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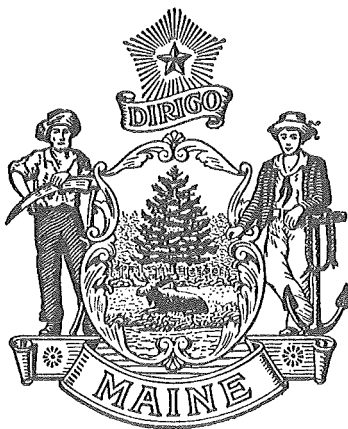
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SEVENTY-FIRST ANNUAL REPORT OF THE STATE AUDITOR

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RODNEY L. SCRIBNER, C.P.A.
STATE AUDITOR

STATE OF MAINE
DEPARTMENT OF AUDIT
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RODNEY L. SCRIBNER, CPA
STATE AUDITOR

December 20, 1991

Honorable John R. McKernan, Jr., Governor
Honorable Charles P. Pray, President of the Senate
Honorable John L. Martin, Speaker of the House of Representatives
Members of the 115th Legislature

The seventy-first annual report of the Department of Audit is submitted in accordance with Title 5, Section 244 of the Maine Revised Statutes annotated.

The Department of Audit conducts audits in accordance with generally accepted governmental auditing standards at the state, county and municipal levels. These audits encompass federal, state and municipal programs.

Accountability is the foundation of good government. It is the department's responsibility to ensure that accountability at all levels of government is maintained through unbiased, objective evaluations conducted in accordance with professional auditing standards. In submitting this report, I would like to express my appreciation to all of the departments, agencies and organizations in Maine which continually strive to improve their financial reporting practices.

The department has worked hard to provide the people of Maine with quality audit services. Our accomplishments would not have been possible without the support of government officials and the elected representatives of the people of Maine.

Sincerely,

Rodney L. Scribner CPA

Rodney L. Scribner, CPA
State Auditor

"...The State Auditor shall keep no accounts in the Department of Audit, but he shall conduct a continuous postaudit of the accounts, books, records and other evidences of financial transactions kept in the Department of Finance or in the other departments and agencies of the State Government. He shall prepare and publish a report for each fiscal year, setting forth the essential facts of such audit in summary form,..."

- Title 5, M.R.S.A., Section 244

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FOREWORD

The State Auditor is elected by the Legislature and serves as head of the Department of Audit. His role is to assist the Legislature in discharging its responsibility to oversee the government's stewardship of public funds and resources. Since the State Auditor is independent from the day-to-day activities of the government, he is in a unique position to review, report and make recommendations which improve the operations of state government. An audit is intended to complement and promote, but cannot be a substitute for, good accountability. The State Auditor provides independent assurance concerning the credibility of the state's financial information and brings matters of concern to the attention of legislators and appropriate federal, state and local officials.

The State Auditor is able to offer advice, encouragement and constructive criticism to those responsible for the oversight and management of government finances. He cannot, and should not, enforce changes. The desire of administrators to use public monies in a lawful and effective manner coupled with a willingness by the Legislature to act, when needed, on audit findings and recommendations is necessary to bring about positive change .

We acknowledge the continued cooperation and assistance of the many departments, agencies and organizations with whom we work. Their cooperation is essential to the efficient performance of our audits.

STATE AUDITORS AND TERMS OF OFFICE

1907-1910	Charles P. Hatch	Portland
1911-1912	Lamont A. Stevens	Wells
1913-1914	Timothy F. Callahan	Lewiston
1915-1916	J. Edward Sullivan	Bangor
1917-1921	Roy L. Wardwell	Augusta
1922-1940	Elbert D. Hayford	Farmingdale
1940-1944	William D. Hayes, CPA	Bangor
1945-1956	Fred M. Berry	Augusta
1957-1964	Michael A. Napolitano	Augusta
1965-1968	Armand G. Sansoucy	Lewiston
1969-1970	Michael A. Napolitano	Augusta
1970-1970	William L. Otterbein	Farmingdale
1971-1976	Raymond M. Rideout, Jr.	Manchester
1977-1977	Rodney L. Scribner, CPA	Augusta
1977-1984	George J. Rainville	Lewiston
1985-1987	Robert W. Norton	Biddeford
1987-	Rodney L. Scribner, CPA	Augusta



