indicated above, which you are entitled to receive.

STATE OF WEST VIRGINIA
Purchasing Division

PURCHASING AFFIDAVIT

West Virginia Code §5A-3-10a states: No contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and the debt owed is an amount greater than one thousand dollars in the aggregate.

DEFINITIONS:

"Debt" means any assessment, premium, penalty, fine, tax or other amount of money owed to the state or any of its political subdivisions because of a judgment, fine, permit violation, license assessment, defaulted workers' compensation premium, penalty or other assessment presently delinquent or due and required to be paid to the state or any of its political subdivisions, including any interest or additional penalties accrued thereon.

"Debtor" means any individual, corporation, partnership, association, limited liability company or any other form or business association owing a debt to the state or any of its political subdivisions. "Political subdivision" means any county commission; municipality; county board of education; any instrumentality established by a county or municipality; any separate corporation or instrumentality established by one or more counties or municipalities, as permitted by law; or any public body charged by law with the performance of a government function or whose jurisdiction is coextensive with one or more counties or municipalities. "Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceeds five percent of the total contract amount.

EXCEPTION: The prohibition of this section does not apply where a vendor has contested any tax administered pursuant to chapter eleven of this code, workers' compensation premium, permit fee or environmental fee or assessment and the matter has not become final or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

Under penalty of law for false swearing (*West Virginia Code §61-5-3*), it is hereby certified that the vendor affirms and acknowledges the information in this affidavit and is in compliance with the requirements as stated.

WITNESS THE FOLLOWING SIGNATURE

Vendor's Name: MGT of America, Inc.

Authorized Signature: *Mark Epstein* Date: April 18, 2011

State of Texas

County of Travis, to-wit:

Taken, subscribed, and sworn to before me this 18 day of April, 2011.

My Commission expires 9-22-2014, 2014.

AFFIX SEAL HERE

NOTARY PUBLIC

Flominda A. Gabriel



TECHNICAL PROPOSAL



SECTION 1: EXECUTIVE SUMMARY



1. EXECUTIVE SUMMARY

MGT of America, Inc. (MGT) appreciates this opportunity to present our proposal in response to the West Virginia State Purchasing Division for the Finance Division of the Department of Administration (State) request for quotations (RFQ) No. FAR116021 titled "Statewide Cost Allocation Plan (SWCAP)." Our technical approach will meet the State's objectives through interviews with state agency managers, a comprehensive data collection and review process, proven cost allocation software, and continued education and support. Our technical proposal is based on the extensive knowledge and the practical experience of our consultants in developing and negotiating the approval of statewide central service cost allocation plans for the states of Alabama, Alaska, Arizona, Colorado, Florida, Idaho, Kansas, Louisiana, Montana, Nevada, New Mexico, Texas and Washington, and the U.S. Territory of the Virgin Islands. Our proposal is valid for 120 days.

We believe you will find that our proposed project team and comprehensive work plan will provide the State with deliverables in compliance with OMB Circular A-87 that are defensible and optimize the State's goals and objectives. MGT provides a true team of consultants, all with a high level of experience with similar statewide cost allocation projects. If questions or issues should arise, by having a team of experienced individuals assigned to the project, the State will have consistent access to experts knowledgeable about this project, regardless of whether the Project Director happens to be immediately available. In addition to the team assigned, MGT has over 25 additional consultants that can be incorporated into the project team if needed.

Many clients have chosen, and continue to rely on MGT for SWCAP and other federal cost recovery services precisely because of the high level of service and responsiveness to issues that our project team provides. In 2010, the State of Washington switched to MGT for SWCAP services. We encourage you to contact their assigned project coordinator, Michael Schaub, as he can attest to the MGT level of service and responsiveness gained by switching to MGT.

❖ State of Washington

Contact: Michael Schaub
Title: Office of Financial Management, State Financial Senior Consultant
Phone: 360-725-0225
E-Mail: Michael.Schaub@OFM.WA.GOV

MGT is committed to developing the State of West Virginia statewide central services cost allocation plans (SWCAP and Section II) in accordance with the required timelines, and meeting with State staff as frequently as necessary to assure a quality product, a full understanding of project results and federal issues, and assisting the State in developing methods and procedures for the full recovery of central services costs from non-general fund sources.

Embedded within our approach is our philosophy of close communications with our client on the progress of our work. We believe our management philosophy of continual interactive communication with State staff fosters an understanding of the work being performed and improves client satisfaction with our work. This will also be beneficial to the State staff that will have responsibility for assisting state agencies in the actual recovery of SWCAP costs.

PERSON AUTHORIZED TO BIND	CONTACT FOR CLARIFICATION
<p>The person who is authorized to contractually obligate our firm with respect to this proposal is:</p> <p>Mr. Mark Epstein, Senior Partner MGT of America, Inc. 502 East 11th Street, Suite 300 Austin, Texas 78701 Phone: 512-476-4697 Fax: 512-476-4699 E-mail: mepstein@mgtamer.com</p>	<p>The following individual should be contacted for clarification of our proposal:</p> <p>Mr. Joel Nolan National Director, Costing Services Practice MGT of America, Inc. 8067 N. 15th Drive Phoenix Arizona 85021 Phone: 602-595-9728 E-mail: jnolan@mgtamer.com</p>

Experience and Qualifications

Founded in 1974, MGT of America, Inc. is a privately held national consulting firm dedicated to providing services to the public sector. The extensive knowledge and experience of MGT's project team in preparing SWCAPs, cost allocation plans, and ICRPs for state agencies makes MGT the best qualified company to provide the services requested by the State. We believe the following supports this statement:

- ❖ **Team Experience:** MGT project team members have prepared over a hundred statewide cost allocation plans (SWCAPs). Team members have completed SWCAPs for the states of Alabama, Alaska, Arizona, Colorado, Florida, Idaho, Kansas, Louisiana, Montana, Nevada, New Mexico, Ohio, Oklahoma, Texas, and Washington. Team members have also prepared over two hundred cost allocation plans and departmental indirect cost rate proposals (ICRPs) for over 60 different state agencies in accordance with GAAP and OMB Circular A-87. All ICRPs were successfully negotiated with and approved by each state agency's federal cognizant agencies.
- ❖ **Public Finance Experience:** MGT's Project Director Mr. Nolan has extensive public financial consulting experience and practical experience working for state and local government agencies. Mr. Nolan is a Certified Government Financial Manager with over 30 years of experience in working with federal, state, and local government organizations. In addition to his 25 plus years of consulting experience, he has held financial management and budget analyst positions with the Texas Office of the Governor, Houston-Galveston Area Council of Governments, and West Texas Council of Governments. His consulting and work experience have provided him an extensive knowledge and understanding of governmental accounting and budgeting principles, and their practical application in both state and local government organizations.
- ❖ **Cost Identification/Recovery Experience:** Mr. Nolan is a nationally recognized authority on the identification and recovery of indirect costs by state and local government agencies. In addition to preparing SWCAPs and state agency cost allocation plans and ICRPs for over 25 years, he has provided training on indirect cost identification and recovery related topics at the American Institute of Certified Public Accountants governmental training program, Association of Governmental Accountants professional development

conferences, Governmental Finance Officer Association development conferences, and National Association of State Comptrollers annual conferences.

- ❖ **Government Consulting Experience:** In addition to Mr. Nolan, MGT has identified 3 additional consultants that will be available to participate on the project. All project team members have over 15 years of public financial consulting experience and practical experience working for state and local government agencies. All team members have participated on multiple SWCAP projects for at least 3 different states. All team members have completed multiple cost allocation and indirect cost rate proposal projects for state agencies and large governmental entities. The utilization of experienced consultants will minimize State staff efforts during interviewing and data-gathering tasks, ensure an accurate evaluation of State processes, and ensure the provision of results that meet State objectives within the requested time frame.

Project Deliverables and Timeline

MGT will complete the SWCAP and all required information detailed in our Work Plan in sufficient time each year to facilitate review and approval by the State and submittal of the final SWCAP and information by December 31st each year to the Division of Cost Allocation (DCA) of the U.S. Department of Health and Human Services. Assuming a contract would be awarded and financial information would be available by October 1st each year, MGT would provide a draft Section I Central Service Cost Allocation Plan (CSCAP) and a Section II Billed Services Document to the State by the first of December each year. Assuming a ten day period for review, a final Section I CSCAP and a final Section II Billed Services Document would be provided to the State and submitted to DCA by December 31st each year. Although reliant upon DCA's schedule, we will strive to negotiate approval of the SWCAP as quickly as possible.

As detailed in our Work Plan, MGT will provide the State the following deliverables:

- ❖ A draft Section I central service cost allocation plan (CSCAP) prepared in accordance with OMB Circular A-87. The draft CSCAP will include the required certification, service descriptions, costs schedules, allocation schedules, and summary schedules required by OMB Circular A-87. An electronic copy and one printed and unbound copy of the draft CSCAP will be provided.
- ❖ An analysis comparing the amount of cost allocated and the amount allocated to each state agency for the current year to the previous year. The analysis will include a description of significant revisions, and increases and decreases in allocation to state agencies.
- ❖ A meeting will be held with the State to review the draft CSCAP and analysis/comparison. The intent of this meeting is to ensure a thorough understanding of the CSCAP, the accuracy and validity of the results, and the identification and discussion with the State of any potential issues with DCA. Potential impacts on federal cost recovery by state agencies will also be presented and discussed.
- ❖ A final CSCAP prepared in accordance with OMB Circular A-87. The final CSCAP will incorporate any revisions identified during the review of the draft CSCAP. One copy of the final CSCAP will be submitted to DCA for approval. An electronic copy and five printed and bound copies of the final CSCAP will be provided to the State.
- ❖ A draft statewide Section II billed services document developed in accordance with OMB Circular A-87 and including all exhibits or information requested by the DCA Mid-Atlantic Field Office. The draft Document will at a minimum include service descriptions, financial,

rate methodology, billing, and OMB Circular A-87 reconciliation information on each central services billed service. The document will include the DCA required reconciliation of retained earnings to federal guidelines for each billed internal service activity. An electronic copy and one printed and unbound copy of the draft Section II document will be provided to the State.

- ❖ A meeting will be held with the State to review the draft Section II billed services document. The intent of this meeting is to ensure a thorough understanding of the results, the accuracy and validity of the results, and the identification and discussion with the State of any potential DCA issues.
- ❖ A final statewide Section II billed services document developed in accordance with OMB Circular A-87 and including all exhibits or information requested by the DCA Mid-Atlantic Field Office. The final Document will incorporate any revisions identified during the review of the draft Document. One copy of the final Document will be submitted to DCA for approval. An electronic copy and five printed and bound copies of the final Document will be provided to the State.
- ❖ Negotiate approval of the Section I CSCAP and Section II billed services with DCA. MGT will attend any on-site review meeting in Charleston with the DCA negotiator, coordinate responses, revise submission documents, and generate corrected documents as needed, until all documents are acceptable to DCA and the State. MGT will also inform the State on the impact or possible impact of any DCA findings and/or request for additional information; and appraise the State of their options.
- ❖ If necessary, a revised Section I CSCAP and/or Section II billed services document will be developed incorporating any revisions agreed upon by the State and submitted to DCA and the State.
- ❖ Upon receipt of a negotiation agreement from DCA, an electronic copy and five printed and bound copies of the approved Section I CSCAP and Section II billed services document will be provided to the State. The Section I CSCAP will include a copy of the agreement approving the Fixed Central Services Costs and Section II billed services. Copies of all relevant work papers will also be provided.
- ❖ Provision of telephone and electronic support in response to questions or interpretations associated with federal cost recovery issues. We will provide guidance to the State on the requirements of and issues related to OMB Circular A-87. We will be available to assist the State in responding to inquiries concerning the SWCAP, OMB A-87 issues; the CSCAP, state agency indirect cost recovery, and billed services issues.
- ❖ If the SWCAP should be audited or questioned, regardless of when, and whether by federal, internal or legislative auditors, MGT will be available to respond to questions and provide documentation in support of the SWCAP, including formally responding to state and federal auditors' findings, explaining differences, agreeing or disagreeing, and providing follow-up documentation to resolve the findings
- ❖ At the option of the State, we will provide a copy of the MGT Cost Allocation Software. This Windows-based software utilizes Microsoft Excel as a report writer and requires that Microsoft .NET be installed on the users machine. The State would receive 2 licenses. It is not necessary for the State to have the MGT Cost Allocation Software as our proposed solution to the State's needs calls for MGT to perform all of the cost allocation data entry necessary to complete the SWCAP.

- ❖ At the option of the State, we will provide a training session on OMB Circular A-87 and federal cost recovery issues for State personnel. We will provide a two to three hour session at no additional cost to the State.

Project Approach and Work Plan

To meet our commitment and schedule, we will utilize an approach that has been used by our project team members to prepare numerous SWCAPs over 25 years. Our technical approach will meet State objectives through interviews with department managers and a comprehensive data collection and review process. Embedded within our approach is our philosophy of close communications with our client on the progress of our work. As our references will confirm, we are committed to meeting with State as frequently as necessary to assure quality deliverables, and full understanding and implementation of project results.

Major work plan tasks include:

- ❖ Project Initiation and Administration
- ❖ Preparation of the Section I Central Services Cost Allocation Plan
- ❖ Preparation of the Section II Billed Services Documentation
- ❖ Submission and Negotiation with DCA
- ❖ Provision of Continuing Support to State on SWCAP and OMB A-87 Issues

SECTION 2:
CORPORATE
BACKGROUND AND
EXPERIENCE



2. CORPORATE BACKGROUND AND EXPERIENCE

Organization Background

MGT of America is a national management consulting and research firm specializing in providing services to public-sector clients. Founded in 1974, MGT has grown to over 110 professionals located across the country with regional offices located in Austin, Texas; Denver, Colorado; Olympia, Washington; Phoenix, Arizona; Sacramento, California; Bay City, Michigan; Washington D.C.; and Tallahassee, Florida.

MGT is organized as a privately-held, employee-owned and financially stable corporation with a deep roster of experienced cost allocation experts, resources, and desire to serve West Virginia. We are not the biggest, oldest, or highest profile cost allocation consulting firm - just the best for combining firm qualifications and consultants' cost allocation expertise with the needs of select cities, counties and state agencies.

MGT has 36 years of experience, a keen understanding of state agencies, and extensive knowledge and understanding of government structures and processes.

MGT has acquired a keen understanding of the structures, operations, and issues facing state government agencies. This understanding comes from over 36 years of extensive experience in providing financial and management consulting for state and local governments, and the prior work experience of our consultants. Prior to working as consultants, many of our consultants worked in government agencies as managers and staff. This insider knowledge and understanding of government structures and processes gives our consultants an ability to hit the ground running from the very start of a project. MGT consultants understand what it means to work within constrained time lines, and the need to produce a study that will concisely and clearly articulate findings and results.

Further information on MGT and its services are available on the Internet at www.mgtofamerica.com.

Organization Structure

MGT is structured into several primary consulting divisions aligned to the firm's core competencies. MGT's Costing Services Practice will be responsible for completion of the West Virginia SWCAP project. Our Costing Services Practice consists of 31 experienced costing consultants. All of member of our West Virginia SWCAP project team have completed numerous statewide central service cost allocation plans (SWCAP) and department indirect cost rate proposal (ICRP) projects for state and local governments.

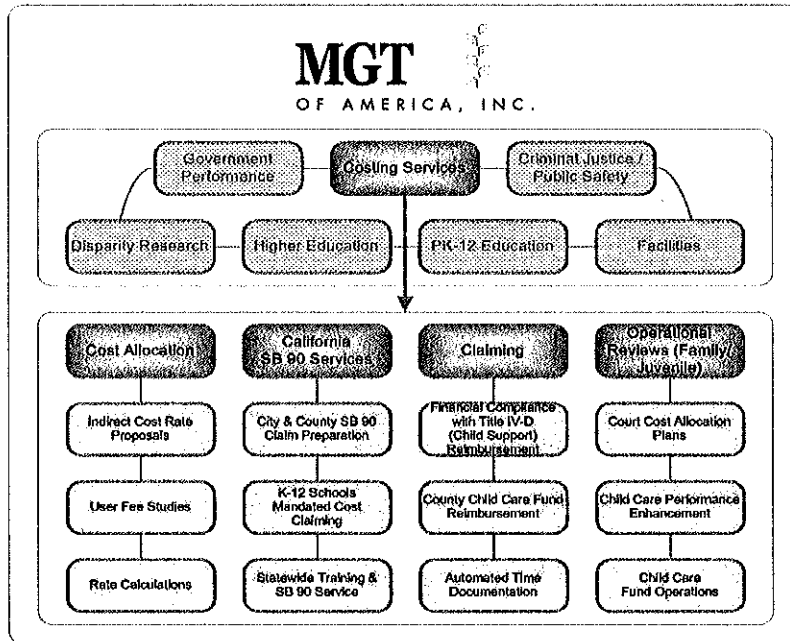
In addition to SWCAP experience, MGT has a number of experienced consultants that are strong and diversified in the areas of state government cost analysis, charge-back rate development, operational analysis, program structuring and compliance. We have extensive files, reports, opinions, and data that can be made available to you. These materials include:

- ❖ User fee analyses for state agencies
- ❖ Grants Appeals Board opinions and rulings
- ❖ Performance measurement
- ❖ Productivity analyses
- ❖ Costs of services comparisons

- ❖ Indirect cost policies adopted by other states, and more.

Our experts in data processing, rate development, statistics, and finance can all be called in to answer questions or provide professional advice to produce the best possible indirect cost recovery program for the State.

The Costing Services practice is further defined in the organization chart that follows.



The **first advantage** of this organizational structure is that every member of the firm, and by extension every member of a project team, has a vested interest in the successful completion of every project, for every client. Additionally, this ownership structure creates a mindset that permeates through every MGT owner of operating a growing, yet stable firm based on building long-term relationships.

The **second advantage** of this organizational structure is our client's direct access to executive-level staff on every project. Many engagements are staffed with a partner of the firm who is actively involved in all aspects of the project. All engagements are no more than one staff member away from a partner of the firm. This access ensures the State will receive not just project specific expertise but also decisions and resolutions of any concerns in a timely manner.

MGT is small enough to provide personalized service with reasonable fees; yet large enough to serve a national client base and exceed the requirements of the most sophisticated clients.

The **third advantage** of this organizational structure is the focused expertise of the consultants within the Cost Services division. These consultants provide state agencies, special districts, cities, and counties services limited to user fee studies, indirect cost rate proposals, jail rate studies, and cost allocation plans. This focus ensures every project is staffed not just with experienced consultants, but with *experienced cost allocation consultants*.

Prior Experience with Similar Projects

Statewide Cost Allocation Plan

MGT annually prepares numerous central service cost allocation plans for state and local government. This includes preparing statewide central service cost allocation plans (SWCAP) for states. Mr. Joel Nolan the National Director of MGT's Costing Services Practice has prepared SWCAPs for state for over 25 years. As an MGT consultant in just the past 5 years he and other MGT consultants have prepared SWCAPs for the states of Nevada, New Mexico, Texas, and Washington. We have also completed a Territory-Wide Cost Allocation Plan for the U.S. Territory of the Virgin Islands. In general, these projects have included the following scope of work:

- ❖ Preparation and submittal to the Division of Cost Allocation (DCA) of the U.S. Department of Health and Human Services of an OMB Circular A-87 compliant central service cost allocation plan that identified and fully allocated the State's Section I costs.
- ❖ Collection and submittal of all Section II billed cost information required by OMB Circular A-87 and DCA on internal service funds, self-insurance funds, fringe benefits, and other billed services.
- ❖ Negotiation of the Section I statewide central services cost allocation plan and Section II billed services information with DCA.
- ❖ Securing of a negotiation agreement on the Section I costs and Section II billed services.
- ❖ Guidance on the implementation of Section I results.
- ❖ Guidance on Section II cost and fund balance issues.
- ❖ Continuing guidance on issues and requirements related to OMB Circular A-87.
- ❖ Educational support to the State on OMB Circular A-87, Section I, Section II, and federal cost recovery.

Following is project and contact information for SWCAP projects Mr. Nolan and other MGT consultants have completed during the last five years. We have identified the MGT consultants assigned to each project. **Resumes for the designated consultants are provided at the end of Technical Proposal Section 3.**

- ❖ **State of Nevada** – Prepared the FY 2008, FY 2009, FY 2010, and FY 2011 SWCAPs based on actual expenditures incurred during the fiscal years ended June 30, 2006, 2007, 2008, and 2009. All of the SWCAPs have been successfully negotiated with DCA. MGT recently completed and submitted the FY 2012 SWCAP to DCA for review and approval. Approval of the SWCAPs is negotiated with the DCA Western Field (San Francisco) Office. MGT Project Consultants: Joel Nolan, Bret Schlyer, and Richard McLaughlin.

Also prepared the State's American Recovery and Reinvestment Act (ARRA) supplemental statewide cost allocation plan based on budget data for the fiscal years ending June 30, 2010 and June 30, 2011. The Plan was approved by DCA.

