



## Outsourcing - Business Risk Services

Date: August 26, 2022

This agreement constitutes a Statement of Work (SOW) to the Master Service Agreement (MSA) made by and between CliftonLarsonAllen LLP (CLA, we, us, and our) and Maine Public Employees Retirement System (you, your, or entity) dated March 1, 2022, or any superseding MSA. The purpose of this SOW is to outline certain services you wish us to perform in connection with that agreement.

We will perform the engagement in accordance with the Statement on Standards for Consulting Services issued by the American Institute of Certified Public Accountants. We will not perform management functions, make management decisions, or act or appear to act in a capacity equivalent to that of an employee. However, we will provide advice and recommendations to assist you in performing its functions and making its decisions. See appendix for the scope of the project.

If modifications or changes are required during the course of the engagement that are beyond the initial scope of services, or if you request that we perform any additional services, we will provide you with a separate agreement or appendix for your signature. Such separate agreement or appendix will advise you of the additional fee and time required for such services to facilitate a clear understanding of the services.

At your request, CLA shall make its resources available to provide additional financial, regulatory, and operational consulting services. The terms and fees of such an engagement would be documented in a separate SOW.

Our engagement will not include a detailed examination of all transactions and cannot be relied on to disclose errors, fraud, misappropriations of assets, or violations of laws or regulations that may exist. However, we will inform you of any such matters that come to our attention. If as a result of the engagement or through other means, matters come to our attention that cause us to believe that the selected records and transactions are not presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or are not in compliance with applicable laws and regulations, we will disclose those matters in our report. Such disclosure, if any, may not necessarily include all matters which might have come to our attention had we performed additional procedures, an examination, or an audit.

### **Client information requirements**

You agree to be solely responsible for the accuracy, completeness, and reliability of all of your data and information that you provide CLA for our engagement. You also agree to provide CLA with all necessary

information on or before the requested due date to allow CLA to adhere to the project schedule. A list of information we expect to need and the dates required will be provided in a separate communication.

### **Engagement objectives and management responsibilities**

Management is responsible for identifying applicable laws and regulations and ensuring the entity complies with them. Management is responsible for taking timely and appropriate steps to address any compliance concerns, noncompliance, or recommendations that we may identify.

Management is responsible for the design, implementation, and maintenance of effective internal control over financial reporting and over compliance, including evaluating and monitoring ongoing activities, (1) relevant to the preparation and fair presentation of financial statements that are free from material misstatement, (2) to prevent and detect fraud, and (3) to ensure that the entity complies with applicable laws and regulations.

For all nonattest services we may provide to you, including these internal audit consulting services, Maine Public Employees Retirement System's management agrees to assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience to understand and oversee the services; evaluate the adequacy and results of the services; and accept responsibility for the results of the services. Management is also responsible for ensuring that your data and records are complete and that you have received sufficient information to oversee the services.

The procedures will be performed with the understanding that management of the entity is responsible for: (1) designating an individual who possesses suitable skill, knowledge, or experience, preferably within senior management, to be responsible for the internal audit function, (2) determining the scope, risk, and frequency of internal audit activities, including those performed by CLA, (3) evaluating the findings and results arising from the internal audit activities, including those performed by CLA, and (4) evaluating the adequacy of the internal audit procedures performed and the findings resulting from the performance of those procedures.

Maine Public Employees Retirement System is responsible for the internal controls over financial reporting and identifying and remediating any internal control weaknesses including those that are determined to be material weaknesses and significant deficiencies. Management will be responsible for the internal audit function. In addition, management will be responsible for evaluating the overall and specific risks associated with your internal controls over financial reporting including the decisions regarding the scope, frequency, and extent of internal audit activities to be performed. Maine Public Employees Retirement System will also be responsible for evaluating the findings and results of these internal audit activities. CLA will perform certain internal audit services for Maine Public Employees Retirement System, but these services do not include assuming any management function or, more specifically, taking responsibility for the internal audit function or your internal controls over financial reporting.

CLA's relationship with you shall be solely that of an independent contractor and nothing in the MSA or a SOW shall be construed to create or imply any relationship of employment, agency, partnership, or any relationship other than an independent contractor.

**Deliverables**

We will maintain ongoing communication with the liaison assigned to work closely with CLA and will meet with management leaders, as requested, regarding the status of our progress throughout this engagement. We will document the results of the engagement in a formal report to management and those charged with governance summarizing the procedures performed, the results of those procedures, and any recommendations that we may have.

If for any reason we are unable to complete the engagement, we will not issue a report as a result of the engagement.

