



**Statement of Direct Labor, Leave, Fringe Benefits
and Indirect Costs**

For the Year Ended June 30, 2022

GREATER PORTLAND COUNCIL OF GOVERNMENTS
June 30, 2022
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Independent Auditor's Report on Statement of Direct Labor,
Leave, Fringe Benefits and Indirect Costs

Executive Committee of
Greater Portland Council of Governments

Report on the Audit of the Indirect Cost Statement

Opinion

We have audited the accompanying Statement of Direct Labor, Leave, Fringe Benefits and Indirect Costs ("the indirect cost statement" or "the statement") of the Greater Portland Council of Governments ("the Council") for the year ended June 30, 2022, and the related notes to the statement.

In our opinion, the indirect cost statement referred to above presents fairly, in all material respects, the direct labor, leave, fringe benefits and indirect costs of Greater Portland Council of Governments for the year ended June 30, 2022, in accordance with the provisions of Part 31 of the Federal Acquisition Regulation.

Basis for Opinion

We conducted our audit in accordance with the provisions of Part 31 of the Federal Acquisition Regulation. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Indirect Cost Statement section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Statement

Management is responsible for the preparation and fair presentation of the statement in accordance with accounting practices prescribed by Part 31 of the Federal Acquisition Regulation, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of an indirect cost statement that is free from material misstatement, whether due to fraud or error.

In preparing the indirect cost statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the indirect cost statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and the provisions of Part 31 of the Federal Acquisition Regulation will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and the provisions of Part 31 of the Federal Acquisition Regulation, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the indirect cost statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the indirect cost statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the indirect cost statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Basis of Accounting

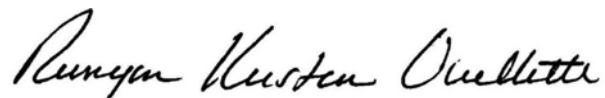
We draw attention to the notes to the indirect cost statement, which describe the basis of accounting. The indirect cost statement is prepared by Greater Portland Council of Governments on the basis of accounting practices prescribed by Part 31 of the Federal Acquisition Regulation, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the provisions of that regulation. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the Executive Committee and management of Greater Portland Council of Governments and the Maine Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2022 on our consideration of Greater Portland Council of Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Greater Portland Council of Government's internal control over financial reporting and compliance.



November 8, 2022
South Portland, Maine

GREATER PORTLAND COUNCIL OF GOVERNMENTS
Statement of Direct Labor, Leave, Fringe Benefits and Indirect Costs
Year Ended June 30, 2022

Description	Proposed	Unallowable costs	FAR reference	Audited	% of Base
Leave Pool:					
Total Leave-Eligible Salaries, Net of Leave Costs Paid	\$ 1,463,028	-	n/a	1,463,028	
Total Leave Costs Paid	252,492	-	n/a	252,492	17.26%
Fringe Pool:					
Total Salaries and Leave Costs Paid (a)	1,905,007	-	n/a	1,905,007	
Fringe costs:					
Disability insurance	19,466	-	n/a	19,466	
Unemployment compensation insurance	13,623	-	n/a	13,623	
Workers compensation insurance	6,337	-	n/a	6,337	
Dental insurance	6,652	-	n/a	6,652	
HSA expense	1,500	-	n/a	1,500	
Health insurance	143,976	-	n/a	143,976	
FICA	142,934	-	n/a	142,934	
ICMA match	52,197	-	n/a	52,197	
Total fringe costs	386,685	-		386,685	20.30%
Indirect Cost Pool:					
Direct Salaries, Leave Costs Paid and Fringe	1,769,871	-	n/a	1,769,871	
Indirect costs:					
Salaries	391,790	-	n/a	391,790	
Fringe benefits	77,731	-	n/a	77,731	
Membership and dues	7,204	-	n/a	7,204	
Liability/property insurance	12,863	-	n/a	12,863	
Legal fees	2,621	-	n/a	2,621	
Employee screening	1,947	-	n/a	1,947	
Auditing fees	16,800	-	n/a	16,800	
Advertising - promotional and legal	6,205	-	n/a	6,205	
Postage	799	-	n/a	799	
Routine travel	2,832	-	n/a	2,832	
Meeting and event costs	2,848	-	n/a	2,848	
Meeting registration fees	3,000	-	n/a	3,000	
Meeting supplies	4,354	-	n/a	4,354	
Utilities	8,587	-	n/a	8,587	
Office supplies	13,737	-	n/a	13,737	
Photocopies - copier leases, maintenance and usage	5,173	-	n/a	5,173	
Lease - office	40,651	-	n/a	40,651	
Maintenance/cleaning - office	552	-	n/a	552	
Telephone	16,509	-	n/a	16,509	
Depreciation	104,923	-	n/a	104,923	
Consultants	38,376	-	n/a	38,376	
Payroll processing fees	3,280	-	n/a	3,280	
Equipment and software maintenance	82,204	-	n/a	82,204	
Information technology	67,632	-	n/a	67,632	
Website update & maintenance	3,579	-	n/a	3,579	
Bank service fees	127	-	n/a	127	
Lease - vehicle	121	-	n/a	121	
Professional development	16,297	-	n/a	16,297	
Subscriptions	890	-	n/a	890	
Total indirect costs	\$ 933,632	-		933,632	52.75%