Contact: Evan Dale
Title: Department of Administration, Administrative Services Director
Phone: 775-684-0281
E-Mail: erdale@spwb.state.nv.us

MGT RESPONSE TO STATE OF WEST VIRGINIA RFQ#: FAR116021
STATEWIDE COST ALLOCATION PLAN (SWCAP)

- ❖ **State of New Mexico** - Prepared the FY 2007, FY 2008, FY 2009, FY 2010, and FY 2011 SWCAPs based on actual expenditures incurred during the fiscal years ended June 30, 2005, 2006, 2007, 2008, and 2009. The FY 2007, FY 2008, FY 2009, and FY 2010 SWCAPs have been successfully negotiated. The FY 2011 and FY 2012 SWCAPs have been submitted to DCA for review and approval. Approval of the SWCAPs is negotiated with the DCA Central Field (Dallas). MGT Project Consultants: Joel Nolan, Elise d'Auteuil, and Bret Schlyer.

Also prepared the State's American Recovery and Reinvestment Act (ARRA) supplemental statewide cost allocation plan based on budget data for the fiscal years ending June 30, 2010 and June 30, 2011. The Plan was approved by DCA.

Contact: Mr. Richard H. Torrence, CPA
Title: Department of Finance and Administration, CAFR Accountant
Phone: 505-476-8533
E-Mail: Richard.torrence@state.nm.us

- ❖ **State of Texas** – Prepared the FY 2009, FY 2010, and FY 2011 SWCAPs based on actual expenditures for the fiscal year ended August 31, 2007, 2008, and 2009. The FY 2009 and FY 2010 SWCAPs have been successfully negotiated. The FY 2011 SWCAP has been submitted to DCA for review and approval. MGT is currently preparing the FY 2012 SWCAP for submittal at the end of May. Approval of the SWCAPs is negotiated with the DCA Central Field (Dallas). MGT Project Consultants: Joel Nolan, Elise d'Auteuil, and Richard McLaughlin.

Also prepared the State's American Recovery and Reinvestment Act (ARRA) supplemental statewide cost allocation plan based on budget data for the fiscal years ending August 31, 2010 and August 31, 2011. The Plan was approved by DCA.

Contact: Theresa Boland
Title: Office of the Governor, Budget Manager, Financial Services Division
Phone: 512-936-0166
E-Mail: tboland@governor.state.tx.us

- ❖ **State of Washington** – Prepared the FY 2012 SWCAP based on actual expenditures for the fiscal year ended June 30, 2010. The FY 2012 SWCAP has been submitted to DCA for review and approval. MGT is currently under contract with the State to develop and negotiate the FY 2013 SWCAP. Approval of the SWCAP is being negotiated with the DCA Western Field (San Francisco) Office. MGT Project Consultants: Joel Nolan, Elise d'Auteuil, and Bret Schlyer.

Contact: Michael Schaub
Title: Office of Financial Management, State Financial Senior Consultant
Phone: 360-725-0225
E-Mail: Michael.Schaub@OFM.WA.GOV

- ❖ **The U.S. Territory of the Virgin Islands** – Prepared and successfully negotiated approval of the FY 2010 Territory-wide Cost Allocation Plan (TWCAP) based on actual expenditures incurred during the fiscal year ended September 30, 2008. MGT is currently under contract with to develop and negotiate the FY 2011 TWCAP. Responsibility for the review and negotiation of the TWCAP has been transferred from the DCA to the U.S. Department of Interior. MGT Project Consultants: Joel Nolan and Elise d'Auteuil.

Contact: Claudette Farrington
Title: Office of Management and Budget, Deputy Director
Phone: 340-774-5313
E-Mail: Claudette.farrington@omb.vi.gov

Department Indirect Cost Rate Proposals, Cost Allocation Plans, and Indirect Cost Rates

MGT has extensive experience in developing indirect cost rate proposals (ICRP) for state and local governments. ICRP projects include the development of a cost allocation plan and indirect cost rates in accordance federal requirements as presented in OMB Circular A-87. MGT has completed ICRP for state agencies in Alabama, Alaska, Arizona, California, Florida, Kansas, Louisiana, Mississippi, Ohio, Texas, and Washington. We have also assisted departments of the U.S. Territory of the Virgin Islands. In general, these projects have included the following scope of work:

- ❖ Acquiring and reviewing organizational and financial information.
- ❖ Review of federal programs administered by the Agency.
- ❖ Identifying administrative and support activities.
- ❖ Acquiring state central services costs.
- ❖ Preparing detailed cost schedules for each indirect organizational unit.
- ❖ Preparing an indirect cost schedule.
- ❖ Preparing a draft indirect cost rate(s).
- ❖ Acquiring information on billed and allocated services.
- ❖ Providing a draft ICRP to the Agency for review and comment.
- ❖ Reviewing the draft ICRP with Agency staff.
- ❖ Providing a final ICRP to Agency incorporating any requested revisions.
- ❖ Negotiation of approval of the ICRP with the Agency's federal cognizant agency.
- ❖ If necessary, providing a revised ICRP incorporating any negotiated revisions.
- ❖ Providing support on indirect cost recovery for one year after delivery of final ICRP.

Following is project and contact information on ICRP projects MGT consultants have completed during the last five years. We have identified the MGT consultants assigned to each project. **Resumes for the designated consultants are provided at the end of Technical Proposal Section 3.**

- ❖ **Alabama Department of Conservation and Natural Resources** - Prepared the Department's FY 2010 and FY 2011 ICRP based on actual expenditures for the fiscal year ended September 30, 2008. The ICRP was approved and indirect cost rates were established for FY 2010 and FY 2011. Also assisted the Agency in revising its policies and procedures to ensure compliance with OMB Circular A-87 and to maximize indirect cost recoveries. The ICRP was approved by the U.S. Department of Interior. MGT is currently under contract with the Department to develop and negotiate the FY 2012 ICRP. MGT Project Consultants: Joel Nolan and Richard McLaughlin.

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Contact: Becky J. Brassfield
Title: Accounting Director
Phone: 334-242-3164
E-mail: Becky.Brassfield@dcnr.alabama.gov

- ❖ **Arizona Department of Game and Fish** – Annually prepared the Department's ICRP for the last 7 years. The ICRP is annually submitted to and approved by the U.S. Department of Interior. MGT is currently under contract with the Department to develop and negotiate the FY 2012 ICRP. MGT Project Consultant: Bret Schlyer.

Contact: Annie Houser
Title: Budget Control Supervisor
Phone: 623-236-7523
E-mail: ahouser@azgfd.gov

- ❖ **Florida Department of Elder Affairs** – Prepared the Department's FY 2011 ICRP based on actual data incurred during the State's fiscal year ended June 30, 2009. The ICRP was approved by the U.S. of Health and Human Services. McLaughlin had previously been responsible for the annual preparation and negotiation of the Department's ICRP from FY 2005 through FY 2007 while with another consulting firm. MGT Project Consultant: Richard McLaughlin.

Contact: Ms. Lynn Griffin
Title: Revenue Management Manager
Phone: 850-414-2357
E-mail: griffinml@elderaffairs.org

- ❖ **Kansas Corporation Commission** - Annually prepared the Department's ICRP for the last 7 years. The ICRP is annually submitted to and approved by the U.S. Environmental Protection Agency for review and approval. Also assisted the Agency in revising its policies and procedures to ensure compliance with OMB Circular A-87 and to maximize indirect cost recoveries. MGT is currently under contract with the Commission to develop and negotiate the FY 2012 ICRP. MGT Project Consultant: Bret Schlyer.

Contact: Jackie Monfoort Paige
Title: Chief Financial Officer
Phone: 785-271-3295
E-mail: j.montfoort.paige@kcc.ks.gov

- ❖ **Louisiana Department of Public Safety and Corrections** - Prepared the Department's FY 2011 ICRP based on actual expenditures for the fiscal year ended June 30, 2009. The ICRP was approved by the U.S. Department of Justice. As a consultant with another firm, Mr. Nolan annually prepared the Department's ICRPs in from 1998 through 2007. FY 2011 MGT Project Consultant: Bret Schlyer. Prior: Joel Nolan.

Contact: Susan Poche
Title: Chief Fiscal Officer
Phone: 225-342-6553
E-mail: spoche@corrections.state.la.us

MGT RESPONSE TO STATE OF WEST VIRGINIA RFQ#: FAR116021
STATEWIDE COST ALLOCATION PLAN (SWCAP)

- ❖ **Mississippi Department of Marine Resources** - Prepared the Department's FY 2010 and 2011 ICRPs based on actual expenditures for the fiscal years ended June 30, 2008 and 2009. The ICRPs were approved by the U.S. Department of Interior. MGT is currently under contract with the Department to develop and negotiate the FY 2012 ICRP. MGT Project Team: Richard McLaughlin.

Contact: Kara Vesa
Title: Fiscal Officer
Phone: 228-523-4154
E-mail: kara.vesa@dmr.ms.gov

- ❖ **Ohio Environmental Protection Agency** - Prepared the Agency's FY 2011 ICRP based on actual expenditures for the fiscal year ended June 30, 2009. The ICRP was approved by the U.S. Environmental Protection Agency. MGT is currently under contract with the Agency to develop and negotiate the FY 2012 ICRP. Mr. McLaughlin had previously been responsible for the annual preparation and negotiation of the Agency's ICRP from FY 1990 through FY 2003 while with another consulting firm. MGT Project Consultant: Richard McLaughlin.

Contact: Donna Waggener
Title: Fiscal Officer
Phone: 614-644-2072
E-mail: Donna.waggener@epa.state.oh.us

- ❖ **Ohio Department of Rehabilitation Services** - Prepared the Agency's FY 2011 ICRP based on actual expenditures for the fiscal year ended June 30, 2009. The ICRP was approved by the U.S. Education. MGT is currently under contract with the Department to develop and negotiate the FY 2012 ICRP. Mr. McLaughlin had previously been responsible for the annual preparation and negotiation of the Department's ICRP from FY 1990 through FY 2003 while with another consulting firm. MGT Project Consultant: Richard McLaughlin.

Contact: Marc Protsman
Title: Fiscal Officer
Phone: 614-438-1763
E-mail: marc.protsman@rsc.state.oh.us

- ❖ **Texas Department of Agriculture** – Prepared the Department's FY 2010 and FY 2011 ICRPs based on actual expenditures for the fiscal year ended August 31, 2008 and 2009. The ICRPs were approved by the U.S. Environmental Protection Agency. Also assisted the Department in revising its policies and procedures to ensure compliance with OMB Circular A-87 and to maximize indirect cost recoveries. MGT is currently under contract with the Department to develop and negotiate the FY 2012 ICRP. As a consultant with another firm, Mr. Nolan annually prepared the Department's ICRPs in 2004, 2005 and 2006. MGT Project Consultant: Joel Nolan.

Contact: Heather Griffith Peterson
Title: Assistant Commissioner Financial Services
Phone: 512-463-3640; E-mail: heather.griffith.peterson@tda.state.tx.us

- ❖ **Texas Office of the Attorney General** – Prepared the Agency's FY 2009, FY 2010, and FY 2011 ICRPs based on actual data incurred during the State's fiscal years ended August 31, 2008, 2009, and 2010. The ICRPs were approved by the U.S. Department of Health and

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STATEWIDE COST ALLOCATION PLAN (SWCAP)

Human Services (DHHS). MGT is currently under contract with the Agency to develop and negotiate the FY 2012 ICRP. Mr. Nolan and Ms. d'Auteuil had previously been responsible for the annual preparation and successful negotiation of the Agency's ICRP and attorney billing rates from FY 1992 through FY 2006 while with another consulting firm. MGT Project Consultants: Joel Nolan, Elise d'Auteuil, and Richard McLaughlin.

Contact: Julie E. Geeslin
Title: Director, Budget and Purchasing
Phone: 512-475-4495
E-Mail: Julie.Geeslin@oag.state.tx.us

- ❖ **Texas Office of the Governor** – Prepared the Agency's FY 2009, FY 2010 and FY 2011 ICRPs based on actual data incurred during the State's fiscal years ended August 31, 2007, 2008, and 2009. The ICRPs were approved by the U.S. Department of Health and Human Services (DHHS). MGT is currently under contract with the Agency to develop and negotiate the FY 2012 ICRP. Mr. Nolan and Ms. d'Auteuil had previously been responsible for the annual preparation and negotiation of the Agency's ICRP from FY 1992 through FY 2006 while with another firm. MGT Project Consultants: Joel Nolan, Elise d'Auteuil, and Richard McLaughlin.

Contact: Rebeca White
Title: Chief Financial Officer
Phone: 512-463-6310
E-mail: rwhite@governor.state.tx.us

- ❖ **Washington State Department of Personnel** – MGT developed a central services cost allocation plan for the Department and provided assistance in determining the cost of services provided by the Department. The Plan is based on the Department's projected budget for the fiscal year ending June 30, 2011. MGT has provided cost allocation software and training for Department staff to enable the updating of the Plan in future years. MGT Project Consultants: Joel Nolan and Elise d'Auteuil.

Contact: Heidi Jones
Title: Chief Financial Officer
Phone: 360-664-6338
E-mail: Heidij@dop.wa.gov

- ❖ **Washington State Higher Education Coordinating Board** – Prepared the Agency's FY 2010 ICRP based on actual data incurred during the State's fiscal year ended June 30, 2008. Based on the ICRP, indirect cost rates were approved for a 5 year period by the U.S. Department of Education. Also assisted the Department in revising its policies and procedures to ensure compliance with OMB Circular A-87 and to maximize indirect cost recoveries. MGT Project Consultants: Joel Nolan and Richard McLaughlin.

Contact: Donald G. Alexander
Title: Associate Director Accounting, Budget and Facilities
Phone: 360-753-7816
E-mail: dona@hecb.wa.gov

- ❖ **Territory of the U.S. Virgin Islands** – Prepared FY 2009 and FY 2010 ICRPs for ten departments of the Territory of the U.S. Virgin Islands based on actual data incurred by the departments during the fiscal year ended September 30, 2008 and budgeted data for the

year ending September 30, 2010. All the ICRPs were submitted to and approved by the U.S. Department of Interior (DOI) as the primary federal oversight agency. DOI is responsible for the review of the ICRPs and acquiring any input or issues from the affected federal agencies. The ten departments were the Department of Agriculture, Department of Education, Department of Health, Department of Human Services, Department of Justice, Department of Labor, Department of Planning and Natural Resources, Department of Police, Department of Public Works, and Emergency Management Agency. MGT is currently under contract with the Territory to develop and negotiate the FY 2011 ICRP for the ten departments. MGT Project Consultants: Joel Nolan and Elise d'Auteuil.

Contact: Claudette Farrington
Title: Office of Management and Budget, Deputy Director
Phone: 340-774-5313
E-Mail: Claudette.farrington@omb.vi.gov

Charge-Back Rates for Internal Service Funds and Other Billed Services

MGT consultants have completed numerous projects for state and local government internal services funds (ISF) and other support agencies for which charge-back rates are utilized to recovery service costs. Projects have been completed for state and local agencies responsible for the provision of support services such as aviation, audit, data processing, fleet, heavy equipment, information services, legal, mail, marine equipment, motor pool, personnel, printing, procurement, and telecommunications. These studies have been completed either as MGT consultants or as prior consultants with the Financial Services Division of MAXIMUS, Inc. Projects scopes of work have included:

- ❖ Providing recommendations for operational improvements
- ❖ Development of service structures
- ❖ Development of service forecasting systems
- ❖ Preparation of cost of service plans
- ❖ Development of billing rate methodologies, procedures, and rates

Following is project and contact information for projects MGT consultants have completed. We have identified the MGT consultants assigned to each project. **Resumes for the designated consultants are provided at the end of Technical Proposal Section 3.**

- ❖ State of Alaska Department of Administration divisions of Central Mail, Enterprise Technology, Facility Management, Procurement, and Personnel. Developed OMB Circular A-87 compliant billing rate methodologies and models for use in the annual development of billing rates. The methodologies were approved by the DCA Western (San Francisco) Field Office. Assisted in responding to DCA and state auditor issues related to over billings and improper subsidizing of services.
- ❖ State of Alaska Department of Law. Developed OMB Circular A-87 compliant legal service billing rate methodologies and models for use in the annual development of billing rates. The methodology was approved by the DCA Western (San Francisco) Field Office. Assisted in responding to DCA and state auditor issues related to improper billings to federal programs. Also assisted the Department in appealing a finding on improper billings to federal programs and the settlement of the finding.

- ❖ State of Alaska Department of Transportation and Public Facilities – Equipment Services Division. Assist in the review and provision of recommendations related to the Division's operations. Also developed OMB Circular A-87 compliant billing rate methodologies for use in the annual development of billing rates. The methodology was approved by the DCA Western (San Francisco) Field Office. Assisted in responding to DCA and state auditor issues related to improper billings to federal programs. Also assisted the Department in appealing a finding on improper billings to federal programs and the settlement of the finding.
- ❖ State of Arizona Department of Administration divisions of Equipment Services, Information Technology, and Facility Management. Developed OMB Circular A-87 compliant billing rate methodologies for use in the annual development of billing rates. The methodologies were approved by the DCA Western (San Francisco) Field Office. Also reviewed the operations of the Equipment Services and Information Technology divisions and provided recommendation for improvements.
- ❖ State of Kansas Department of Administration divisions of Facility Management, Data Processing Services, Motor Pool, and Printing. Developed OMB Circular A-87 compliant billing rate methodologies for use in the annual development of billing rates. The methodologies were approved by the DCA Central (Dallas) Field Office. Assisted in responding to DCA and state auditor issues related to over billings and improper subsidizing of services.
- ❖ State of Louisiana Division of Administration – divisions of Building Management, Office of Computer Processing, Office of Risk Management, and Office of Telecommunications. Developed OMB Circular A-87 compliant billing rate methodologies for use in the annual development of billing rates. The methodologies were approved by the DCA Central (Dallas) Field Office. Assisted in responding to DCA and state auditor issues related to over billings and improper subsidizing of services.

MGT annually utilized the approved methodologies to develop billing rates for the Office of Computer Processing and per facility per square rental rates for the Division of Building Management. Also assisted the Division of Risk Management is appealing a finding on improper billings to federal programs and the settlement of the finding.
- ❖ State of Nevada Office of the Attorney General. Annually since 2007 prepare an OMB Circular A-87 compliant cost allocation plan allocating the allowable costs of the Office to the state agencies served by the Office each year based on the number of hour of legal services provided each year. The Plan is annually reviewed and approved by the DCA Western (San Francisco) Field Office.
- ❖ State of New Mexico General Services Department – Office of Information Processing (now Department of Information Technology), Motor Pool, and State Printing Office. Developed OMB Circular A-87 compliant billing rate methodologies for use in the annual development of billing rates. The methodologies were approved at different times by either the DCA Central (Dallas) Field Office or the DCA Western (San Francisco) Field Office. Assisted in responding to DCA and state auditor issues related to over billings and improper subsidizing of services. Also assisted the Office of Information Technology in appealing a finding on improper billings to federal programs and the settlement of the finding.
- ❖ State of New Mexico General Services Department – Division of Property Management (facility management). Assisting the Division in analyzing the costs and benefits of building a new health and human services complex to house state agencies currently in leased space.

- Developed projected annual depreciation schedules and operations costs of new facility; projected annual cash flow requirements of new complex that included debt service payments and operations; project annual rental costs of remaining in leased space; projected annual rental rates of new complex prepared in accordance with OMB Circular A-87; projected annual federal participation in both leased facilities and the new complex; and exhibits comparing annual lease space costs to new complex costs and the potential savings.
- ❖ State of Oklahoma Office of Finance - Divisions of Data Processing and Telecommunications. Developed OMB Circular A-87 compliant billing rate methodologies for use in the annual development of billing rates. The methodologies were approved by the DCA Central (Dallas) Field Office. Assisted in responding to DCA issues related to over billings and improper subsidizing of services. Also assisted the Office of Information Technology in appealing a finding on improper billings to federal programs and the settlement of the finding.
 - ❖ State of Oklahoma Department of Central Services – Divisions of Facility Management, Motor Pool, and Printing. Developed OMB Circular A-87 compliant billing rate methodologies for use in the annual development of billing rates. Annually developed facility rates and negotiated approval of the rate with the DCA Central (Dallas) Field Office. Assisted in responding to DCA and state auditor issues related to over billings and improper subsidizing of services.
 - ❖ State of Texas Office of the Attorney General. Developed an OMB Circular A-87 compliant billing rate methodology for use in the annual development of legal service per hour attorney billing rates. The methodology was approved by the DCA Central (Dallas) Field Office. Annually utilized the approved methodology to develop per hour attorney rates that are used to identify the cost of and/or bill agencies for legal services. The legal service per hour attorney rates are annually reviewed and approved by the DCA.
 - ❖ State of Texas Comptroller of Public Accounts (CPA) – Information Technology Division. Annually since 2003 prepare an OMB Circular A-87 compliant cost allocation plan allocating the allowable costs of the Division to other CPA divisions and state agencies served by the Division. The Plan is annually reviewed and approved by the DCA Central (Dallas) Field Office.
 - ❖ Texas Department of Information Resources. Assisted the Department in developing OMB Circular A-87 compliant billing rate methodologies for each line of service. The Department's methodologies and processed were approved by the DCA Central (Dallas) Field Office.
 - ❖ State of Washington Department of General Administration – Reviewed the financial status of all services provided and funds administered by the Department; and reviewed the methods and processes utilized by the Department to establish budgets, cost services, and develop service billing rates. Also assisted the Department in developing budgeting and service billing rate models that identified the total cost (both direct and indirect) of providing each service. MGT utilized the service rate model to assist the Department in budgeting and establishing service rates to be utilized during the State's FY 2009-11 biennium. Also assisted the Department in revising its policies and procedures to ensure compliance with OMB Circular A-87.

