Maximus – Corporate Profile

1. Organizational Profile

Maximus is a provider of program management, information technology, and consulting services to government agencies throughout the United States. Essentially, this means providing private services to governments which are looking to 'contract out' some of their services – including welfare services.
They have a trademark on the saying "Helping Government Serve the People™."

Three Main Divisions (from Maximus' website)

- **Government Operations Group** - administers and manages government health and human services programs, including welfare-to-work and job readiness, child support enforcement, managed care enrollment, children's health insurance, and disability services programs.
- **Government Consulting Group** - provides planning and management, information technology, strategic program evaluation, program improvement, financial management, revenue maximization, and other public sector related consulting services to government agencies.
- **Government Systems Group** - provides government agencies with proprietary software in select niche markets, government program integration services, and eGovernment systems solutions and services. MAXIMUS provides its clients with multiple delivery systems for its products, including Application Service Provider (ASP) technology.

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(See http://publicsite.maximus.com/public/virtual/news/officemap for all of the office locations throughout the U.S.)
Website: www.maximus.com

Maximus has 4,100 employees over 130 offices throughout the US.

David Mastran , Maximus CEO – earned $350,000 in 2000 and holds stock worth $110 million (though he is barred from selling it for a number of years). Mastran is a former Defense Department analayst and worked in the Department of Health, Education, and Welfare during the Nixon Administration.

2. Economic Profile

Financial Data	FY Ending 09/30/2001	FY Ending 09/30/2000	% Change
Revenue	$487.3 million	$399.2 million	+22.1%
Net Income	$41.9 million	$34.1 million	+22.8%
Earnings per Share	1.86	1.59	

Quarter ending 03/31/2002

Revenue for quarter ending 03/31/2002 - $122.0 million (up 1.4%)
Net Income for quarter ending 03/31/2002 - $7.1 million (down 26.8%)
Earnings Per Share for the quarter ending 03/31/2002 - $0.30

Maximus' Stock Ticker Symbol - MMS

Maximus' growth in revenue since 1995: $50m (1995), $105m (1996), $319m (1999)
Forbes selected Maximus as one of the US's ten best small companies in 1999.

Key Transactions and Government Contracts

- **May 2002** - New Jersey Revenue Maximization Contract - efforts focused on increasing federal funding for child welfare, education,… Maximus gets a fee based upon a percentage of each new federal dollar brought into the state under the contract.
- **May 2002** - Acquisition of Leonie Green and Associates (LGA) Group (Southport, Queensland), an Australian Government Services Company - LGA is involved in employment services, vocational rehabilitation, injury management, vocational and corporate training, and welfare services.
- **February 2002** - awarded a $6.6 million contract by Wayne County/Detroit, Michigan to for services to replace of the County's legacy Human Resources and Payroll System.
- **February 2002** - Revenue Maximization Project in Kansas – includes "policy development, provider and staff training, case reviews, rate setting, and federal claim preparation to secure additional federal revenue for the agency". Maximus gets a fee based upon a percentage of each new federal dollar brought into the state under the contract.
- **January 2002** - Orange County, California - $19.8 million contract for MAXIMUS to continue to provide welfare-to-work (Workfare) case management. This is a three year

contract.

November 2001 – Awarded a 2-year, $19 million welfare-to-work contract, in effect through December 2003. Wisconsin Works is the first of only two fully privatized welfare-to-work programs in the nation. This was done despite all of the problems associated with Maximus' handling of the previous contract (SEE BELOW) MAXIMUS also provides services in support the other fully privatized program, Arizona Works.