See independent auditor's report and accompanying notes.

(a) Includes \$189,487 in wages paid to part-time employees, which is not eligible for paid leave.

GREATER PORTLAND COUNCIL OF GOVERNMENTS
Notes to Statement of Direct Labor, Leave, Fringe Benefits and Indirect Costs
June 30, 2022

REPORTING ENTITY AND PRINCIPAL BUSINESS ACTIVITY

The Greater Portland Council of Governments (“the Council”) is a voluntary association of 25 municipalities and Cumberland County. The Council’s resources consist primarily of federal grants, state grants, contracts, and member dues. It is organized as a governmental unit under Section 501(c)(1) of the Internal Revenue Code, and therefore is exempt from federal income tax. The Council’s principal activities include transportation and community planning, economic and community development, and programs aimed at environmental improvement.

BASIS OF ACCOUNTING

The Council’s Statement of Direct Labor, Leave, Fringe Benefits and Indirect Costs (“the indirect cost statement”) was prepared on the basis of accounting practices prescribed in Part 31 of the Federal Acquisition Regulations (FAR’s). Accordingly, the Statement of Direct Labor, Leave, Fringe Benefits and Indirect Costs is not intended to present the results of operations of the Council in conformity with accounting principles generally accepted in the United States of America.

DESCRIPTION OF ACCOUNTING POLICIES

The Council utilizes accrual accounting in the preparation of its indirect cost statement. Accordingly, costs are recognized as incurred, rather than when paid. The Council segregates costs by project, and costs directly associated with specific projects are charged to these projects. Costs incurred which cannot be readily identified with specific projects, or which benefit the Council as a whole, are charged to three different cost pools, which are then further allocated to specific projects on the basis of several allocation methods.

DESCRIPTION OF OVERHEAD RATE STRUCTURE

The Council’s cost pools consist of a leave pool, a fringe benefit pool, and an indirect cost pool.

Costs charged to the leave pool include expenses associated with all paid time-off, including annual leave (vacation), bereavement leave, holiday leave, leave due to inclement weather, and sick leave. The total of such costs is then divided by a base which is equal to the total of all regular wages and salaries excluding those for part-time and temporary employees to determine a leave rate.

Costs charged to the fringe benefit pool include expenses incurred for disability insurance, unemployment compensation, workers’ compensation insurance, dental insurance, retirement plan contributions, health insurance and other health benefit costs, life insurance, and FICA payroll tax costs. The total of such costs is then divided by a base equal to the sum of all wages and salaries plus leave costs based on the leave rate discussed above, to determine a fringe benefit rate.

Costs charged to the indirect cost pool include salaries not directly associated with any particular project, along with the associated fringe benefit costs based on the fringe rate described above. Other costs charged to this pool include occupancy related costs, depreciation, computer maintenance and supplies, office supplies, liability and property insurance, and other similar items as listed within the indirect cost statement. The total of these costs is then divided by a base equal to total salaries and wages and fringe benefit costs, excluding severance pay and related fringe benefits, less that portion of these costs charged to the indirect cost pool, to determine an indirect cost rate.

