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GOVERNOR



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WESLEY K. MACHIDA
DIRECTOR

RODERICK K. BECKER
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 7, 2016

FINANCE MEMORANDUM

MEMO NO. 16-04

TO: All Department Heads

FROM: Wesley K. Machida
Director of Finance

SUBJECT: Negotiation Agreement Approving Central Services Costs and Fringe Benefit Rates for FY 15

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, 2015.

Although FY 15 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. 16-02, dated February 8, 2016, the fringe benefit rate for FY 15 consisted of the following items:

FY 15

Pension Accumulation	16.50%
Pension Administration	0.00%
Retiree Health Insurance	8.27%
Employees' Health Fund	7.19%
Workers' Compensation	1.54%
Unemployment Compensation	0.12%
Social Security	6.20%
Medicare	<u>1.45%</u>
 Composite Rate	 41.27%

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: February 26, 2016
FILING REF.: The preced-
ing agreement was dated:
10/29/14 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, 2015 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: February 26, 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, 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>7/1/14 - 6/30/15</u>
Pension Accumulation	16.50%
Pension Administration	0.00%
Retiree Health Insurance	8.27%
Workers' Compensation	1.54%
Unemployment Compensation	0.12%

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: February 26, 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 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)

Wesley K. Machida

(SIGNATURE)

Wesley K. Machida

(NAME)

Director of Finance

(TITLE)

MAR 07 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=S, ou=U.S. Government, ou=HHS, ou=PHS, ou=People, ou=Arif M.
Karim - S, o=234118100301100311-2000217895
Date: 2016.02.29 14:58:46 -0500

(SIGNATURE)

Arif Karim

(NAME)

Director, Cost Allocation Services

(TITLE)

February 26, 2016

(DATE)

HHS Representative

Naomi Tamashiro

Telephone

(415) 437-7820

State of Hawaii
 Summary of Fixed Cost for
 State Fiscal Year Ending June 30, 2015

Grantee Departments	Building Use Charge	Legislative Auditor	DAGS Admin	Risk Management	Central Services	Lease Mgt	Records	State Procurement		Surplus Property
								Office		
Retirement Fund	1,145	-	-	-	8,411	-	-	-	-	-
AG-not central services	217,862	3,812	-	(120)	1,027,793	46,191	61,929	18,448	(1,734)	-
Governor-Not CS	-	31,733	-	-	-	-	-	32,980	-	-
Lieutenant Governor	125,911	132	-	(3)	177,360	-	90	33,751	-	-
Business & Economic Development*	19,389	115,863	-	(48)	(146,922)	3,317	2,682	21,504	-	-
Taxation	287,609	1,538	-	(69)	1,277,285	-	5,354	20,998	-	-
Agriculture	13,729	32,795	-	(47)	496,874	-	384	25,340	-	-
Land & Natural Resources	231,565	25,235	-	(142)	1,544,729	13,509	6,300	(56,153)	(48,560)	-
Transportation	(4,078)	63,691	-	(434)	(715,376)	3,317	1,406	(136,840)	(15,608)	-
Education*	169,390	165,876	-	(1,263)	1,630,295	29,851	13,641	112,424	(95,385)	-
University of Hawaii*	14,732	183,656	-	(304)	146,907	-	7,942	45,366	(41,623)	-
Defense	4,436	33,750	-	(64)	11,810	6,635	373	2,216	(1,734)	-
Health	711,203	114,395	-	(528)	3,771,180	89,309	51,760	(108,468)	(5,203)	-
Hawaiian Home Lands	1,243	(13,718)	-	(26)	10,907	-	4,664	27,516	-	-
Judiciary	201,558	-	-	-	119,996	-	-	49,909	-	-
Human Services	537,828	247,542	-	(360)	2,201,684	142,855	44,966	4,571	(5,203)	-
Labor	708,761	188,543	-	(115)	1,439,975	29,851	56,651	(6,177)	-	-
DAGS not CS	108,460	105,307	1,956,504	-	596,336	16,583	-	-	-	-
DAGS Risk Mgmt	3,227	-	21,762	-	31,054	-	-	-	-	-
DAGS Motor Pool	-	-	54,756	-	2,886	-	-	-	-	-
DAGS Lease-Memmeter	433,447	-	-	-	1,161,898	-	-	-	-	-
DAGS Lease-Kapolei	-	-	-	-	1,720,270	-	-	-	-	-
ICSD not CS	220,883	-	736,178	-	1,031,618	-	-	-	-	-
DAGS Surplus Property	10,410	-	12,953	-	96,710	-	-	-	-	-
OIMT	16,644	-	-	-	38,256	-	-	-	-	-
B & F not CS	43,473	196,172	-	-	174,910	23,216	-	-	-	-
Comm & Consumer Affairs	860,160	18,582	-	(72)	90,677	13,268	7,809	22,996	-	-
Public Safety	57,666	84,104	-	(441)	705,543	29,851	18,612	354	(8,671)	-
Legislature	1,953,342	-	-	-	2,824,905	-	1,730	26,057	-	-
Hawaiian Affairs	-	-	-	-	-	-	384	58,512	(60,700)	-
Honolulu County	-	-	-	-	-	-	-	38,078	(6,937)	-
Mauai County	-	-	-	-	-	-	-	38,078	(6,937)	-
Hawaii County	-	-	-	-	-	-	-	38,443	(5,203)	-
Kauai County	-	-	-	-	-	-	-	39,170	-	-
Health Systems Corporation	-	-	-	(853)	-	-	-	(147)	-	-
All Others*	(14,471)	160	-	-	102,633	-	-	236	(185,566)	-
SUMMARY TOTAL	6,834,924	1,599,179	2,782,153	(4,889)	21,576,614	447,753	296,697	349,562	(489,064)	

