



DEPARTMENT OF HEALTH & HUMAN SERVICES

Program Support Center
Financial Management Services
Division of Cost Allocation26 Federal Plaza, Room 41-122
New York, New York 10278
Phone: (212) 264-2069
Fax: (212) 264-5478

June 8, 2011

Mr. Kevin Lembo
Comptroller
State of Connecticut
Office of the State Comptroller
55 Elm Street
Hartford, Connecticut 06106

Dear Mr. Lembo:

The original and one copy of a negotiation agreement approving central service costs of your institution are being faxed to you for signature. This agreement reflects an understanding reached between your institution and a member of my staff concerning the central service costs that may be included in the costs of your departments and agencies for further allocation to Federal Grants and Contracts performed by those departments and agencies. The original must be signed by a duly authorized representative of your institution and faxed to me; retain the copy for your file. Our fax number is (212) 264-5478. We will reproduce and distribute the agreement to the appropriate Federal agencies for their use.

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

1. Central Service Plan - Section I

- a. The State should submit a written explanation or analysis of any significant proposed increase in an individual component 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 any component. Individual components of the plan would include the Auditors of Public Accounts, Office of the State Comptroller, etc.

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2. Central Service Plan - Section II (Non - Fringe Benefits)

- a. Attachment C to 2 CFR Part 225 (OMB Circular A-87) lists the information which must be submitted as part of the cost allocation plan for Section II costs (as well as for Section I costs). In addition, ASMB C-10, "A Guide for State, Local and Indian Tribal Governments", Part 4, discusses the documentation requirements and provides sample formats for submitting the necessary information. It is required that all subsequent plans include the required documentation.
- b. The State should submit a complete copy of the annual financial statements for each of the Internal Service Funds (ISFs) included in the Cost Allocation Agreement. In addition, a copy of the most recently completed audit of the ISFs by the State Auditors of Public Accounts should be submitted.
- c. The State is required to submit more detailed information regarding revenues and expenditures for the Department of Information Technology and Telecommunications. The information, previously required by fund, must now be provided for each individual billing rate/service category. As highlighted in Section 4.7, and as shown in Illustration 4-7, in ASMB C-10, A Guide for State, Local and Tribal Governments, the required information for each billing rate must include the following: the beginning balance for the fiscal year, actual and imputed revenue, A-87 allowable costs, working capital reserve (60 days), contributed capital, and the ending balance for the fiscal year.

3. Central Service Plan - Section II (Fringe Benefits)

- a. The final settlement of the fringe benefit rate components for FYE June 30, 2009, resulted in carry-forward amounts that were included in the fixed rate components for FYE June 30, 2011. The under/(over) recoveries of costs from final settlement of the FYE June 30, 2009 actual rates that must be considered in determining the actual fringe benefit rates for FYE June 30, 2011 are shown on the third page.

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<u>Rate Component</u>	<u>FYE 6/30/11</u>
SERS Regular Employees	(\$ 84,750,152)
SERS Hazardous Duty Employees	(\$ 13,102,358)
Alternate Retirement Plan	(\$ 2,088,813)
Teachers Retirement	\$ 1,436,812
Unemployment Compensation	\$ 206,261

- b. The State should provide an annual reconciliation of the State Employees' Retirement System salary and wage base(s) used in the fringe benefit rate proposal to the comparable salary and wage base shown in the audited financial statements and the actuary report.
- c. The State should submit a summary of annual activity for each of the health plans for which the State is self-insured.

Your cost allocation plan and fringe benefit rate proposal for the fiscal year ending June 30, 2013, based on your actual costs for the fiscal year ended June 30, 2011, must be submitted to my office by December 31, 2011.

If you are unable to submit your proposal by the prescribed date, you may request an extension. This request must be submitted prior to the due date of the proposal and must contain a justification for the extension and the date the proposal will be submitted.

These plans should include the carry forward adjustments needed to compensate for the differences between the central service costs and fringe benefit rates approved on a fixed basis for the fiscal year ended June 30, 2011, and the actual costs for that year.

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. Kevin Lembo

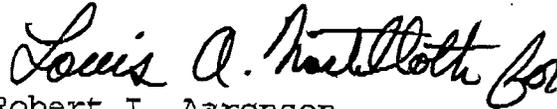
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- 4. The required documentation that must accompany each plan submission as specified in 2 CFR Part 225, Cost Principles for State, Local and Indian Tribal Governments (OMB Circular A-87), Attachment C-State/Local-Wide Central Service Cost Allocation Plans, and ASMB C-10, A Guide for State, Local and Indian Tribal Governments, Part 4: Attachment C-Requirements for Cost Allocation Plans.

