

DAVID Y. IGE  
GOVERNOR



LAUREL A. JOHNSTON  
DIRECTOR

KEN N. KITAMURA  
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)

July 25, 2018

FINANCE MEMORANDUM

MEMO NO. 18-13

TO: All Department Heads

FROM: Laurel A. Johnston *Laurel Johnston*  
Director of Finance

SUBJECT: Negotiation Agreement Approving Central Services Costs and Fringe Benefit Rates for FY 18

Attached is a copy of the negotiation agreement between the State of Hawai'i 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, 2018.

Although FY 18 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. 18-12, dated July 19, 2018, the fringe benefit rate for FY 18 consisted of the following items:

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	<u>FY 18</u>
Pension Accumulation	18.00%
Pension Administration	0.01%
Retiree Health Insurance	10.14%
Employees' Health Fund	7.69%
Workers' Compensation	1.24%
Unemployment Compensation	0.02%
Social Security	6.20%
Medicare	1.45%
Other Post-Employment Benefits	<u>14.33%</u>
 Composite Rate	 59.08%

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: July 16, 2018  
FILING REF.: The preced-  
ing agreement was dated:  
10/6/17 G13320

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SECTION I: ALLOCATED COSTS

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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, 2018 for further allocation to Federal grants, contracts and other agreements performed at those departments and agencies.

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SECTION II: BILLED COSTS

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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: July 16, 2018

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SECTION III: SPECIAL REMARKS

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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>7/1/17 - 6/30/18</u>
Pension Accumulation	18.00%
Pension Administration	0.01%
Other Post-Retirement Benefits	14.33%
Retiree Health Insurance	10.14%
Workers' Compensation	1.24%
Unemployment Compensation	0.02%

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: July 16, 2018

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)

*Laurel Johnston*

(SIGNATURE)

Laurel A. Johnston

(NAME)

Director of Finance

(TITLE)

Jul 26, 2018

(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, o=U.S. Government, ou=HHS, ou=PSC, ou=People,  
c=Arif M. Karim - S, 0.9.2342.19200300.1001.1=2000212895  
Date: 2018.07.17 17:45:57 -0500

(SIGNATURE)

Arif Karim

(NAME)

Director, Cost Allocation Services

(TITLE)

July 16, 2018

(DATE)

HHS Representative Naomi Tamashiro

Telephone (415) 437-7820

State of Hawaii  
 Summary of Fixed Costs for  
 State Fiscal Year ending June 30, 2018

