



DEPARTMENT OF HEALTH & HUMAN SERVICES

Program Support Center
Financial Management Services
Division of Cost Allocation

26 Federal Plaza, Room 41-122
New York, New York 10278
Phone: (212) 264-2069
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August 1, 2013

Mr. Martin Benison
Comptroller
The Commonwealth of Massachusetts
One Ashburton Place, Room 901
Boston, Massachusetts 02108

Dear Mr. Benison:

A negotiation agreement is being sent to you for signature, approving the central service costs of your state/locality. This agreement reflects an understanding reached between your organization and a member of my staff concerning the central service costs that may be included in the costs of your departments and agencies. The agreement must be signed by a duly authorized representative of your organization and faxed to me; retain a copy for your file. Our fax number is (212) 264-5478. We will reproduce and distribute the agreement to awarding agencies of the Federal Government for their use.

As a result of this negotiation, the State will address the following in future submissions:

1. Central Service Plan - Section I

- a. Organization Chart - Provide a detailed organizational chart that would reflect the placement of each central service agency (both unbilled and billed), and all departments and other units of government even though they may not be shown as benefitting from the central service functions.
- b. The fixed central service costs for fiscal year ended June 30, 2013 amounting to \$56,469,247 includes final carryforward of over-recovery of \$15,574,381 from fiscal year ended June 30, 2011.
- c. The State should provide a written explanation or analysis of any significant proposed increase in an individual component (e.g. Budget, State Comptroller, etc.) of the plan over the previous year. A significant increase would be ten percent or more over the actual amount negotiated the previous year for that component, e.g., State Comptroller. In addition, the use of new allocation statistics or significant changes in statistical bases historically used should be explained.

Section II of Cost Allocation Agreement

Included in this Section are Internal Service and Self-Insurance Funds. The following information relative to each of these Funds must be submitted with your proposal:

- a. Information concerning the basis of the rates charges.
- b. Financial statements, prepared in accordance with generally accepted accounting principles, reflecting the status of each Fund. At a minimum, this should include a balance sheet and a statement of income and expense.
- c. A listing of all transfers into and out of each Fund.
- d. A description of the procedures used to charge for services provided.
- e. Justification for the retention of any fund balances, including copies of actuarial reports supporting the balances in Self-Insurance and similar funds.
- f. A schedule summarizing the billings and payments, by State Agency, for each service is also necessary. Revenue and expenditure data by billing rates/categories should be provided for all information technology and telecommunication services. Information should be broken out by beginning balance, revenues and expenditures. Actual cost by billable services and actual billed revenue should be provided.
- g. A reconciliation of retained earnings must be submitted for each Internal Service Fund. For guidance in preparing the reconciliation refer to Illustration 4-7 on pages 4-19 through 4-22 of ASMB C-10.

Your cost allocation plan for the fiscal year ending June 30, 2015 based on your actual costs for the fiscal year ended June 30, 2013 must be submitted to my office by December 31, 2013.

In order to effect a timely negotiation, your next plan must be accompanied by the following supporting information:

1. A certification of the plan by a responsible official.
2. A copy of your official financial statements supporting the costs contained in the plan.
3. An organization chart identifying those organizations rendering central services and all other departments, agencies, and bureaus, whether or not they are reflected as benefiting from services in the cost allocation plan.

Mr. Martin Benison

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August 1, 2013

In addition, please acknowledge your concurrence with the comments and conditions cited above by signing this letter in the space provided below and FAX (212-264-5478) it to me with the enclosed negotiation agreement.

Sincerely,

Darryl W. Mayes
Deputy Director
Division of Cost Allocation

Enclosures

Concurrence:

Martin Benison
(Name)
Comptroller
(Title)
8/3/2013
(Date)

#0637

**COST ALLOCATION AGREEMENT
STATE AND LOCAL GOVERNMENTS**

STATE/LOCALITY:
Commonwealth of Massachusetts
Boston, Massachusetts 02133

DATE: August 1, 2013

FILING REF.: The preceding
Agreement was dated 5/15/12

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 the fiscal year ended 6/30/13 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.

