

NEIL ABERCROMBIE
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

January 16, 2014

FINANCE MEMORANDUM

MEMO NO. 14-02

TO: All Department Heads

FROM: Kalbert K. Young
Director of Finance

SUBJECT: Negotiation Agreement Approving Central Services Costs and Fringe Benefit Rates for FY 13

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, 2013.

Although FY 13 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. 13-06, dated July 3, 2013, the interim fringe benefit rate for FY 14 consisted of the following items:

<u>Item</u>	<u>Rate</u>
Pension Accumulation	16.00%
Pension Administration	.01%
Retiree Health Insurance	10.35%
Employees' Health Fund	6.84%
Workers' Compensation	.88%
Unemployment Compensation	.31%
Social Security	6.20%
Medicare	<u>1.45%</u>
Composite Rate	42.04%

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

COST ALLOCATION AGREEMENT
STATE AND LOCAL GOVERNMENTS

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

DATE: December 20, 2013
FILING REF.: The preced-
ing agreement was dated:
05/16/12 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, 2013 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: December 20, 2013

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>7/1/12 - 6/30/13</u>
Pension Accumulation	15.50%
Pension Administration	0.01%

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: December 20, 2013

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)

(SIGNATURE)
Kalbert K. Young
(NAME)
Director of Finance
(TITLE)
January 16, 2014
(DATE)

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

(SIGNATURE)
Arif Karim
(NAME)
Director, Division of Cost Allocation
(TITLE)
December 20, 2013
(DATE)
HHS Representative Naomi Tamashiro
Telephone (415) 437-7820

State of Hawaii
 Summary of Fixed Cost for Year 2013

Grantee Departments	Building Use Charge	Legislative Auditor	DAGS Admin	Risk Management	Central Services	Lease Mgt
Retirement Fund	1,315	0	0	0	376	0
Attorney General - Non Central Service Only	13,512	7,058	0	(7,528)	641,764	39,432
Governor - Non Central Service Only	0	28,363	0	0	0	0
Lieutenant Governor	90,860	76	0	(210)	152,026	0
Business, Economic Development & Tourism	54,275	126,025	0	(3,237)	521,319	(97)
Taxation	183,821	2,008	0	(4,582)	735,896	0
Agriculture	(14,040)	32,207	0	(3,853)	156	0
Land & Natural Resources	150,294	23,631	0	(8,805)	897,395	8,783
Transportation	13,207	66,487	0	(25,179)	215,264	3,026
Education, includes State Library	147,439	168,152	0	(70,291)	627,430	27,231
University of Hawaii, includes RCUH	16,291	0	0	(17,705)	10,808	0
Defense	3,800	39,132	0	(3,580)	10,094	2,927
Health, excludes Hospitals	648,779	147,200	0	(34,443)	1,697,792	50,655
Hawaiian Home Lands	1,427	16,992	0	(1,700)	1,503	0
Judiciary	235,000	0	0	0	43,699	0
Human Services	427,458	194,688	0	(26,623)	1,118,726	114,295
Labor	469,136	188,017	0	(9,416)	1,047,698	27,231
Accounting & General Services - Non Central Service Only	86,120	97,939	1,403,842	0	560,498	15,128
Information Comm Services Div - Non Central Service Only	141,989	0	688,920	0	478,541	0
Budget & Finance - Non Central Service Only	31,569	171,962	0	0	38,165	21,180
Commerce & Consumer Affairs	531,033	18,906	0	(4,098)	693,451	12,102
Public Safety - Non Central Service Only	62,196	78,690	0	(26,302)	313,626	27,231
Legislature	1,478,693	0	0	0	1,668,323	0
Hawaii Affairs	0	0	0	0	0	0
Honolulu County	0	0	0	0	0	0
MauI County	0	0	0	0	0	0
Hawaii County	0	0	0	0	0	0
Kauai County	0	0	0	0	0	0
Health Systems Corporation	0	0	0	(45,440)	0	0
All Others	251,654	0	0	0	553,617	0
SUMMARY TOTAL	5,025,828	1,407,533	2,072,762	(292,992)	12,028,167	349,124

State of Hawaii
 Summary of Fixed Cost for Year 2013

Grantee Departments	Records	Purchasing	Surplus Property	Accounting	Pre-Audit	Internal Audit
Retirement Fund	0	0	0	0	0	0
Attorney General - Non Central Service Only	15,229	24,500	3,468	41,832	10,991	0
Governor - Non Central Service Only	0	63,964	0	0	0	0
Lieutenant Governor	10	62,071	0	498	133	0
Business, Economic Development & Tourism	38	28,944	0	38,661	5,067	554
Taxation	(12,945)	56,818	0	25,920	275,462	(50,352)
Agriculture	38	34,711	(4,500)	26,027	1,631	-0
Land & Natural Resources	1,424	(73,074)	45,368	125,405	17,675	56
Transportation	335	(209,037)	3,090	173,566	41,735	444
Education, includes State Library	14,991	(217,299)	55,765	191,227	375,150	156,368
University of Hawaii, includes RCUH	2,008	63,069	8,993	10,928	152,572	278
Defense	39	(2,352)	(3,283)	40,424	4,676	3,552
Health, excludes Hospitals	13,407	(29,645)	(6,470)	159,081	92,113	0
Hawaiian Home Lands	1,331	45,230	(1,125)	28,059	5,051	0
Judiciary	0	29,603	0	103,755	63,445	(40,163)
Human Services	7,243	(148,257)	5,906	193,149	82,931	(1,086)
Labor	19,695	68,303	0	54,884	433,361	0
Accounting & General Services - Non Central Service Only	0	(447)	0	0	0	0
Information Comm Services Div - Non Central Service Only	0	0	0	0	0	0
Budget & Finance - Non Central Service Only	0	0	0	0	0	0
Commerce & Consumer Affairs	3,252	(26,029)	0	48,348	8,740	(91,908)
Public Safety - Non Central Service Only	4,041	(20,669)	466	69,201	23,490	0
Legislature	(491)	3,341	(6,751)	4,244	4,926	132,015
Hawaii Affairs	38	(18,553)	121,400	4,209	1,698	0
Honolulu County	0	65,253	5,999	26	2	0
Maui County	0	65,253	5,999	(87)	14,016	0
Hawaii County	0	64,523	2,531	(4)	(6)	0
Kauai County	0	63,964	0	55	5	0
Health Systems Corporation	0	(492)	0	0	0	0
All Others	0	(538,986)	200,128	5,869	3,110	0
SUMMARY TOTAL	69,683	(545,293)	436,984	1,345,277	1,617,974	109,758

