

DAVID Y. IGE
GOVERNOR



KALBERT K. YOUNG
DIRECTOR

LUIS P. SALAVERIA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER
PUBLIC UTILITIES COMMISSION

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

December 2, 2014

FINANCE MEMORANDUM

MEMO NO. 14-19

TO: All Department Heads

FROM: Kalbert K. Young
Director of Finance

SUBJECT: Negotiation Agreement Approving Central Services Costs and Fringe Benefit Rates for FY 14

Attached is a copy of the negotiation agreement between the State of Hawaii and the U.S. Department of Health and Human Services on behalf of the federal government approving central services costs and fringe benefit rates for the fiscal year ending June 30, 2014.

Although FY 14 is already completed, the negotiation agreement is being transmitted to you for your information and records.

Please note that the central services costs listed in Exhibit A of the agreement are costs that may be allocated only to federal grants, contracts, and other agreements performed by your departments and attached agencies. They should not be construed to reflect the full costs of central services provided to you.

As previously reported in Finance Memorandum No. 14-13, dated September 15, 2014, the approved fringe benefit rate for FY 14 and revised interim fringe benefit rate for FY 15 consisted of the following items:

<u>Item</u>	<u>Rate</u>
Pension Accumulation	16.50%
Pension Administration	0.00%
Retiree Health Insurance	10.12%
Employees' Health Fund	6.81%
Workers' Compensation	1.16%
Unemployment Compensation	0.25%
Social Security	6.20%
Medicare	<u>1.45%</u>
Composite Rate	42.49%

Should you have any questions or require further information, please contact me, or your staff may contact Mr. Neal Miyahira, Administrator of this department's Budget, Program Planning and Management Division, at 586-1530.

Attachment

DAVID Y. IGE
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DEPARTMENT OF BUDGET AND FINANCE

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MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

December 2, 2014

Mr. Arif Karim, Director
U.S. Department of Health and Human Services
Cost Allocation Services
DCA Western Field Office
90 7th Street, Suite 4-600
San Francisco, California 94103

Dear Mr. Karim:

Attached please find the signed negotiation agreement for the central service cost allocation plan for the fiscal year ending June 30, 2014.

We are working with our consultants from Maximus Consulting Services, Inc., and plan to submit our FY 15 cost allocation plan proposal shortly. Should you have any questions or concerns, please contact me at (808) 586-1518 or your staff may contact Mr. Neal Miyahira, Administrator of this department's Budget, Program Planning and Management Division, at (808) 586-1530.

Aloha,

/s/ Kalbert K. Young

KALBERT K. YOUNG
Director of Finance

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

Program Support Center
Financial Management Portfolio
Cost Allocation Services

90 7th Street, Suite 4-600
San Francisco, CA 94103-6705
PHONE: (415) 437-7820
FAX: (415) 437-7823
EMAIL: CAS-SF@psc.hhs.gov

October 29, 2014

Kalbert K. Young, Director of Finance
Hawaii Department of Budget and Finance
P.O. Box 150
Honolulu, HI 96810-0150

Dear Mr. Young:

The negotiation agreement approving the central services cost allocation plan for the fiscal year ending (FYE) June 30, 2014, is enclosed. This agreement reflects an understanding reached between your organization and a member of my staff concerning the central service costs that may be included as indirect costs in your departments and agencies that have Federal grants and/or contracts. Please have the agreement signed by a duly authorized representative of your organization and return it to me by EMAIL OR FAX. We will reproduce and distribute the Agreement to the appropriate awarding organizations of the Federal government for their use.

During our review of the central services cost allocation plan, it was disclosed that the Information and Communication Services Division Mainframe – Print had a \$1,070,447 excess fund balance as of FYE June 30, 2012. Since the State indicated that steps have been taken to eliminate the excess balance, we did not a request a refund at this time. However, the State agreed that if the excess balance is not eliminated by FYE June 30, 2016, a refund will be made to the Federal government for its share of the excess at that time.