1. Fringe Benefits (See Addendum)
2. Data Center: Computer Services
Telecommunications
3. Support Services: Motor Vehicles
Central Reproduction
4. Postage
5. Audit Costs: State Auditor
Single Audits
6. Employee Health and Welfare (See Addendum)
7. Medicare Tax (See Addendum)
8. Universal Health Insurance (See Addendum)
9. Extended Leave of Absence Chargeback
10. Worker's Compensation: Payments
Litigation Unit
11. Unemployment Insurance (See Addendum)
12. Liability Management and Reduction Fund
13. New MMARS - OSC
14. American Recovery and Reinvestment Act (ARRA) of 2009
Administrative Cost Chargeback
15. Secretariat IT Chargeback:
Executive Office of Administration & Finance
Executive Office of Housing & Economic Development
Executive Office of Energy & Environmental Affairs
Executive Office of Health & Human Services
Executive Office of Public Safety & Security

Section III: 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 the 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 an allocated cost to be 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.

F. SPECIAL REMARKS:

SEE ADDENDUM

BY THE STATE/LOCALITY:

BY THE COGNIZANT AGENCY ON
BEHALF OF THE FEDERAL GOVERNMENT:

Commonwealth of Massachusetts
State/Locality

DEPARTMENT OF HEALTH&HUMAN SERVICES
(AGENCY)

(Signature)

(Signature)

Martin Benison
(Name)

Darryl W. Mayes
(Name)

Comptroller
(Title)

Deputy Director, Div. of CostAllocation
(Title)

8/2/2013
(Date)

August 1, 2013
(Date)

HHS Representative: A. Sugrim-Singh

Telephone: 212-264-2069

ADDENDUM TO RATE AGREEMENT

August 1, 2013
Agreement Reference Date

INSTITUTION: Commonwealth of Massachusetts

ADDRESS: Boston, MA 02133

FRINGE BENEFIT RATE

<u>TYPE</u>	<u>EFFECTIVE PERIOD</u>		<u>RATE</u>	<u>LOCATIONS</u>	<u>APPLICABLE TO</u>
	<u>FROM</u>	<u>TO</u>			
FIXED	7/1/12	6/30/13	25.98%	All	Regular Employees
FIXED	7/1/12	6/30/13	31.67%	All	Uniformed Employees
FIXED	7/1/12	6/30/13	1.29%	All	See Note 3

*Base: Salaries and Wages (see comments below)

Treatment of Fringe Benefits: Fringe benefit applicable to direct salaries and wages are treated as direct costs.

Fringe benefit rates are approved on a fixed basis for the noted fiscal year and should be used by grantee agencies for the following purposes:

- (a) For budgeting purposes on grant award applications.
- (b) For billing purposes.
- (c) For inclusion in their indirect cost rate proposal and must be treated as either direct or indirect cost consistent with treatment accorded similar cost charged to the Federal programs.

NOTE 1:

Treatment of Paid Absences: Vacation, holiday, sick leave pay and other absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims for the costs of these absences are not made.

NOTE 2:

The following fringe benefits are included in the fringe benefit rates:

- Retirement/Pension
- Health Benefits
- Terminal Leave

August 1, 2013
Agreement Reference Date

INSTITUTION: Commonwealth of Massachusetts

ADDRESS: Boston, MA 02133

NOTE 3:

An additional rate (referred to as Payroll Tax Rate by the Commonwealth) of 1.29% is approved on a fixed basis for all regular, uniformed and contractual employees.

This rate includes:

- Unemployment Insurance
- Universal Health Insurance
- Medicare Tax

NOTE 4:

Health and Welfare Fund: In accordance with union contracts the Commonwealth makes the following weekly contributions to this fund for the use of employees in obtaining dental and optical services:

<u>Bargaining Unit</u>	<u>Per Week/Per Employee</u> <u>07/01/11-06/30/12</u>
NAGE Unit 1, 3, 6	\$15.00
SEIU 8 & 10	14.00
COPS old Units 51/52	12.50
AFSCME 2,	14.00
SPAM Unit 5A,	13.00
MNA Unit 7,	13.00
MOSES Unit 9	14.00
MCOFU Unit 4	\$13.00
New DOC Captains	\$15.00