

MARYLAND ENVIRONMENTAL SERVICE

**Report of Independent Public Accountants
On Applying Agreed-Upon Procedures
To the Calculations of Indirect Overhead Costs
For Five Customers**

For the Year Ended June 30, 2013



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

JUNE 30, 2013

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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON
APPLYING AGREED-UPON PROCEDURES TO THE CALCULATIONS
OF INDIRECT OVERHEAD COSTS FOR FIVE CUSTOMERS**

Board of Directors
Maryland Environmental Service

We have performed the procedures enumerated below, which were agreed to by the management of the Maryland Environmental Service (the Service), solely to assist the users in evaluating the propriety of indirect costs charged to five customers of the Service for the year ended June 30, 2013. Management of the Service is responsible for the calculation of indirect overhead costs. 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 this 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.

The procedures performed and the related results are as follows:

- A. Summarized the labor index by project from the Service's Master Customer Report for the year ended June 30, 2013.
- B. Recalculated the indirect general and administrative costs allocation which has been charged (except for the Maryland Port Administration), based upon the Service's 2011 calculated indirect overhead cost rate and the formula specified by the Service which is:

Labor Range	Labor Index Rate	G &A Overhead Rate
\$ - to \$542,200	100%	44.03%
\$542,201 to \$1,084,400	75%	44.03%
\$1,084,401 to \$1,549,600	50%	44.03%
\$1,549,601 to \$1,859,600	25%	44.03%
\$1,859,601 and Over	10%	44.03%

- C. Recalculated the indirect group overhead cost based on a 7.07% rate (except for the Maryland Port Administration).
- D. Recalculated the indirect overhead cost for the Maryland Port Administration at 50.46%.
- E. Summarized the indirect overhead costs charged during the year from the Service's Labor Index Report.
- F. Compared the calculated amount of indirect overhead costs to the actual amount charged, as provided by the Service to determine the amount of the variance.



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The results of our procedures are summarized by customer in the attached schedules.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the calculation of indirect overhead costs. 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 Directors and management of the Service and its customers, and is not intended to be and should not be used by anyone other than these specified parties.

Hunt Valley, Maryland
September 30, 2013

SB & Company, LLC

MARYLAND ENVIRONMENTAL SERVICE

**Calculation of Indirect Overhead Cost
Maryland Port Administration
For The Year Ended June 30, 2013**

<u>Project Number</u>	<u>Project Name</u>	<u>Labor Index</u>
392-7011	MPA Hawkins Point - Corrective Action	\$ 161,266
392-7516	Dundalk Marine Terminal - O & M	506,517
712-9835	MPA TWIC Reader Grant	940
792-7305	Hart-Miller Island Feasibility Study	599,154
792-7877	Poplar Island ERP Implementation & Planning	87,279
792-8018	Poplar Island Site Development	1,299,631
792-9020	Cox creek DMCF Operations	622,983
792-9301	Technical Services Agreement	357,450
792-9321	Masonville Construction Management	151,233
792-9350	MPA Oil Remediation Program	3,045
792-9383	Masonville Dredging & Construction	305,997
792-9394	Environmental Mgmt. System	91,619
792-9451	Masonville Operations & Mgmt.	596,142
792-9593	Sparrows Point IGA	85,788
792-9642	MPA School Greening Projects	(15,992)
792-9701	Site 92/G West Yr 13 Monitoring	4,374
792-9756	MPA Technical Services Agreement	272,989
Total labor index		<u><u>\$ 5,130,415</u></u>

Calculation of indirect overhead costs to be charged:

$$\text{\$ } 5,130,415 \times 100\% \times 50.46\% = \text{\$ } 2,588,807$$

Actual indirect overhead costs charged 2,588,807

Variance \$ -

MARYLAND ENVIRONMENTAL SERVICE

**Calculation of Indirect Overhead Cost
Department of Corrections
For The Year Ended June 30, 2013**

<u>Project Number</u>	<u>Project Name</u>	<u>Labor Index</u>
412-7126	ECI - CoGeneration Plant O & M	<u>\$ 1,044,945</u>