- **October 2001** – California signed a healthcare contract with Maximus "to provide Health Care Options (HCO) program enrollment broker services statewide". 3-years, $113 million contract, with options for 3 additional years.
- **October 2001 –** Maximus to be a subcontractor (to Eskel Porter Consulting) Inc.for the State of California's Electronic Benefit Transfer (EBT) project. From the Maximus website: The EBT project will "automate the delivery, redemption and reconciliation of food stamp and cash program benefits that are administered by the counties." "MAXIMUS will provide consultant support throughout the system development lifecycle, including design, development, and implementation." Essentially a privatization of the benefits program, worth $8 million to Maximus.
- **October 2001 –** Maximus Awarded over $5 million in Welfare-to-Work Contracts in Delaware. Won rebid to run the Employment Connection program in New Castle County and to run the "Delaware Health and Social Services to operate the Able-Bodied Adults Without Dependents Food Stamp program".
- **May 2001** – up for a contract with the California Department of Health Services (Health Care Options) – program enrollment broker services throughout the state. The contract would be worth $182.6m.
- **April 2001** - Maximus to be a subcontractor for Young Williams company's operation of the Nebraska Child Support System (7.9 million)
- **April 2001** – received a contract from the San Diego Unified School District to find ways to increase Federal funding for San Diego Schools
- **March 2001** - $7.3m Welfare-to-Work contract with San Diego county.
- **February 2001** – subcontract with Funge Systems to develop a secure transaction system of Smart Cards for the US Navy (called the Open Transaction Platform)
- **January 2001** - $18.1m child support contract in Tennessee.
- **January 2001** – 1.7m contract extension to provide support for Florida's automated system for welfare, child support, and food stamp programs.
- **2001** – Maximus gains, over a six month period, over $7 million contracts in 25 states to assist state governments comply with the new capital asset accounting and financial reporting requirements of the Government Accounting Standards Board (GASB)
- **December 2000** - $3.6m smart card contract with the US Dept of Veterans Affairs (VA) for 200,000 veterans in the Greater Chicago area
- **December 2000** - $4.9 million Quality Assurance Contract for Louisiana's Automated Child Welfare Information System. Maximus will provide the management oversight and the quality assurance service. Maximus has similar contracts in NY ($7.6m), Maryland ($8.1m), and Illinois ($12.2m)
- **November 2000** – awarded a statewide revenue maximization contract in South

Carolina – expected to find ways to get Federal cash into South Carolina programs including child welfare, juvenile justice, schools, public health, state institutions and Medicaid agency costs.

- **October 2000** - New Jersey awarded Maximus a $46.9m contract to administer a statewide health care enrollment (3 years) for the Dept. of Human Services. This includes the New Jersey Care 2000+ Program, New Jersey FamilyCare Program, and Health Access.
- **October 2000** – expansion of a Child Support Consulting Contract with Michigan.

Other Key on-going contracts:

- **Arizona** – Welfare-to-Work – in both Maricopa and Mohave Counties. Decisions are being made if the program should be privatized state-wide
- **Washington, D.C.** – one year contract from August 2000 to provide outreach, job-readiness and job placement support to workfare participants (There are four one year options for renewal of this $7.4m contract)
- **Maryland** – Child Support Services - $8.1m, 3 year contract to provide monitoring services of the states Children's Electronic Social Services Information Exchange, which supports the child protective and welfare services. Welfare Reform – Prince Georges and Montgomery Counties
- **New York** – Child Support Services – a three year $7.6m contract to oversee the state child welfare information system ("Connections")
- **Virginia** – Welfare-to-Work Program in Fairfax County
- **Wisconsin** – Welfare-to-Work - 2 year, $46m contract (renewed, see above and below)

3. Social Profile

Key areas of contracting problems were in Wisconsin and in New York City:

Key problems in Wisconsin:

Problems are based on the Wisconsin Works (W-2) Welfare-to-Work program and the contracts given to Maximus to administer it. It is the brainchild of then Wisconsin Governor Tommy Thompson.

Serious questions about Wisconsin's W2 itself: W2 denies all cash assistance to pregnant women, forcing a pregnant woman to work until the day she gives birth. W2 requires single mothers to leave their infants 90 days after birth to work full time or perform community service jobs full time. * W2 harshly sanctions moms who stay home with sick babies, hospitalized babies, etc., often even when a physician states that the sick infant needs the mother's care. * W2 delays authorization of child care, often for many weeks, causing mothers to rely on inadequate caregivers until approved for child care. Privatization and duplication of services has bloated the

welfare budget drastically. In 1986, Wisconsin welfare cost $548 million for 299,700 recipients. After W2, by 1999, Wisconsin welfare cost $589 million for less than 40,000 recipients! (Wisconsin Legislative Fiscal Bureau). http://www.lrna.org/league/PT/PT.2001.02/PT.2001.02.9.html

Key problems of the Maximus contracts in Wisconsin

- **"Unallowable Costs and Questionable Expenditures."** A Wisconsin State Legislative Audit Report found that Maximus spent more than $400,000 of state money on unauthorized expenses and $1.6 million that Maximus couldn't properly document. These unauthorized expenses included a party for staff members at a posh Lake Geneva resort for $15,741 billed to the state; $23,637 for backpacks and "fanny packs" to promote the company with the bills sent to the state; entertainment of staff and clients by actress Melba Moore; and donations to not-for profit organizations – which included a refused $150 political donation to Waukesha County Executive Dan Finley. Maximus settled for $1 million.

