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GOVERNOR



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BUDGET & FINANCE
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WESLEY K. MACHIDA
DIRECTOR

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DEPUTY DIRECTOR

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

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

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

March 14, 2016

FINANCE MEMORANDUM

MEMO NO. 16-05

TO: All Department Heads

FROM: Wesley K. Machida,
Director of Finance

SUBJECT: Negotiation Agreement Approving Central Services Costs and Fringe Benefit Rates for FY 16

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, 2016.

Although we are already in the 3rd quarter of FY 16, 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. 16-03, dated February 29, 2016, the fringe benefit rate for FY 16 consisted of the following items:

	<u>FY 16</u>
Pension Accumulation	17.00%
Pension Administration	0.00%
Retiree Health Insurance	8.07%
Employees' Health Fund	7.62%
Workers' Compensation	1.27%
Unemployment Compensation	0.15%
Social Security	6.20%
Medicare	1.45%
Other Post-Employment Benefits	<u>7.78%</u>
Composite Rate	49.54%

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: March 1, 2016
FILING REF.: The preceding agreement was dated:
2/26/16 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, 2016 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: March 1, 2016

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, other post-retirement benefits, 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>7/1/15 - 6/30/16</u>
Pension Accumulation	17.00%
Pension Administration	0.00%
Other Post-Retirement Benefits	7.78%
Retiree Health Insurance	8.07%
Workers' Compensation	1.27%
Unemployment Compensation	0.15%

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: March 1, 2016

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 Title 2 of the Code of Federal Regulations, Part 200 (2 CFR 200). (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.

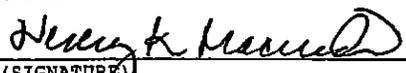
B. ACCOUNTING CHANGES: This Agreement is based on the accounting system purported by the State/locality to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from use of this Agreement require prior approval of the 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 2 CFR 200, 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 2 CFR 200, and should be applied to grants, contracts and other agreements covered by 2 CFR 200, 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)
Wesley K. Machida
(NAME)
Director of Finance
(TITLE)
MAR 14 2016
(DATE)

BY THE COGNIZANT AGENCY
ON BEHALF OF THE FEDERAL GOVERNMENT
DEPARTMENT OF HEALTH AND HUMAN SERVICES
(AGENCY)
Arif M. Karim -S
Digitally signed by Arif M. Karim -S
DN: cn=US, ou=U.S. Government, o=HHS, ou=PSC, ou=People,
c=Arif M. Karim -S, 0.9.2342.19200300.100.1.1=2000212895
Date: 2016.03.06 09:03:11 -0500
(SIGNATURE)
Arif Karim
(NAME)
Director, Cost Allocation Services
(TITLE)
March 1, 2016
(DATE)
HHS Representative Naomi Tamashiro
Telephone (415) 437-7820

EXHIBIT A

Bidding Use Charge	Legislative Auditor	DAGS Admin	Central Services	Lease Mgt	Records	Procurement Office	Accounting	Pre-Audit
1,048	-	-	10,142	-	-	-	-	-
215,221	2,837	-	1,354,478	52,555	61,324	42,278	78,430	32,239
-	1,203	-	-	-	-	39,349	-	-
145,199	139	-	211,656	-	129	39,350	4,610	909
142,390	(72,298)	-	264,753	3,795	3,465	29,144	41,084	14,820
260,503	1,391	-	1,328,801	-	7,194	32,120	20,235	443,863
12,562	3,048	-	441,943	-	543	27,785	78,981	20,079
206,585	258,992	-	1,726,670	25,982	1,797	(66,525)	367,991	54,496
3,619	36,328	-	370,758	3,795	2,554	(135,724)	335,900	122,236
219,896	87,704	-	1,498,695	34,165	13,078	256,969	438,871	892,647
13,481	46,404	-	151,340	-	12,034	59,641	(24,707)	381,214
4,059	300,233	-	12,725	7,591	530	15,297	(1,194)	14,164
693,869	67,978	-	2,889,935	101,906	74,411	(91,296)	420,563	262,145
1,137	877	-	13,122	7,000	6,975	32,118	57,966	12,354
184,433	-	-	154,923	-	-	56,988	264,656	157,717
561,448	130,738	-	2,318,392	167,039	67,288	30,802	529,925	269,474
642,947	138,947	-	1,322,899	27,165	79,745	33,795	75,537	261,220
133,539	(18,105)	2,367,339	761,834	18,980	-	-	-	-
3,650	-	24,893	37,017	-	-	-	-	-
-	-	39,165	4,216	-	-	-	-	-
540,060	-	-	1,266,412	-	-	-	-	-
-	-	-	1,780,203	-	-	-	-	-
189,547	-	894,124	1,080,678	-	-	-	-	-
10,261	-	13,739	115,792	-	-	-	-	-
16,848	-	-	41,047	-	-	-	-	-
40,250	327,613	-	192,182	26,573	-	-	-	-
786,547	17,529	-	173,042	15,185	11,038	35,121	98,298	19,686
54,721	(19,652)	-	94,010	41,167	27,139	23,964	199,034	60,131
2,146,209	-	-	2,920,577	-	1,012	40,767	3,861	10,784
-	-	-	-	-	543	37,709	(4,581)	5,025
-	-	-	-	-	-	44,764	12	4
-	-	-	-	-	-	44,764	(4)	51,317
-	-	-	-	-	-	44,764	(62)	280
-	-	-	-	-	-	44,650	49	4
-	-	-	-	-	-	(2,700)	-	-
114,043	-	-	478,708	-	-	-	13,694	7,090
7,344,072	1,311,906	3,339,260	23,016,950	532,898	370,799	715,894	2,999,149	3,093,898

