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December 30, 2024

Mr. Michael J. Delaney
Director of Budget & Financial Analysis Division
State of Connecticut
165 Capitol Avenue
Hartford, Connecticut 06106

Dear Mr. Delaney:

The Cost Allocation Agreement approving central service costs of the State of Connecticut for FYE 6/30/2025 is being sent 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 Agreement must be signed by an authorized representative of your institution and returned to me at CAS-NY@psc.hhs.gov. We will make the agreement available 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.
2. Central Service Plan - Section II (Non - Fringe Benefits)
 - a. Section E.3., of Appendix V to Part 200 (2 CFR 200 - Uniform Guidance), lists the information that must be provided for all billed central services, including internal service funds, as part of the cost allocation plan for Section II Billed 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, 2 CFR 200 allowable costs, working capital reserve (60 days), contributed capital, and the ending balance for the fiscal year.
 - d. The State must include information for each Section II billed costs on how adjustments for billed central services will be processed. Section G.4., of Appendix V to Part 200, discusses the alternative methods for making the adjustment for the difference between the revenue and the allowable costs. The adjustment method should be provided for each Section II Billed Cost
3. Central Service Plan - Section II (Fringe Benefits)
- a. The final settlement of the fringe benefit rate components for the FYE June 30, 2023, resulted in carry-forward amounts that were included in the fixed rate components for the FYE June 30, 2025 respectively. The under/(over) recoveries of costs from final settlement of the FYE June 30, 2023 actual rates that must be considered in determining the actual fringe benefit rates for FYE June 30, 2025:

<u>Rate Component</u>	<u>FYE 6/30/25</u>
SERS Regular Employees	\$ (271,874,467)
SERS Hazardous Duty Employees	\$ (93,268,525)
Alternate Retirement Plan	\$ (6,632,769)
Teachers Retirement	\$ (3,458,883)
Unemployment Compensation	\$ (6,470,042)

- 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, 2026, based on your actual costs for the fiscal year ended June 30, 2024, is due in our office by December 31, 2024. Your cost allocation plan and fringe benefit rate proposal for the fiscal year ending June 30, 2027, based on your actual costs for the fiscal year ended June 30, 2025, is due

M. J. Delaney
December 30, 2024
Page 2


in our office by December 31, 2025.

Please acknowledge your concurrence with the comments and conditions cited above by signing this letter in the space provided below and returning a signed copy of the letter, along with the signed copy of the Cost Allocation Agreement, to CAS-NY@psc.hhs.gov.

If you have any questions, please contact Amritha Persaud at amritha.persaud@psc.hhs.gov.

Sincerely,

Darryl W.
Mayes -S



Digitally signed by
Darryl W. Mayes -S
Date: 2025.01.22
09:33:23 -05'00'

Darryl W. Mayes
Deputy Director
Cost Allocation Services

Enclosure

Concurrence:

Signature

Michael Delaney _____

Name

Director

Title

1/29/25

Date