Following are a few references that can attest to Mr. Nolan's knowledge, experience, capabilities and performance relate to project completed for state ISF and support agencies. Additional reference will be provided upon request.

- ❖ **State of Alaska projects:** Mr. Nolan was responsible for all referenced project completed for Alaska state agencies between August 1989 and April 2007. Current state agency personnel familiar with the projects and Mr. Nolan's performance and knowledge of charge-back service rate methodologies are Ms. Kim Garnero, ADOA Director of the Division of Finance of the Alaska Department of Administration (ADOA), and Mr. Dave Blaisdell, Director of Administrative Services of the Department of Law. Through 2007 Mr. Blaisdell was ADOA's Accounting Manager responsible for the oversight of the development of service rates by all ADOA divisions. Contact information for Ms. Garnero and Mr. Blaisdell is:

Contact: Kim Garnero
Title: Alaska Department of Administration, Director of the Division of Finance
Phone: 907-465-3435
E-mail: kim.garnero@alaska.gov

Contact: Dave Blaisdell
Title: Alaska Department of Law, Administrative Services Director
Phone: 907-465-5094
E-mail: dave.blaisdell@alaska.gov

- ❖ **Washington State Department of General Administration** – During 2008 and 2009 MGT developed a central services cost allocation plan for the Department; reviewed the financial status of all SWCAP Section II services provided by the Department; and reviewed the methods and processes utilized by the Department to establish budgets, cost services, and develop service billing rates. Also assisted the Department in developing budgeting and service billing rate models that identified the total cost (both direct and indirect) of providing each service. MGT utilized the service rate model to assist the Department in budgeting and establishing service rates to be utilized during the State's FY 2009-11 biennium. Also assisted the Department in revising its policies and procedures to ensure compliance with OMB Circular A-87. MGT Project Consultants: Joel Nolan and Elise d'Auteuil.

Contact: Valerie Guthrie
Title: Budget Manager
Phone: 360-902-7353
E-mail: vguthri@ga.wa.gov

Cost of Service/Activity Based Costing Studies

MGT consultants have completed hundreds of cost of services and activity based costing (ABC) studies for state and local governments. Our ABC studies include:

- ❖ Detailed analysis of all costs of an organization
- ❖ Identification and classification of all costs as fixed or variable
- ❖ Allocation of all overhead or indirect costs to activities and ultimately to services utilizing appropriate cost allocation methods and procedures
- ❖ Determination of the time and associated costs required to provide a single service
- ❖ Assistance in establishing appropriate, adequate user service fees

Although project team members have developed ABC studies for state agencies, they have performed more ABC studies for local governments. This is due to a heavier reliance by local governments on revenues from enterprise and non-general fund revenue sources. Usually local governments request comprehensive user fee studies be performed for all services provided by the government for which a fee is assessed or could be assessed. This requires the effort analysis of hundreds, often thousands, of positions and the ABC costing of hundreds of services. These studies almost always require presentations to governing bodies and affected stakeholders. Following are a list of the state government and a few of the local governments ABC studies members of our Project Team consultants have completed:

- ❖ State of Alaska Departments – Department of Commerce, Community and Economic Development, Department of Public Safety, Department of Revenue, and Department of Transportation.
- ❖ State of Arizona Departments – Department of Agriculture, Department of Environmental Quality, and Department of Health.
- ❖ State of Kansas Departments – Department of Agriculture, Department of Health and Environment, and Department of Public Safety.
- ❖ State of Ohio – Bureau of Worker's Compensation, Department of Taxation, and Environmental Protection Agency.
- ❖ State of Texas Departments – Department of Commerce, Department of Mental Health and Mental Retardation, Department of State Health Services, and Texas Workforce Commission.
- ❖ A Few Local Governments – Arizona cities of Flagstaff, Goodyear, Peoria, Tucson, and Yuma; All Arizona counties; California cities Modesto, Newport Beach, Pomona, Rancho Cordova, Sacramento, San Diego, San Francisco, Santa Clara, and Vallejo; City and County of Denver, Colorado; Florida cities of Miami, Orlando, Tallahassee, and Tampa; City of Des Moines, Iowa; and Texas cities of Austin, Dallas, Houston, and San Antonio.

References

MGT of America, Inc. and our Project Director and lead staff person Mr. Joel Nolan hereby grants permission to the State to contact any of the following references, project contacts previously identified in our proposal, and any others who may have pertinent information regarding MGT's and Mr. Nolan's qualifications and experience to perform the services required by the RFP.

All of the following references are business references for MGT of America, Inc. and our Project Director and lead staff person Mr. Joel Nolan.

- ❖ **State of Nevada** – Prepared the FY 2008, FY 2009, FY 2010, FY 2011 and FY 2012 SWCAPs based on actual expenditures incurred during the fiscal years ended June 30, 2006, 2007, 2008, 2009 and 2010. The FY 2008, FY 2009, FY 2010 and FY 2011 SWCAPs have been successfully negotiated. The FY 2012 SWCAP was submitted to DCA for review and approval. The SWCAP is negotiated with the DCA Western Field (San Francisco) Office.

Also prepared the State's American Recovery and Reinvestment Act (ARRA) supplemental statewide cost allocation plan based on budget data for the fiscal years ending June 30, 2010 and June 30, 2011. The Plan was approved by DCA.

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STATEWIDE COST ALLOCATION PLAN (SWCAP)

Contact: Evan Dale
Title: Department of Administration, Administrative Services Director
Phone: 775-684-0281
E-Mail: erdale@spwb.state.nv.us

- ❖ **State of New Mexico** - Prepared the FY 2007, FY 2008, FY 2009, FY 2010, FY 2011 and FY 2012 SWCAPs based on actual expenditures incurred during the fiscal years ended June 30, 2005, 2006, 2007, 2008, 2009 and 2010. The FY 2007, FY 2008, FY 2009, FY 2010 and FY 2011 SWCAPs have been successfully negotiated. The FY 2012 SWCAP was submitted to DCA for review and approval. Approval of the SWCAPs is negotiated with the DCA Central Field (Dallas).

Also prepared the State's American Recovery and Reinvestment Act (ARRA) supplemental statewide cost allocation plan based on budget data for the fiscal years ending June 30, 2010 and June 30, 2011.

Contact: Mr. Richard H. Torrence, CPA
Title: Department of Finance and Administration, CAFR Accountant
Phone: 505-476-8533
E-Mail: Richard.torrence@state.nm.us

- ❖ **State of Texas** – Prepared the FY 2009, FY 2010, FY 2011 and FY 2012 SWCAPs based on actual expenditures for the fiscal year ended August 31, 2007, 2008, 2009 and 2010. The FY 2009, FY 2010, and FY 2011 SWCAPs have been successfully negotiated. The FY 2012 SWCAP was submitted to DCA for review and approval. Approval of the SWCAPs is negotiated with the DCA Dallas Office.

Also prepared the State's American Recovery and Reinvestment Act (ARRA) supplemental statewide cost allocation plan based on budget data for the fiscal years ending August 31, 2010 and August 31, 2011.

Contact: Theresa Boland
Title: Office of the Governor, Budget Manager, Financial Services Division
Phone: 512-936-0166
E-Mail: tboland@governor.state.tx.us

- ❖ **State of Washington** – Prepared the FY 2012 SWCAP based on actual expenditures for the fiscal year ended June 30, 2010. The FY 2012 SWCAP has been submitted to DCA for review and approval. MGT is currently under contract with the State to develop and negotiate the FY 2013 SWCAP. Approval of the SWCAP is being negotiated with the DCA Western Field (San Francisco) Office.

Contact: Michael Schaub
Title: Office of Financial Management, State Financial Senior Consultant
Phone: 360-725-0225
E-Mail: Michael.Schaub@OFM.WA.GOV

- ❖ **Alabama Department of Conservation and Natural Resources** - Prepared the Department's FY 2010 and FY 2011 ICRP based on actual expenditures for the fiscal year ended September 30, 2008. The ICRP was approved and indirect cost rates were established for FY 2010 and FY 2011. Also assisted the Agency in revising its policies and procedures to ensure compliance with OMB Circular A-87 and to maximize indirect cost

recoveries. The ICRP was approved by the U.S. Department of Interior. MGT is currently under contract with the Department to develop and negotiate the FY 2012 ICRP. The ICRP was approved by the U.S. Department of Interior.

Contact: Becky J. Brassfield
Title: Accounting Director
Phone: 334-242-3164
E-mail: Becky.Brassfield@dcnr.alabama.gov

- ❖ **Texas Department of Agriculture** – Prepared the Department's FY 2010, FY 2011, and FY 2012 ICRPs based on actual expenditures for the fiscal year ended August 31, 2008, 2009, and 2010. The ICRPs were approved by the U.S. Environmental Protection Agency. Also assisted the Department in revising its policies and procedures to ensure compliance with OMB Circular A-87 and to maximize indirect cost recoveries. As a consultant with another firm, Mr. Nolan prepared the Department's ICRPs in 2004, 2005 and 2006.

Contact: Heather Griffith Peterson
Title: Assistant Commissioner Financial Services
Phone: 512-463-3640
E-mail: heather.griffith.peterson@tda.state.tx.us

- ❖ **Washington State Department of General Administration** – During 2008 and 2009 MGT developed a central services cost allocation plan for the Department; reviewed the financial status of all SWCAP Section II services provided by the Department; and reviewed the methods and processes utilized by the Department to establish budgets, cost services, and develop service billing rates. Also assisted the Department in developing budgeting and service billing rate models that identified the total cost (both direct and indirect) of providing each service. MGT utilized the service rate model to assist the Department in budgeting and establishing service rates to be utilized during the State's FY 2009-11 biennium. Also assisted the Department in revising its policies and procedures to ensure compliance with OMB Circular A-87.

The Department's Project Manager was Fay Bronson the Department's Chief Financial Officer. Ms. Fay Bronson retired as of August 2010.

Contact: Valerie Guthrie
Title: Budget Manager
Phone: 360-902-7353
E-mail: vguthri@ga.wa.gov

Financial Statements

MGT's most recent financial statements have been provided at the end of this section.

SECTION 3:
PROPOSED PROJECT
STAFF



3. PROPOSED PROJECT STAFF

Project Team Structure

We believe MGT has designated a project team for the West Virginia SWCAP project with exceptional qualifications for completing the scope of work and assisting the State in maximizing the recovery of indirect costs. We intend to only assign senior consultants with extensive experience in preparing and negotiating SWCAPs. MGT consultants to be assigned to this project have prepared numerous SWCAPs over the past 25 plus years. Our project team will assure the development of a quality SWCAP within the RFP requested time frame. **MGT will not utilize subcontractors.**

The primary MGT Project Team will consist of a Project Director and two senior consultants. Mr. Joel Nolan, MGT's National Director of the Costing Services Practice, will be the Project Director. Mr. Nolan will be ultimately responsible for the completion of the scope of work and the provision of all deliverables. Mr. Nolan is a Certified Government Financial Manager with over 25 years of experience preparing and negotiating SWCAPs.

He will be supported by two senior consultants that have assisted in the preparation and negotiation of SWCAPs for over 10 years: Ms. Elise d'Auteuil and Mr. Bret Schlyer. One of the senior consultants will be assigned to assist Mr. Nolan in developing the central services cost allocation plan and the other consultant will assist in the development of the Section II billed services retained earnings reconciliations and other information. In addition, MGT has an additional consultant with over 20 year of state consulting experience who will be available to ensure the scope of work is completed and the SWCAP is submitted to DCA by December 31st each year. For SWCAPs in which the federal submission deadline has already passed prior to the issuance of this RFQ, the CSCAP will be completed expeditiously by a date mutually agreeable to the State and MGT.

All MGT senior consultants to be assigned to the West Virginia SWCAP project team have:

- ❖ Minimum of 10 years of experience preparing SWCAPs and indirect cost allocation plans for state agencies;
- ❖ Participated on SWCAP projects for at least four states in the last five years;
- ❖ Developed charge-back methodologies and rates for state internal service funds which have been approved by DCA;
- ❖ Participated on indirect cost allocation plans, rates, and ICRP projects for multiple state agencies;
- ❖ Extensive knowledgeable of OMB A-87 requirements and procedures;
- ❖ Understanding of how to maximize indirect costs within federally allowable limits; and
- ❖ Experience in minimizing state staff efforts during interviewing and data-gathering tasks.

Our Project Team has acquired extensive knowledge and negotiation skills from negotiating SWCAPs and ICRPs with the DCA in multiple field offices. OMB A-87 is not a black and white document. There is flexibility in the interpretation and applications of many sections of OMB Circular A-87. Our experience in negotiating SWCAPs and ICRPs with DCA negotiators will enable us to obtain the best results

All MGT consultants to be assigned to the project have extensive experience negotiating with DCA.

for West Virginia. It will also enable us to initially provide the information to DCA that we know the negotiator wants and in the format they prefer; and to minimize state staff efforts in responding to additional requests for information and clarification of costs. In addition to our client references, Mr. Terry Hill, DCA's National Expert on Statewide Issues, can attest to Mr. Nolan's knowledge and capabilities.

The availability of experienced senior consultants to the State is particularly important when considering the millions of dollars of potential liability the State has in Section II billed costs and the additional dollars that experienced consultants may be able to identify and obtain approval for in the Section I cost allocation plan. The availability of consultants with this extensive level of experience can assist the State in identifying and addressing potential OMB Circular A-87 related issues before they become audit findings; provide experience in the resolution and appeal of OMB Circular A-87 related audit findings; and provide experienced, practical resources for on-going training for State staff on federal cost recovery principles and procedures, charge-back rate development, and indirect cost recovery by state agency staff.

In addition to the SWCAP experience, all MGT consultants to be assigned to the West Virginia project have successfully developed and negotiated charge-back methodologies and rates with DCA; have prepared numerous state agency indirect cost allocation plans, rates, and indirect cost rate proposals (ICRPs) and negotiated their approval with cognizant federal agencies; and understand and are experienced with state accounting systems, funding, budgeting, and appropriation issues. The State will benefit from have a team of consultants experienced both in the preparation of SWCAPs and in assisting state agencies recovery SWCAP and agency administrative costs through cost allocation plans and indirect cost rates.

Internal Controls and Quality Assurance Process

MGT is committed to development of quality project deliverables and client satisfaction. We are use to having our work audited or reviewed by state and federal negotiators and auditors. We have established the following process to ensure the accuracy and quality of our work.

- ❖ Detailed work papers and schedules are prepared, reconciled, and referenced to State source documents.
- ❖ Work papers are maintained by cost allocation plan and billed service section to enable rapid response to questions or issues that may arise during the review of the SWCAP and billed service document by DCA or state auditors.
- ❖ All schedules and interim project deliverables are continually reviewed and cross-checked by the Project Director.
- ❖ All schedules and work papers are reviewed by the Partner-in-Charge prior to the development of interim reports, and draft and final deliverables.
- ❖ MGT's quality assurance coordinator ensures all work papers are properly identified and maintained in accordance with State and OMB Circular A-87 requirements.

Project Team Structure

The three key members of MGT's West Virginia SWCAP project team are Mr. Joel Nolan, Ms. Elise d'Auteuil, and Mr. Bret Schlyer. **MGT hereby commits that Mr. Nolan, Ms. d'Auteuil, and Mr. Schlyer will be assigned to the project and actually perform the assigned work, complete our work plan, and provide all project deliverables.** An additional consultant is available as needed to ensure the project is completed in accordance with the RFP requested completion dates. Following are descriptions of each consultant's project role and qualifications. **Project team resumes are provided in at the end of this section.**

Mr. Joel Nolan - Project Director. As Project Director, Mr. Nolan will be ultimately responsible for the completion of the scope of work and the provision of all deliverables. In addition to his project management responsibilities, he will assist in data gathering, identifying administrative and support services and their allocation bases, collection and review of Section II billed services information, preparation of retained earnings reconciliation schedules, and negotiations with DCA.

Mr. Nolan is a Certified Government Financial Manager with over 30 years of governmental experience. Prior to joining MGT in May 2007 as the Director of MGT's National Costing Practice, he held senior management positions with the Financial Services Division of MAXIMUS, Inc. for over 20 years. During his career he has been responsible for directing the annual preparation and negotiation of the SWCAP and Section II information for the following states and territory:

- ❖ Alaska (1989-2006)
- ❖ Arizona (1992 and 1993)
- ❖ Idaho (1991-1993)
- ❖ Kansas (1987-2006)
- ❖ Louisiana (1986-2006)
- ❖ Nevada (2007-2011)
- ❖ New Mexico (1987-2000, 2005-2011)
- ❖ Oklahoma (1988-2006)
- ❖ Texas (1987-2011)
- ❖ Washington (2010-2011)
- ❖ The U.S. Virgin Islands (2009-2011)

During his career he has also provided technical support in the preparation and negotiation of SWCAPs for the states of Alabama, Colorado, Florida, Mississippi, Montana, and North Carolina.

He also has extensive experience in assisting state agencies in the preparation and submission to federal cognizant agencies of indirect cost rates and indirect cost allocation plans. He has completed numerous indirect cost rate proposal (ICRP), departmental cost allocation plan (CAP), and indirect cost rate projects for state and territorial agencies in Alabama, Alaska, Arizona, Kansas, Louisiana, New Mexico, Nevada, Oklahoma, Texas, Washington, and the U.S. Virgin Islands for over 25 years.

State and territorial agencies for which he has developed ICRPs and CAPs include:

- ❖ **Alabama.** Department of Conservation and Natural Resources
- ❖ **Alaska.** Court System, Department of Commerce, Department of Community and Economic Development, Department of Corrections, Department of Education, Department of Fish and Game, Department of Labor and Workforce Development, Department of Law, Department of Public Safety, Department of Revenue, and Department of Transportation.
- ❖ **Arizona.** Office of the Governor, Office of the Attorney General, Department of Agriculture, Department of Corrections, Department of Environmental Quality, Department of Game and Fish, Department of Health Services, and Department of Water Resources.
- ❖ **Kansas.** Department of Agriculture, Department of Commerce, and Department of Health and Environment.
- ❖ **Louisiana.** Board of Regents, Department of Corrections, Department of Labor, Department of Public Safety, and Department of Wildlife and Fisheries.
- ❖ **Oklahoma.** Department of Agriculture, Department of Commerce, Department of Education, Department of Environmental Quality, Department of Health, Department of Mines, Department of Public Safety, Department of Transportation, and Department of Wildlife Conservation.
- ❖ **Texas.** Office of the Governor, Office of the Attorney General, Office of the Secretary of State, Commission for the Blind, Commission on Alcohol and Drug Abuse, Department of Agriculture, Department of Assistive and Rehabilitative Services, Department of Commerce, Department of Mental Health and Mental Retardation, Department of Public Safety, Department of State Health Services, Natural Resources and Conservation Commission, Texas Education Agency, and Texas Workforce Commission.
- ❖ **Washington.** Department of General Administration, Department of Personnel, and Higher Education Coordinating Board.
- ❖ **U.S. Virgin Islands.** Department of Agriculture, Department of Education, Department of Health, Department of Human Services, Department of Justice, Department of Labor, Department of Planning and Natural Resources, Department of Police, Department of Public Works, and Emergency Management Agency.

Mr. Nolan has acquired a practical understanding of state budgeting and accounting systems, processes, and issues over his career. This understanding has been acquired both as a budget analyst for the Texas Office of the Governor, through the completion of SWCAP and ICRP project for state agencies, and through assisting state agencies in the implementation of project recommendations and results. In particular, he understands charge-back service rate implementation issues faced by state support organizations. He has assisted agencies that are on annual and biennium budget cycles. He realizes that organizations that rely on all or part of their funding from charge-back service rates must develop sound methodologies and accurately document costs. However, more importantly, the rates must ensure full recovery but not excessive recovery of costs; and must be reasonable and understandable to customers. The key is to develop sound processes for projecting costs and usage. It is also important that rates be budgeted accurately to ensure state agencies are able to recover their service charges from applicable federal and other non-general fund funding sources, and so the fund does not realize excessive revenues and end up repaying the federal government for over charges.