Please indicate your concurrence with the above agreement by counter-signing this letter and returning it to me.

A cost allocation plan proposal together with supporting information, are required to substantiate your claim for indirect costs under grants and contracts awarded by the Federal government. Thus, your next proposal based on actual costs for FYE June 30, 2013, is now due.

Sincerely,

Darryl W.
Mayes -S

Digitally signed by Darryl W. Mayes-S
DN: c=US, o=U.S. Government,
ou=HHS, ou=PSC, ou=People,
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69, cn=Darryl W. Mayes-S
Date: 2014.10.31 12:32:48 -0400

for Arif Karim, Director
Cost Allocation Services

Enclosures

In concurrence:

/s/ Kalbert K. Young

Signed

Director of Finance

Title

DEC 0 4 2014

Date

PLEASE SIGN AND RETURN THE NEGOTIATION AGREEMENT BY EMAIL OR FAX

COST ALLOCATION AGREEMENT
STATE AND LOCAL GOVERNMENTS

State of Hawaii
Department of Budget & Finance
P.O. Box 150
Honolulu, HI 96810

DATE: October 29, 2014
FILING REF.: The preced-
ing agreement was dated:
12/20/13 G10268

SECTION I: ALLOCATED COSTS

The central service costs listed in Exhibit A, attached, are approved on a fixed basis and may be included as part of the costs of the State/local departments and agencies indicated during your fiscal year ended June 30, 2014 for further allocation to Federal grants, contracts and other agreements performed at those departments and agencies.

SECTION II: BILLED COSTS

In addition to Section I, which provides for services furnished but not billed, the services listed below are furnished and billed to State/local departments and agencies.

- A. Department of Accounting and General Services
 - Information and Communication Services Division*
 - State Motor Pool
 - Risk Management
 - Building Leases

- B. Office of the Attorney General

- C. Fringe Benefits*

*See special remarks

STATE/LOCALITY: State of Hawaii

AGREEMENT DATE: October 29, 2014

SECTION III: SPECIAL REMARKS

Cost Allocation Plan

Charges for Fringe Benefits cited in Section II are billed only to special (restricted) fund activities including Federal projects. Department/agency indirect cost rate proposals will include any adjustments necessary to segregate these costs in Section I between the following categories: (1) those which are identifiable to direct programs funded from State general funds, and (2) those which are identifiable with administrative functions of the department/agency. Costs identified with category (1) will be included in the direct cost base, and costs identified with category (2) will be considered to be indirect costs.

Data Processing charges will be billed in accordance with rates established by the State and included in the records of the Information and Communications Services Division (ICSD). The variances between billed costs and actual costs must be carried forward in the computation of future billing rates; but no later than the second succeeding year. It is the responsibility of ICSD to notify departments of billing amounts for each department.

Fringe Benefits

Charges for fringe benefits cited in Section II include pension accumulation, pension administration, social security taxes, medicare, health, dental, and life insurance, unemployment compensation, and workers compensation.

For charging purposes, the following benefits rates may be used:

	Fixed for the Period
	<u>7/1/13 - 6/30/14</u>
Pension Accumulation	16.00%
Pension Administration	0.00%

All other benefits will be charged based on the actual rates in effect at the time the charges are made.

STATE/LOCALITY: State of Hawaii

AGREEMENT DATE: October 29, 2014

SECTION IV: CONDITIONS

The amounts approved in Section I and the billings for the services listed in Section II are subject to the following conditions:

A. LIMITATIONS: (1) Charges resulting from this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract or other agreement only to the extent that funds are available. (2) Such charges represent costs incurred by the State/locality which are legal obligations of the State/locality and are allowable under OMB Circular A-87. (3) The same costs that are treated as indirect costs are not claimed as direct costs. (4) Similar types of costs are accorded consistent accounting treatment. (5) The information provided by the State/locality which was used to establish this Agreement is not later found to be materially incomplete or inaccurate.