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,



Robert I. Aaronson
 Director, Division of
 Cost Allocation

Concurrence:



Name

State Comptroller

Title

June 14, 2011

Date

ORIGINAL

COST ALLOCATION AGREEMENT
STATE AND LOCAL GOVERNMENTS

STATE/LOCALITY:
State of Connecticut
Office of the State Comptroller
55 Elm Street
Hartford, CT 06106

DATE: June 8, 2011
FILING REF.: The preceding
Agreement was dated 08/9/10

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 06/30/11 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 Special Remarks)
2. Workers' Compensation
3. Telecommunication
4. DAS/ISF - Central Printing and Electronic Publishing
5. DAS/ISF - Fleet Operations
6. DOIT Technical Services Revolving Fund
7. Correctional Enterprises of Connecticut Revolving Fund
8. Bank Charges
9. ARRA Central Administration

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 2 CFR Part 225 (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 2 CFR Part 225 (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 2 CFR Part 225 (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:

FRINGE BENEFIT RATE

<u>TYPE</u>	<u>FROM</u>	<u>TO</u>	<u>RATE**</u>	<u>LOCATION</u>	<u>APPLICABLE TO</u>
Fixed	07/01/10	06/30/11	*	All	All Programs

* The State of Connecticut uses a combination of direct identification and negotiated fringe benefit rates to claim fringe benefit costs. The fixed fringe benefit rate components, negotiated for each of the Retirement Systems (SERS, ARP, and Teachers), and for Unemployment Compensation, are listed below. Fringe benefit costs for Group Life Insurance, FICA-Social Security, FICA-Medicare, and Medical Insurance are directly identified by individual employee and are not part of the fringe benefit rates shown below.

<u>Rate Component</u>	<u>FYE 6/30/11</u>
SERS Regular Employees	40.00%
SERS Hazardous Duty Employees	37.19%
Alternate Retirement Plan (ARP)	10.03%
Teachers Retirement	32.78%
Unemployment Compensation	.16%

**Base: Salaries and wages of covered employees (See comments below, Notes 1 & 2).

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

NOTE 1

Fringe Benefit Rates: Fringe benefit rates are determined for Unemployment Compensation and each applicable Retirement System shown above. Each fringe benefit component is captured in the Statewide Accounting system using expenditure account codes. Fringe benefit rates are maintained on file by, and are available from, the State of Connecticut, Office of the State Comptroller.

NOTE 2

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 a part of the normal costs for salaries and wages. Separate claims for the costs of these paid absences are not made.

BY THE STATE/LOCALITY:

BY THE COGNIZANT AGENCY ON
BEHALF OF THE FEDERAL GOVERNMENT:

State of Connecticut
State/Locality

DEPARTMENT OF HEALTH & HUMAN SERVICES
(AGENCY)

Kevin Lembo
(Signature)

Louis A. Montalto
(Signature)

Kevin Lembo
(Name)

for Robert I. Aaronson
(Name)

State Comptroller
(Title)

Director/Div. of Cost Allocation
(Title)

June 14, 2011
(Date)

June 8, 2011
(Date)

HHS Representative: Wing Mak

Telephone: 212-264-0991

STATE OF CONNECTICUT 2011
 CONSOLIDATED STATEWIDE COST ALLOCATION PLAN
 SUMMARY OF COSTS WITH BUDGET FACTOR APPLIED
 RECOVERED ON GRANTS NEGOTIATED OR RENEWED DURING FISCAL YEAR 2011