Mr. Nolan has also acquired extensive experience negotiating the approval of service rate methodologies with the DCA. In addition to negotiating approval of all service rate methodologies he has developed, Mr. Nolan has annually assisted state agencies in the negotiation of approval of service rate methodologies with DCA and the resolution of audit findings for over 25 years. His experience in negotiating service rate methodologies with DCA negotiators will enable us to assist the State in developing and obtaining the approval of any new or revised service rate methodologies. He has developed OMB Circular A-87 compliant charge-back methodologies and service rates for the following state agencies:

- ❖ State of Alaska Department of Administration – Divisions of Central Mail, Enterprise Technology, Facility Management, Procurement, and Personnel.
- ❖ State of Alaska Department of Law – Legal service billing rates.
- ❖ State of Alaska Department of Transportation and Public Facilities – Divisions of Equipment Services.
- ❖ State of Arizona Department of Administration – Divisions of Equipment Services, Information Technology, and Facility Management.
- ❖ State of Kansas Department of Administration – Divisions of Facility Management, Data Processing Services, Motor Pool, and Printing.
- ❖ State of Louisiana Division of Administration – Divisions of Building Management, Office of Computer Processing, Office of Risk Management, and Office of Telecommunications.
- ❖ State of Nevada Office of the Attorney General – Legal service billings.
- ❖ State of New Mexico General Services Department – Office of Information Processing (now Department of Information Technology), Motor Pool, and Property Management (facility management), and State Printing Office.
- ❖ State of Oklahoma Office of Finance – Divisions of Data Processing and Telecommunications.
- ❖ State of Oklahoma Department of Central Services – Divisions of Facility Management, Motor Pool, and Printing.
- ❖ State of Texas Office of the Attorney General – Legal service billing rates.
- ❖ State of Texas Comptroller of Public Accounts – Cost allocation plan for the Information Technology Division.
- ❖ State of Texas Department of Information Resources – Assisted in acquiring approval of the Department's cost recovery processes and rates from the U.S. Department of Health and Human Services.
- ❖ State of Washington Department of General Administration – Reviewed the financial status of all services provided and funds administered by the Department; developed a central services cost allocation plan and service rate model for the Department; reviewed the methods and processes utilized by the Department to establish budgets, cost services, and develop service billing rates; and assisted in the development of service budgets and rates.

Mr. Nolan has been instrumental in the resolution of audit findings in several states. He has assisted state agencies in Alaska, Idaho, Kansas, Louisiana, Montana, New Mexico, Oklahoma, and Texas in the resolution of findings related to over-billing and/or inconsistent billing of federal programs. These findings have included billings by state entities providing data processing, facilities, motor pools, printing, retirement systems, risk management, and telecommunication services. He has assisted states in resolving issues at the federal department level, the appeals level, and in federal court.

As a result of his experience, Mr. Nolan is nationally recognized as an authority on OMB Circular A-87 and its impact on state and local governments. He annually makes numerous presentations to governmental organizations on the development and application of OMB Circular A-87 cost allocation plans, indirect cost rates, and charge-back rates. He has provided training at the American Institute of Certified Public Accountants governmental training program, Association of Governmental Accountants professional development conferences, Governmental Finance Officer Association development conferences, National Association of State Comptrollers annual conferences, the Texas CPAs Single Audit in Texas Conference on OMB Circular A-87, and the Texas Finance Officers Academy. In addition he has given presentations on OMB Circular A-87, cost analysis, and cost recovery subjects to state agencies and local entities in Alaska, Arizona, Colorado, Florida, Kansas, Idaho, Louisiana, Montana, Oklahoma, and Texas.

Ms. Elise d'Auteuil - Project Consultant. Ms. d'Auteuil primary responsibility will be to assist in the development of the Section II billed services retained earnings reconciliations, collection and development of other internal service fund information, and development of a Section II Billed Services document. She will assist in reviewing prior SWCAPs and DCA correspondence, reviewing internal service fund financial statements, gathering service revenue and expenditure information, developing retained earnings reconciliations, and assisting in developing the SWCAP Section II Billed Services document. She will also assist as needed in the preparation of the SWCAP Section I central services cost allocation plan and negotiations with DCA.

Ms. d'Auteuil is a Senior Consultant with over 30 years of governmental experience. She joined MGT in 2007 as a Senior Consultant after holding consulting positions with the Financial Services Division of MAXIMUS, Inc. for over 18 years. She has participated in the development of SWCAPs and Section II information for the following states and territory:

- ❖ Louisiana (1995, 1996, and 2001)
- ❖ New Mexico (1990-1992 and 2007-2011)
- ❖ Texas (1992-2011)
- ❖ The U.S. Virgin Islands (2009-2011)

Through her participation on the SWCAPs Ms. d'Auteuil has acquired extensive experience in negotiating the approval of SWCAPs, Section II billed services methodologies and rates, and agency indirect cost rates with DCA. On all SWCAPs projects on which she participated, she was actively involved in the defense, negotiation and revision of the SWCAPs.

She also has extensive experience in assisting state agencies in the preparation and submission to federal cognizant agencies of indirect cost rates and indirect cost allocation plans. She has completed ICRP, CAP, and indirect cost rate projects for state agencies, several annually for over 15 years. State and territorial agencies for which she has developed ICRPs and CAPs include:

- ❖ Texas. Office of the Governor, Office of the Attorney General, Office of the Secretary of State, Commission for the Blind, Commission on Alcohol and Drug Abuse, Department of Assistive and Rehabilitative Services, Department of Mental Health and Mental Retardation, Department of Public Safety, Department of State Health Services, and Texas Workforce Commission.
- ❖ Washington. Department of General Administration and Department of Personnel.
- ❖ U.S. Virgin Islands. Department of Education, Department of Health, Department of Human Services, Department of Justice, Department of Labor, Department of Planning and Natural Resources, Department of Police, and Department of Public Works.

She has also assisted in the development of service charge-back rates for state agencies, and successfully negotiated their approval with DCA. On all state agency service rate projects on which she participated, she was actively involved in the review and development of the methodology; the actual preparation of service rates based on the methodology; the negotiation of approval of the methodology and rates with DCA; and in assisting the agency in the implementation, application, and clarification of the rates with users. This has provided her with an extensive knowledge of both the theoretical development of rates and the practical side of developing and applying rates in a state government setting. She has assisted in the development of service rates and charge-back methodologies for the following state agencies:

- ❖ Texas Office of the Attorney General – Legal services billing methodology and rates – Annually 1992 through 2011.
- ❖ Texas Office of the Comptroller of Public Accounts – Information Services Division cost allocation plan – Annually 2003 through 2007 and 2011.
- ❖ Texas Department of Information Resources – Billing methodologies and rates, and resolution of issues identified by DCA – 2006 and 2007.
- ❖ Washington Department of General Administration – Billing methodologies and rates for Central Mail Services, Engineering and Architectural Services, Facility Management, Materials Management Center, State Motor Pool, State Procurement, and Surplus Property – 2008 and 2009.

Mr. Bret Schlyer – Project Consultant. Mr. Schlyer's primary responsibility will be to assist in the development of the central services cost allocation plan. He will assist in reviewing prior SWCAPs and DCA correspondence, gathering costs and cost allocation base data, and preparing the cost allocation schedules and the SWCAP Section I central service cost allocation plan. He will also assist as needed in the review of Section II billed services information, preparation of retained earnings reconciliation schedules, and negotiations with DCA.

Mr. Schlyer is a Senior Consultant with over 17 years of public-sector consulting experience. He joined MGT in 2008 as a Senior Consultant after holding consulting positions with the Financial Services Division of MAXIMUS, Inc. for over 14 years. He has participated in the development of SWCAPs and Section II information for the following states:

- ❖ Kansas (1995-2008)
- ❖ Nevada (2009-2011)
- ❖ New Mexico (2009-2011)
- ❖ Oklahoma (1995-2008)

❖ Washington (2010-2011)

He also has extensive experience in assisting state agencies in the preparation and submission to federal cognizant agencies of indirect cost rates and indirect cost allocation plans. He has completed ICRP, CAP, and indirect cost rate projects for state agencies, several annually for over 10 years. State agencies for which he has developed ICRPs and CAPs include:

- ❖ Arizona. Arizona Department of Game and Fish.
- ❖ Kansas. Kansas Corporation Commission, Kansas Department of Agriculture, Kansas Department of Commerce, Kansas Department of Health & Environment, and Kansas Historical Society.
- ❖ Louisiana. Louisiana Department of Corrections, Louisiana Department of Natural Resources, Louisiana Department of Public Safety, Louisiana Department of Transportation and Development, and Louisiana Department of Wildlife and Fisheries.

Mr. Schlyer also has significant experience in projects designed to maximize federal funding for state agencies. He has participated on federal revenue enhancement projects for the following state agencies: Alabama Department of Mental Health and Mental Retardation, Arizona Health Care Cost Containment System, Connecticut Department of Social Services, Delaware Department of Aging, Florida Department of Children & Families, Kansas Department of Social & Rehabilitative Services, Kansas Health Policy and Authority, New Jersey Department of Addiction Services, New Jersey Department of Mental Health Services, and New Mexico Department of Health.

Mr. Richard McLaughlin – Alternate Team Member. It is not anticipated that Mr. McLaughlin will participate on the project. However, he will be available should his assistance be needed to ensure completion and submission of the SWCAP in accordance with the RFP timeline.

Mr. McLaughlin is a Senior Associate with over 20 years of public-sector consulting experience. He has developed SWCAPs, indirect cost allocation plans, and service charge-back rates for state agencies, and successfully negotiated their approval with DCA for over 18 years. He has participated in the development of SWCAPs and Section II information for the following states:

- ❖ Alabama (2004-2007)
- ❖ Florida (2003-2007)
- ❖ Nevada (2008-2011)
- ❖ Texas (2008-2011)

He also has extensive experience in assisting state agencies in the preparation and submission to federal cognizant agencies of indirect cost rates and indirect cost allocation plans. He has completed ICRP, CAP, and indirect cost rate projects for state agencies, several annually for over 10 years. State agencies for which he has developed ICRPs and CAPs include:

- ❖ Alabama: Department of Conservation and Natural Resources
- ❖ California: California Community College's System Office
- ❖ Florida: Department of Community Affairs, Department of Corrections, Department of Elder Affairs, and Office of State Court Administrators.

- ❖ Mississippi: Department of Marine Resources
- ❖ Ohio: Department of Administrative Services, Department of Aging, Department of Agriculture, Department of Commerce, Department of Education, Department of Health, Department of Industrial Relations, Department of Natural Resources, Environmental Protection Agency, and Rehabilitation Services Commission.
- ❖ Texas: Office of the Attorney General and Office of the Governor.
- ❖ Washington: State Higher Education Coordinating Board.

He has also developed service charge-back methodologies and rates for state agencies, and successfully negotiated their approval with DCA. On all state agency service rate projects on which he participated, he was actively involved in the review and development of the methodology; the actual preparation of service rates based on the methodology; the negotiation of approval of the methodology and rates with DCA; and in assisting the agency in the implementation, application, and clarification of the rates with users. This has provided him with an extensive knowledge of both the theoretical development of rates and the practical side of developing and applying rates in a state government setting. He has assisted in the development of service rates and charge-back methodologies for the following state agencies:

- ❖ Indiana Division of Information and Technology – Billing rate methodology and rates – 1999.
- ❖ Michigan Information Processing Center – Billing rate methodology and rates based on budgeted costs - 1997
- ❖ Ohio Auditor of State – Billing rate methodology and rates - Annually 1990 through 1995
- ❖ Ohio Bureau of Workers' Compensation – Administrative billing rate methodology and rates – Annually 1993 through 2000
- ❖ Texas Office of the Attorney General – Legal services billing methodology and rates – Annually 2008, 2009, and 2010.

Resumes

Consultant resumes follow in this section.

RESUMES



RANGE OF EXPERIENCE

Mr. Nolan is the National Director of the MGT Costing Services Practice. He is experienced in all aspects of development, negotiation, and application of cost principles and strategies in the public sector. He is a Certified Government Financial Manager with over 40 years of experience, of which more than 30 years have been directly involved with federal, state, and local government programs and organizations. His knowledge of government programs and organizations provides extensive insight into the most appropriate financial representation and application of cost principles, the recovery of costs associated with federally funded programs, and the proper methods for costing governmental services.

The wide variety of engagements Mr. Nolan has been responsible for during his consulting career have included preparing and negotiating cost allocation plans (CAPs), indirect cost rates, indirect cost rate proposals (ICRPs), internal service billing rates, and jail per diem rate studies that were prepared in accordance with federal and generally accepted accounting principles and procedures; performing cost of services, cost of ownership, privatization analyses, user fee, and revenue maximization studies; performing organization, operation, and process improvement studies; and providing audit resolution and appeal assistance. He has also served in a financial management capacity in his various roles while employed in state and local government.

PROFESSIONAL AND BUSINESS EXPERIENCE**State Government**

Mr. Nolan is one of the leading authorities on Office of Management and Budget (OMB) Circular A-87 and its impact on states. He has applied his knowledge in the preparation and negotiation of statewide and agency CAPs, indirect cost rates, ICRPs, public assistance cost plans, and internal service billing rates; assisting in the resolution of audit findings; and assisting in the appeal of findings to the Grants Appeal Board and federal courts. As a leading authority on OMB Circular A-87, he has presented numerous seminars on topics related to direct and indirect cost recovery on federal programs. He has provided training on topics related to federal cost recovery requirements at the American Institute of Certified Public Accountants governmental training program, Association of Governmental Accountants professional development conferences, Governmental Finance Officer Association development conferences, National Association of State Comptrollers annual conferences, the Texas CPA's Single Audit in Texas Conference on OMB A-87, and the Texas Finance Officer's Academy.

**YEARS OF
EXPERIENCE: 40**

MGT of America, Inc.
National Director of the
Costing Services
Practice
May 2007 – Present

MAXIMUS, Inc.
Vice President, Financial
Services Division
1999 – 2007;
Regional Director of
State Services
1991 – 1999;
Senior Manager
1984 – 1990

Red Arrow Tools, Inc.
Vice President,
Operations
1979 – 1984

Rice Research Center
Vice President/Treasurer
1976 – 1979

*Houston-Galveston Area
Council of Governments*
Finance Director
1974 – 1976

*West Texas Council of
Governments*
Finance Director
1973 – 1974

*Texas Office of the
Governor*
Budget Analyst
1972 – 1973

Faris, Sims & Green
CPAs
Associate
1970 – 1972

**EDUCATION/
CERTIFICATIONS**

B.A., Accounting, Texas
Tech University,
Lubbock Texas

Certified Government
Financial Manager,
1996 – Present

PROFESSIONAL AND BUSINESS EXPERIENCE (CONTINUED)

Mr. Nolan's statewide CAP experience has included the preparation of plans for Alaska, Arizona, Colorado, Idaho, Kansas, Louisiana, Montana, Nevada, New Mexico, Oklahoma, and Texas. These plans have been successfully negotiated with the U.S. Department of Health and Human Services. As part of these plan preparations and negotiations, he has also prepared and negotiated methodologies, billing rates, and fund reconciliations for Section II billed services.

Mr. Nolan has also prepared numerous state agency ICRPs, which included the development of a CAP and indirect cost rate(s). Types of agencies for which he has been involved include agriculture, attorney general, board of regions, children and youth, civil defense, commerce, corporation commission, corrections, court systems, education, environmental quality, fire marshals, fish and game, general services, handicap concerns, health and social services, historical societies, labor, law, land offices, mental health and mental retardation, mines, parks and wildlife, public safety, rehabilitation, revenue, transportation, and water resources.

Mr. Nolan's experience with health and human services agencies has included preparing public assistance cost plans and ICRPs, organizational reviews, assisting in the development of random moment sampling systems, assisting in identifying and recovering additional federal funds, and costing of services. His clients have included the Alaska Department of Health and Social Services, Colorado Department of Social Services, Oklahoma Department of Mental Health, South Dakota Department of Social Services, Texas Commission for the Blind and Visually Impaired, Texas Commission on Alcohol and Drug Abuse, Texas Department of Aging and Disability Services, Texas Department of Assistive and Rehabilitative Services, Texas Department of Family and Protective Services, Texas Department of Mental Health and Mental Retardation, Texas Department of State Health Services, and Texas Health and Human Services Commission.

Mr. Nolan has performed management studies and developed billing rates for state agencies. Management studies focusing on the operational review and costing of services by activity have been performed for the Alaska departments of Administration, Law, Revenue, and Transportation; Arizona departments of Administration, Agriculture, Corrections, Health Services, and Water Resources; Texas departments of Attorney General, Commerce, Information Resources, Mental Health and Mental Retardation, State Health Services, and Texas Workforce Commission; Louisiana Division of Administration; New Mexico General Services Department, Oklahoma Office of Finance; Utah departments of Administrative Services, Public Safety, and Transportation; and Washington Department of Administration. Studies for the Alaska Department of Law and the Texas Office of the Attorney General included reviewing and recommending changes to their organizational structure, timekeeping system, and billing rate methodology; and developing billing rates. Other studies have focused on providing recommendations for operational improvements, development of service structures, establishing service forecasting systems, and developing billing rate methodologies, procedures, and rates for state organizations responsible for such services as equipment and vehicle maintenance, printing, facility maintenance and operations, data processing, mail, procurement, and telecommunications.

Mr. Nolan has been instrumental in the resolution of audit findings in several states. He has assisted state agencies in Alaska, Idaho, Kansas, Louisiana, Montana, New Mexico, Oklahoma, and Texas in the resolution of findings related to overbilling and/or inconsistent billing of federal programs. These findings have included billings by state entities providing data processing,

PROFESSIONAL AND BUSINESS EXPERIENCE (CONTINUED)

facilities, motor pools, printing, retirement systems, risk management, and telecommunication services. He has assisted states in resolving issues at the federal department level, the appeals level, and in federal court.

In addition to public sector consulting experience, Mr. Nolan was a financial analyst with the Office of the Governor of the State of Texas. In that capacity he was responsible for the implementation of a uniform grant management and accounting system for 24 regional councils of governments throughout the state of Texas. He also assisted in developing indirect cost policies for state agencies and sub-grantees. This work included the preparation and negotiation of annual agency budgets and indirect cost proposals.

Local Government

Mr. Nolan is well versed in the issues facing local governments. He has been involved in preparing CAPs, cost of services studies, detention per diem cost studies, revenue maximization studies, user fee studies, privatization studies, and management studies for numerous cities and counties.

Mr. Nolan has extensive experience in developing user fee, revenue, and cost of services studies for city and county governments. His experience includes the development of comprehensive user fee studies that reviewed all fee services provided by all city/county departments and studies focusing on specific department and/or services. Counties for which he has completed comprehensive user fee studies include Arizona counties of Apache, Cochise, Coconino, Maricopa, Pinal, and Yuma; and Texas counties of Galveston, Harris, and San Patricio. Cities for which he has completed comprehensive user fee studies include Arizona cities of Flagstaff, Goodyear, Peoria, and Tucson; Kansas City, Kansas; Louisiana cities of Baton Rouge, Lafayette, New Orleans, and Shreveport; Nevada cities of Las Vegas and Reno; Oklahoma cities of Oklahoma City and Tulsa; and Texas cities of Arlington, Corpus Christi, Dallas, Fort Worth, Houston, and Longview. He has been involved in management studies focused on all operations of government entities and studies focused on specific activities. Entity-wide organizational and operational reviews on which he has participated include Tucson, Arizona; Kansas City, Kansas; and Texas cities of Fort Worth and San Angelo. Activity specific studies have been completed on departments providing the following types of services: data processing, development services, equipment maintenance, facility maintenance and operation, financial, human resources, mail, motor pool, printing, procurement, and risk management. Entities for which he has completed activity or service-specific studies have included the Arizona counties of Coconino, Maricopa, Pima, and Pinal; City of Tucson, Arizona; Texas counties of Galveston, Harris, Patricio, and Travis; and Texas cities of Austin, Fort Worth, and San Antonio.

Mr. Nolan's local government CAP clients have included the following jurisdictions: Arizona cities of Flagstaff, Goodyear, Peoria, Surprise, Tucson, and Yuma; Texas cities of Abilene, Arlington, Austin, Corpus Christi, Dallas, Denton, El Paso, Fort Worth, Houston, Lubbock, Midland, Odessa, and San Antonio; Louisiana cities of Baton Rouge, New Orleans, and Shreveport; Oklahoma City and Tulsa, Oklahoma; Kansas City, Kansas; and Las Vegas, Nevada. County clients have included: Arizona counties of Apache, Cochise, Coconino, Gila, Graham, Maricopa, Mohave, Navajo, Pinal, Santa Cruz, and Yuma; Texas counties of Cameron, El Paso, Galveston, Harris, San Patricio, Tarrant, and Travis; and Louisiana parishes

PROFESSIONAL AND BUSINESS EXPERIENCE (CONTINUED)

of Beaugard and Jefferson; and Kansas counties of Johnson, Sedgwick, and Shawnee. He has also participated on engagements in Alaska, California, Idaho, New Mexico, and Utah.

Mr. Nolan has prepared detention per diem cost studies for state and local governments. These studies identified the total costs and average daily (per diem) costs of booking prisoners into and housing prisoners in state prisons, local government adult jails, and local government juvenile detention facilities. These studies were prepared in accordance with generally accepted accounting and costing principles, and when appropriate, federal costing principles. He has also assisted local government in developing the required U.S. Marshall and Immigration and Customs Enforcement forms and negotiating rates for housing federal prisoners. He has completed state prison per diem cost studies for the Alaska Department of Corrections and the Arizona Department of Corrections. He has completed studies for county adult jails and/or juvenile facilities for the following: Arizona counties of Apache, Cochise, Coconino, Maricopa, Pinal, and Santa Cruz; Louisiana parishes of Caddo, Calcasieu, East Baton Rouge, Lafayette, Orleans, and Rapides; and Texas counties of Bexar, Cameron, Dallas, Galveston, Harris, Reeves, San Patricio, Tarrant, and Travis.

