

MAXIMUS[®]

HELPING GOVERNMENT SERVE THE PEOPLE[®]

June 27, 2006

Gary E. Gray, CPA
Assistant Director
Finance and Administration
City of Houston
611 Walker
Houston, Texas 77002

Dear Mr. Gray:

MAXIMUS, Inc. (MAXIMUS) has completed the preparation of the following indirect cost allocation plans for fiscal year 2007 based upon actual expenditures for the fiscal year ended June 30, 2005:

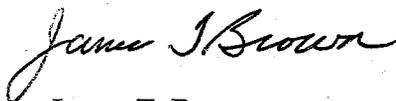
- ◆ Citywide Full Cost and OMB Circular A-87 Indirect Cost Allocation Plans
- ◆ Houston Police Department Full Cost and OMB Circular A-87 Indirect Cost Allocation Plans
- ◆ Houston Fire Department Full Cost and OMB Circular A-87 Indirect Cost Allocation Plans

MAXIMUS has also prepared the indirect cost rate calculations associated with the Full Cost and OMB Circular A-87 Indirect Cost Allocation Plans. The FY 2007 Indirect Cost Rates are presented as an addendum to this letter.

The Cost Allocation Plans have been prepared in accordance with Generally Accepted Accounting Principles applied on a consistent basis. The OMB A-87 Cost Plans comply with the principles and standards as established within OMB Circular A-87 (Revised May 10, 2004). Statistics used to allocate actual costs are from full base years or a representative sample period's data. A consistent approach has been followed in the treatment of costs as indirect and direct costs.

MAXIMUS appreciates the opportunity to assist the City of Houston and its competent staff with the preparation of the indirect cost allocation plans and the corresponding indirect cost rates.

Respectfully,



James T. Brown

Addendum – City of Houston Indirect Cost Rates

City of Houston, Texas FY 2006 and 2007 Indirect Cost Rates				
Source of Indirect Costs	FY 2007 Indirect Cost Rates as a % of:		FY 2006 Indirect Cost Rates as a % of Total Salaries	
	Personnel Cost	Total Salaries		
Aviation	OMB	3.57%	5.03%	4.37%
Building Svcs	FC	11.59%	16.67%	29.85%
Building Svcs	OMB	9.64%	13.87%	23.35%
Citywide	OMB	10.09%	14.03%	16.20%
Citywide	FC	13.74%	19.10%	18.01%
F&A	FC	72.64%	99.12%	57.60%
Health & Human Svcs	OMB	29.61%	41.20%	9.51%
Housing & Comm. Dev	OMB	4.86%	6.62%	6.37%
Legal Dept.	FC	27.92%	37.47%	49.54%
Library	OMB	9.21%	12.79%	1.94%
Parks & Recreation	OMB	-0.10%	-0.15%	-1.36%
Planning & Development	OMB	133.73%	182.12%	61.24%
Police	FC	34.19%	44.51%	33.08%
Police	OMB	32.06%	41.73%	31.81%
PW & E - Fund 100	FC	-4.84%	-6.85%	-1.45%
PW & E - Fund 118	FC	36.79%	52.24%	51.24%
PW & E - Fund 701	FC	3.38%	4.98%	5.50%

The Parks & Recreation Department and PW&E – Fund 100 rate calculations resulted in negative rates for FY 2007 and 2006 due to a revision in depreciation calculations. The proposed indirect costs for FY 2006 and 2007 exceeded the actual indirect costs that were incurred by Parks and Recreation Department and PW&E – Fund 100 during both years.