Calculation of indirect overhead costs to be charged:

\$ 542,200	x	100%	x	44.03%	\$ 238,731
502,745	x	75%	x	44.03%	166,019
-	x	50%	x	44.03%	-
-	x	25%	x	44.03%	-
<u>-</u>	x	10%	x	44.03%	<u>-</u>
<u>\$ 1,044,945</u>					<u>\$ 404,750</u>

Total general and administrative costs to be charged \$ 404,750

Calculation of group overhead costs to be charged:

\$ 1,044,945 x 7.07% 73,878

Total indirect overhead costs to be charged \$ 478,628

Actual indirect overhead costs charged 478,628

Variance \$ -

MARYLAND ENVIRONMENTAL SERVICE

**Calculation of Indirect Overhead Cost
Baltimore County
For The Year Ended June 30, 2013**

Project Number	Project Name	Labor Index
393-7038	Baltimore County Resource Recovery Facility	\$ 2,556,871
593-9259	WAF Transfer Operations	289,624
Total labor index		\$ 2,846,495

Calculation of indirect overhead costs to be charged:

\$ 542,200	x	100%	x	44.03%	\$ 238,731
542,200	x	75%	x	44.03%	179,048
465,200	x	50%	x	44.03%	102,414
310,000	x	25%	x	44.03%	34,123
<u>986,895</u>	x	10%	x	44.03%	<u>43,453</u>
<u>\$ 2,846,495</u>					<u>\$ 597,769</u>

Total general and administrative costs to be charged \$ 597,769

Calculation of group overhead costs to be charged:

\$ 2,846,495 x 7.07% 201,247

Total indirect overhead costs to be charged 799,016

Actual indirect overhead costs charged 799,016

Variance \$ -

MARYLAND ENVIRONMENTAL SERVICE

**Calculation of Indirect Overhead Cost
Midshore
For The Year Ended June 30, 2013**

<u>Project Number</u>	<u>Project Name</u>	<u>Labor Index</u>
893-3012	Midshore II Landfill	<u>\$ 701,662</u>

Calculation of indirect overhead costs to be charged:

\$ 542,200	x	100%	x	44.03%	\$ 238,731
159,462	x	75%	x	44.03%	52,658
-	x	50%	x	44.03%	-
-	x	25%	x	44.03%	-
<u>-</u>	x	10%	x	44.03%	<u>-</u>
<u>\$ 701,662</u>					<u>\$ 291,389</u>

Total general and administrative costs to be charged \$ 291,389

Calculation of group overhead costs to be charged:

\$ 701,662 x 7.07% 49,608

Total indirect overhead costs to be charged \$ 340,997

Actual indirect overhead costs charged 340,997

Variance \$ -

MARYLAND ENVIRONMENTAL SERVICE

**Calculation of Indirect Overhead Cost
Montgomery County
For The Year Ended June 30, 2013**

<u>Project Number</u>	<u>Project Name</u>	<u>Labor Index</u>
393-7656	Montgomery County MRF	710,310
393-7765	Montgomery County Yardwaste	1,006,015
393-9730	Montgomery County SW Collection	28,112
	Total labor index	<u><u>\$ 1,744,437</u></u>

Calculation of indirect overhead costs to be charged:

\$ 542,200	x	100%	x	44.03%	\$ 238,731
542,200	x	75%	x	44.03%	179,048
465,200	x	50%	x	44.03%	102,414
194,837	x	25%	x	44.03%	21,447
-	x	10%	x	44.03%	-
<u>\$ 1,744,437</u>					<u>\$ 541,640</u>

Total general and administrative costs to be charged \$ 541,640

Calculation of group overhead costs to be charged:

\$ 1,744,437 x 7.07% 123,332

Total indirect overhead costs to be charged 664,972

Actual indirect overhead costs charged 664,972

Variance \$ -