- Another unallowable cost was Maximus' **use of Milwaukee employees on the Wisconsin Works program to solicit business out of state,** including New York, California Pennsylvania, Arizona, Michigan, and Illinois.
(Sources for the above two citations: "Audit Says W-2 Vendor Billed State for Singer, Parties." Milwaukee Journal Sentinel, 07-28-2000 www.jsonline.com/news/metro/jul00/maximus29072800a.asp;
"Corporate Welfare for Welfare Corporations", Karyn Rotker, Dollars and Sense, 01-01-2001;
"ADMINISTRATION OF THE WISCONSIN WORKS PROGRAM BY MAXIMUS, INC" www.legis.state.wi.us/lab/reports/maximus.pdf)

- Maximus was **hit with 8 Equal Employment Opportunity Commission (EEOC) complaints** over an eighteen-month period. These have included a settled claim with a former male receptionist and a Wisconsin Works temporary worker who was paid $1.12 less than male temporary workers who performed the same assignment at a furniture and appliance warehouse. ("The Biggest Company Secret" New York Times,Aug 28th, 2000)

- Maximus poured an estimated **$1.1 million in Welfare money into advertising** ("Corporate Welfare for Welfare Corporations", Karyn Rotker, Dollars and Sense, Jan 1st, 2001)

- The **Welfare Works system** itself was set up in such a way that the less Maximus (and other contractors) spent on poor families, the more money they made for themselves.

- Two Wisconsin Congressmen have asked the US Attorney General to review the administration of welfare services and investigate how corporations like Maximus are handling the government welfare funds and services. This investigation originated in the Wisconsin report on Maximus' improper billing and questionable spending.

- The Department of Workforce Development hired Hoppe & Orendorff, a Kenosha

certified public accounting firm that had worked for Maximus from 1997 through 1999 (Sen. Gwendolynn Moore (D-Milwaukee) asks: If the accounting firm didn't catch the questionable billings of Maximus before, why did the state hire the company to conduct another audit on Maximus?)

Sources for above two citations: Administration of the Wisconsin Works Program By Maximus - Wisconsin State Legislative Audit, Dollars and Sense January 1st, 2001, http://www.jsonline.com/news/metro/jul00/maximus29072800a.asp

Key Problems in New York City

- **NYC Comptroller Alan Hevesi rejected contracts awarded by the Guiliani administration for Welfare-to-Work management**, including $104m worth of Maximus contracts that were the major target. Hevesi stated that it would take a court order to make him sign off on two Maximus contracts. On one contract, Hevesi sited a subcontractor, Opportunity America, which is run by former Guiliani senior advisor, Richard Swartz. Hevesi claimed that that Opportunity America and Maximus are partners and gained the deal due to Schwartz's position. A five judge NY Supreme Court panel ruled that Hevesi had no reason to block the contracts.
- Maximus was paid $1 million/month to teach Medicaid clients how to adapt to managed health care, but a report by NYC Public Advocate Mark Green showed that the **contractor had fallen seriously short** of that goal. Despite concerns, the NY State Comptroller approved a $43 million contract in NYC, Nassau, and Suffolk counties.
- Maximus had **trouble with a mailing** notifying NY Medicaid patients that they had two months to pick a managed care plan – including translation complaints and the mailing looking like junk mail.

(The main source for the above is a SEIU Research Department Maximus profile of September 2000)

Other problem areas:

Arizona – An Arizona legislator called for the shutdown of the Welfare-to-Work pilot program in Maricopa County, which is run by Maximus. The cost of running the program turned out to be $1m more than the State program had cost. "This is supposed to be a social welfare program, not a corporate welfare program."

Colorado – 3000 complaints from people dependent on Maximus' services, difficulty getting straight answers, and 'outright lies' such as claiming to be the leader of the state for criminal non-support cases, when in fact they had never handled such cases.

Connecticut – 1998 – Maximus came under fire in Connecticut for a $12.8m project to administer a child care system for Working Welfare Recipients where half of the 17,000 bills submitted by childcare providers were over 30 days late in being paid.
(Source for the above: Bill Berkowitz, "Prospecting Among the Poor: Welfare Privatization", Applied

Research Center http://www.arc.org/welfare/prospecting_nr.html)

4. Political Profile

Tommy Thompson, former Governor of Wisconsin, now Secretary of Health and Human Services Thompson is the architect of the Wisconsin Works Program:
Maximus' Political Action Committee (Max-PAC) gave $5000 to Thompson's campaign in December 1999, the largest PAC contribution given to Thompson. As well, Maximus hired two former aides of Thompson's to be consultants in the renewal of two major contracts. (see: www.opensecrets.org)

Maximus was a major sponsor of an event called the Wisconsin Fatherhood Summit that Thompson keynoted. The Fatherhood summit is "a group dedicated to strengthening families" This in a state which has slashed welfare and

Anthony Williams' DC mayoral campaign – Maximus gave $1000 to his run for mayor in 1998.