**RODNEY L. SCRIBNER, CPA
STATE AUDITOR**

Rodney L. Scribner, a Certified Public Accountant, is the State Auditor for Maine. Mr. Scribner is on the boards of the New England Intergovernmental Audit Forum, the Augusta Chapter of the American Red Cross and the Children's Castle. He is a Commissioner of the Maine Small Business Commission and is a member of the Maine Society of Certified Public Accountants and the American Institute of Certified Public Accountants. Prior to becoming State Auditor in 1987, Mr. Scribner held key positions in state government including those of Commissioner of Finance and Administration, State Treasurer, State Budget Officer, State Controller and Assistant Legislative Finance Officer. Mr. Scribner is also a former Deputy Director of the Federal Revenue Sharing Program. In 1989 Mr. Scribner received the American Institute of Certified Public Accountants Outstanding Public Service Award. In 1990 Mr. Scribner was the recipient of the Inspector General's Integrity Award from the U.S. Department of Health & Human Services for outstanding leadership in enhancing staff professionalism and the quality of the Maine Single Audit.

OVERVIEW OF THE ORGANIZATION

Authority and Mission

The powers and duties of the Department of Audit are established by the Legislature in Title 5, M.R.S.A., Chapter 11, §241 et.seq. In general, the statute gives the department auditing duties at four levels of government and in all branches of government, i.e. at the municipal, county, state, and federal level and in the executive, legislative and judicial branches. Specifically, the law gives the Department of Audit authority to:

- annually perform a postaudit of all accounts and other financial records of state government, including 1) the judiciary and 2) the Executive Department of the Governor (excluding the Governor's Expense Account)
- serve as staff agency to the Legislature and/or Governor in making investigations of any phase of the state's finances;
- install uniform accounting systems and perform annual postaudits of all accounts and financial records for the counties on a fee for services basis;
- install uniform accounting systems and perform audits for cities, towns and villages on a fee for services basis;
- install uniform accounting systems and ensure that an annual audit and postaudit of the municipal cost component is conducted;
- perform postaudits of all accounts and financial records of any organization requesting or receiving an appropriation from state government.

In addition, the statute authorizes the department to "review and study departmental budgets and capital programs for better and efficient management of state government" and to "review and study expenditures of the dedicated funds of independent boards and commissions".

The authorities listed in statute result in the department issuing the following types of reports.

- Single Audit of the State of Maine;
- State Auditor's Annual Report which includes excerpts from the Single Audit of the State of Maine.
- audits of approximately 120 governmental units (municipalities, school units and, counties) per year;
- postaudits of the financial records for the 51 Superior, District and Administrative Courts;
- postaudits of the financial records of any organization receiving or requesting an appropriation from state government;
- special audits done at the request of the Legislature or Governor.

Organization

The Department of Audit consists of five organizational units - Departmental Bureau, Municipal Bureau, Courts Division, Unorganized Territories and the Administrative Division. An organization chart providing details about staffing and funding sources is attached.

Although the department is part of the Executive Branch of government, it is responsible and reports to the Legislative Branch, functioning as an independent auditor. The State Auditor is independent of state government operations in that he does not sit as part of the Governor's Cabinet and is elected by the Legislature rather than being appointed by the Governor.

Professional Staff and Ongoing Professional Development Activities

The professional staff of the Department of Audit performs a wide variety of audit work. Due to the nature of the work our staff must have different types of training and experience. Our staff has degrees in a variety of disciplines. Several hold advanced and/or multiple degrees.

The department encourages staff auditors to obtain professional certification. Within the past five years our organization has gone from one certified public accountant (CPA) to an organization with over 37% of its staff being certified. Currently we have five CPA's, seven certified internal auditors (CIA) and one public accountant (PA). Two of our auditors have both the CPA and CIA professional designations. In addition to those who have already attained professional certification, eight auditors have passed sections of the CIA examination.

Many of the staff have had prior experience with public accounting firms, businesses and government agencies. This range of experience, diverse educational backgrounds and achievement of professional designations affords a broad perspective to the department's tasks.

Our staff has also taken a leadership role in professional organizations as members of the boards of directors or chairs of key committees of the New England Intergovernmental Audit Forum, Maine Society of Certified Public Accountants, and the Institute of Internal Auditors. We also have members in the Association of Government Accountants.