EXHIBIT A

Internal Audit	ICSD Charges	Budget and Finance	B&F Financial Administration	Employers Union Trust Fund	Human Resources	Governor	Disability Compensation	Public Safety Protective Svcs	TOTAL FIXED COSTS
-	(49)	360,624	-	74,495	-	67,501	-	-	513,761
92	-	81,472	2,249	1,576	412,739	1,435	941	8,499	2,348,365
-	-	(1,398)	-	-	-	997,870	-	-	1,037,024
-	-	15,465	48	70	18,548	64	-	1,012,758	1,448,945
(28)	-	379,907	1,163	696	182,410	633	3,851	200,777	1,196,562
55,838	-	35,682	135,529	894	235,222	814	(816)	-	2,557,270
-	-	107,744	1,797	716	189,505	653	586	-	885,942
74	-	91,174	4,856	2,046	541,830	1,869	5,048	406,048	3,628,933
(559)	-	190,671	8,404	5,960	1,563,656	5,430	23,103	9,732	2,545,863
384,083	-	190,624	1,141	57,832	563,147	52,635	139,491	-	4,830,978
74	-	102,712	536	24,146	726,573	22,000	51,180	-	1,566,628
-	-	79,578	908	973	257,441	889	1,558	-	694,752
-	-	568,807	10,480	6,523	1,700,204	5,933	14,434	49,518	6,775,410
-	-	42,432	1,375	331	86,347	301	617	-	262,952
281,987	-	(1,398)	15,571	4,949	17,827	4,506	9,218	-	1,151,377
1,664	-	301,121	45,200	5,311	1,404,057	4,843	6,313	-	5,843,615
-	-	98,058	107,580	1,173	300,168	1,064	(218)	-	3,090,080
-	439,117	-	-	-	-	-	-	241,717	3,944,421
-	-	-	-	-	-	-	-	-	65,560
-	-	-	-	-	-	-	-	-	43,381
-	-	-	-	-	-	-	-	-	1,806,472
-	-	-	-	-	-	-	-	-	1,780,203
-	-	-	-	-	-	-	-	366,763	2,531,112
-	-	-	-	-	-	-	-	-	139,792
-	-	-	-	-	-	-	-	16,373	74,268
-	8,246	933,143	-	-	-	-	-	-	1,528,007
580	-	16,220	1,325	1,096	290,346	1,000	(100)	-	1,466,913
1,196	-	111,364	-	6,696	1,773,650	6,110	29,984	63,538	2,473,052
12,975	-	(1,398)	129	1,657	6,158	1,517	343	-	5,144,591
-	-	(1,398)	-	447	1,623	407	(1,720)	-	38,055
-	-	(1,398)	-	31,330	-	28,365	173,712	-	276,789
-	-	(1,398)	8,512	7,308	-	6,614	14,290	-	131,403
-	-	(1,398)	(1,494)	7,996	-	7,249	16,041	-	73,376
-	-	(1,398)	1	4,259	-	3,867	14,415	-	65,847
-	-	-	-	10,999	39,381	10,006	31,567	-	89,253
-	-	(63,369)	1,003	5,859	203,216	5,342	5,070,150	185,328	6,021,064
737,976	447,314	3,632,245	346,313	265,338	10,514,048	1,238,917	5,603,988	2,561,051	68,072,016