Mr. Nolan has prepared and/or managed the preparation of Workforce Investment Act (WIA) compliant CAPs for local governments and nonprofit agencies. Projects have included the preparation of CAPs for the Bastrop Job Center, Calcasieu Workforce Center, Hammond One-Stop Center, Jefferson Parish One-Stop Center, and New Orleans One-Stop Center. He has reviewed the methods and procedures utilized by one-stop operators in Florida and Louisiana, provided a report on their compliance with WIA requirements, and provided training for one-stop operator on developing CAPs and resource sharing agreements. He has also managed the review of the cost allocation methods utilized by Texas councils of government to recover costs when they are a one-stop operator, and has provided guidance and assistance to the Texas Workforce Commission on WIA cost allocation related issues.

Furthermore, Mr. Nolan has assisted local governments in Arizona and Texas in maximizing the recovery of costs incurred in the provision of federally funded services. In Arizona he managed a study for all Arizona counties that identified allowable Medicaid reimbursable activities associated with eligibility determination of the Sixth Omnibus Budget Reconciliation Act (SOBRA). He subsequently managed the negotiation of a federally accepted cost identification and claiming system that resulted in additional annual recovery of over \$10 million to Arizona counties. In Texas he has supervised the provision of services associated with maximizing federal reimbursement of Title IV-E and Title IV-D services provided by the following counties: Bexar, Galveston, Harris, Tarrant, and Travis.

Mr. Nolan's local government experience includes responsible positions with multimillion-dollar organizations, funded by taxes, donations, grants, and fee for services. These positions included Director of Administration of the Houston-Galveston Area Council of Governments, Director of Administration of the West Texas Council of Governments, Vice President/Treasurer of the Rice Research Center, and auditor with CPA firms. His responsibilities included budgeting, accounting, banking, revenue, and audit activities.

RANGE OF EXPERIENCE

Mr. Schlyer is a Senior Consultant assigned to the MGT Costing Services Practice. He has over 15 years of experience with state and local programs and organizations. His prior work experiences with the Kansas Corporation Commission and consulting project experiences have provided him with both theoretical and practical experience in the analysis and costing of governmental operations. Through his participation on numerous state and local government management and costing projects, he has developed extensive experience with federal cost determination standards; generally accepted accounting principles and procedures; and governmental budgeting, finance, accounting, and operations. Types of projects he has managed and/or participated on include:

- ❖ Development of cost allocation plans (CAPs) in accordance with generally accepted accounting principles (GAAP).
- ❖ Development of CAPs in accordance with federal principles (A-87 and A-122).
- ❖ Development and negotiation of statewide cost allocation plans (SWCAPs).
- ❖ Development and negotiation of indirect cost rate proposals (ICRPs).
- ❖ Development of indirect cost policies, procedures, and models for sub-grantees.
- ❖ Development and review of sub-grantee indirect cost rates.
- ❖ Development of activity based cost of services and user fee studies.
- ❖ Development and negotiation of charge-back rate methodologies and rates.
- ❖ Development and implementation of random moment sampling systems and other personnel activity reporting systems.
- ❖ Development and negotiation of jail rate studies and U.S. Federal Marshal daily housing costs.
- ❖ Development and negotiation of implementation plans and quarterly claims associated with Title IV-D, Title IV-E, and Medicaid activities for states, local governments, and school districts.
- ❖ Assisting agencies in maximizing general fund cost recoveries from federally funded programs, enterprise and special revenue funds, and other non-general fund sources.
- ❖ Developing claims for reimbursement from the State Criminal Alien Assistance Program (SCAAP) program.

YEARS OF EXPERIENCE: 15

MGT of America, Inc.
Senior Consultant,
September 2008 – Present

MAXIMUS, Inc.
Director, Financial Services
Division
2000-2008

DMG-MAXIMUS, Inc
Manager
1998-2000

*David M. Griffith and
Associates, LTD.*
Consultant
1994-1998

*Kansas Corporation
Commission*
Admin Officer
1993

EDUCATION/ CERTIFICATIONS

B.S., Business / Accounting
University of Kansas

PROFESSIONAL AND BUSINESS EXPERIENCE

State Government Experience

Mr. Schlyer has extensive experience and knowledge of OMB Circular A-87 and its application and relevance to state governments in a variety of settings including the development and negotiation of cost allocation plans (CAP), state wide cost allocation plans (SWCAPs) and indirect cost rate proposals

PROFESSIONAL AND BUSINESS EXPERIENCE (Continued)

(ICRP). He also has experience with implementing and administering random moment sampling systems, and rate setting and administrative claiming for the Medicaid program.

Mr. Schlyer's state clients have included:

Louisiana Department of Labor – WIA Sub-Grantee Policies and Procedures. Assisted in the development of policies and procedures to be utilized by Louisiana regional workforce boards (RWB) to annually develop Workforce Investment Act (WIA) and OMB Circular A-87 compliant cost allocation plans (CAP) for one-stop centers; and the development of policies and procedures to be followed by the Department in annually reviewing and approving the CAPs . The project also included the provision of a training seminar for the RWBs and the preparation of CAPs for the Bastrop Job Center, Calcasieu Workforce Center, Hammond One-Stop Center, Jefferson Parish One-Stop Center, and New Orleans One-Stop Center. These CAPs were subsequently provided to other RWBs as examples.

Louisiana Department of Natural Resources – ICRP. Responsible for the preparation and negotiation of the Department's annual cost allocation plan and indirect cost rates. Negotiated with and approved by the U.S. Environmental Protection Agency.

Louisiana Department of Public Safety – ICRP. Assisted with the preparation of the Department's annual cost allocation plan and indirect cost rates. Annually negotiated with and approved by the U.S. Department of Justice.

Arizona Department of Game & Fish – ICRP. Responsible for the preparation and negotiation of the Department's annual cost allocation plan and indirect cost rates. Annually negotiated with and approved by the U.S. Department of the Interior.

Florida Agency for Workforce Innovation – WIA Sub-Grantee Policies and Procedures. Assisted in the development of policies and procedures to be utilized by Florida regional workforce boards (RWB) to annually develop Workforce Investment Act (WIA) and OMB Circular A-87 compliant cost allocation plans (CAP) for one-stop centers; and the development of policies and procedures to be followed by the Agency in annually reviewing and approving the CAPs . The project also included the provision of three one day training seminars for the RWBs, the review and written analysis of the initial cost allocation plans and resource sharing agreements submitted to the Agency by each RWB, and recommendations for approval or disapproval by the Agency for each RWB CAP with any deficiencies identified and correction actions to remedy any deficiency identified

Kansas Department of Social and Rehabilitation Services – Rate Setting. Developed market-based service rates for Medicaid Targeted Case Management services. Regional cost of services was established for 7 different types of TCM provided in Kansas. This project involved the collection, analysis and aggregation of financial data from over 100 provider organizations as well as the design and implementation of a timekeeping system to determine the allowable administrative costs that could be included in the rates.

Kansas Corporation Commission – ICRP. Responsible for the preparation and negotiation of the Commission's annual cost allocation plan and indirect cost rates. Annually negotiated with and approved by the U.S. Department of Energy.

PROFESSIONAL AND BUSINESS EXPERIENCE (Continued)

Kansas Department of Administration – SWCAP. Assisted with the annual preparation of the State's SWCAP. Annually negotiated with and approved by the U.S. Department of Health and Human Services.

Kansas Department of Agriculture – ICRP. Assisted with the preparation of the Department's annual cost allocation plan and indirect cost rates. Annually negotiated with and approved by the U.S. Department of the Agriculture.

Kansas Department of Health & Environment – ICRP. Responsible for the preparation and negotiation of the Department's annual cost allocation plan and indirect cost rates. Annually negotiated with and approved by the U.S. Department of Health and Human Services.

Kansas Historical Society – ICRP. Assisted with the annual preparation of the Society's annual cost allocation plan and indirect cost rates. Annually negotiated with and approved by the U.S. Department of the Interior.

Oklahoma Office of State Finance – SWCAP. Assisted with the annual preparation of the State's SWCAP. Annually negotiated with and approved by the U.S. Department of Health and Human Services.

Local Government and Not-For-Profit Experience

Mr. Schlyer also has significant experience with local government and not-for-profit cost recovery operations through his career.

His experiences have included managing and preparation of indirect cost rate proposals (ICRP), cost allocation plans (CAP) in accordance with GAAP for the identification of general fund costs provided to non general fund entities, charge-back rates for billed services, and activity based cost of service and user fee studies. He has successfully negotiated ICRPs with the U.S. Departments of Health and Human Services, Housing and Urban Development and Education, Department of Education, and the Department of Defense. His responsibilities have included the collection and analysis of organizational, financial and performance data; the preparation of detail and summary reports; negotiation of ICRPs with state and federal agencies; assisting agencies in the application of indirect cost rates; development of cost of service models; development of user fee pricing models; and presenting executive summaries to departments, councils and commissions.

- ❖ Completion of ICRP and CAP projects for cities across the US including New Orleans (LA), Tulsa (OK), Wichita (KS), Carrollton (TX), Kansas City (KS), Murrieta (CA), Kalamazoo (MI), Flint (MI), Colorado Springs (CO) and Farmington (NM).
- ❖ Completion of ICRP and CAP projects for counties and parishes including Orange County (CA), Jefferson Parish (LA), Sedgwick County (KS), Shawnee County (KS), Johnson County (KS), Harris County (TX), Bexar County (TX), Galveston County (TX) Los Alamos County (NM), Gosper County (NE), Dawson County (NE), Pitkin County (CO), El Paso County (CO), Teller County (CO), Gratiot County (MI), and Yuma County (AZ).
- ❖ Completion of cost of service and user fee studies for the cities of Miami (FL), Kansas City (KS), Tulsa (OK), Broken Arrow (OK), Flint (MI), and the Kansas City Missouri Police Department.

PROFESSIONAL AND BUSINESS EXPERIENCE (Continued)

- ❖ Developed and submitted to the Texas Juvenile Probation Commission and the Texas Department of Protective and Regulatory Services Department budgets, implementation plans, and quarterly claims on behalf of Texas counties for the reimbursement of costs associated with Title IV-E activities. Texas counties for which services were provided included Bexar (San Antonio), Galveston, and Harris (Houston).
- ❖ Developed and submitted implementation plans and quarterly claims to the Texas Department of State Health Services, on behalf of Harris County for the reimbursement of costs associated with Medicaid administrative services.
- ❖ Developed and submitted for U.S. Federal Marshal approval daily rate proposals for the reimbursement of costs associated with housing federal prisoners for detention facilities in Kansas and Louisiana. Mr. Schlyer also prepared detailed analyses of county jail costs utilizing activity-based costing principles and developed daily rates to secure reimbursement for county detention services.

RANGE OF EXPERIENCE

Ms. d'Auteuil is a Senior Consultant assigned to the MGT Costing Services Practice. She has over 30 years of experience with state and local programs and organizations. Her consulting experience and prior work experiences with the Dallas County Budget Office and the Dallas County Mental Health and Mental Retardation Center have provided her with both theoretical and practical experience in the analysis and costing of governmental operations. She has acquired an extensive knowledge of federal and generally accepted accounting principles and procedures; and governmental budgeting, finance, accounting, and operations through her management and participation on numerous state and local government management and costing projects. Types of projects that she has managed and/or participated on include:

- ❖ Development of activity based cost of service and user fee studies.
- ❖ Development of cost allocation plans (CAPs) in accordance with generally accepted accounting principles (GAAP).
- ❖ Development of CAPs in accordance with federal principles.
- ❖ Development and negotiation of statewide cost allocation plans (SWCAPs).
- ❖ Development and negotiation of indirect cost rate proposals (ICRPs).
- ❖ Development and negotiation of charge-back rate methodologies and rates.
- ❖ Development of grant administration policies and procedures.
- ❖ Development of indirect cost policies, procedures, and models for sub-grantees.
- ❖ Development and review of sub-grantee indirect cost rates
- ❖ Development and implementation of random moment sampling systems and other personnel activity reporting systems.
- ❖ Development of information system advanced planning documents.
- ❖ Development and negotiation of jail rate studies and U.S. Federal Marshal daily housing costs.
- ❖ Development and negotiation of implementation plans and quarterly claims associated with county Title IV-E and Title IV-D activities.
- ❖ Assisting agencies in maximizing general fund cost recoveries from federally funded programs, enterprise and special revenue funds, and other non-general fund sources.
- ❖ Organizational and operational reviews.
- ❖ Process improvement studies.

**YEARS OF
EXPERIENCE: 31**

MGT of America, Inc.

Senior Consultant,
September 2007

MAXIMUS, Inc.

Cost Services Division
Director
January 2007 – August
2007

Senior Manager
2000 – 2006

Manager

1993 – 1999

Senior Consultant
1989 – 1992

*Dallas County Mental
Health and Mental
Retardation Center*
1983 – 1988

*Dallas County Budget
Office*
1979 – 1983

EDUCATION

B.A., George
Washington University,
Washington, DC

PROFESSIONAL AND BUSINESS EXPERIENCE

State Government

Ms. d'Auteuil has acquired an extensive knowledge of U.S. Office of Management and Budget Circular A-87 (OMB A-87) and state agencies operations through her consulting experiences in the states of Louisiana, New Mexico, Texas, and Washington. Her state experiences have included the preparation of SWCAPs; state agency CAPs, indirect cost rates and ICRPs; charge-back rates for billed services in accordance with OMB A-87; activity-based cost of services studies; and organizational and operational reviews. She has assisted in the successful negotiations of SWCAPs, ICRPs and/or charge-back rates with U.S. departments of Health and Human Services (USDHHS), Justice (USDOJ), Labor (USDOL) and Transportation (USDOT). Her responsibilities have included the collection and analysis of organizational, financial and performance data; the preparation of detail and summary report in accordance with OMB A-87; the preparation of OMB A-87 fund reconciliations for Section II billed services; assisting in the negotiation of SWCAPs and ICRPs with federal agencies; assisting agencies in the application of indirect cost rates; development of billing rate methodologies and charge-back rates that comply with OMB A-87; and the costing of services for which a fee is charged or possibly charged. State government projects which she has managed and/or participated on include the following:

Statewide Cost Allocation Plan Projects – USDHHS is Federal Cognizant Agency

- ❖ Louisiana SWCAP - Louisiana Division of Administration – 1995, 1996 and 2001
- ❖ New Mexico SWCAP - New Mexico Department of Finance and Administration – 1990, 1991, 1992, 2007, 2008, and 2009
- ❖ Texas SWCAP - Texas Office of the Governor – annually 1992 - 2009

Cost Allocation Plan and Indirect Cost Rate Projects

- ❖ Texas Office of the Attorney General – USDHHS is Federal cognizant agency - Annually 1992 through 2009
- ❖ Texas Office of the Governor – USDHHS is Federal cognizant agency – Annually 1995 through 2009
- ❖ Texas Office of the Secretary of State – USDHHS is Federal cognizant agency – 2006
- ❖ Texas Commission for the Blind – USDOE is Federal cognizant agency – Annually 2002 and 2003
- ❖ Texas Department of Assistive and Rehabilitative Services– USDOE is Federal cognizant agency – 2005
- ❖ Texas Department of Mental Health and Mental Retardation – USDHHS is Federal cognizant agency – Annually 2002 and 2003
- ❖ Texas Department of Public Safety – USDOT is Federal cognizant agency – Annually 1995 through 2007
- ❖ Texas Department of State Health Services – USDHHS is Federal cognizant agency – Annually 2004 through 2007
- ❖ Texas Workforce Commission – USDHHS Federal cognizant agency – 1996

PROFESSIONAL AND BUSINESS EXPERIENCE (continued)***Other State Agency Projects***

- ❖ Louisiana Department of Social Services - Assisted in the development of an Advance Planning Document required for obtaining federal approval and funding for the acquisition and implementation of a statewide child welfare information system. 2002
- ❖ Texas Office of the Attorney General - Developed legal services billing methodology in accordance with OMB A-87 and annually prepared legal services billing. Annually 1992 through 2009
- ❖ Texas Office of the Attorney General, Child Support Division - Developed and analyzed costs according to the state of Texas, Council on Competitive Government Cost Methodology for the purpose of recommending operational improvements and to compare in-house costs with private vendor service fees. 1996
- ❖ Texas Office of the Comptroller of Public Accounts, Information Services Division - Developed cost allocation plan. Annually 2003 through 2007
- ❖ Texas Health and Human Services Commission - Assisted in the assessment of the current and future cost recovery issues related to the reorganization of 12 health and human services agencies into five new agencies. 2004 and 2005
- ❖ Texas Health and Human Services Commission - Assisted in the review and assessment of the methods utilized by the Commission and its agencies to charge and/or allocate the costs associated with facility and information services to programs and funding sources. Based on assessment, assisted in development of methods for the recovery of facility and information services that were approved by the Commission's cognizant federal agencies. 2005
- ❖ Texas Department of Information Resources - Assisted in resolving issues related to the consolidation of information technology services with U.S. Department of Health and Human Services. 2006 and 2007
- ❖ Texas Guaranteed Student Loan Corporation - Assisted in the development of an organization to process student loans regionally and developed projected costs by activity for the development of service fees. 1996
- ❖ Washington Department of General Administration - Assisted in a comprehensive review of the following ISF's administered by the Department: Central Mail Services, Engineering and Architectural Services, Facility Management, Materials Management Center, State Motor Pool, State Procurement, and Surplus Property. The review included the review of current methodologies and processes, provision of recommendations for improvements, development of rate models, assistance in the development of FY 2009-11 biennium rates, and provision of training. 2008 and 2009

Local Government

In addition to Ms. d'Auteuil's prior work experiences with the Dallas County Budget Office and the Dallas County Mental Health and Mental Retardation Center, she has acquired an extensive knowledge of local government operations through her project experiences as a consultant. Her experiences have included the preparation of ICRPs, CAPs in accordance

PROFESSIONAL AND BUSINESS EXPERIENCE (continued)

with GAAP for the identification of general fund costs provided to non-general fund entities, charge-back rates for billed services, activity based cost of services and user fee studies, and organizational and operational reviews. Local government projects on which she has participated have included the following:

- ❖ Completion of ICRP and CAP projects for counties including the Texas counties of Bexar, Galveston, Harris, Travis, and Tarrant.
- ❖ Developed and submitted to the Texas Attorney General Child Support Division, budget and quarterly claims on behalf of Texas counties for the reimbursement of costs associated with Title IV-D activities. Texas counties for which services were provided included Bexar and Tarrant.
- ❖ Developed and submitted to the Texas Juvenile Probation Commission and the Texas Department of Protective and Regulatory Services Department budgets, implementation plans, and quarterly claims on behalf of Texas counties for the reimbursement of costs associated with Title IV-E activities. Texas counties for which services were provided included Bexar, Galveston, Harris, and Travis.
- ❖ Developed and submitted implementation plans and quarterly claims to the Texas Department of State Health Services, on behalf of Harris County for the reimbursement of costs associated with Medicaid administrative services.
- ❖ Reviewed and provided recommendation to Texas Regional Councils of Governments on the adequacy of regional councils of governments' ICRPs and their compliance with OMB A-87 principles and procedures.
- ❖ Developed and submitted for U.S. Federal Marshal approval daily rates for the reimbursement of costs associated with housing federal prisoners. Ms. d'Auteuil also prepared detailed analyses of county jail costs utilizing activity-based costing principles and developed daily rates to secure reimbursement for county detention services.
- ❖ Developed and analyzed activity-based costs for the Tarrant County Domestic Relations Office for the purpose of determining the cost effectiveness of a Child Support Case Monitoring unit in conjunction with a cooperative agreement with the Office of the Attorney General Child Support Division.
- ❖ Responsibilities with the Dallas County Budget Office and the Dallas County Mental Health and Mental Retardation Center included the preparation and maintenance of budgets; grant and contract program activities necessary to assure compliance with applicable state and federal policies and procedures; preparation of financial reports and ICRPs; negotiation of contracts and ICRPs with applicable state and federal agencies; and the resolution of audit findings with state and federal program and financial auditors.

SECTION 4:
APPROACH
AND
METHODOLOGY



which permits the State to use the SWCAP for cost recovery from federal programs and grants. In summary, the SWCAP process is comprised of three principal tasks:

- ❖ Preparation of a central services cost allocation plan.
- ❖ Development of information on billed services.
- ❖ Submittal, negotiation, and approval of the SWCAP by DCA.

Although almost all states provide the same central services, states greatly differ on how they provide and fund each service, and the level of service provided. Services such as personnel and payroll services may be treated as an allocated cost in some states and as a billed service in other states, such as the State of West Virginia. In addition, the methods for either allocating or billing services may differ between states. For example, one state may allocate or bill the cost of centralized payroll based on the number of funded positions and another state may allocate or bill based on the number of payroll warrants issued.

A significant impact on whether costs of a service are billed or allocated, and the method used to allocate or bill costs is the DCA field office and negotiator responsible for reviewing and approving a state's SWCAP. OMB Circular A-87 is not a clearly defined document and leaves much to the interpretation of the reader or, in most cases, the DCA negotiator. For instance, the DCA Central Field Office (Dallas) has a different interpretation than the DCA Western and Northeast field offices of what a service activity is, the allowable fund balance for internal service funds, and the federal reconciliation (true-up) form to be prepared and submitted on each internal service fund. It is very important that the person preparing the West Virginia SWCAP be fully knowledgeable of the interpretations and preferences of the individual DCA Field Offices, and the types and format of the information they like to be provided for their review.