The Department of Audit has been a "training ground" for state government. Over the past five years, many of our auditors have accepted promotional opportunities in key financial positions of state agencies. We are pleased that other state organizations have recognized the quality of our staff. As auditors of state government, they have an excellent understanding of the financial interrelationships that exist in a multibillion dollar organization.

Department of Audit

Showing:

Major Organizational Units; Organizational Heads; Primary Functions; Funding Sources and Staffing

	<div>State Auditor Rodney L. Scribner, CPA (General Fund)</div> <div>Deputy State Auditor Richard H. Foote, CPA (General Fund)</div>				
<u>Organizational Unit</u>	<u>Administrative Division</u>	<u>Departmental Bureau</u>	<u>Courts Division</u>	<u>Municipal Bureau</u>	<u>Unorganized Territories</u>
<u>Organizational Head(s)</u>	Director of Planning and Training – Doreen Sheive Business Manager – Eleanor Rackley	Assistant Director of Audits – Carol Lehto, CPA, CIA Michael Poulin, CIA	Director of Audits – Robert Paradis, CIA	Director of Audits – Bryan Crane, CPA	Fiscal Administrator – Joseph Plourde
<u>Primary Function</u>	To provide leadership and managerial and administrative support to staff.	To perform the Single Audit of the State of Maine; perform independent postaudits of state agencies; serve as a staff agency to the Legislature or to the Governor; and to safeguard the assets of the state.	To perform a postaudit of all financial records of the Superior, District and, Administrative Courts annually.	To provide audit services to municipalities, counties and, school administrative units; establish accounting systems for counties and municipalities.	To ensure that the Unorganized Territory Education and Service Fund is expended consistent to statute; publish an annual financial report of the fund.
<u>Funding Source/ Staffing</u>	<u>General Fund:</u> (1) Director of Planning and Training (1) Business Manager I (1) Clerk Typist II** <u>Other Special Revenue:*</u> (1) Administrative Secretary (1) Secretary (1) Clerk Typist III --- 6 Total Positions	<u>General Fund – All Positions:</u> (2) Assistant Director of Audits (6) Auditor III (6) Auditor II (6) Auditor I --- 20 Total Positions	<u>General Fund – All Positions</u> (1) Director of Audits (1) Auditor III (2) Auditor II (1) Auditor I --- 5 Total Positions	<u>Other Special Revenue</u> (1) Director of Audits (6) Auditor III (3) Auditor II (6) Auditor I --- 16 Total Positions *Bureau also includes (3) positions in the Administrative Division.	<u>General Fund</u> (1) Fiscal Administrator --- 1 Total Positions **Program also includes (1) position in the Administrative Division.

AUDIT OPERATIONS

Departmental Bureau

The Departmental Bureau is responsible for the audit of the State of Maine. The department made a significant change four years ago when it began performing the audit on a statewide rather than departmental basis. This statewide approach provided audit efficiencies as well as a single consolidated report (The Single Audit Report) which encapsulates the financial operations and position of the State as well as identifies problems within individual organizational units and programs.

The Single Audit Report of Maine (Single Audit) is published annually. The report meets the requirements of the Single Audit Act of 1984 (Act) which requires state and local governments receiving \$100,000 or more of federal financial assistance in any fiscal year to have a comprehensive financial audit in accordance with the Act. The Single Audit Report of 1990 covers the state's expenditures of \$2.8 billion including \$701 million of federal expenditures.

The objectives of the Single Audit are as follows:

- To audit the state's financial statements in accordance with professional auditing standards.
- To assess the state's compliance with federal and state laws and regulations which could have a material effect on the state's financial statements and/or financial schedules or on its major federal financial assistance programs.
- To assess the adequacy of internal controls and selected administrative controls related to the management of federal financial assistance programs.

In conjunction with the Single Audit work, the department's auditors are always on the alert for cost savings opportunities. During this past year the department provided over \$2 million in cost savings ideas to the Joint Standing Committee on Appropriations and Financial Affairs.

The department also helped reduce state expenditures in the performance of the Quadrennial Audit. Statutes require that every four years an audit must be conducted by an independent certified public accounting firm. The quadrennial auditors relied extensively on our work to meet their contractual commitment.