EXHIBIT A

Grantee Departments	Building Depreciation	Legislative Auditor	DAGS Admin	Central Services	Lease Mgt	Records	State	
							Procurement Office	Accounting
Retirement Fund	2,335	0	0	3,111	0	0	0	0
Attorney General	485,955	6,355	0	857,381	52,057	22,509	33,173	42,342
Governor	687,442	16,658	0	855,422	0	622	58,656	5,900
Lieutenant Governor	99,047	114	0	80,248	0	23	58,207	1,712
Business & Econ Dev	117,604	39,274	0	294,883	(3,500)	541	61,121	69,896
Taxation	482,476	2,279	0	865,507	0	1,518	50,428	55,450
Agriculture	747	19,024	0	280,742	0	108	61,297	83,349
Land & Natural Resources	649,065	156,534	0	1,126,444	16,520	3,198	(25,795)	178,654
Transportation	14,604	62,031	0	(636,031)	4,002	518	4,059	268,816
Education	112,252	166,870	0	704,854	13,528	319	13,683	312,852
State Library System	(5,321)	0	0	498,879	0	0	(9,083)	0
Charter Schools	0	0	0	0	0	0	0	0
University of Hawaii	20,046	78,327	0	80,218	0	3,670	54,768	33,931
Defense	3,614	187,862	0	13,496	8,005	372	28,386	61,795
Health	68,649	138,023	0	3,334,161	104,122	23,736	(175,900)	292,705
Hawaiian Home Lands	2,537	2,309	0	4,954	4,002	2,526	47,776	54,950
Judiciary	(92,888)	0	0	101,934	0	0	54,557	176,713
Human Services	28,145	227,259	0	1,499,290	183,709	14,846	(120,166)	364,999
Labor	824,445	141,595	0	852,683	24,534	27,387	34,574	70,868
DAGS not CS	109,665	44,407	2,284,832	25,658	12,527	0	0	0
DAGS Risk Mgmt	15,230	0	25,771	29,178	0	0	0	0
DAGS Motor Pool	0	0	65,782	3,141	0	0	0	0
DAGS Lease-Hemmeter	712,078	0	0	1,487,678	0	0	0	0
DAGS Lease-Kapolei	1,170,042	0	0	1,484,829	0	0	0	0
ICSD not CS	414,466	0	1,018,030	614,646	0	0	0	0
DAGS Surplus Property	(10,350)	0	14,096	88,359	0	0	0	0
OIMT	173,488	0	0	436,459	0	0	0	0
B & F not CS	88,006	216,339	0	378,003	20,529	0	0	0
Comm & Consumer Affairs	731,550	22,410	0	412,806	31,031	2,239	46,251	77,490
Public Safety	82,825	40,103	0	447,671	40,049	6,046	(11,348)	126,935
Legislature	1,827,796	0	0	1,869,630	0	227	56,607	6,839
Hawaiian Affairs	0	0	0	0	0	108	62,992	7,478
Honolulu County	0	0	0	0	0	0	65,292	48
Maul County	0	0	0	0	0	0	61,414	0
Hawaii County	0	0	0	0	0	0	58,264	274
Kauai County	0	0	0	0	0	0	59,864	66
Health Systems Corporation	0	0	0	0	0	0	2,323	0
Other	268,863	0	0	553,826	0	0	2,090	1,310
<b>Summary Total</b>	<b>9,084,413</b>	<b>1,567,773</b>	<b>3,408,511</b>	<b>18,650,060</b>	<b>511,115</b>	<b>110,513</b>	<b>633,490</b>	<b>2,295,172</b>

State of Hawaii  
 Summary of Fixed Costs for  
 State Fiscal Year ending June 30, 2018

