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
Fax: (212) 264-5478
Email: dcany@psc.gov

November 30, 2012

Mr. James B. Reardon
Commissioner
State of Vermont
Department of Finance and Management
109 State Street
Montpelier, Vermont 05602-0401

Dear Mr. Reardon:

A negotiation agreement is being faxed to you for signature. This agreement reflects an understanding reached between your institution and a member of my staff concerning the rates or amounts that may be used to support your claim for costs on grants and contracts with the Federal Government. The agreement must be signed by a duly authorized representative of your institution 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.

The fixed central service costs for fiscal year ended June 30, 2013 amounting to $16,001,482 includes final carry-forward of under-recovery of $919,015 from fiscal year ended June 30, 2011.

Your cost allocation plan for fiscal year ending June 30, 2014 based on your actual cost for the fiscal year ended June 30, 2012 must be submitted to my office by December 31, 2012.

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.

4. A copy of your current approved State Budget Report.

5. Copies of all actuarial reports that relate to the pension plan and all self-insurance funds.

6. A schedule summarizing the billings and payments, by State Agency, for each service under Section II, Billed Costs, is necessary. Revenue and expenditure data by billing rates/categories should be provided for all Communication and Information Technology Services. Information should be broken out by beginning balance, revenues and expenditures. Actual cost by billable services and actual billed revenues should be provided.

7. A reconciliation of Retained Earnings for all internal service funds, self-insurance funds and fringe benefits funds. (See ASMB C-10 for guidance)

Your proposal and relevant correspondence should be addressed to:

Department of Health and Human Services
Division of Cost Allocation
26 Federal Plaza, Room 41-122
New York, New York 10278
(212) 264-1823

Sincerely,

Robert I. Aaronson
Director, Division of
Cost Allocation

Enclosure

ORIGINAL

COST ALLOCATION AGREEMENT
STATE AND LOCAL GOVERNMENTS

STATE/LOCALITY:
State of Vermont
Montpelier, Vermont 05602

DATE: November 30, 2012

FILING REF.: The preceding Agreement was dated 8/3/11

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 06/30/13 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. FICA
2. Life Insurance
3. Medical Insurance
4. Dental Insurance
5. Retirement
6. Employee Assistance Plan
7. Workers' Compensation
8. Copy Center
9. E - Procurement
10. Communications & Information Technology
11. Highway Garage
12. Offender Work Program
13. Single Audit
14. Postage
15. Property Management
16. Equipment Revolving Fund
17. State Surplus Property
18. FLEET
19. State Liability Insurance
20. Risk Management - All Other
21. Facilities Operation
22. Long Term Disability
23. Financial & HR Information
24. State Resource Management

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:

Equipment means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost of $5,000 or more per unit.

BY THE STATE/LOCALITY:	BY THE COGNIZANT AGENCY ON BEHALF OF THE FEDERAL GOVERNMENT:
State of Vermont State/Locality	DEPARTMENT OF HEALTH & HUMAN SERVICES (AGENCY)
(Signature)	(Signature)
James B. Reardon (Name)	Robert I. Aaronson (Name)
Commissioner Finance & Management (Title)	Director, Div. of Cost Allocation (Title)
December 5, 2012 (Date)	November 30, 2012 (Date)

HHS Representative: Jeffrey Warren

Telephone: 212-264-0917