Additionally, the department serves as a staff agency to the Legislature. We are increasingly asked to respond to Legislative requests for special audits or to examine specific matters.

Municipal Bureau

The Municipal Bureau, through the performance of municipal, county and school audits on a fee for services basis, provides the standard to which local governmental units audits should adhere. While the Department of Audit does not have regulatory authority over the accounting profession, it has played an important leadership role in ensuring that professional governmental auditing and accounting standards are being followed in Maine. The Municipal Bureau performs this important function through the following activities.

- The quality of the audits conducted by the Department of Audit sets a standard for others to follow.
- A quality control form developed by the department is used by all independent auditors after completion of a local government audit. This form assists the independent auditor in performing a quality review of their own work and to determine their compliance with auditing standards.
- Petition audits are performed at the request of citizens of a municipality when dissatisfaction exists with an audit performed by another independent auditor. This type of audit is on a fee for services basis and must be requested by a specified number of voters of a municipality.
- The bureau is advised, as required by statute, of possible fraudulent activities occurring in a governmental unit. Depending upon the circumstances, it may counsel the governmental unit about who to contact and/or the ways to proceed. During this past year the bureau also discovered a fraud in a governmental unit. The bureau participated in the resolution and prosecution of this matter by testifying in grand jury proceedings.
- Periodic reviews of reports of independent auditors to ensure that audit quality is being maintained has resulted in matters being referred to the State Board of Accountancy.

Maine has over 500 governmental units consisting of cities, towns, counties, plantations and school units. The responsibility to help insure that the citizens of Maine receive audits which meet professional standards is enormous. The Municipal Bureau is performing a key role in this area.

Courts Division

The Courts Division of the Departmental Bureau has revised its methods for providing quality auditing services to the District Courts, Superior Courts and, the Administrative Office of the Courts. Three years ago there was a significant backlog. Through discussions with administrators of the courts system and the implementation of a new audit program the backlog of the annual audits of the fifty-one organizational units has been significantly reduced.

The Administrative Office of the Courts has sought the Court Division's advice about computer system changes and system implementation plans. While the audit function is primarily focused on the control over and processing of financial transactions, our auditors are in a unique position to provide an independent management perspective relative to the operations of an entity.

Unorganized Territories

The Fiscal Administrator provides oversight of financial activities of the Unorganized Territories, a geographic area encompassing approximately half the State of Maine. The activities of the Fiscal Administrator include:

- reviewing and analyzing the budgets and expenditures of the Unorganized Territory Education and Services Fund;
- reporting to the Legislature and county commissioners about budgets and expenditures of the Unorganized Territory Education and Services Fund;
- publishing an annual financial report of the fund.

The Fiscal Administrator, although not technically part of the audit staff, plays a critical role in monitoring the financial activities of the Unorganized Territories of the State of Maine.

Administrative Division

The Administrative Division provides support and administrative functions to the department. Administrative staff are responsible for the department's accounting, budgeting, payroll processing, purchasing, staff training, audit report production and clerical support.

Recently, the administrative staff converted manual systems to computer systems in order to address the increased workload on a cost effective basis. Computer technology has not only provided an increase in the speed with which projects are completed but has also enhanced the organization's management reporting systems.

The Administrative Division has been a focal point for staff development and educational activities. While professional development is primarily an individual responsibility, the Department of Audit has coordinated programs to meet the training requirements specified by government auditing standards. These professional auditing standards require that auditors complete at least 80 hours of continuing education every two years.

As a means of fulfilling its role as the standard setter for governmental auditing and accounting in Maine, the department has offered a seminar in governmental accounting and auditing to members of the public accounting profession, government finance officers and officials. This seminar, conducted by a member of the Government Accounting Standards Board, provides an opportunity for the department's staff to obtain governmental training and at the same time share ideas and experiences with other members of the governmental accounting and auditing community.

RECOGNITION

The Department of Audit has been recognized as a leader in governmental auditing and accounting. The following examples demonstrate the department's commitment to quality.