Groups (denoted by *)

State of Hawaii
 Summary of Fixed Cost for
 State Fiscal Year Ending June 30, 2015

Grantee Departments						B&F Financial	Employers Union Trust	Human Resources
	Accounting	Pre-Audit	Internal Audit	ICSD Charges	Budget and Finance	Administration	Fund	
Retirement Fund	-	-	-	90	709,350	-	(58,844)	-
AG-not central services	63,465	31,244	-	-	141,251	1,322	(3,176)	444,569
Governor-Not CS	-	-	-	-	3,982	-	-	-
Lieutenant Governor	2,246	781	-	-	42,041	31	(65)	14,825
Business & Economic Development*	56,084	13,690	(169)	-	286,816	687	(1,885)	203,763
Taxation	42,608	216,420	(3,386)	-	81,784	57,561	(2,150)	239,566
Agriculture	83,461	17,379	216	-	91,754	941	(1,981)	203,320
Land & Natural Resources	277,759	45,558	134	-	38,976	2,684	(4,255)	567,733
Transportation	352,492	113,002	(222)	-	329,184	4,568	(14,599)	1,820,934
Education*	304,771	1,014,599	29,406	-	244,090	607	(120,155)	(517,425)
University of Hawaii*	(1,913)	444,301	(31)	-	173,982	381	(45,387)	841,443
Defense	45,028	15,967	5,260	-	251,227	674	(1,395)	273,966
Health	318,174	259,600	-	-	401,216	5,149	(17,368)	2,016,537
Hawaiian Home Lands	45,242	10,519	-	-	60,896	801	(873)	85,242
Judiciary	173,939	144,670	184,129	-	3,982	9,687	(11,361)	31,738
Human Services	435,277	226,992	(167)	-	316,966	26,836	(11,349)	1,573,450
Labor	91,694	490,720	108	-	62,314	120,919	(4,298)	392,835
DAGS not CS	-	-	-	382,063	-	-	-	-
DAGS Risk Mgmt	-	-	-	-	-	-	-	-
DAGS Motor Pool	-	-	-	-	-	-	-	-
DAGS Lease-Hemimeter	-	-	-	-	-	-	-	-
DAGS Lease-Kapolei	-	-	-	-	-	-	-	-
ICSD not CS	-	-	-	-	-	-	-	-
DAGS Surplus Property	-	-	-	-	-	-	-	-
OIMT	-	-	-	-	-	-	-	-
B & F not CS	-	-	-	11,991	1,430,273	-	-	-
Comm & Consumer Affairs	70,406	18,293	105	-	82,219	778	(2,061)	304,827
Public Safety	133,513	66,666	1,192	-	75,809	-	(11,288)	1,794,325
Legislature	5,948	12,595	(3,736)	-	3,982	87	1,281	8,126
Hawaiian Affairs	7,239	5,649	-	-	3,982	-	524	2,720
Honolulu County	22	(1)	-	-	3,982	-	(67,906)	-
MauI County	48	35,311	-	-	3,982	3,806	(14,303)	-
HawaiI County	274	43	-	-	3,982	5	(16,716)	-
Kauai County	77	11	-	-	3,982	2	(8,908)	-
Health Systems Corporation	-	-	-	-	-	-	14,858	(1,548,483)
All Others*	7,830	4,520	-	-	26,707	537	(46,433)	91,164
SUMMARY TOTAL	2,515,684	3,188,629	212,839	394,144	4,878,751	238,063	(450,119)	8,845,175