**Professional fees**

Our professional fees will be as set forth in the MSA. Professional fees for the services described in the Appendix will have the budget as indicated in the scoping document.

Other services requested would be at the appropriate hourly rate:

<b>Consultant</b>	<b>Rate</b>
Principals	\$275
Engagement directors and senior consultants	\$175
Managers	\$175
Seniors	\$140
Associate	\$125

In the event CLA's services are terminated for whatever reason during the project, the entity will promptly compensate CLA for all professional services rendered and related fees and out-of-pocket expenditures through the date of termination.

**Legal compliance**

The entity agrees to assume sole responsibility for full compliance with all applicable federal and state laws, rules or regulations, and reporting obligations that apply to the entity or the entity’s business, including the accuracy and lawfulness of any reports the entity submits to any government regulator, authority, agency, or entity. The entity also agrees to be solely responsible for providing legally sufficient substantiation, evidence, or support for any reports or information supplied by the entity to any governmental or regulatory body, or for any insurance reimbursement in the event that the entity is requested to do so by any lawful authority. CLA, its successors, affiliates, officers, and employees do not assume or undertake any duty to perform or to be responsible in any way for any such duties, requirements, or obligations.

**Other**

This agreement will remain in effect until it is terminated by either party on thirty (30) days written notice,

with or without cause. In the event of termination, the terms of this agreement shall survive and remain in effect.

**Acceptance and Acknowledgement**

We appreciate the opportunity to provide the services described in this SOW related to the MSA. All terms and provisions of the MSA shall apply to these services. If you agree with the terms of this SOW, please sign below to indicate your acknowledgment and understanding of, and agreement with, this SOW.

CLA  
CLA

*James P. Kreiser*

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James Kreiser, Principal

**SIGNED** 8/26/2022, 8:06:10 AM EDT

**Client**  
Maine Public Employees Retirement System

*Sherry Tripp Vandrell*

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Sherry Vandrell, Director of Finance

**SIGNED** 8/26/2022, 12:47:43 PM EDT

## Appendix

### Our internal audit services

To meet the objectives described above, we expect to perform a program review of the implementation of the specific changes and requirements with the new law as enacted on June 17, 2021, as well as test and inspect controls and performance of offsets and earning limitations as applied under the statute. Further, we will work to identify and report on any exceptions, gaps, etc. and report recommendations accordingly. Tests and procedures will be designed and performed to determine that MainePERS has implemented the changes required by PL2021, Ch. 277... noting that the following have been updated and implemented effectively by the system:

- Eliminate Medical Review Board
- Incorporate use of medical review service provider and independent medical examinations
- Development of a provision to establish and provide a “disability form” with providers to facilitate a health care provider submitting an assessment of the member’s ability to work.
- Specify that hearing officers are independent contractors and adopt procedure for appellant to participate in hearing officer(s) selection.
- Provide for legal fee reimbursements as provided by law noted above.
- Implementation of the change(s) in the statutory standard for claims such that a member is unable to perform the essential functions of the position rather than the former standard of “impossible to perform the duties”
- Controls and reporting that in medical record review, primarily consider medical opinions in the record and whether the opinions are supported by sound medical evidence and are consistent with other medical evidence in the record.

Further, a test of controls around the disability decision-making process and procedures will be performed. In addition, testing will be performed on a sampling basis (CLA will utilize AICPA control testing guidance and standards for sampling), to test controls and re-performance of payments and records related to:

- Offsets that should be applied to those receiving disability benefit(s), and
- Earnings limitations and “caps” are applied and monitored for those receiving benefit(s).

We will conduct our procedures through review, observation, and walkthroughs of system policies, procedures, and process/controls. Further, as noted above, areas of inspection and sample testing will also be utilized to determine the effectiveness of reporting, controls, and procedural changes. This will be done to assess the consistency, timeliness, and effectiveness of updates and process changes across beneficiaries and members.

Finally, our reporting will identify any gaps, exceptions, and related recommendations. We will coordinate with management and the Director of Finance to assess the impact of exceptions and attempt to report and communicate the severity of exceptions, and the reasonable steps/timeliness of the recommendations suggested.

Further, the procedures will include the scope identified and confirmed with the Director of Finance in the Disability Program Review Scoping Memo - Final dated July 15, 2022. Additionally, we will address procedures related to eligibility determination and monitoring. Through procedures such as re-performance, walkthroughs, data analytics, and limited sampling to confirm source documentation and

medical review/determinations (consistent with the communication on August 25, 2022), we will assess the effectiveness of controls related to eligibility, compliance, and monitoring.