GREATER PORTLAND COUNCIL OF GOVERNMENTS
Notes to Statement of Direct Labor, Leave, Fringe Benefits and Indirect Costs, Continued
June 30, 2022

DESCRIPTION OF OVERHEAD RATE STRUCTURE, CONTINUED

Each of the three rates described above are then applied to the corresponding base amount attributable to each project as recorded within the Council's general ledger system, with the resulting cost allocation amounts then being charged to those projects and credited against the associated cost pool.

DESCRIPTION OF LABOR-RELATED COSTS

Labor costs directly associated with specific projects are charged directly to those projects within the Council's general ledger, based on actual wage and salary amounts incurred. As described above, paid time-off is available to eligible employees pursuant to detailed policies maintained by the Council. During FY 2017, the Council changed some of its benefits policy in order to reduce costs for incoming employees and to ensure large vacation balances were not accrued. Unused vacation benefits may be carried over from one year to the next, and are paid to employees upon separation from service, up to a maximum of four weeks. Sick time benefits accumulate per stated policy up to a maximum of 10 days of sick time; this time is not paid out to employees upon separation from service.

The Council sets the compensation level for its Executive Director based on various salary surveys conducted over recent years, coupled with annual rate increases which are approved by the Council's General Assembly. For 2022, the Council has verified that the compensation paid to its Executive Director was not in excess of the Benchmark Compensation Amount as determined by the Office of Management and Budget.

The Council offers several retirement plan options to its employees, including a 401(a) Defined Contribution Plan, 457b Deferred Compensation Plan, Traditional IRA, and a Roth IRA. Regular full-time and part-time employees, who work 20 hours or more per week, may contribute with the Council providing matching contributions along an incremental scale corresponding to the employee's length of service, with a maximum cap of such contributions of 8% of the employee's gross salary on the 401(a) plan. Employees may also elect to contribute additional unmatched funds to the current available plans up to the IRS maximum limits. Those limits, set annually by the IRS, vary by plan.

DESCRIPTION OF DEPRECIATION AND LEASING POLICIES

Furniture and fixtures with a useful life of one year or more, and a historical cost of \$5,000 or more, are capitalized in the period in which they are acquired. Depreciation is computed using the straight-line method over the estimated lives of the property, which range from three to seven years. Expenditures for repairs and maintenance are expensed when incurred. Office leases are capitalized and amortized in accordance with GASB 87. Equipment leases that meet the criteria for financed purchases are capitalized and depreciated over the term of the lease. A corresponding liability is also recorded for the lease obligation associated with these arrangements.

LIST OF OTHER DIRECT COSTS

Leave and fringe benefits associated with direct salaries are allocated to projects using the fringe rate described above. Other direct costs charged to projects include consultant and contractual services, sub-awards, travel and conference costs, as well as supplies and other expenses incurred for specific projects.

MANAGEMENT'S EVALUATION OF SUBSEQUENT EVENTS

The Council has evaluated subsequent events through November 8, 2022, the date upon which the Statement of Direct Labor, Leave, Fringe Benefits and Indirect Costs was available for issuance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF A STATEMENT OF DIRECT LABOR, LEAVE, FRINGE BENEFITS AND INDIRECT COSTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Executive Committee of
Greater Portland Council of Governments

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Direct Labor, Leave, Fringe Benefits and Indirect Costs ("the statement" or "the indirect cost statement") of Greater Portland Council of Governments ("the Council") for the year ended June 30, 2022, and the related notes to the statement, and have issued our report thereon dated November 8, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the indirect cost statement, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the statement, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Council's indirect cost statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF A STATEMENT OF DIRECT LABOR, LEAVE, FRINGE BENEFITS AND INDIRECT COSTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, CONTINUED

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's indirect cost statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of the applicable sections of Part 31 of the Federal Acquisition Regulation, noncompliance with which could have a direct and material effect on the indirect cost statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



November 8, 2022
South Portland, Maine

GREATER PORTLAND COUNCIL OF GOVERNMENTS
Schedule of Findings and Responses
June 30, 2022

None

GREATER PORTLAND COUNCIL OF GOVERNMENTS
Schedule of Prior Year Findings and Responses
June 30, 2022

None