- Received an unqualified peer review report. This report, issued by the New England Intergovernmental Audit Forum, is the culmination of an intensive review of our organization's systems and procedures.
- Received an award from the U.S. Department of Health & Human Services recognizing the department for professionalism and quality work.
- Honored a request by the U.S. Department of Health & Human Services to provide the State of Connecticut with guidance about the statewide Single Audit process. Our department is considered to be a model in its approach to the Single Audit.
- Several of our auditors have received letters of appreciation from departments/agencies of state and local governmental units for the professional conduct, ideas and, assistance provided.
- Members of the department have taught a course in governmental accounting for the Maine Society of CPAs and have been speakers at colleges, universities, and other professional organizations.
- Participated as members of the National State Auditors Association quality review teams in two states. The purpose of those reviews was to determine whether those organizations were performing audits in accordance with professional standards.
- Received favorable comments about the Maine Ledger, a quarterly publication of the Department of Audit that highlights current issues in governmental accounting and auditing.
- Assumed leadership roles in professional organizations such as the New England Intergovernmental Audit Forum, Maine Society of CPAs and the Institute of Internal Auditors.

These examples of the recognition that our department has received do not represent a complete list. Our organization will continue to strive for excellence in governmental auditing and accounting as proper financial reporting and auditing practices will help assure accountability, which is the foundation of good government.

SINGLE AUDIT REPORT OF THE STATE OF MAINE FISCAL YEAR ENDED JUNE 30, 1990

Overview

The purpose of this section of the State Auditor's Annual Report is to summarize key points contained in the various reports and schedules contained in the Single Audit Report of the State of Maine for the fiscal year ended June 30, 1990. The Single Audit Report is a comprehensive report that addresses the financial condition of the state, compliance with state and federal laws and regulations, reports on internal controls and, other audit findings and recommendations. The Department of Audit, in preparing the report, complied with all applicable auditing standards and the provisions of the Single Audit Act of 1984.

While the Executive Summary of Audit Findings and the Schedule of Reportable Conditions highlight the most important aspects of the Single Audit, we encourage legislators, government officials, citizens of the state and other interested parties to review the additional findings and recommendations contained in the report. A copy of the complete Single Audit Report is available for review at our office in the Key Plaza building, 286 Water Street, Augusta, Maine.

We acknowledge the continued cooperation and assistance of the many departments, agencies and organizations that are making the commitment to ensure that government is using taxpayer's money efficiently and in accordance with laws and regulations.

EXECUTIVE SUMMARY OF AUDIT FINDINGS

Financial Statement Presentation

The Independent Auditors Report provides an opinion about whether the financial statements are presented in accordance with generally accepted accounting principles (GAAP). The report contained the following qualifications that indicate the state does not comply with GAAP in several significant areas:

- not all organizational units are included in the financial statements
- up-to-date records are not available to support amounts in the general fixed assets account group (i.e. land, buildings and equipment)
- certain accruals are not recorded
- an adequate allowance for sales tax receivable has not been established (approximately \$20 million)
- the revenues, expenses and inventory accounts of the internal service fund are overstated

If financial statements are not presented in accordance with GAAP, the state's bond ratings could be adversely affected.

Internal Controls

An entity's internal control structure consists of the policies and procedures established to safeguard assets and resources and provide reasonable assurance that they are used according to management's directions. Good internal controls are essential in ensuring the proper conduct of government business. Included in the Single Audit of the State of Maine are two reports about internal control. These reports cited two significant internal control weaknesses.

The first material weakness in internal control noted the lack of current policies and procedures in the area of financial administration. Specifically, state agencies initiate accounting transactions that receive only a minimal review by the Bureau of Accounts and Control. Additionally, all information required to prepare GAAP financial statements is not available.

The financial system of an organization is the cornerstone for accountability. Without adequate financial policies and procedures, including requirements for providing the necessary GAAP data, information provided to financial statement users is less meaningful and useful. This material weakness is a continuing problem that should receive prompt attention.

The second major area of internal control weakness lies in inadequate monitoring and auditing of subrecipients receiving federal funds passed down from state agencies. The state receives approximately \$701 million of federal funds for various programs. If subrecipients, primarily nonprofit organizations, receiving federal monies are not properly monitored and audited, the state places itself at risk since, as recipient of federal monies, the state is ultimately accountable for those funds.

Compliance With Laws and Regulations

The Single Audit also includes four reports pertaining to compliance with laws and regulations. In all but one of these reports it was determined that there were no material instances of noncompliance with laws and regulations.