State of Hawaii
 Summary of Fixed Cost for Year 2013

Grantee Departments	ICSD Charges	Budget and Finance	B&F Financial Administration	Employers Union Trust Fund	Human Resources	Governor
Retirement Fund	(10,045)	123,209	0	(55,908)	0	0
Attorney General - Non Central Service Only	0	60,868	(31)	2,241	105,403	(1,156)
Governor - Non Central Service Only	0	0	0	0	0	901,695
Lieutenant Governor	0	16,510	(2)	65	2,423	(22)
Business, Economic Development & Tourism	0	(29,186)	9	1,856	34,520	(209)
Taxation	0	63,524	25,720	1,582	46,456	(619)
Agriculture	0	96,970	(94)	1,240	(1,845)	(640)
Land & Natural Resources	0	107,885	70	3,205	129,634	(1,333)
Transportation	0	225,395	44	15,434	469,532	(1,458)
Education, includes State Library	0	79,538	20	269,727	1,167,619	71,542
University of Hawaii, includes RCUH	0	10,705	33	36,924	466	(14,330)
Defense	0	46,619	(120)	1,551	72,592	(293)
Health, excludes Hospitals	0	52,767	(162)	13,848	400,327	(4,390)
Hawaiian Home Lands	0	(25,374)	5	600	19,890	(259)
Judiciary	0	0	172	11,590	0	(1,559)
Human Services	0	(46,616)	1,259	6,481	125,639	(4,882)
Labor	0	37,217	34,128	4,844	118	(2)
Accounting & General Services - Non Central Service Only	346,240	0	0	0	0	0
Information Comm Services Div - Non Central Service Only	0	0	0	0	0	0
Budget & Finance - Non Central Service Only	(23,261)	983,456	0	0	0	0
Commerce & Consumer Affairs	0	14,818	85	2,005	79,677	(411)
Public Safety - Non Central Service Only	0	29,345	0	7,798	443,072	(4,559)
Legislature	0	0	(8)	89	0	(87)
Hawaii Affairs	0	0	0	0	0	0
Honolulu County	0	0	(1)	43,732	0	(33,058)
Maui County	0	0	(10)	10,356	0	(7,006)
Hawaii County	0	0	(1)	10,701	0	(8,070)
Kauai County	0	0	(1)	6,216	0	(3,695)
Health Systems Corporation	0	0	0	0	1,106,685	0
All Others	(1,100)	1,348	32	27,979	132,708	(9,288)
SUMMARY TOTAL	311,834	1,848,998	61,147	424,156	4,334,916	875,911

**State of Hawaii
Summary of Fixed Cost for Year 2013**

Grantee Departments	Disability Compensation	Pub Safety Protective Svcs	TOTAL FIXED
Retirement Fund	0	0	58,947
Attorney General - Non Central Service Only	1,574	0	959,157
Governor - Non Central Service Only	0	0	994,022
Lieutenant Governor	(232)	162,189	486,395
Business, Economic Development & Tourism	3,565	67,798	849,902
Taxation	(76)	0	1,348,633
Agriculture	(989)	(7,250)	159,769
Land & Natural Resources	20,577	137,112	1,585,302
Transportation	44,795	3,285	1,039,965
Education, includes State Library	288,553	0	3,353,162
University of Hawaii, includes RCUH	60,029	0	341,069
Defense	4,646	(135,032)	85,392
Health, excludes Hospitals	19,263	(548,032)	2,672,090
Hawaiian Home Lands	1,143	0	92,773
Judiciary	30	0	445,572
Human Services	16,948	0	2,067,259
Labor	3,226	0	2,378,440
Accounting & General Services - Non Central Service Only	0	81,622	2,590,942
Information Comm Services Div - Non Central Service Only	0	92,933	1,382,383
Budget & Finance - Non Central Service Only	0	0	1,223,071
Commerce & Consumer Affairs	1,420	0	1,291,391
Public Safety - Non Central Service Only	56,066	28,705	1,092,397
Legislature	216	0	3,284,510
Hawaii Affairs	0	0	108,792
Honolulu County	329,994	0	411,947
Maui County	58,934	0	147,455
Hawaii County	50,924	0	120,598
Kauai County	25,562	0	92,106
Health Systems Corporation	52,884	0	1,113,637
All Others	1,477,488	107,424	2,211,983
SUMMARY TOTAL	2,516,540	(9,246)	33,989,061