A knowledgeable and proactive process of dealing with the DCA negotiators will greatly reduce the State's financial risk and significantly reduce the level of effort State staff will need to spend clarifying information and/or responding to requests for additional information.

First Component, Task One: SWCAP—Section I Allocated Services

A central services cost allocation plan (CSCAP) will be prepared that includes and allocates the costs of all central services that are not billed to state agencies. The CSCAP will be completed in sufficient time to allow for the review of the CSCAP by the State and submittal to DCA (U.S. Department of Health and Human Services) by December 31st of each year. For SWCAPs in which the federal submission deadline has already passed prior to the issuance of this RFQ, the CSCAP will be completed expeditiously by a date mutually agreeable to the State and MGT. The cost of each central service will be identified and allocated in the statewide CSCAP to all benefiting state agencies utilizing an allocation base that reasonably results in the allocation of costs in accordance with the relative benefit provided or received. The costs that are allocated to each state agency in the statewide CSCAP may be subsequently claimed by each state agency through further allocation of these costs to the programs they administer or through their inclusion in the development of an indirect cost rate for the agency. In order to maximize the potential recovery of the states non-billed central service costs, a complete review of all state departments will be conducted by MGT to identify all statewide central services and the agencies benefited by each service.

Allocated indirect costs are approved as Section I costs on the SWCAP cost allocation agreement. Per OMB Circular A-87, the statewide CSCAP must include for each allocated central services a brief

description of the service, an identification of the unit rendering the service and the operating agencies receiving the service, the items of expense included in the cost of the service, the method used to distribute the cost of the service to benefited agencies, and a summary schedule showing the allocation of each service to the benefited agencies.

We will utilize MGT's proprietary cost allocation software to allocate the non-billed central service costs and prepare the statewide CSCAP. The software incorporates years of refinements and continual field use by MGT consultants. The software has been utilized to develop statewide and state agency CSCAPs that have been reviewed by numerous federal agencies, including the DCA. It is the tool we use to generate all the OMB Circular A-87 CSCAPs we prepare on behalf of city, county, and state clients each year. The software uses a double iteration (two step-down allocating mechanism) methodology insuring the full allocation of all costs. The software enables the allocation of an unlimited number of cost pools using multiple allocation bases. Report outputs include detailed schedules that will reconcile all costs allocated in statewide CSCAP to state financial statements. It also provides a number of summary and management reports. MGT can provide this software to the State at no cost, however this is unnecessary since MGT consultants will perform all necessary tasks associated with the software and the State is only asked to provide raw data in electronic or paper format from its existing systems.

First Component, Task Two: SWCAP—Section II Billed Services

The State is required to provide service descriptions, financial, rate methodology, billing, and OMB Circular A-87 reconciliation information on all billed central services. Billed central services are approved as Section II billed costs on the negotiation agreement. Billed services which are not identified on the SWCAP cost allocation agreement as approved Section II billed costs may not be charged to federal programs. Therefore, it is essential that all of the State's billed services be identified, properly documented, and included on the agreement.

In addition to state policies and GAAP, OMB Circular A-87 cost principles should be considered in the development of service rate methodologies due to the likely funding of those charges by state agencies from federal funding sources. Rate methodologies and working capital balances are required to be submitted annually as part of the SWCAP process. Failure to fully document each billed service and/or to develop billing rates in compliance with OMB Circular A-87 requirements could result in service rates being classified as unallowable costs for federal programs, and/or funds may be forced to refund "over billings" to the federal government.

As West Virginia and other states have experienced, all the DCA Field Offices has been increasingly emphasizing the importance of compliance to OMB Circular A-87 by internal service funds, self insurance funds and other billed services. As a result of the number of State billed services, our Project Director Mr. Nolan anticipates a significant effort associated with the developing of the Section II information, assisting the State in responding to inquires from DCA, and educating and assisting State staff in complying with OMB Circular A-87 requirements as they relate to billed services.

Section II billed services in the State of West Virginia may have reduced the State's reliance on general fund. However, unless the methodologies and procedures used to develop service rates and fees are structured correctly and fully costed in accordance with OMB Circular A-87, the State may reduce the amount of billed costs that can be recovered from federally funded programs. The Legislature's requirement that portions of a central service's activities be recovered through a billing process may result in the balance of a central service's costs being deemed unallowable by DCA. Each billed cost should be developed and identified by activity to assure all costs remain allowable. It should be further

realized that whether the billed activity is established as an internal service fund or not, financial statements will need to be annually prepared and reconciled to OMB Circular A-87 requirements.

In addition to annually preparing OMB Circular A-87 financial reconciliations, for each billed service MGT will annually review the financial statements, billing rate development methodology, and provide guidance to the State and service agency management on compliance with OMB Circular A-87 requirements. We will assist the State in understanding issues raised by DCA during their annual review and formulating an approach to addressing issued raised by DCA.

First Component, Task Three: SWCAP—Negotiation of SWCAP Approval

The final task is the negotiation of the approval of the SWCAP with the DCA Mid-Atlantic Field Office. This task requires responding to DCA's inquires concerning the statewide CSCAP and Section II information. During the annual review of the SWCAP, the assigned DCA negotiator usually make an on-site visit to review the SWCAP and to schedule meetings with selected managers of Section II billed services to acquire a first hand knowledge of each service's rate development methodology and process. The final outcome of this task is the receipt by the State from DCA of a cost allocation agreement approving the Section I allocated costs and Section II billed costs.

Although reliant upon DCA's schedule, MGT will strive to negotiate approval of the SWCAP as quickly as possible. We will be in Baton Rouge during any on-site SWCAP reviews by the DCA negotiator and will attend all meetings with the DCA negotiator. We will be available to assist the State in responding to inquires concerning the SWCAP, OMB Circular A-87 issues, and billed services issues beginning with the date of our contract through the period covered by the SWCAP. If the SWCAP should be audited or questioned, regardless of when, MGT will be available to respond to questions and provide documentation in support of the SWCAP.

Although MGT's experience in preparing SWCAPs is important to the State, we believe that of most importance is our Project Director's, Mr. Joel Nolan, extensive experience negotiating SWCAPs with DCA, including with the DCA Mid-Atlantic Field Office. His experience in negotiating SWCAPs with the DCA will enable us to obtain the best results for West Virginia. It will also enable us to initially provide the information to DCA that we know the negotiator wants and in the format they prefer; and to minimize state staff efforts in responding to additional requests for information and clarification of costs.

Second Component: Department Indirect Cost Recovery

Although statewide indirect costs are identified and their allowability negotiated through the SWCAP, the recovery of these costs from federal and non-federal programs is reliant on State departments. In order to recover SWCAP costs, each department that administers federally funded programs must prepare a department CSCAP and indirect cost rate(s). The department CSCAP and rate must include all department indirect costs, including those allocated to a department in the SWCAP Section I CSCAP and/or billed to a department. The department CSCAP and indirect cost rate(s) must be submitted to and approved by each department's federal cognizant agency.

OMB Circular A-87 requires a state department wishing to recover costs of agency indirect costs from federally funded programs to annually prepare an indirect cost rate proposal (ICRP). The ICRP must include documentation on all costs that are billed to or recovered from federally funded programs utilizing an allocation or billing methodology, and/or through the utilization of an indirect cost rate. At a minimum, the ICRP must include a certification, department CSCAP, indirect cost rates, schedules

reconciling costs to a department's official financial statements, and documentation on any billed or allocated costs. The ICRP must be submitted to the department's federal cognizant agency for review and approval.

Once a department receives approval of its ICRP, a department may utilize approved indirect cost rates to recover indirect costs. However, indirect costs must be an approved cost of a federal grant, contract or award before it may be claimed. Grant budgets and contracts with federal awarding agencies must be amended to include the approved rate. Once this is completed, departments may apply rates to claims and recover the State's indirect costs.

In addition to their SWCAP experience, all MGT consultants to be assigned to the West Virginia SWCAP project have extensive experience in preparing CSCAPs, indirect cost rates, and ICRPs for state departments and negotiating their approval with cognizant federal agencies; are fully knowledgeable of OMB Circular A-87 requirements; understand how to maximize indirect costs within federally allowable limits; and understand and are experienced with state accounting systems, funding, budgeting, and appropriation issues. This will enable them to provide continuing support to state agency on the recovery of indirect costs from both federal and non-federal funded programs.

Tasks required to complete component two are not included in the requested scope of work and are the responsibility of each state agency. MGT is not proposing to develop ICRPs for state agencies. However, we will at the request of the State provide training on indirect cost recovery and ICRP development for state agencies. We will also be available to respond to state agency questions concerning the development and negotiation of ICRPs and the application of indirect cost rates.

Third Component: Indirect Cost Recovery Training and Support

There are many factors which strongly support a state's establishment of an on going program and/or resources available to state staff that provides training and support on indirect cost recovery. Although, OMB Circular A-87 established principles and procedures for the development, submittal and approval of indirect cost rate proposals, there are many vague cost issues and varying interpretations. State departments are often unfamiliar with cost allocation concepts and do not fully identify and/or appropriately allocate costs to federal programs. The understanding and interpretation of OMB Circular A-87 also varies greatly between and within federal agencies. The Circular and related cost recovery issues are continually changing and evolving. State staff retirements and turn over also significantly impact departments. These factors and other make it essential that the State engage a firm with consultants that are knowledgeable, experienced, and on top of current federal interpretations and audit issues related to indirect cost recovery. **MGT is that firm.**

As a result of his experience, Mr. Nolan, our Project Director, is nationally recognized as an authority on OMB Circular A-87 and its impact on state and local governments. He annually makes numerous presentations to governmental organizations on the development and application of OMB Circular A-87 cost allocation plans, indirect cost rates, and charge-back rates. He has provided training at the American Institute of Certified Public Accountants governmental training program, Association of Governmental Accountants professional development conferences, Governmental Finance Officer Association development conferences, National Association of State Comptrollers annual conferences, the Texas CPAs Single Audit in Texas Conference on OMB Circular A-87, and the Texas Finance Officers Academy. In addition, he has provided presentations on the current version of OMB Circular A-87, cost analysis, and cost recovery subjects to state agencies and local entities in Alaska, Arizona, Colorado, Florida, Kansas, Idaho, Louisiana, Montana, Oklahoma, and Texas. Other members of our project team also have training experience.

In addition to our project team, MGT has a number of experienced consultants that are strong and diversified in the areas of state government cost analysis, charge-back rate development, operational analysis, program structuring and compliance. We have extensive files, reports, opinions, and data that can be made available to the State. These materials include: (1) user fee analyses for state agencies, (2) Grants Appeals Board opinions and rulings, (3) performance measurement, (4) productivity analyses, (5) costs of services comparisons, and (6) indirect cost policies adopted by other states, and more. Our experts in data processing, rate development, statistics, and finance can all be called in to answer questions or provide professional advice to produce the best possible indirect cost recovery program for the State.

We will at the request of the State provide training on indirect cost recovery and ICRP development for state agencies. We will also be available to respond to state agency questions concerning the development and negotiation of ICRPs and the application of indirect cost rates.

Work Plan

We are committed to developing a SWCAP on time, and meeting with State staff as frequently as necessary to assure a quality product, a full understanding of project results and federal issues, and assisting the State in developing methods and procedures for the full recovery of central services costs from non-general fund sources.

To meet our commitment and time line, we will utilize a work plan that has been used by our project team members to prepare numerous SWCAPs for over 25 years. Our technical approach will meet the State's objectives through interviews with state agency managers, a comprehensive data collection and review process, and proven cost allocation software. Embedded within our approach is our philosophy of close communications with our client on the progress of our work. Our management philosophy calls for interactive communication with State staff because it fosters an understanding of the work being performed and improves client satisfaction with our work. This will also be beneficial to the State staff that will have responsibility for assisting state agencies in the actual recovery of SWCAP costs.

Given access and availability of state staff to provide organization, service and financial information, MGT is qualified and fully staffed to complete all activities and tasks of the project. We will only require access to state agency staff for brief interviews related to services provided and their duties. We will also need assistance in the acquisition of organizational, financial, allocation base data, and other related information.

Our work plan for completion of the SWCAP each year is comprised of six primary tasks and over 40 subtasks. As our references will confirm, we are committed to developing a SWCAP on time, and meeting with State staff as frequently as necessary to assure a quality product, a full understanding of project results and federal issues, and assisting the State in developing methods and procedures for the full recovery of central services costs from non-general fund sources. Following is a brief description of our work plan tasks, subtasks, and the week in which the subtask would be completed. Assuming the work began each year the first week of October, we would complete a draft SWCAP in 8 weeks (end of November), provide and review the draft SWCAP with the State the first of December, receive comments from the State by December 15th, and provide the State with a final SWCAP by December 31st. Total of 12 weeks. For SWCAPs in which the federal submission deadline has already passed prior to the issuance of this RFQ, the SWCAP will be completed expeditiously by a date mutually agreeable to the State and MGT.

TASK 1. PROJECT INITIATION AND ADMINISTRATION

1. At the onset of the project, MGT will meet with the State to confirm the objectives, deliverables, and schedule of the project. MGT staff understands the general objectives going into the engagement. However, having an initial meeting to set and determine specific objectives ensures the final product will meet expectations. If necessary, any refinements in approach or schedule will be identified, discussed, and incorporated into a revised work plan and timeline, and submitted to the State for approval.

Also, at this meeting a State project coordinator should be designated. This individual's involvement will include the scheduling of interviews with key department personnel and assisting MGT staff in acquiring organization, financial, and allocation base information. This individual will also be involved in establishing and coordinating activities to ensure a timely flow of information and interaction between MGT and the State. The designated individual should be thoroughly knowledgeable of State central service operations. **Week 1.**

2. Identify the contact people in each central service agency and each billed service agency. Agency would be identified for which contact are needed during the first week of the project. **Week 1.**
3. As the project progresses, deliver monthly project status report to the project coordinator, until all documents are completed and submitted to DCA.
4. After DCA responds to SWCAP submission, we will ensure the State is informed of all conversations and correspondence until all outstanding issues are resolved.

TASK 2. PREPARATION OF THE SECTION I CENTRAL SERVICE COST ALLOCATION PLAN

1. Review the prior SWCAPs, audit documentation, and correspondence related to SWCAPs prepared based on actual expenditures for the previous three years. This review will provide us an understanding of the State's current allocated and billed services, and enable us to identify improvement recommendations. It will also enable us to identify and assist the State in addressing any current or potential OMB Circular A-87 related issues with allocated and/or billed services. We will need the OSRAP lead to provide or direct us to the documents. **Weeks 1 and 2.**
2. Obtain electronic (preferable) or hard copies of actual expenditures for state central services. **Week 1.**
3. As necessary, meet with central service agencies included in central services cost allocation plan (CSCAP) or identified as a result of our review to brief them on the process and purpose. We expect that the agency meetings will be completed during the first week of project commencement. During these meetings, we will discuss services provided; determine if the current CSCAP service model is still appropriate; and discuss allocation of costs among multiple services. We will also discuss CSCAP allocation logic and current allocation base, and examine alternatives that might now be available. We anticipate each meeting will last approximately one hour. We anticipate the State project lead will coordinate meeting for us with the central service agencies. **Weeks 1 and 2.**
4. Provision by central service agencies of allocation data and other necessary information to the State project lead or directly to our consultants, at the discretion of the State. We anticipate the State will want the State project lead to coordinate and manage the collection of documents generated at central

- service agencies. We anticipated the agencies will send the information to the State lead and they will forward it to MGT. **Weeks 1 through 4.**
5. When the data from the central service agencies is available, enter cost and allocation statistics into our proprietary cost allocation plan software. **Weeks 5 and 6.**
 6. Review, update, and prepare the description of service and allocation base for each central service department. **Weeks 5 and 6.**
 7. Prepare carry-forward calculations on a service-by-service basis for each State agency. **Week 6.**
 8. Prepare a draft Section I CSCAP. **Weeks 6 and 7.**
 9. Prepare an analysis comparing the amount of cost allocated and the amount allocated to each state agency for the current year to the previous year. The analysis will include a description of significant revisions, and increases and decreases in allocation to state agencies. **Week 7.**
 10. Provide a draft CSCAP and analysis/comparison to the State project coordinator for review and comment. One unbound copy of the draft CSCAP and analysis will be provided to the State. **Week 8.**
 11. A meeting will be held with the State to review the draft CSCAP and analysis/comparison. The intent of this meeting is to ensure a thorough understanding of the CSCAP, the accuracy and validity of the results, and the identification and discussion with the State of any potential issues with DCA. Potential impacts on federal cost recovery by state agencies will also be presented and discussed. **Week 9.**
 12. Provide a final CSCAP to the State project coordinator incorporating any revisions identified by during the review of the draft CSCAP within 10 day of the receipt of any comments or requested revision from the State. Five copies of the final CSCAP will be provided to the State. An electronic copy will also be provided. **Week 12.**

TASK 3 PREPARATION OF SECTION II BILLED SERVICES DOCUMENTATION

1. Identify all statewide Section II billed services. Assistance by the State will likely be required in identifying billed services. **Week 1.**
2. Collect descriptions of services provided. We anticipated the agencies will send the information to the State project coordinator and they will forward it to MGT. **Week 1 and 2.**
3. Collect and review descriptions of billing and rate development methodologies. We anticipated the agencies will send the information to the State project coordinator and they will forward it to MGT. **Weeks 1 through 4.**
4. Collect and review existing billing mechanisms for all internal service funds, self-insurance funds, fringe benefit funds, and any other billed service which are or may be billed to federally funded programs. We anticipated the agencies will send the information to the State project coordinator and they will forward it to MGT. **Weeks 1 through 4.**
5. Collect rate schedules/tables. We anticipated the agencies will send the information to the State project coordinator and they will forward it to MGT. **Weeks 1 through 4.**
6. Obtain and review financial statement for the internal service funds from the State's Comprehensive Annual Financial Report (CAFR). We anticipate the CAFR or draft statements will be available by November 15th each year. **Week 6.**

7. Obtain cost center level reports showing the breakdown of expenditures and revenues for each service. The reports should reconcile the cost center information to the CAFR financial reports for each internal service fund. We anticipated the agencies will send the information to the State project coordinator and they will forward it to MGT. **Week 6.**
8. For non internal services funds, obtain depreciation schedules for each service. We anticipated the agencies will send the information to the State project coordinator and they will forward it to MGT. **Week 6.**
9. If necessary, obtain the average daily cash balances data for each internal service fund, and the average State Treasury rate of return to calculate imputed interest for internal service funds. We anticipated the State project coordinator will acquire the information and forward it to MGT. **Week 6.**
10. Prepare the required OMB A-87 federal retained earnings reconciliation schedules for each billed service. **Weeks 7 and 8.**
11. Compile the information on all Section II services into a single statewide Section II document with a section on each service. **Weeks 7 and 8.**
12. Provide a draft statewide Section II billed services document to the State project coordinator for review and comment. One unbound copy of the draft Section II document will be provided to State. **Week 8.**
13. A meeting will be held with the State to review the draft Section II billed services document. The intent of this meeting is to ensure a thorough understanding of the results, the accuracy and validity of the results, and the identification and discussion with the State of any potential DCA issues. **Week 9.**
14. Provide a final Section II billed services document to the State project coordinator incorporating any revisions identified during the review of the draft document within 10 day of the receipt of any comments or requested revision by the State. Five copies of the final Section II document will be provided to the State. An electronic copy will also be provided. **Week 12.**

TASK 4: SUBMISSION AND NEGOTIATION WITH DCA

1. MGT will submit the SWCAP (Section I CSCAP and Section II Billed Services Document) to DCA Mid-Atlantic Field Office by December 31st each year. For SWCAPs in which the federal submission deadline has already passed prior to the issuance of this RFQ, the CSCAP will be completed expeditiously by a date mutually agreeable to the State and MGT. **Week 12.**
2. MGT will contact DCA at least monthly to find out the status of their review and notify the State of the status.
3. Provide negotiation services with DCA, coordinating responses, revising submission documents, and generating corrected documents as needed, until all documents are acceptable to DCA and the State. It is important to note that some federal exceptions unrelated to SWCAP preparation or accuracy may interfere with SWCAP approval, such as claims for federal financial participation reimbursements that result in protracted negotiations. MGT will ensure that all of our products are satisfactory to the State and comply with OMB A-87. Although reliant upon DCA's schedule, we will strive to negotiate approval as quickly as possible.
4. Attend any on-site review meeting in Charleston with the DCA negotiator.

5. Inform the State on the impact or possible impact of any DCA findings and/or request for additional information and appraise the State of their options.
6. Prepare formal responses to state or federal auditor's findings, explaining differences, agreeing or disagreeing, and providing follow-up documentation to resolve the finding.
7. If necessary, a revised Section I CSCAP and/or Section II Billed Services Document will be developed incorporating any revisions agreed upon by the State and submitted to DCA and the State.
8. Upon receipt of a negotiation agreement from DCA, five copies of the approved Section I CSCAP and Section II Billed Services Document will be provided to the State. The Section I CSCAP will include a copy of the agreement approving the Fixed Central Services Costs and Section II billed services. An electronic copy of the reports and all work papers will also be provided.