The Independent Auditor's Single Audit Opinion on Compliance With Specific Requirements Applicable to Major Federal Financial Assistance Programs indicated that the State of Maine did not have adequate systems in place to ensure that subrecipients of federal funds are audited or monitored in compliance with federal regulations. The following departments had findings in these areas.

- State of Maine Executive Department - Division of Community Services
- Department of Mental Health and Mental Retardation
- Department of Human Services

In addition, other auditors who audited the Guaranteed Student Loan Program, were unable to test compliance with certain specific program requirements due to a lack of sufficient relevant documentation.

SCHEDULE OF REPORTABLE CONDITIONS

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the state's ability to record, process, and report financial data consistent with the assertions of management.

The following is a schedule of all reportable conditions that the Department of Audit identified during the course of our work.

Department of Administration

Office of Information Services

(1) Finding: Accounts payable incorrectly recorded

Due to a misunderstanding of accounting principles, the Office of Information Services Telecommunication supervisory accounting personnel did not record expenditures and accounts payable for goods and services received but not paid for prior to June 30, 1990. As a result, we estimate that OIS Telecommunication Internal Service Fund recorded fiscal 1990 expenditures and accounts payable are understated and retained earnings overstated by \$1,695,702.

Recommendation:

We recommend that OIS accounting personnel record expenditures and accounts payable in the period to which they apply.

Auditee Response:

The OIS Telecommunication Division business office has made procedural changes to ensure the proper recording of expenditures and accounts payable in the fiscal period to which they apply.

Bureau of Public Improvements

(2) Finding: Incomplete General Fixed Assets Account Group (GFAAG) records (Prior Year Finding)

GFAAG records are incomplete because various state agencies' reports of their general fixed assets to BPI are incomplete and inaccurate.

Recommendation:

We again recommend that BPI conform to the requirements of the State of Maine Manual of Financial Procedures, §66 to ensure that general fixed assets inventory records are brought up to date.

Auditee Response:

We acknowledge the ongoing problems regarding the incomplete records pertaining to the General Fixed Assets Account Group. We have mailed out reminders to agencies in order to make them aware of the reporting requirements. However, we do not have the statutory authority to force agencies to respond.

Department of Educational and Cultural Services

Division of Finance

(3) Finding: Loans not recorded as receivables (Prior Year Finding)

The Department of Education did not record receivables for loans made to Post Graduate Health Professional Program students until they entered repayment status nor did it record receivables for certain Blaine House Scholars' loans. General Fund appropriations supported these programs.

The department maintained individual loan records but maintained no control log showing totals of loans granted or repayments made. As of June 30, 1990 the Controller's records show that the Department of Education loaned \$12.4 million and received cash repayments of \$603,000. Based on available records, we estimate that Special Revenue Fund receivables were understated by approximately \$11.8 million at the time programs were transferred to the Finance Authority of Maine in March of 1990.

Recommendation:

We make no recommendation since the department no longer administers these programs and they are no longer reflected on the Controller's records.

Auditee Response:

No corrective action by the department is necessary.

Department of Finance

Bureau of Accounts and Control

(4) Finding: Incorrect use of prepaid expense account (Prior Year Finding)

The Bureau of Accounts and Control incorrectly used the prepaid expense account to offset interfund payables and receivables, to alleviate deficit account balances, and to generate post dated Aid to Families with Dependent Children (AFDC) payroll checks. This resulted in a total overstatement of \$10,655,033.

Interfund payables/receivables	\$ 1,882,539
Deficit balances	29,670
AFDC	8,562,726
Other	<u>180,098</u>
Total	<u>\$10,655,033</u>

Recommendation:

We recommend that the Bureau of Accounts and Control use prepaid expense only for those current outlays that benefit a future period. In addition, we recommend that A&C make the appropriate adjustments to correctly reflect the above types of transactions on future financial statements.

Auditee Response:

For budgetary purposes, we will continue our current practices; for GAAP statements, we will adjust accounts to properly reflect account balances.

Correct use of prepaid expense is to account for current outlays to benefit a future period. Interfund payables and

Department of Finance (cont.)

receivables should be offset to expenditures or revenue, respectively. Expenditures should be recognized in the period in which they are incurred. In addition, AFDC payroll checks should be reported as of the check date, rather than the date generated.

