Maximus - Corporate Profile

LAST UPDATED OCTOBER 2002

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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.

Head Office
11419 Sunset Hills Road
Reston, Virginia 20910
Ph: 703-251-8500  fax: 703-251-8240
Web site: [www.maximus.com](http://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 analyst and worked in the Department of Health, Education, and Welfare during the Nixon Administration.
2. Economic Profile

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<th>09-30-2001</th>
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<td>Revenue</td>
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<tr>
<td>Net Income</td>
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Financial Data for the quarter ending March 2002

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<tr>
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Maximus’ Stock Ticker Symbol - MMS


Forbes selected Maximus as one of the US’s ten best small companies in 1999.

Key Transactions and Government Contracts

- **August 2002** - The U.S. General Service Administration gave Maximus a contract a $1.4 million US task order to provide smart cards to the U.S. department of Treasury
- **May 2002** - Maximus bought the Australian company Leonie Green and Associates Group. This is a workfare services company, including employment services, vocational rehabilitation, and welfare services similar to Maximus’ work in the U.S.
- **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
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.


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 - 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. A Milwaukee Journal Sentinel article in May 2002 discussed how hundreds of Wisconsin Works clients have unfairly had their monthly grants docked in the W2 'penalty' system. The penalties are for ‘program rule infractions’ and documents suggest that state officials pressured the company YWorks to increase their penalties up to 15% per month. ["Benefits to W2 Workers docked unfairly", Steve Shultze, Milwaukee Journal Sentinel, May 3rd, 2002]

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).


In August 2002, it was announced that the W2 program was in serious deficit, because the economic downturn and rising unemployment has added many new people to the system applying for benefits. This is causing the private W2 contractors to cut staff and reduce spending through less "job training, counseling and job placement help" ["W-2 Agencies Struggle in economic downturn", Tom Held, Milwaukee Journal Sentinel, August 25th, 2002]

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.


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)

• 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.


www.jsonline.com/news/metro/jul00/maximus29072800a.asp;

“Corporate Welfare for Welfare Corporations”, Karyn Rotker, Dollars and Sense, 01-01-2001;

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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?)


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 cited 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)

In October 2002, the Bloomberg administration in New York was announced that it was not going to renew the contract with Maximus - planning to let the contracts lapse, and it was said by a City of New York Human Resource Administration spokesperson that the contracts were being dropped out of a 'growing consensus that the contracts were not working out'. ["Disputed pacts for welfare will just die", Michael Cooper, New York Times, October 4th, 2002; "Report: Bloomberg to end controversial welfare contract", New York Times, October 5th, 2002]

Other problem areas:

Arizona – An Arizona legislator 9SenatorRuth Solomon) 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.” A sitting committee of the Senate voted to end the contract but, the Arizona House of Representatives voted in May 2002 to extend the project through 2003. ["Half of Senate prepared to end welfare privatization effort", Associated Press, March 22, 2001; “Legislature extends welfare privatization”, Associated Press, May 23rd, 2002]

Colorado – 3000 complaints from people dependent on Maximus’ services, difficulty getting straight answers, rude or inexperienced employees, lost files, delays, paperwork mistakes. They collected only 40% of what was owed, and only 5 of the state’s 63 counties had a worse rate. Fonda Pease, a mother of three, said her checks often arrive late or not at all: “It’s the biggest mess I have ever seen in my life. They blame it on his employer or say the check must have
been stolen in the mail. Every month I hold my breath, hoping they won't lose it again." Said Darlene Wallace, a mother who said Maximus once lost her entire file: "I have not gone insane yet, but I am on the verge" The county switched from Maximus to a new contractor in December 2000. 


**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. The state delayed payments to Maximus in 1997 "until its performance improves", which includes the very late payments to child care givers and phone calls from parents and and care givers. Part of the problem was blamed on the over-influx of work put on Maximus, but that is what they were hired to do and they should have had more staff to do it. Eventually, they hired 18 additional staff to take care of the workload. At one point, state social service employees offered to help with technical assistance on things that Maximus was unable to run smoothly. The backlog of unreturned calls was eventually eliminated. The state kept the contract, but in early 1998, Maximus threatened to quit the contract itself if they were not paid more, and in what was called a "stunning reversal", the state gave Maximus a 50% raise in fees per client. 


**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)

2002 Elections - Maximus gave $93,550 in 'soft money' to various committees of the Republican party. All soft money Maximus gave was to the Republicans. (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 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.”

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”

http://milwaukee.bizjournals.com/milwaukee/stories/2000/03/20/story2.html;

[Profile prepared by Darren Pucas, Polaris Institute researcher. He can be contacted at]