DEPARTMENT OF HEALTH & HUMAN SERVICES

Program Support Center
Financial Management Service
Division of Cost Allocation

26 Federal Plaza, Room 41-122
New York, New York 10278
Phone: (212) 264-2069
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August 10, 2009

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

Dear Mr. Benison:

By letter dated June 8, 2009, your office transmitted an amendment to the pending Statewide Cost Allocation Plan (SWCAP) for fiscal year ending June 30, 2010 to include chargeback for administrative costs under the American Recovery and Reinvestment Act of 2009. These costs are recouped as a billed service under Section II of the SWCAP Agreement.

Based on our review of your amendment and discussions with your staff, a provisional approval is granted for the period beginning February 17, 2009 through June 30, 2010, except for the proposed accelerated depreciation methodology. The proposed accelerated depreciation methodology is not allowable in accordance with 2 CFR Part 225 (OMB Circular A-87). Instead, the allowable equipment costs are limited to straight line depreciation as set forth in OMB Circular A-87, Appendix B, Section 11.d., unless and until a waiver is issued by the Office of Management and Budget.

This approval is based on information provided by the State in letters dated June 8, 2009 and July 9, 2009, and is void if the information is later found to be materially incomplete or inaccurate. Upon issuance of the formal Cost Allocation Agreement for FYE June 30, 2010, these costs will be included under Section II (Billed Costs) of the Agreement.

The billings for the services covered by this Agreement 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 which are legal obligations of the State 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 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 to be in effect during the agreement period. Changes to the methods 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 cost from an allocated cost to a billed cost. Failure to obtain approval may result in cost disallowances.

C. Billed Costs: Charges for the services listed in this Agreement will be billed in accordance with the rate established by the State. The rate will be based on the estimated cost of providing the service. Adjustments for variances between billed costs and the actual allowable costs of providing the services, as defined in 2 CFR Part 225 (OMB Circular A-87), will be made in accordance with procedures agreed to between the State and the Cognizant Agency.

D. 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 may provide copies of the Agreement to other Federal Agencies to give them early notification of this Agreement.

In addition, please acknowledge your concurrence with the comments and conditions cited by signing this letter in the space provided below and **FAX** (212-264-5478) it back to this office. If you have any questions, please contact my office at (212) 264-4300.

Sincerely,

Robert I. Aaronson
Director, Division of
Cost Allocation

Concurrence:

Name

Controller

Title

8-14-09

Date