EXHIBIT A

Grantee Departments	Pre-Audit	Internal Audit	ICSD Charges	Budget and Finance	B&F Financial Administration	Employers Union Trust Fund	Human Resources	Governor-CS
Retirement Fund	0	0	0	1,035,458	0	217,802	108,828	(65,775)
Attorney General	31,615	(74)	0	134,406	2,320	3,997	429,862	(1,242)
Governor	3,450	0	0	145,480	184	376	57,468	(1,008,930)
Lieutenant Governor	846	0	0	97,414	52	130	13,962	(46)
Business & Econ Dev	16,089	334	0	185,007	1,273	1,776	191,720	(544)
Taxation	245,095	(28,426)	0	102,050	121,923	2,504	282,023	(685)
Agriculture	21,670	0	0	70,097	1,820	1,617	166,937	(542)
Land & Natural Resources	61,829	(37)	0	111,844	5,310	5,054	547,241	(1,542)
Transportation	108,896	0	0	133,524	7,780	14,839	1,586,922	(4,665)
Education	497,584	630,958	0	183,610	1,390	143,090	39,672	(45,107)
State Library System	0	0	0	0	0	3,252	349,050	(1,018)
Charter Schools	0	0	0	0	0	4,358	154,321	0
University of Hawaii	192,457	(37)	0	171,913	443	56,510	(398,147)	(18,790)
Defense	15,977	0	0	106,564	1,053	2,441	265,982	(733)
Health	180,562	0	0	146,334	9,762	17,754	1,946,292	(5,258)
Hawaiian Home Lands	19,211	0	0	192,635	1,836	750	76,621	(263)
Judiciary	200,964	(12,993)	0	98,780	18,301	12,306	624,570	(3,907)
Human Services	279,063	(860)	0	536,444	49,312	12,463	1,289,371	(4,016)
Labor	(303,420)	0	0	204,497	(90,375)	3,108	325,082	(1,026)
DAGS not CS	0	0	364,121	166	0	0	0	0
DAGS Risk Mgmt	0	0	0	0	0	0	0	0
DAGS Motor Pool	0	0	0	0	0	0	0	0
DAGS Lease-Hemmeter	0	0	0	0	0	0	0	0
DAGS Lease-Kapolei	0	0	0	0	0	0	0	0
ICSD not CS	0	0	0	0	0	0	0	0
DAGS Surplus Property	0	0	0	0	0	0	0	0
OIMT	0	0	0	0	0	0	0	0
B & F not CS	0	0	(4,769)	1,627,854	0	0	0	0
Comm & Consumer Affairs	20,928	64,222	0	132,531	1,456	3,009	339,558	(823)
Public Safety	36,844	(598)	0	154,159	0	16,578	1,801,361	(5,014)
Legislature	7,160	190,678	0	98,780	168	2,033	123,300	(1,182)
Hawaiian Affairs	2,389	0	0	98,780	0	1,073	54,696	(345)
Honolulu County	32	0	0	5,792	2	91,357	45,706	(28,184)
Maul County	71,416	0	0	5,792	7,498	22,126	10,992	(6,664)
Hawaii County	(34)	0	0	5,792	(6)	23,282	11,562	(7,008)
Kauai County	20	0	0	5,792	1	11,484	5,746	(3,588)
Health Systems Corporation	0	0	0	0	0	24,492	93,726	(8,840)
Other	5,417	0	0	6,625	531	10,357	(16,260)	(4,474)
<b>Summary Total</b>	<b>1,714,060</b>	<b>843,167</b>	<b>359,352</b>	<b>5,798,120</b>	<b>142,044</b>	<b>709,918</b>	<b>10,528,164</b>	<b>(1,230,211)</b>

State of Hawaii  
 Summary of Fixed Costs for  
 State Fiscal Year ending June 30, 2018

EXHIBIT A

Grantee Departments	Disability	Pub Safety	Total Fixed
	Compensation	Protective Svcs	
Retirement Fund	0	0	1,301,759
Attorney General	1,328	(6,802)	2,095,182
Governor	600	0	823,328
Lieutenant Governor	0	696,449	1,048,158
Business & Econ Dev	9,364	(37,035)	947,603
Taxation	1,970	0	2,184,112
Agriculture	6,404	0	713,270
Land & Natural Resources	15,750	164,599	3,014,668
Transportation	34,598	4,091	1,601,994
Education	275,538	0	3,051,093
State Library System	0	0	835,759
Charter Schools	0	0	158,679
University of Hawaii	65,084	0	340,393
Defense	3,664	0	698,478
Health	30,278	23,279	6,134,499
Hawaiian Home Lands	(70)	0	409,774
Judiciary	7,252	0	1,185,589
Human Services	20,256	0	4,380,115
Labor	3,500	0	2,117,452
DAGS not CS	0	(55,989)	2,785,387
DAGS Risk Mgmt	0	12,312	82,491
DAGS Motor Pool	0	0	68,923
DAGS Lease-Hemmeter	0	0	2,199,756
DAGS Lease-Kapolei	0	0	2,654,871
ICSD not CS	0	82,524	2,129,666
DAGS Surplus Property	0	0	92,105
OIMT	0	105,387	715,334
B & F not CS	0	0	2,325,962
Comm & Consumer Affairs	2,002	0	1,886,660
Public Safety	80,226	25,640	2,841,477
Legislature	(204)	0	4,181,832
Hawaiian Affairs	1,068	0	228,239
Honolulu County	386,430	0	566,475
Maul County	62,956	0	235,530
Hawaii County	45,780	0	137,906
Kauai County	26,770	0	106,155
Health Systems Corporation	55,812	0	167,513
Other	6,423,543	247,667	7,499,495
Summary Total	7,559,899	1,262,122	63,947,682