Quotations

State Representative Mark Pocan (D-Madison), after the state Legislative Audit Bureau found they improperly or questionably billed the state of Wisconsin for at least $415,000, with another $1.6 million poorly documented: "If this were an African American male in Milwaukee, he'd be facing Wisconsin's tough truth-in-sentencing laws. But since this is a private, for-profit big corporation, they merely pay back the amount we caught them with in the cookie jar, and we send them on their way to make more profits off of our tax dollars. This is an outrage…a lot of us questioned privatizing this program, and this clearly shows us our fears were warranted. Corporate greed nearly ripped off taxpayers in Wisconsin, and Maximus will likely be allowed to continue their work. This is just wrong."
http://www.wispolitics.com/freeser/pr/pr0008/pr00080207.html

Governor Tommy Thompson said he would require repayment of the misused funds, but stopped short of pulling their contract. "I guess white collar crime may be okay if it's in the name of privatization. I think we may need to revisit corporate crime in the next session and put in it line with our other tough crime laws"
http://www.wispolitics.com/freeser/pr/pr0008/pr00080207.html

More from Mark Pocan on the botched contract: An outrage? You bet! But not everyone agrees. Ask Governor Tommy Thompson. Shouldn't a contractor with the state at least have to pay a multiplier of the amount that they ripped us off? Or at minimum pay for a complete audit? Why should the state merely slap the wrist of potential corporate "criminals"? Because this is

Tommy Thompson's state, and he likes privatization. That's why.
http://www.wispolitics.com/freeser/pr/pr0008/pr00080207.html

Louise Bilicki, the widowed mother of a 49-year-old who is mentally and physically disabled: regarding the fact that in New Jersey in the mid-1990s, families with mentally disabled relatives in state institutions were contacted by Maximus and given as few as 10 days to hand over complicated financial data, with the threat that loved ones would be kicked out: "They scared me, their demands were outrageous--if I didn't give the information to them immediately, they would cut off services to my son."
http://www.time.com/time/magazine/1998/dom/980323/business.when_wall_stree2.html

Geraldine Jensen, president of the Association for Children for Enforcement of Support, on how private contractors providing human services, which tends to involve small budgets and protracted problems, are not suited to a private system not directly accountable to voters: "They are just not as responsive as public employees …when I go into one of these companies, I'm not talking to a district attorney I can vote out of office."
http://www.time.com/time/magazine/1998/dom/980323/business.when_wall_stree2.html

State Sen. Brian Burke (D-Milwaukee) on the charge against Maximus of improper expenses being charged to the State of Wisconsin while under state contract: "We always hear how government should be run more like business, which is unsettling in this case…While government bureaucracy may not be perfect, public employees can't run to Sam's Club or Mama Mia's (restaurant) to charge purchases. If anyone in government tried to pull that stuff off, they'd end up in jail." http://www.legis.state.wi.us/senate/sen03/news/art2000-5.htm

Also from Senator Burke: "The oversights would be laughable if they weren't so troubling, in reality, these were not bookkeeping errors. They were deliberate. "The state should find another vendor. And anyone responsible for overseeing (Maximus) should find a new job."

City Comptroller Alan Hevesi wrote in a March 13 letter to Mayor Giuliani's office, regarding the NYC-Maximus contracting inquiry: "We object to the registration of the 17 contracts on the grounds that we have sufficient reason to believe that there was corruption in the letting of the contracts… [Maximus was] repeatedly granted access to, and information from, (New York City's) Human Resource Administration (HRA) that was not afforded to other vendors… This will lead to independent investigations outside this office…others will have to pursue what happened, and when and where and who benefited and who didn't benefit in this process." He also is quoted as calling the awarding of the contracts to be the result of “corruption, favoritism, and cronyism”

Catherine Brown-Swain, a volunteer with the Association for Children for enforcement of Support (ACES) in Colorado, on the “In the Three Years that ACES has been around, we’ve fielded 3,000

complaints from people dependent on Maximus' services…that comes out to about one complaint for every seven clients. Most of these complaints concern clients being treated with disrespect when they try to access services. Equally important, many clients just do not have their cases worked