

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

The Board of Education of Somerset County
7982-A Tawes Campus Drive
Westover, Maryland 21871

We have performed the procedures enumerated below, which were agreed to by the Board of Education of Somerset County and the Maryland State Department of Education ("MSDE") solely to assist you with determining that periodic reimbursements to MSDE for retirement contributions for employees charged to non-eligible sources were correctly calculated. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

- A. To test periodic retirement contributions to the State Retirement and Pension System and ensure that ineligible employees (employees whose salaries are funded by sources other than the State) have been included in applicable payments to the State from the Board:
 - 1) We obtained a schedule of the periodic retirement contributions from the Board at the close of the fiscal year.
 - 2) We obtained documentation to support each of the periodic retirement contributions identified in step A(1) and reconciled, where necessary, the ineligible salaries reported to the State Retirement Agency by the Board.
 - 3) We tested a sample (based on a statistical sample with a 95% confidence level) of retirement contribution computations for mathematical accuracy and compliance with the appropriate contribution rates.

- 4) We performed the procedures below on the sample selected in step A(3);
 - a. We obtained position classifications, description of duties, and personnel file for each employee selected in step A(3), and reviewed relevant information to determine eligibility of employees in accordance with applicable State eligibility regulations and guidelines.
 - b. We tested base salaries used in computing reimbursable retirement contributions to determine the salary amounts properly exclude supplemental pay.
- 5) We summarized the annual salaries of any employee determined in steps A(1) through A(4) to be ineligible and computed the applicable assessment using the appropriate retirement contribution rate.

Findings:

From the procedures above, we determined that the reimbursements improperly included \$200,888.49 of wages related to supplemental pay and inappropriate classification resulting in \$26,698.07 of overpayment to the State Retirement and Pension System.

- B. To determine if the State paid retirement contributions pertaining to employees whose salaries were funded, in whole or in part, through ineligible fund sources:
 - 1) For capturing all ineligible positions;
 - a. We obtained a list of all employees eligible for retirement contributions at the close of the fiscal year.
 - b. We tested a sample from B(1)(a) to determine if there are non-eligible employees that are not included in the reimbursements to the State.
 - c. We determined the formula-funded positions and their respective salaries.
 - d. We determined if formula-funded positions were properly included in the periodic reimbursable retirement contributions.
 - 2) For ineligible fund sources (Federal and privately funded programs);
 - a. We obtained a list of the ineligible (non-State) fund sources.
 - b. We obtained a list of employees performing duties in connection with ineligible fund sources; determined those employees that have split their time among eligible and ineligible programs; selected a sample and determined the portion of time spent in the applicable programs.

- c. We compared the list of employees developed in step B(2) to the periodic retirement contribution summaries to ensure the Board has properly included those employees in the periodic retirement contribution reimbursement.
- 3) We computed the amount due from the Board for retirement contributions attributable to employees or positions funded through ineligible fund sources.

Findings:

From the procedures above, no findings were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the retirement contributions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education of Somerset County and the Maryland State Department of Education and is not intended to be and should not be used by anyone other than those specified parties.

Salisbury, Maryland
December 27, 2013