B. ACCOUNTING CHANGES: This Agreement is based on the accounting system purported by the State/locality to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from use of this Agreement require prior approval of the authorized representative of the Cognizant Agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from allocated cost to a billed cost. Failure to obtain approval may result in cost disallowances.

C. FIXED AMOUNTS: If fixed amounts are approved in Section I of this Agreement, they are based on an estimate of the costs for the period covered by the Agreement. When the actual costs for this period are determined, adjustments will be made to the amounts of a future year to compensate for the difference between the costs used to establish the fixed amounts and actual costs.

D. BILLED COSTS: Charges for the services listed in Section II will be billed in accordance with rates established by the State/locality. These rates will be based on the estimated costs of providing the services. Adjustments for variances between billed costs and the actual allowable costs of providing the services, as defined by OMB Circular A-87, will be made in accordance with procedures agreed to between the State/locality and the Cognizant Agency.

E. USE BY OTHER FEDERAL AGENCIES: This Agreement was executed in accordance with the authority in OMB Circular A-87, and should be applied to grants, contracts and other agreements covered by that Circular, subject to any limitations in Paragraph A above. The State/locality may provide copies of the Agreement to other Federal Agencies to give them early notification of the Agreement.

BY THE STATE/LOCALITY

State of Hawaii
(STATE/LOCALITY)

/s/ Kalbert K. Young
(SIGNATURE)

Kalbert K. Young
(NAME)

Director of Finance
(TITLE)

DEC 04 2014
(DATE)

BY THE COGNIZANT AGENCY

ON BEHALF OF THE FEDERAL GOVERNMENT
DEPARTMENT OF HEALTH AND HUMAN SERVICES
(AGENCY)

Darryl W. Mayes - S
(SIGNATURE)
Digitally signed by Darryl W. Mayes - S
DN: c=US, o=U.S. Government, ou=HHS, ou=PSC, ou=People,
0.9.2342.19200300.100.1.1=2000131669, cn=Darryl W. Mayes - S
Date: 2014.10.31 12:31:19 -0400

for Arif Karim
(NAME)

Director, Cost Allocation Services
(TITLE)

October 29, 2014
(DATE)

HHS Representative Naomi Tamashiro
Telephone (415) 437-7820

State of Hawaii
 Summary of Fixed Costs for
 State Fiscal Year Ending June 30, 2014

