

MAXIMUS[®]

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September 7, 2007

Jim Locke
Assistant Director
Finance and Administration
City of Houston, Texas
611 Walker
Houston, Texas 77002

Dear Mr. Locke:

MAXIMUS, Inc. (MAXIMUS) has completed the preparation of the following cost allocation plans for the fiscal year 2008 based upon actual expenditures for the fiscal year ended June 30, 2006:

- ◆ 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.

In addition, MAXIMUS has prepared the indirect cost allocation rate calculations associated with both the Full Cost and OMB Circular A-87 Cost Allocation Plans. The fiscal year 2008 Indirect Cost Rates are presented as an addendum to this letter.

All of the Plans have been prepared in conformity with Generally Accepted Accounting Principles applied on a consistent basis. The OMB A-87 Plans adhere to principles and standards as established within OMB Circular A-87 (Revised May 4, 1995 and further amended August 29, 1997). A consistent approach has been followed in the treatment of costs as indirect and direct costs. Statistics used to allocate costs are from full base years or a representative sample period's data.

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

Sincerely,



James T. Brown
Manager

Addendum