Bureau of Accounts and Control

(5) Finding: Wire transfers incorrectly recorded as accounts payable (Prior Year Finding)

The Bureau of Accounts and Control recorded wire transfers from state demand deposit accounts during fiscal year 1990 as accounts payable rather than cash reductions. As a result, cash and accounts payable were overstated in the Treasurer's Agency Fund by \$3,601,725.

Recommendation:

We recommend that the Bureau of Accounts and Control record wire transfers from state demand deposit accounts as cash reductions in the fiscal period in which they occur.

Auditee Response:

It is the responsibility of the Department of Treasury to record activity generated by wire transfers they initiate.

Bureau of Accounts and Control

(6) Finding: Cash reconciliation not performed

The Bureau of Accounts and Control is responsible for maintaining the state's official accounting records. Since December 1989 A&C has not reconciled the cash balance. As a result, at June 30, 1990 there was a discrepancy between the Treasurer's and Controller's records in excess of \$10 million.

Recommendation:

We recommend that Accounts and Control reconcile the variance and make appropriate adjustments. In addition, we recommend that each month A&C reconcile the state's official accounting records with the Treasurer's ledger and make corrections as necessary.

Auditee Response:

We agree. The cash account has been reconciled and will be reconciled on a monthly basis in the future.

Bureau of Accounts and Control

(7) Finding: Deferred Compensation Plan assets/liabilities not recorded (Prior Year Finding)

The State of Maine is accountable for participant contributions to a Deferred Compensation Plan.

The bureau's practice has been to record the cash value of Deferred Compensation Plan assets/liabilities only in the Controller's Annual Financial Report and not on the accounting records. Consequently, as of June 30, 1990 the bureau had not recorded Deferred Compensation Plan assets/liabilities of \$53,421,199 on the state accounting records.

Recommendation:

We recommend that the bureau record all funds or assets entrusted to the state.

Auditee Response:

The bureau will establish a fund and record transactions reported by the carriers.

Department of Finance (cont.)

Bureau of Taxation

(8) Finding: Special Fuel payments refunded without supporting documentation

Title 36, MRSA, §3208 authorizes the State Tax Assessor to refund Special Fuel overpayments and to require such supporting documentation for refunds as he believes necessary. In fiscal year 1990 the Bureau of Taxation refunded \$8.2 million from its special revenue fund without requiring any supporting documentation. Taxpayer audits done by the Audit Division of the Bureau of Taxation provide some assurance as to the validity of those refunds tested. However, there is no control to prevent unwarranted refunds and there is no documentation available at the Bureau of Taxation to examine for the propriety of refunds paid.

Recommendation:

Although refund procedures comply with legal requirements, we recommend that the Bureau of Taxation strengthen internal controls over Special Fuel refunds. We recommend that the State Tax Assessor assign responsibility to a specific individual to monitor and analyze Special Fuel payment/refund patterns and to target unusual patterns for further review. We further recommend that the bureau minimally request, and on a test basis check, supporting documentation for a sample of taxpayer refund requests.

Auditee Response:

The refunds authorized under 36 MRSA §3208 are claimed on returns required to be filed by 9,000 users, 7,000 quarterly and 2,000 annually, under 36 MRSA §3209. The returns contain information on fuel used and miles traveled within and without Maine. The net results of the information required to be supplied on the return is either additional tax due by the user or a refund of tax due to the user. Verification of the net results reflected on the return is dependent on audits conducted by the field staff. Audit results in this area are minimal, indicating that the current procedure is cost effective.

Bureau of Taxation

(9) Finding: Revenue recognition cut off procedures

The Bureau of Taxation does not have written procedures to ensure that all, and only, revenues that are available and measurable in the fiscal period are recorded. Business Services Section personnel do not consistently date stamp or otherwise segregate end of fiscal period receipts. The bureau does not cut off revenues based on cash received by the last day of the fiscal period but allows time for receipts that may have been mailed by the last day of the reporting period; revenue figures may therefore be subject to manipulation. Clearly established, consistently applied revenue cut off procedures are essential to provide reliable information to users of the financial data.

Recommendation:

We recommend that bureau personnel cut off revenues based on cash received by the last day of the fiscal period; document and advise appropriate bureau personnel of this policy; and establish verifiable cut off procedures to segregate end of fiscal year receipts.