Grantee Departments	Building Use Charge	Legislative Auditor	DAGS Admin	Risk Management	Central Services	Lease Mgt	Records	Purchasing
Retirement Fund	1,151	-	-	-	726	-	-	-
AG-not central services	220,603	7,287	-	(151)	608,287	46,441	42,458	(10,268)
Governor-Not CS	-	30,430	-	-	-	-	-	60,582
Lieutenant Governor	108,275	125	-	(4)	149,920	-	60	61,032
Business & Economic Development	20,179	134,364	-	(64)	(93,685)	868	1,018	16,118
Taxation	288,417	1,943	-	(87)	974,834	-	(6,393)	25,033
Agriculture	5,419	33,967	-	(59)	172,275	-	250	25,473
Land & Natural Resources	192,410	28,413	-	(178)	1,105,560	7,109	3,516	(169,784)
Transportation	(4,990)	118,672	-	(520)	(255,317)	3,639	925	(324,573)
Education	167,792	182,920	-	(1,507)	1,134,699	32,751	39,159	(76,614)
University of Hawaii	16,129	205,908	-	(364)	43,456	-	5,181	70,550
Defense	4,458	26,035	-	(70)	13,492	4,507	243	(49,813)
Health	732,061	181,266	-	(652)	2,851,782	68,804	31,414	(217,120)
Hawaiian Home Lands	1,249	2,145	-	(36)	2,048	-	3,025	52,758
Judiciary	212,701	-	-	-	36,922	-	-	(151,016)
Human Services	545,247	278,571	-	(445)	1,119,227	137,954	8,166	(99,931)
Labor	721,142	194,988	-	(138)	1,537,401	32,751	49,581	7,341
DAGS not CS	84,186	105,584	1,837,809	-	546,871	18,195	-	-
DAGS Risk Mgmt	2,766	-	25,605	-	29,163	-	-	-
DAGS Motor Pool	-	-	61,979	-	2,366	-	-	-
DAGS Lease-Hemmeter	434,632	-	-	-	1,450,468	-	-	-
DAGS Lease-Kapolei	-	-	-	-	1,847,759	-	-	-
ICSD not CS	202,268	-	755,285	-	861,095	-	-	-
DAGS Surplus Property	10,439	-	14,697	-	95,142	-	-	-
B & F not CS	43,677	(128,172)	-	-	61,291	25,475	-	-
Comm & Consumer Affairs	864,534	20,456	-	(87)	935,466	14,556	5,380	31,437
Public Safety	69,346	88,743	-	(536)	572,328	32,751	11,121	(45,706)
Legislature	1,670,672	-	-	-	2,190,261	-	445	(16,218)
Hawaiian Affairs	-	-	-	-	-	-	250	36,677
Honolulu County	-	-	-	-	-	-	-	68,679
Maui County	-	-	-	-	-	-	-	68,679
Hawaii County	-	-	-	-	-	-	-	70,011
Kauai County	-	-	-	-	-	-	-	65,780
Health Systems Corporation	-	-	-	(1,000)	-	-	-	1,471
All Others	9,004	-	-	-	(11,368)	-	-	(1,076)
SUMMARY TOTAL	6,623,767	1,513,645	2,695,375	(5,898)	17,982,469	425,801	195,799	(500,498)

State of Hawaii
 Summary of Fixed Costs for
 State Fiscal Year Ending June 30, 2014

Grantee Departments	Surplus Property	Accounting	Pre-Audit	Internal Audit	ICSD Charges	Budget and Finance	B&F Financial Administration	Employers Union Trust Fund
Retirement Fund	-	-	-	-	37	822,360	-	(57,833)
AG-not central services	(2,388)	38,573	13,082	(11,946)	-	88,920	649	(3,858)
Governor-Not CS	-	-	-	-	-	6,796	-	-
Lieutenant Governor	-	1,673	459	-	-	23,248	24	(88)
Business & Economic Development	(2,388)	39,532	6,989	56	-	(56,072)	474	(2,286)
Taxation	-	29,115	264,209	(48,330)	-	6,328	53,765	(2,643)
Agriculture	(3,583)	53,218	6,622	(34,633)	-	112,844	532	(2,444)
Land & Natural Resources	-	183,882	20,610	(13,379)	-	19,664	1,623	(5,350)
Transportation	(21,495)	243,682	55,542	1,118	-	360,014	2,727	(18,160)
Education	(111,057)	255,263	634,487	120,886	-	177,527	382	(147,902)
University of Hawaii	(68,067)	16,347	286,415	-	-	77,235	206	(55,915)
Defense	(1,195)	55,750	14,778	(99,825)	-	(86,569)	1,003	(1,775)
Health	(10,748)	208,935	141,397	-	-	314,117	3,271	(21,296)
Hawaiian Home Lands	-	43,754	4,237	-	-	19,725	512	(1,023)
Judiciary	-	130,840	76,622	47,413	-	6,796	6,645	(13,934)
Human Services	(3,583)	288,108	92,841	(1,319)	-	256,856	15,891	(14,456)
Labor	-	61,309	317,839	-	-	59,382	91,765	(5,122)
DAGS not CS	-	-	-	-	264,143	-	-	-
DAGS Risk Mgmt	-	-	-	-	-	-	-	-
DAGS Motor Pool	-	-	-	-	-	-	-	-
DAGS Lease-Hemmeter	-	-	-	-	-	-	-	-
DAGS Lease-Kapolei	-	-	-	-	-	-	-	-
ICSD not CS	-	-	-	-	-	-	-	-
DAGS Surplus Property	-	-	-	-	-	-	-	-
B & F not CS	-	-	-	-	4,121	1,122,384	-	-
Comm & Consumer Affairs	-	55,906	10,783	(51,504)	-	74,474	543	(2,588)
Public Safety	(5,971)	67,582	37,389	-	-	40,654	-	(14,109)
Legislature	(1,195)	3,908	8,017	59,948	-	6,796	60	(2,302)
Hawaiian Affairs	(41,796)	4,954	3,454	-	-	6,796	-	598
Honolulu County	(3,583)	(120)	(30)	-	-	6,796	(1)	(84,131)
Maui County	(3,583)	(38)	3,690	-	-	6,796	1,641	(17,802)
Hawaii County	(3,583)	(6)	(18)	-	-	6,796	-	(20,726)
Kauai County	-	(5)	(3)	-	-	6,796	-	(11,000)
Health Systems Corporation	-	-	-	-	-	-	-	16,186
All Others	(217,331)	7,299	1,607	-	-	202,229	360	(52,199)
SUMMARY TOTAL	(501,546)	1,789,461	2,001,018	(31,515)	268,301	3,689,688	182,072	(542,158)