2011 SUMMARY TOTALS BY SUPER AGENCIES	AUDITORS OF PUBLIC ACCOUNTS		OFFICE OF THE STATE TREASURER		OFFICE OF THE STATE COMPTROLLER		OFFICE OF POLICY AND MANAGEMENT		DEPARTMENT OF ADMINISTRATIVE SERVICES		DEPARTMENT OF INFORMATION TECHNOLOGY		DEPARTMENT OF PUBLIC WORKS	
	OFFICE OF THE ATTORNEY GENERAL	TOWNS IN LIEU OF TAXES	INSURANCE AND RISK MANAGEMENT BOARD	TUITION REIMBURSEMENT	EQUIPMENT USE (CORE-CT DEPRECIATION)	SUB-TOTAL	ADJUSTMENT FROM 2009 FIXED COSTS	TOTAL						
DEPARTMENT OF AGRICULTURE														
BUSINESS REGULATIONS	(32,891)	3,431	87,618	33,944	1,152,240	106,816	192,281	1,994,370						
DEPARTMENT OF CHILDREN & FAMILIES	298,671	11,803	174,104	61,577	833,683	941,554	(215,775)	2,939,723						
CONSUMER PROTECTION	501,315	100,055	934,285	578,737	2,308,139	1,709,911	4,986,252	16,296,851						
DEPARTMENT OF CORRECTIONS	203,532	7,335	128,784	(3,110)	1,913,216	331,537	1,058,760	4,595,604						
ECONOMIC DEVELOPMENT	118,085	173,674	1,405,259	546,194	3,823,862	427,486	2,461,911	22,890,268						
STATE BOARD OF EDUCATION	907,390	5,981	84,334	1,111,705	41,018	440,430	764,507	2,562,184						
ENVIRONMENTAL PROTECTION	519,438	100,447	1,026,610	700,171	1,772,609	295,459	3,728,734	2,562,184						
DEPARTMENT OF PUBLIC HEALTH	(216,534)	41,568	445,633	141,350	630,770	1,430,004	3,695,084	12,646,054						
HIGHER EDUCATION	544,514	28,051	468,730	379,140	1,333,651	1,104,554	5,353,415	8,377,284						
DEPARTMENT OF SOCIAL SERVICES	3,913,508	659,271	4,368,696	234,659	1,887,827	(510,143)	3,576,028	9,041,557						
DSS DAS-COLLECTIONS	1,892,129	63,191	579,279	996,110	835,583	2,921,569	4,894,636	43,610,866						
JUDICIAL DEPARTMENT								13,985,730						
DEPARTMENT OF LABOR	522,967	247,987	2,353,213	18,095	5,666,773	-	5,666,773	5,666,773						
DEPARTMENT OF MENTAL HEALTH	236,680	36,713	1,091,548	271,599	1,478,221	(125,236)	(131,313)	10,159,509						
DEPARTMENT OF DEVELOPMENTAL SERVICES	338,808	123,074	1,772,344	483,574	461,140	645,854	1,698,990	7,182,452						
DEPARTMENT OF MOTOR VEHICLES	537,360	151,516	1,808,782	587,597	3,595,927	1,335,963	1,392,791	12,083,212						
DEPARTMENT OF PUBLIC SAFETY	277,256	20,329	243,660	119,003	3,814,483	891,909	1,320,476	11,649,161						
DEPARTMENT OF REVENUE SERVICES	363,634	67,064	734,965	198,698	459,468	379,822	477,819	2,916,843						
DEPARTMENT OF TRANSPORTATION	427,474	11,394	351,999	148,362	1,601,509	1,202,152	2,665,248	12,232,225						
ALL OTHERS	925,661	151,562	3,746,466	326,376	13,871,714	559,914	4,005,294	7,235,783						
TOTALS	13,958,316	2,084,024	22,771,861	6,204,149	54,299,804	3,336,711	5,483,769	257,393,575						
2011 SUMMARY TOTALS BY SUPER AGENCIES	194,169	211,183	(18,966)	2,302	62,243	1,994,370	-	1,994,370						
DEPARTMENT OF AGRICULTURE	581,851	74,520	(936)	(3,995)	182,518	2,939,723	-	2,939,723						
BUSINESS REGULATIONS	3,359,997	1,922,755	(145,118)	237,001	423,522	16,296,851	-	16,296,851						
DEPARTMENT OF CHILDREN & FAMILIES	763,394	42,677	(7,854)	12,638	144,695	4,595,604	-	4,595,604						
CONSUMER PROTECTION	619,860	12,791,062	(275,855)	114,770	683,980	22,890,268	-	22,890,268						
DEPARTMENT OF CORRECTIONS	63,731	55,991	93	1,623	85,381	2,562,184	-	2,562,184						
ECONOMIC DEVELOPMENT	371,398	2,967,823	(222,139)	300,307	1,085,197	12,646,054	-	12,646,054						
STATE BOARD OF EDUCATION	1,353,858	294,591	(116,875)	49,452	8,377,284	8,377,284	-	8,377,284						
ENVIRONMENTAL PROTECTION	229,774	145,213	8,108	63,555	582,852	9,041,557	-	9,041,557						
DEPARTMENT OF PUBLIC HEALTH	749,137	29,088,583	(1,986,047)	77,787	1,551,560	43,610,866	-	43,610,866						
HIGHER EDUCATION	967,943	348,726	(74)	105,678	440,960	13,985,730	-	13,985,730						
DEPARTMENT OF SOCIAL SERVICES														
DSS DAS-COLLECTIONS	544,530	3,678,104	(65,058)	-	1,637,999	5,666,773	-	5,666,773						
JUDICIAL DEPARTMENT	849,704	132,241	(9,689)	5,071	1,763,581	10,159,509	-	10,159,509						
DEPARTMENT OF LABOR	199,281	1,516,080	(232,682)	560,206	1,763,581	7,182,452	-	7,182,452						
DEPARTMENT OF MENTAL HEALTH	291,813	757,864	(217,101)	302,026	997,846	12,083,212	-	12,083,212						
DEPARTMENT OF DEVELOPMENTAL SERVICES	349,226	289,731	105,925	3,918	210,686	11,649,161	-	11,649,161						
DEPARTMENT OF MOTOR VEHICLES	896,853	2,042,033	(308,962)	92,407	699,462	2,916,843	-	2,916,843						
DEPARTMENT OF PUBLIC SAFETY	573,457	413,131	(1,880)	11,013	575,206	7,235,783	-	7,235,783						
DEPARTMENT OF REVENUE SERVICES	745,254	4,115,438	(655,544)	139,624	5,746,131	29,113,462	-	29,113,462						
DEPARTMENT OF TRANSPORTATION	757,402	1,262,849	(182,382)	88,124	630,944	20,313,664	-	20,313,664						
ALL OTHERS														
TOTALS	14,462,632	62,130,595	(4,333,018)	2,163,607	19,235,602	257,393,575	-	257,393,575						