TASK 5: PROVISION OF CONTINUING SUPPORT TO STATE ON SWCAP AND OMB A-87 ISSUES

1. Our continuing service work plan includes the provision of telephone and electronic support in response to questions or interpretations associated with federal cost recovery issues for the term of the contract. MGT considers communications with state agencies, internal service fund managers, and users of SWCAP data an essential element in assisting the State to maximize the recovery of State funds expended on federal programs. We will also provide continued guidance to the State on the requirements of and issues related to OMB Circular A-87. As new procedures and interpretations are developed and issued, we will assist the State in responding. As with most issues there will likely be many alternatives for addressing each issue. We will attempt to direct the State to those with the least cost and most benefit to the State.
2. We will be available to represent the State in responding to inquiries concerning the SWCAP, OMB A-87 issues, cost allocation plan, and billed services issues for the life of the contract.
3. If the SWCAP should be audited or questioned, regardless of when, MGT will be available to respond to questions and provide documentation in support of the SWCAP. MGT will complete any additional tasks that may reasonably relate to preparation, negotiation, or defense of the SWCAP including formally responding to state and federal auditors' findings, explaining differences, agreeing or disagreeing, and providing follow-up documentation to resolve the finding.
4. At the option of the State, we will provide a training session on OMB Circular A-87 and federal cost recovery issues for State personnel. We will provide a two to three hour session at no additional cost to the State.
5. We will retain all records associated with the West Virginia SWCAP project for a term of 5 years beyond the end date of the contract.

Project Schedule

MGT will complete the SWCAP and all required information detailed in our Work Plan in sufficient time each year to facilitate review and approval by the State and submittal of the final SWCAP and information by December 31st each year to the Division of Cost Allocation (DCA) of the U.S. Department of Health and Human Services. Assuming a contract would be awarded and financial information would be available by October 1st each year, MGT would provide a draft Section I CSCAP and a Section II Billed Services Document to the State by the first of December each year. Assuming a ten day period for review, a final Section I CSCAP and a final Section II Billed Services Document would

be provided to the State and submitted to DCA by December 31st each year. For SWCAPs in which the federal submission deadline has already passed prior to the issuance of this RFQ, the CSCAP will be completed expeditiously by a date mutually agreeable to the State and MGT.

Although reliant upon DCA's schedule, we will strive to negotiate approval of the SWCAP as quickly as possible.

Our project schedule for each task is identified in our Work Plan. Our project schedule for each deliverable is identified in the following section.

Deliverables

As detailed in our Work Plan, MGT will provide the State the following deliverables:

- ❖ A draft central service cost allocation plan (CSCAP) prepared in accordance with OMB Circular A-87. The draft plan will include the required certification, service descriptions, costs schedules, allocation schedules, and summary schedules required by OMB Circular A-87. An electronic copy and one printed unbound copy of the draft CSCAP will be provided. **Delivery date – Week 8 (November 30th).**
- ❖ An analysis comparing the amount of cost allocated and the amount allocated to each state agency for the current year to the previous year. The analysis will include a description of significant revisions, and increases and decreases in allocation to state agencies. **Delivery date – Week 8 (November 30th).**
- ❖ A meeting will be held with the State to review the draft CSCAP and analysis/comparison. The intent of this meeting is to ensure a thorough understanding of the CSCAP, the accuracy and validity of the results, and the identification and discussion with the State of any potential issues with DCA. Potential impacts on federal cost recovery by state agencies will also be presented and discussed. **Delivery date – First week of December.**
- ❖ A final CSCAP prepared in accordance with OMB Circular A-87. The final CSCAP will incorporate any revisions identified during the review of the draft CSCAP. One copy of the final CSCAP will be submitted to DCA for approval. An electronic copy and five bound copies of the final CSCAP will be provided to the State. Work papers will also be provided. **Delivery date – By the fourth week of December, no later than December 31st.**
- ❖ A draft statewide Section II billed services document developed in accordance with OMB Circular A-87 and including all exhibits or information requested by the DCA Mid-Atlantic Field Office. The draft document will at a minimum include service descriptions, financial, rate methodology, billing, and OMB Circular A-87 reconciliation information on each central services billed service. The document will include the DCA required reconciliation of retained earnings to federal guidelines for each billed internal service activity. An electronic copy and one copy of the draft Section II document will be provided to the State. **Delivery date – Week 8 (November 30th).**
- ❖ A meeting will be held with the State to review the draft Section II billed services document. The intent of this meeting is to ensure a thorough understanding of the results, the accuracy and validity of the results, and the identification and discussion with State of any potential DCA issues. **Delivery date – First week of December.**
- ❖ A final statewide Section II billed services document developed in accordance with OMB Circular A-87 and including all exhibits or information requested by the DCA Mid-Atlantic

Field Office. The final Document will incorporate any revisions identified during the review of the draft Document. One copy of the final Document will be submitted to DCA for approval. An electronic copy and five bound copies of the final Document will be provided to the State. Copies of work papers will also be provided. **Delivery date – By the fourth week of December, no later than December 31st.**

- ❖ Negotiate approval of the Section I CSCAP and Section II billed services with DCA. MGT will attend any on-site review meeting in Charleston with the DCA negotiator, coordinate responses, revise submission documents, and generate corrected documents as needed, until all documents are acceptable to DCA and the State. MGT will also inform the State on the impact or possible impact of any DCA findings and/or request for additional information; and appraise the State of their options. **Delivery date - Although reliant upon DCA's schedule, we will strive to negotiate approval of the SWCAP as quickly as possible.**
- ❖ If necessary, a revised Section I CSCAP and/or Section II billed services document will be developed incorporating any revisions agreed upon by the State and submitted to DCA and OSRAP.
- ❖ Upon receipt of a negotiation agreement from DCA, an electronic copy and five bound copies of the approved Section I CSCAP and Section II billed services document will be provided to the State. The Section I CSCAP will include a copy of the agreement approving the Fixed Central Services Costs and Section II billed services. **Delivery date – Within 10 days after receipt of negotiation agreement.**
- ❖ Provision of telephone and electronic support in response to questions or interpretations associated with federal cost recovery issues. We will provide guidance to the State on the requirements of and issues related to OMB Circular A-87. We will be available to assist the State in responding to inquiries concerning the SWCAP, OMB A-87 issues; the CSCAP, state agency indirect cost recovery, and billed services issues. **Delivery date – Contract award through period covered by contract.**
- ❖ If the SWCAP should be audited or questioned, regardless of when, and whether by federal, internal or legislative auditors, MGT will be available to respond to questions and provide documentation in support of the SWCAP, including formally responding to state and federal auditors' findings, explaining differences, agreeing or disagreeing, and providing follow-up documentation to resolve the findings. **Delivery date – Forever.**
- ❖ At the option of the State, we will provide a copy of the MGT Cost Allocation Software. This Windows-based software utilizes Microsoft Excel as a report writer and requires that Microsoft .NET be installed on the users machine. The State would receive 2 licenses. It is not necessary for the State to have the MGT Cost Allocation Software as our proposed solution to the State's needs calls for MGT to perform all of the cost allocation data entry necessary to complete the SWCAP. **Delivery date – once annually.**
- ❖ At the option of the State, we will provide a training session on OMB Circular A-87 and federal cost recovery issues for State personnel. We will provide a two to three hour session at no additional cost to the State. **Delivery date – once annually.**

4. APPROACH AND METHODOLOGY

Project Approach and Methodology

West Virginia state agencies expend considerable resources in the administration and support of federally funded programs. To recover the costs of and associated with those resources from federal funding sources, state agencies must comply with federal cost principles and procedures as presented in 2 CFR, Part 225 Cost Principles for State, Local and Indian Tribal Governments (OMB Circular A-87). Federal cost principles were formerly presented in OMB Circular A-87.

OMB Circular A-87 acknowledges the total cost of administering a program is comprised of allowable direct costs of the program, plus a program's appropriated share of allowable indirect costs (administrative and support costs). Direct costs are costs which can be specifically identified with a particular program or activity. Indirect costs are those incurred for a common purpose benefiting more than one program or activity, and not readily assignable to programs specifically benefited without effort disproportionate to results achieved. Indirect costs are incurred at the statewide level and at the department level.

A state program to maximize indirect cost recovery from federally funded programs and non-federally funded activities is comprised of **three principles components**. The **first component** is the annual preparation, submittal, and subsequent negotiation and approval of a SWCAP. In West Virginia the accomplishment of this component of the program is coordinated by the Department of Administration, Financial Accounting & Reporting Section. As in other states, the **second component** is the responsibility of each state department and agency. Tasks of the second component include the preparation, submittal, and subsequent negotiation and approval of department indirect cost rate proposals; the inclusion of indirect costs in federal program budgets that are approved by federal funding agencies; and the actual claiming of indirect costs on federally grants. The **third component** is the establishment of on-going educational and support program to provide continued guidance to departments on issues and requirements of the OMB Circular A-87 Circular and other related cost recovery issues. Failure to appropriately identify costs and/or complete each component of the indirect cost recovery program will impact a state's ability to recovery indirect costs and the amount that may be recovered. Components one and three are included in the scope of work requested in the RFP. Tasks required to complete component two are not included in the requested scope of work and are the responsibility of each state agency.

First Component: SWCAP Preparation, Submittal, and Approval

To identify and recover the costs of centralized services benefiting multiple state agencies and programs from federally funded programs, the State must annually prepare a SWCAP which must be submitted to the Division of Cost Allocation (DCA) of the U.S. Department of Health and Human Services (DHHS), for negotiation and approval within six months prior to the beginning of the fiscal year in which it proposes to claim central service costs. The SWCAP must identify all central service costs that maybe claimed. This includes the costs of billed services such as facility services, information services, legal services, motor pool, risk management and telecommunications; and allocated indirect costs such as cash management, financial reporting, payroll, budgeting and accounting. A SWCAP submission is actually comprised of two documents: a central services cost allocation plan and a document providing OMB Circular A-87 required information on billed services. Following receipt of the SWCAP submission documents, DCA will begin to review, question and eventually negotiate with the State an agreement

SECTION 5: COST INFORMATION



5. COST INFORMATION

Costs for Annual SWCAP Development

MGT's proposed not-to-exceed fixed fee for completion of the requested scope of work, provision of all deliverables, and provision of all services and tasks proposed in our proposal for each year is as follows:

❖ Cost Allocation Plan for Fiscal Year Ended June 30, 2009	\$27,500
▪ Option A: MGT Cost Allocation Software	No Cost
▪ Option B: Software Maintenance Fee	No Cost
❖ Cost Allocation Plan for Fiscal Year Ended June 30, 2010	\$28,500
❖ Cost Allocation Plan for Fiscal Year Ended June 30, 2011	\$28,500

Our not-to-exceed fixed fee for each year includes all professional, support, production, and travel costs.

Proposed Invoicing Schedule for Each Year

Our proposed invoicing schedule for each year is as follows:

- ❖ **One third (1/3) of annual fee** – Upon completion of the predetermined agency meetings (Work Plan Task 2.3).
- ❖ **One third (1/3) of annual fee** – Upon provision to the State and submittal to the Division of Cost Allocation of the U.S. Department of Health and Human Services (DCA) of a final central services cost allocation plan (Work Plan Task 2.12) and a final Section II Billed Services Document (Work Plan Task 3.14).
- ❖ **One third (1/3) of annual Fee** – Upon receipt by the State of a cost allocation agreement approving the Section I Allocated Costs and Section II Billed Costs (Work Plan Task 4.7).

Invoices will be due within 30 days after receipt of a valid, uncontested invoice by the State.

Costs for Additional Services Related to the SWCAP and Recovery of SWCAP Costs

If the State should require additional services related to the SWCAP and/or recovery of costs of SWCAP costs, MGT proposes the utilization of the following hourly rates for the provision of those services. Types of additional services contemplated include assisting in the preparation of financial statement, billing or allocation methodologies, and/or rates associated with internal service funds and other billed services; assisting in the development of department indirect cost rate proposals; and/or providing other services related to the recovery of funds allocated through the CSCAP or charges as a billed service. The hourly rates include all costs other than travel. Travel related costs would be billed based on actual costs and receipts.

The hourly rates are as follows:

- ❖ Partner and Principal - \$225 per hour
- ❖ Director - \$ 200 per hour
- ❖ Senior Associate - \$175 hour
- ❖ Senior Consultant - \$165 per hour
- ❖ Consultant - \$150 per hour
- ❖ Analyst - \$135 per hour

Although a consultant's hourly rate is important, an equally important factor to be evaluated in projecting the cost of future work is the experience and knowledge of consultants to be assigned. The utilization of experienced consultants usually results in fewer hours to complete a project and a higher quality product.

Project Assumptions

Our work plan and cost proposal for this project were developed based on several key assumptions about the project. Revisions to these assumptions could impact either or both our work plan and/or cost proposal. We welcome the opportunity to meet with the State to review these assumptions, validate or adjust these assumptions based on more complete information, and adjust the work plan and/or cost proposal accordingly. Following are our key assumptions.

- ❖ The State will designate a Project Coordinator for this project. This person will function as the primary point of contact for the project, and coordinate and facilitate the reasonably prompt flow of information and communication between the State and MGT.
- ❖ The State Project Coordinator will ensure that all comments on draft documents are consolidated into a single document and any conflicting comments are reconciled prior to providing the comments to MGT.
- ❖ MGT will have reasonable access to state staff during normal business hours.
- ❖ MGT will have reasonable, timely access to state staff and data.
- ❖ The State will arrange for and provide at their expense all meeting facilities.
- ❖ The State will provide all requested documents and data at its own expense.
- ❖ The State will furnish MGT with all the necessary financial reports and other data necessary for the completion of the project.
- ❖ All costs and other data provided by the State will be considered accurate and valid. MGT will not be responsible for the audit and/or validation of any cost or data provided by the State.
- ❖ The State shall retain full responsibility for the preparation of any financial statements, billing or allocation methodologies, and/or rates associated with any internal service fund or billed ser

MGT FINANCIAL STATEMENTS



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Date 03/09/11 02:51 PM

MGT of America, Inc.
Balance Sheet
As of February 28, 2011

ASSETS

CURRENT ASSETS

Capital City Bank-Operating	\$314,276.19
Capital City Bank(Flexible Spending)	3,116.83
Capital City Bank(TLH)	114.58
Capital One (DC)	200.00
Capital Credit Union (TX)	266.00
Heritage Federal (WA)	32.99
Accounts Receivable	3,397,404.73
Unbilled Fees	539,584.00
Refundable State Income Taxes	5,522.58
Deferred Tax	654,686.00
Allowance for Foreign Tax Credit	(307,000.00)
Postage Fund - Tallahassee	1,347.46
Postage Fund - Washington	89.02
Postage Due	111.12

TOTAL CURRENT ASSETS

4,609,751.50

FIXED ASSETS

Improvements-Centre Pointe	51,570.54
Leasehold Improvements-TX	23,786.06
Leasehold Improvements-WA	10,741.40
Depreciation-Bldg/Improv	(233,376.57)
Purchased Software	261,020.38
Purchased Software Capitalize	(84,209.56)
Furniture & Equipment	1,894,386.44
Depreciation - Furn & Equip	(1,683,086.76)

TOTAL FIXED ASSETS

240,831.93

OTHER ASSETS

Security Deposits	35,052.68
Goodwill - PRM	1,384,682.53
Intangibles-PRM	1,878,000.00
Acc Amortization-Intangibles	(672,774.86)
Prepaid Expenses	42,298.92
Prepaid State Taxes	1,320.00

TOTAL OTHER ASSETS

2,668,579.27

TOTAL ASSETS

7,519,162.70

LIABILITIES & OWNERS EQUITY

CURRENT LIABILITIES

Accounts Payable	471,468.35
401K	67,515.41
Roth 401K	5,135.37
P/R Tax	193,014.81
AZ Payroll Tax	848.72
CO Payroll Tax	(1.82)
IL Payroll Tax	1,632.49
IN Hamilton Cty Payroll Tax	86.82
IN Payroll Tax	218.15
MD Payroll Tax	2,434.13
NC Payroll Tax	742.29
VA Payroll Tax	1,737.47
FUTA	5,832.93
WV Payroll Tax	532.38
KS Payroll Tax	684.12
AFLAC Supplemental	255.12
WA Ind Ins.	154.18
Tenant Security Deposit	125.00
Partner Stock Pool	6,089.90
Line of Credit - Capital City Bank	1,545,000.00
Centre Pointe Inc Loan	375,000.00
Class B Stock	1,116.49
CCB-Stock Loans	987.46
Pollock Loan	13,780.80
Humble Partner Loan	20,000.00
Thompson Partner Loan	54,420.34
Covey Buy-back	28,381.08
Curry Buy-Back	41,256.97
McKewon-Moak Buy-Back	124,819.80
Jons Buy-Back	51,467.90

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MGT of America, Inc.
Balance Sheet
As of February 28, 2011

Olson Loan	\$52,935.09
Ciesla Loan	22,112.37
Forrer Loan	41,066.90
Townsend Partner Loan	109,250.09
Jeff Boutwell Loan	103,192.34
Humphrey (1) Partner Loan	226,955.51
Lauder Partner Loan	16,262.10
Boutwell Partner Loan	399,442.07
Cox Partner Loan	10,926.89
Juarez Partner Loan	22,000.00
Caruthers Partner Loan	75,000.00
Burgess Partner Loan	19,653.03
TOTAL CURRENT LIABILITIES	4,113,533.05
LONG TERM LIABILITIES	
CCB Loan	495,798.90
CPI Loan	868,631.09
Deferred Tax	712,349.05
Accrued Vacation Expense	587,426.64
State Taxes	(5,016.00)
TOTAL LONG TERM LIABILITIES	2,659,189.68
TOTAL LIABILITIES	6,772,722.73
CAPITAL STOCK	
Capital Stock	322,242.00
Capital Stock, Class B	2,318.00
Treasury Stock	(3,638,140.98)
Additional Paid-In Capital	849,830.80
Dividends	(38,694.62)
Retained Earnings	3,116,633.93
Current Period Profit/Loss	132,250.84
TOTAL CAPITAL STOCK	746,439.97
TOT.LIAB./CAPITAL STOCK	7,519,162.70

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MGT of America, Inc.
Statement of Operations

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For the Eight Months Ending February 28, 2011

MGT:SUMMARY

Description	Current Period Actual	Fiscal Y-T-D Actual
REVENUE		
Fees	2,099,036.22	13,952,858.33
Earned-Not Invoiced	(405,706.00)	(293,563.00)
Interest		11,444.27
Miscellaneous	1,330.00	12,757.40
TOTAL REVENUE	1,694,660.22	13,683,497.00
EMPLOYEE EXPENSES		
Salary & Benefits-Projects	429,936.15	3,285,957.01
Salary & Benefits-Marketing	166,537.27	1,290,571.94
Salary & Benefits-Travel	38,346.88	335,937.76
Salary & Benefits-Administration	164,236.56	1,303,829.15
Salary & Benefits-Paid Leave	58,447.37	796,241.40
Salary & Benefits-Staff Meeting	5,446.57	66,112.74
Salary & Benefits-Prof Dev	4,951.09	37,915.48
Vacation Expense	1,126.37	(23,247.29)
Employee Insurance	1,030.24	(75,737.32)
TOTAL EMPLOYEE EXPENSES	870,058.50	7,017,586.87
CONTRACTED LABOR EXPENSE		
Subcontractor	365,777.43	2,866,135.78
Temporary Staff		6,333.02
TOTAL CONT LABOR EXP	365,777.43	2,872,468.80
TRAVEL EXPENSE		
Airfare	60,497.85	669,502.79
Lodging	56,202.15	481,375.30
Car Rental	9,566.62	153,121.49
Meals	3,267.72	268,494.83
Miscellaneous Travel	31,362.14	200,810.24
TOTAL TRAVEL EXPENSE	208,892.08	1,773,304.65
OPERATING EXPENSES		
Telephone-Long Distance	1,940.20	15,309.58
Office/Operating Expense	18,239.80	117,123.82
Postage & Shipping	7,277.39	49,612.27
Computer & Data Services	350.00	16,534.48
Copying	22,130.24	135,551.23
DMS User Fee	35.50	5,402.69
VA Transaction Fees		2,164.56
Entertainment-Employee	1,637.83	19,273.32
Entertainment-Marketing	960.59	13,640.83
Advertising	300.00	12,992.21
Promotional Advertising	835.76	5,869.89
Conf. Fees	5,963.00	20,600.62
Professional Development	1,524.50	2,891.92
Membership/Dues	2,195.00	13,557.75
Subscriptions & Publications	(277.36)	20,117.54
Sponsorship	3,600.00	19,550.00
Donations	50.00	390.00
Professional Fees	6,874.00	115,900.87
Director's Fee		4,000.00
Interest	21,195.10	165,779.17
Corporate Taxes	6,559.44	29,684.23
Amortization	17,336.50	138,691.78
Service Charges	326.61	6,825.02

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MGT of America, Inc.
Statement of Operations

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For the Eight Months Ending February 28, 2011
MGT:SUMMARY

Description	Current Period Actual	Fiscal Y-T-D Actual
Loss Claims/Deductibles	162.20	162.20
TOTAL OPERATING EXPENSES	119,216.30	931,625.98
OCCUPANCY EXPENSES		
Telephone-Basic Service	20,758.11	165,096.97
Equipment Rent	390.51	11,882.00
Facilities Rent	74,370.51	557,103.49
Depreciation	10,070.85	84,455.30
Corporate Insurance	10,574.79	71,155.10
Janitorial/Maintenance(Bldg)	3,196.50	23,650.99
Moving Expenses		5,175.40
Utilities	4,413.54	37,746.61
TOTAL OCCUPANCY EXPENSES	123,774.81	956,265.86
NON-OPERATING EXPENSES		
Corporate Overhead	(164,018.90)	(1,334,808.20)
Local Overhead	(81,782.80)	(653,007.59)
Corporate Overhead	164,018.90	1,334,808.20
Local Overhead	81,782.80	653,007.59
TOTAL EXPENSES	1,687,719.12	1,551,246.16
NET PROFIT	6,941.10	132,250.84

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Note: Typically MGT of America, Inc. has its most profitable months in the last 2 quarters of the fiscal year, due to when client work is required.