State of Hawaii
 Summary of Fixed Costs for
 State Fiscal Year Ending June 30, 2014

Grantee Departments	Human Resources	Governor	Disability Compensation	Public Safety Protective Svcs	TOTAL FIXED COSTS
Retirement Fund	-	128,098	-	-	894,539
AG-not central services	401,518	(283)	3,818	10,210	1,452,952
Governor-Not CS	-	972,585	-	-	1,070,393
Lieutenant Governor	11,339	(2)	(201)	490,334	846,194
Business & Economic Development	178,723	(363)	5,309	110,663	359,435
Taxation	201,089	(385)	964	-	1,787,859
Agriculture	171,723	(452)	2,654	(5,970)	537,836
Land & Natural Resources	460,337	(674)	21,622	223,807	2,079,188
Transportation	1,581,987	(2,550)	49,882	5,361	1,795,944
Education	(619,675)	(11,549)	212,652	-	1,990,214
University of Hawaii	594,292	(3,659)	76,454	-	1,264,168
Defense	247,600	(20)	3,458	(20,500)	111,557
Health	1,773,930	(2,977)	23,438	(341,913)	5,735,709
Hawaiian Home Lands	80,747	(137)	844	-	209,848
Judiciary	33,074	(1,584)	3,220	-	387,699
Human Services	1,252,263	(1,930)	15,479	-	3,888,939
Labor	389,117	(851)	3,456	-	3,459,961
DAGS not CS	-	-	-	133,227	2,990,015
DAGS Risk Mgmt	-	-	-	-	57,534
DAGS Motor Pool	-	-	-	-	64,345
DAGS Lease-Hemmeter	-	-	-	-	1,885,100
DAGS Lease-Kapolei	-	-	-	-	1,847,759
ICSD not CS	-	-	-	204,621	2,023,269
DAGS Surplus Property	-	-	-	-	120,278
B & F not CS	-	-	-	-	1,128,776
Comm & Consumer Affairs	260,623	(258)	1,005	-	2,220,726
Public Safety	1,560,322	(939)	51,125	40,989	2,505,089
Legislature	8,468	90	1,125	-	3,930,075
Hawaiian Affairs	2,834	566	3,976	-	18,309
Honolulu County	-	(157)	315,056	-	302,509
Maui County	-	891	59,785	-	120,059
Hawaii County	-	(193)	54,510	-	106,791
Kauai County	-	(433)	22,679	-	83,814
Health Systems Corporation	(1,947,523)	15,348	33,187	-	(1,882,331)
All Others	292,388	(16,245)	3,866,267	112,200	4,193,135
SUMMARY TOTAL	6,935,176	1,071,937	4,831,764	963,029	49,587,687