Groups (denoted by *)

State of Hawaii
 Summary of Fixed Cost for
 State Fiscal Year Ending June 30, 2005

Grantee Departments	Public Safety Protective			TOTAL FIXED COSTS
	Governor	Disability Compensation	Svcs	
Retirement Fund	110,878	-	-	771,030
AG-not central services	151	4,948	10,484	2,068,449
Governor-Not CS	886,009	-	-	954,704
Lieutenant Governor	15	-	516,589	913,704
Business & Economic Development*	(116)	9,589	134,511	716,755
Taxation	(69)	1,088	-	2,225,557
Agriculture	(161)	3,093	-	957,097
Land & Natural Resources	75	16,410	272,031	2,933,688
Transportation	(201)	53,853	6,520	1,861,609
Education*	6,818	228,040	-	3,215,580
University of Hawaii*	3,367	63,830	-	1,834,659
Defense	262	2,138	(10,540)	640,009
Health	(492)	30,450	31	7,636,976
Hawaiian Home Lands	(57)	599	-	232,955
Judiciary	69	7,986	-	916,302
Human Services	241	14,753	-	5,757,292
Labor	(392)	2,141	-	3,583,540
DAGS not CS	-	-	161,937	3,327,190
DAGS Risk Mgmt	-	-	-	56,043
DAGS Motor Pool	-	-	-	57,642
DAGS Lease-Hammer	-	-	-	1,595,345
DAGS Lease-Kapolei	-	-	-	1,720,170
ICSD not CS	-	-	253,944	2,242,623
DAGS Surplus Property	-	-	-	120,073
OIMT	-	-	12,617	67,517
B & F not CS	-	-	-	1,880,035
Comm & Consumer Affairs	106	347	-	1,488,440
Public Safety	1,013	47,037	42,566	3,037,851
Legislature	1,588	1,299	-	4,837,204
Hawaiian Affairs	568	2,452	-	21,330
Honolulu County	11,179	294,497	-	272,914
MauI County	3,424	39,121	-	102,530
Hawaii County	2,578	45,263	-	68,649
Kauai County	989	33,841	-	69,164
Health Systems Corporation	16,094	49,414	-	(1,469,117)
All Others*	(12,697)	3,470,057	107,843	3,532,514
SUMMARY TOTAL	1,031,239	4,420,256	1,508,533	60,270,123

Groups (denoted by *)