Financial Statements

MGT of America, Inc.

*Years ended June 30, 2010 and 2009
with Report of Independent Auditors*

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Thomas Howell
▲ Ferguson P.A.

MGT of America, Inc.

Financial Statements

Years ended June 30, 2010 and 2009

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Report of Independent Auditors

To the Board of Directors
MGT of America, Inc.

We have audited the accompanying balance sheets of MGT of America, Inc. (the Company) as of June 30, 2010 and 2009, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial position of MGT of America, Inc. as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Thomas Howell Ferguson P.A.

September 7, 2010

MGT of America, Inc.

Balance Sheets

	June 30,	
	<u>2010</u>	<u>2009</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 218,761	\$ 290,590
Accounts receivable	5,736,194	5,715,985
Income taxes receivable	56,800	48,561
Prepaid taxes	-	42,591
Prepaid expenses	<u>1,104</u>	<u>22,510</u>
Total current assets	6,012,859	6,120,237
Property and equipment, net	317,715	374,157
Goodwill	1,384,683	1,353,735
Intangibles, net	1,347,917	1,527,031
Deferred income taxes	-	121,749
Deposits	<u>34,848</u>	<u>38,095</u>
Total assets	<u>\$ 9,094,022</u>	<u>\$ 9,535,004</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 802,312	\$ 1,052,031
Accrued liabilities	922,356	1,309,672
Lines of credit	2,185,000	2,505,000
Current portion of long term debt	285,595	251,070
Short term notes	1,071,464	272,560
Unearned revenues	778,857	1,542,960
Income taxes payable	<u>196,994</u>	<u>-</u>
Total current liabilities	6,242,578	6,933,293
Long term debt, less current portion	1,326,984	1,596,100
Deferred income taxes	364,663	-
Stockholders' equity:		
Class A common stock, \$1.00 par value, 500,000 shares authorized, 322,242 issued and outstanding	322,242	322,242
Class B common stock, \$1.00 par value, 50,000 shares authorized, 2,318 issued and outstanding	2,318	2,318
Additional paid-in capital	849,831	849,831
Retained earnings	3,077,939	2,410,145
Treasury stock	<u>(3,092,533)</u>	<u>(2,578,925)</u>
Total stockholders' equity	<u>1,159,797</u>	<u>1,005,611</u>
Total liabilities and stockholders' equity	<u>\$ 9,094,022</u>	<u>\$ 9,535,004</u>

See accompanying notes.

MGT of America, Inc.
Statements of Operations

	Years ended June 30,	
	<u>2010</u>	<u>2009</u>
Goods and services	\$ 23,961,713	\$ 19,635,616
Operating expenses:		
Salaries and employee benefits	10,662,068	11,283,490
Contract labor	5,736,463	3,569,394
Travel	3,157,191	1,797,165
Rent	836,689	746,335
Office	185,293	248,024
Depreciation and amortization	322,459	327,189
Telephone	323,671	295,352
Professional fees	278,347	305,194
Copying	219,813	205,879
Taxes, excluding income taxes	61,089	100,748
Computer and data service	62,393	37,031
Postage	85,884	90,844
Insurance	100,678	116,014
Tuition and conference fees	42,616	45,001
Entertainment	34,871	58,772
Dues and subscriptions	38,310	63,186
Utilities	53,193	56,817
Interest	254,651	205,998
Janitorial and maintenance	39,555	44,523
Advertising	15,353	4,234
Donations	33,004	41,726
Miscellaneous	35,421	36,476
Total operating expenses	<u>22,584,012</u>	<u>19,679,392</u>
Income (loss) from operations	1,377,701	(43,776)
Non operating income and expenses:		
Losses on disposal of assets	-	(1,550)
Other revenue	7,123	8,874
Settlement expense	-	(528,571)
Total non operating income and expenses	<u>7,123</u>	<u>(521,247)</u>
Income taxes	<u>708,437</u>	<u>(27,011)</u>
Net income (loss)	<u>\$ 676,387</u>	<u>\$ (538,012)</u>

See accompanying notes.

MGT of America, Inc.

Statements of Changes in Stockholders' Equity

Years ended June 30, 2010 and 2009

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Treasury Stock	Retained Earnings
	Shares	Par Value	Shares	Par Value			
Balance as of June 30, 2008	322,242	\$ 322,242	2,318	\$ 2,318	\$ 849,831	\$ (2,051,376)	\$ 2,959,723
Purchase of treasury stock	-	-	-	-	-	(579,028)	-
Sale of treasury stock	-	-	-	-	-	51,479	-
Net loss	-	-	-	-	-	-	(538,012)
Dividends	-	-	-	-	-	-	(11,566)
Balance as of June 30, 2009	322,242	\$ 322,242	2,318	\$ 2,318	\$ 849,831	\$ (2,578,925)	\$ 2,410,145
Purchase of treasury stock	-	-	-	-	-	(569,099)	-
Sale of treasury stock	-	-	-	-	-	55,491	-
Net income	-	-	-	-	-	-	676,387
Dividends	-	-	-	-	-	-	(8,593)
Balance as of June 30, 2010	322,242	\$ 322,242	2,318	\$ 2,318	\$ 849,831	\$ (3,092,533)	\$ 3,077,939

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See accompanying notes.

MGT of America, Inc.
Statements of Cash Flows

	Years ended June 30,	
	<u>2010</u>	<u>2009</u>
Operating activities		
Net income (loss)	\$ 676,387	\$ (538,012)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	322,459	327,189
Loss on disposal of assets	-	1,550
Changes in operating assets and liabilities:		
Accounts receivable	(20,209)	560,397
Income taxes receivable	(8,239)	40,428
Prepaid taxes	42,591	(42,591)
Prepaid expenses	71,406	(8,269)
Deferred income taxes	486,412	(62,748)
Deposits	3,247	(819)
Accounts payable	(249,719)	163,187
Accrued liabilities	(387,316)	187,890
Unearned revenues	(764,103)	29,005
Income taxes payable	<u>196,994</u>	<u>(21,740)</u>
Net cash provided by operating activities	<u>319,910</u>	<u>635,467</u>
Investing activities		
Purchases of property and equipment	(82,903)	(75,205)
Proceeds from sale of property and equipment	-	250
Acquisition of goodwill	<u>(30,948)</u>	<u>(140,371)</u>
Net cash used in investing activities	<u>(113,851)</u>	<u>(215,326)</u>
Financing activities		
Proceeds from new borrowings	1,080,755	1,477,634
Purchase of treasury stock	(569,099)	(579,027)
Sale of treasury stock	55,491	51,479
Payments of dividends	(8,593)	(11,566)
Repayment of debt	<u>(836,442)</u>	<u>(1,577,828)</u>
Net cash used in financing activities	<u>(277,888)</u>	<u>(639,308)</u>
Net decrease in cash and cash equivalents	(71,829)	(219,167)
Cash and cash equivalents at beginning of year	<u>290,590</u>	<u>509,757</u>
Cash and cash equivalents at end of year	<u>\$ 218,761</u>	<u>\$ 290,590</u>
Supplemental disclosures of cash flow information		
Interest paid	\$ 254,651	\$ 205,998
Income taxes paid	\$ (3,950)	\$ 54,678

See accompanying notes.

MGT of America, Inc.

Notes to Financial Statements

Years ended June 30, 2010 and 2009

1. Summary of Significant Accounting Policies

MGT of America, Inc. (the Company) is a firm that provides management consulting services to public agencies and public related agencies in the following markets: PK-12, higher education, state and local governments, and public safety.

Revenue Recognition

Revenue is recognized as services are rendered. The asset, unbilled receivables, represents revenues recognized in excess of billed amounts. The liability, unearned revenues, represents contracts that are billed prior to being earned.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents include cash or deposits with financial institutions and deposits in highly liquid money market securities. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. Bank deposits at times may exceed federally insured limits.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Accounts receivable are generally extended on a short-term basis; thus, trade receivables do not bear interest. Accounts receivable are recorded when invoices are issued and are presented in the balance sheet net of the allowance for doubtful accounts. Accounts receivable are written off when they are determined to be uncollectible. The allowance for doubtful accounts is estimated based on the Company's historical losses, the existing economic conditions, and financial stability of customers. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realized losses on balances outstanding at year end will be immaterial and, therefore, no allowance for doubtful accounts is necessary at June 30, 2010 and 2009.

Property and Equipment

Property and equipment is carried at cost, net of accumulated depreciation and amortization. Maintenance repairs and minor improvements are expensed as incurred. Depreciation is computed using both the straight-line and accelerated methods of depreciation over the estimated useful lives of the assets, which range from three to 15 years.

MGT of America, Inc.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Income Taxes

Provision for income taxes is based on the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to the timing differences in reporting income and depreciation for financial statements and for tax purposes. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income and tax credits that are available to offset future federal taxes. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. On July 1, 2009, the Company adopted accounting guidance regarding accounting for uncertainty in income taxes.

Advertising

Advertising costs are charged to expense when incurred.

Subsequent Events

The Company has evaluated subsequent events through September 7, 2010, the date the financial statements were available to be issued. During the period from June 30, 2010 to September 7, 2010, the Company did not have any material recognizable subsequent events.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassification

Certain 2009 financial statement amounts have been reclassified to conform to the 2010 financial statement presentation.

MGT of America, Inc.

Notes to Financial Statements

2. Accounts Receivable

Accounts receivable consists of the following at June 30:

	<u>2010</u>	<u>2009</u>
Trade receivables		
Billed	\$ 4,123,281	\$ 3,978,350
Unbilled	1,612,004	1,736,290
Due from officers, directors, and employees	<u>909</u>	<u>1,345</u>
	<u>\$ 5,736,194</u>	<u>\$ 5,715,985</u>

3. Property and Equipment

The amounts of major classifications of property and equipment are as follows at June 30:

	<u>2010</u>	<u>2009</u>
Furniture and fixtures	\$ 1,886,815	\$ 1,803,912
Software	261,020	261,020
Leasehold improvements	86,098	86,098
Internally developed software		<u>292,285</u>
	<u>2,233,933</u>	<u>2,443,315</u>
Accumulated depreciation and amortization	<u>(1,916,218)</u>	<u>(2,069,158)</u>
	<u>\$ 317,715</u>	<u>\$ 374,157</u>

4. Goodwill and Other Intangible Assets

Goodwill represents the excess of cost over the fair value of the net tangible assets and identifiable intangible assets of businesses acquired. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested annually for impairment. Intangible assets are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment. Recognition of an impairment loss is recognized only if the carrying amount of a long-lived asset or asset group is not recoverable from its undiscounted cash flows. An impairment loss is measured as the difference between the carrying amount and fair value of the asset or asset group. The Company evaluates its long-lived assets if impairment indicators arise. The Company evaluates each of its reporting units with goodwill during the fourth quarter of each fiscal year or more frequently if impairment indicators arise.

MGT of America, Inc.

Notes to Financial Statements

4 Goodwill and Other Intangible Assets (continued)

Intangible assets consists of the following at June 30:

	<u>2010</u>	<u>2009</u>
Noncompete agreements	\$ 605,000	\$ 605,000
Customer relationships	1,088,000	1,088,000
Trademark	<u>185,000</u>	<u>185,000</u>
	1,878,000	1,878,000
Accumulated amortization	<u>(534,083)</u>	<u>(350,969)</u>
	<u>\$ 1,343,917</u>	<u>\$ 1,527,031</u>

Intangible assets, consisting of noncompete agreements, trademark, and customer relationships acquired in business combinations, are recorded at their estimated fair value at the date of the acquisition. Intangible assets are amortized using the straight-line method over five to 15 years. Estimated future amortization is approximately \$183,000, \$183,000, \$177,000, \$117,000, and \$85,000 in 2011, 2012, 2013, 2014, and 2015 respectively.

5. Long-term Debt

Long-term debt consists of the following at June 30:

	<u>2010</u>	<u>2009</u>
Loan from related party, prime plus 2% maturing May 1, 2012	\$ 62,479	\$ 70,539
Loan from related party, 2.5% until April 2012, then interest adjustable at the 1 year treasury bill rate plus 4.75%, maturing March 15, 2024	894,584	931,242
Loan from financial institution, prime, maturing August, 2012	<u>655,516</u>	<u>845,389</u>
	1,612,579	1,847,170
Less current portion	<u>(285,595)</u>	<u>(251,070)</u>
	<u>\$ 1,326,984</u>	<u>\$ 1,596,100</u>

MGT of America, Inc.

Notes to Financial Statements

5. Long-term Debt (continued)

As of June 30, 2010, the annual maturities of notes payable are as follows:

2011	\$	285,595
2012		293,865
2013		265,835
2014		48,948
2015		52,617
Thereafter		<u>665,719</u>
	\$	<u><u>1,612,579</u></u>

Substantially all assets of the Company have been pledged as collateral associated with the long-term debt.

6. Available Line of Credit

At June 30, 2010 and 2009, the Company had a \$3.5 million line of credit with a bank to be drawn upon as needed. At June 30, 2010 and 2009, the Company had borrowings outstanding under this line of credit of \$1,835,000 and \$2,200,000, respectively. The line of credit has an interest rate of prime with a floor of 6% and a ceiling of 17.7%, and matures October 15, 2010.

7. Income Taxes

Components of the provision (benefit) for income taxes are as follows:

	Years ended June 30,	
	<u>2010</u>	<u>2009</u>
Current:		
Federal	\$ (32,333)	\$ 2,453
State	15,235	9,160
Foreign	<u>239,122</u>	<u>44,033</u>
	222,024	55,646
Deferred:		
Federal	449,289	(72,529)
State	<u>37,123</u>	<u>(10,128)</u>
	486,412	(82,657)
	<u><u>\$ 708,436</u></u>	<u><u>\$ (27,011)</u></u>

MGT of America, Inc.

Notes to Financial Statements

7. Income Taxes (continued)

Income tax expense differed from the "expected" tax expense (computed by applying the U.S. statutory federal corporate tax rate to income (loss) before income taxes) as follows:

	Years ended June 30,	
	<u>2010</u>	<u>2009</u>
Computed "expected" tax expense	\$ 480,803	\$ (198,500)
State income taxes, net of federal income tax benefit	33,925	(10,702)
Foreign income taxes, net of federal income tax benefit	151,245	-
Permanent book-tax differences	88,956	46,002
Change in valuation allowance	(130,000)	99,743
Decrease in stock option deferred tax asset		33,446
Foreign tax credit adjustment	82,905	-
Other, net	6,602	3,000
	<u>\$ 708,436</u>	<u>\$ (27,011)</u>

Deferred income taxes relate to the following temporary differences:

	June 30,	
	<u>2010</u>	<u>2009</u>
Deferred tax assets:		
Unearned revenue	\$ -	\$ 567,038
Settlement	-	142,884
Other	40,930	23,772
	<u>40,930</u>	<u>733,694</u>
Noncurrent deferred tax assets:		
Net operating loss	156,762	-
Foreign tax credits	456,995	572,233
Less valuation allowance	(307,000)	(443,000)
Net noncurrent deferred tax assets	<u>306,757</u>	<u>129,233</u>
Deferred tax liabilities:		
Unbilled receivables	(592,411)	(638,086)
Fixed assets	(89,845)	(84,968)
Goodwill and other intangibles	(30,094)	(18,124)
Noncurrent deferred tax liabilities	<u>(119,939)</u>	<u>(103,092)</u>
Net deferred tax asset (liability)	<u>\$ (364,663)</u>	<u>\$ 121,749</u>

MGT of America, Inc.

Notes to Financial Statements

7. Income Taxes (continued)

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. For the years ended June 30, 2010 and 2009, a valuation allowance of \$307,000 and \$443,000, respectively, was recorded against the foreign tax credit deferred tax asset, as management believes it is more likely than not that the Company will not realize a portion of the asset. The Company has available at June 30, 2010, \$456,995 of foreign tax credit carryforwards that expire in various years through 2018. Although realization is not assured, the Company's management believes that it is more likely than not that the remaining balance of federal and state deferred tax assets will be realized.

The Company did not accrue interest or penalties related to unrecognized tax benefits on the June 30, 2010 and 2009 balance sheets and no interest or penalties were included on the statements of operations for the year ended June 30, 2010.

The Company is generally no longer subject to examinations with respect to returns that have been filed for years prior to tax year ending June 30, 2006.

The Company does not anticipate that the amounts of unrecognized tax benefits will significantly increase or decrease within the next twelve months.

8. Treasury Stock

Treasury stock is shown at cost and as of June 30, 2010 and 2009, consists of 96,029 and 84,781 shares of common stock, respectively.

9. Buy-Sell Agreement

Upon the death, permanent disability, retirement, resignation, or termination (collectively, change of status) of any stockholder, the stockholder will sell and the Company will purchase Company stock owned by the stockholder under the terms and conditions outlined in the Management Agreement. The Company's total obligation each month to fund the repurchase of the Company stock shall in no event exceed, in the aggregate, 1.80% of the Company's gross revenues.

10. Voting Rights

Class A common stock is voting stock owned solely by the partners. Class B common stock is non-voting stock with a 3% guaranteed dividend owned by employees. The annual dividend on the Class B common stock is calculated at 3% of the per share fair market value at March 31. Class C common stock has all the rights and privileges of Class A shares; however, Class C shareholders have limited voting rights and are only authorized to vote with respect to any amendment to the share valuation formula and any proposed sale of the Company to a third party.

MGT of America, Inc.

Notes to Financial Statements

11. Related Party Transactions

The Company engaged in the following related party transactions:

The Company rents its operating facilities from a company majority owned by stockholders and former stockholders of the Company. During the years ended June 30, 2010 and 2009, the Company paid this related party \$317,698 and \$317,698, respectively, for rent, which is included in rent expense.

The Company borrows under a line of credit from the same company. Borrowings outstanding under this line of credit as of June 30, 2010 and 2009, were \$350,000 and \$305,000, respectively. Interest for borrowings under this line of credit is at the prime rate plus 1%, not to exceed 17.70%.

The Company owes stockholders and former stockholders \$1,071,464 and \$272,560 at June 30, 2010 and 2009, respectively, which are recorded as short term notes payable in the accompanying balance sheets at varying interest rates.

12. Lease Commitments

As of June 30, 2010, future minimum lease payments under noncancellable operating leases are as follows:

2011	\$	728,950
2012		367,794
2013		245,940
2014		220,227
2015		147,362
	\$	<u>1,702,273</u>

13. Retirement Plan

The Company sponsors a defined contribution plan that covers all of the Company's active employees who have obtained the age of 21. The employer may contribute a discretionary matching contribution on behalf of all employees. In addition, a qualified nonelective contribution may be contributed by the employer, but shall be made only for or allocated to non-highly compensated individuals. Employee contributions are fully vested at the date of contribution. Company contributions are partially vested after two years and fully vested after six years. The Company makes matching contributions up to 3% of an employee's elective deferral. Company contributions to the plan for the years ended June 30, 2010 and 2009, were \$192,878 and \$204,142, respectively.

MGT of America, Inc.

Notes to Financial Statements

14. Concentrations of Credit Risk

The Company is engaged in consulting projects under contracts with federal, state and local governments, private industry, and individuals. Revenues from one contract with the federal government accounted for approximately 32% and 8% of the Company's total revenue for the years ended June 30, 2010 and 2009, respectively. Receivables from one contract with the federal government accounted for approximately 19% and 13% of the Company's total receivables at June 30, 2010 and 2009, respectively. The Company has billed contract receivables as follows at June 30:

	<u>2010</u>	<u>2009</u>
Federal, state, and local governments	\$ 5,568,589	\$ 5,671,246
Private industry and individuals	<u>167,605</u>	<u>44,739</u>
	<u>\$ 5,736,194</u>	<u>\$ 5,715,985</u>

15. Other Matters

Effective August 1, 2007, the Company acquired a California limited liability company. As part of the purchase agreement, the Company has agreed to pay an earn-out due within thirty days after the end of each calendar quarter for the first four years. In no event shall the aggregate earn-out payment exceed \$1,000,000.

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