Auditee Response:

We are developing a written policy which will be made clear to bureau staff. A copy will be provided to you.

Governmental Accounting and Financial Reporting Standards (GASB 1600.110) state that: "It is neither necessary nor practical to attempt to accrue taxpayer assessed income and gross receipts taxes unless taxpayer

Department of Finance (cont.)

liability and collectibility have been clearly established - as when tax returns have been filed but collection, while assured, is delayed beyond the normal time of receipt. Such items are best recognized as cash is received." The same criteria apply to taxpayer-assessed sales taxes (GASB S10.102). Fiscal year 1990 taxpayer - assessed tax revenues include \$17.6 million for which the corresponding cash receipts statements and bank deposits were not recorded until the 1991 fiscal year. Senior bureau personnel indicated that, for most of the recorded revenue, payments had been received in June but not deposited until July.

Bureau of Taxation

(10) Finding: Independence of Audit Division's revenue agents

There is presently no written policy concerning independence of revenue agents conducting field audits, and no disclosures of circumstances or relationships that might impair agents' objectivity. Agents influence audit selection and make recommendations for cash refunds to businesses they audit. While refunds must be approved, the approval process would not disclose nor prevent approval of a refund to a friend or acquaintance of an agent.

Recommendation:

We recommend that the Audit Division establish a written policy concerning independence and require disclosure of relationships that may impair the objectivity of its revenue agents.

Auditee Response:

The bureau is preparing a written policy on conflicts of interest which will be provided to all Audit personnel and incorporated in the audit manuals.

Bureau of Taxation

(11) Finding: Allowance for estimated uncollectible taxes receivable

The Bureau of Taxation has not provided the Bureau of Accounts and Control with accurate information so that reasonable allowance accounts for estimated uncollectible taxes receivable can be established. Because of the inaccurate information, June 30, 1990 allowance account balances are insufficient to reasonably allow for the amount of recorded revenues that may not be collected. General Fund revenues/fund balance available for appropriation have been overstated by the amount of adjustment necessary to establish reasonable allowance account balances.

Recommendation:

We recommend that the Bureau of Taxation accumulate complete and accurate data to properly age and report all taxes receivable to the Bureau of Accounts and Control so that adequate allowances for estimated uncollectible accounts can be established.

Auditee Response:

The bureau will develop a procedure for providing the detail for aging accounts receivables as MATS progresses. Each tax will be handled as it is converted to MATS. The standards to be used in aging accounts will be reviewed with the State Controller.

The Bureau of Accounts and Control determines allowance account balances by the sum of 100% of the accounts over one year past due; 50% of accounts over six months past

Department of Finance (cont.)

due; 25% of accounts over ninety days past due and none of current accounts.

Sales taxes:

For sales taxes receivable, the Business Services Section of the Bureau of Taxation reports as delinquent for over one year only those accounts that the Enforcement Division has attempted to recover and has determined to be uncollectible. All other sales tax accounts are reported as current, regardless of age or collectibility. Write-off of the uncollectible accounts eliminates the sales tax allowance account. All of the 1990 sales taxes written off that we examined were between seven and seventeen years old. At June 30, 1990 recorded sales taxes receivable totaled \$21,288,000. The associated allowance account for estimated uncollectible sales taxes had a zero balance.

Individual Income Taxes:

Individual income taxes receivable are aged at the end of March for the current fiscal year. Since the due date of the tax is April 15, the present aging schedule allows at 50% those receivables aged over one year that should be allowed at 100%. All current receivables are excluded from the allowance; there is no estimate of uncollectibility of current income taxes due as of June 30, 1990. The Bureau of Taxation maintains three other individual income taxes receivable systems (FEDEX, CP2000, and R.A.R.). They do not report balances from these other systems on the aging report to the Bureau of Accounts and Control. At June 30, 1990 receivable balances on these three systems totaled \$2,961,800. No allowance was established. There is no allowance account established for individual income withholding taxes receivable. Like sales tax, accounts that the Enforcement Division has attempted to recover and has determined to be uncollectible are reported as delinquent for over one year. All other accounts, regardless of age, are reported as current. An allowance is established for the uncollectible accounts, but they are written off before year end, thus reducing the allowance to zero. At June 30 withholding taxes receivables were \$17,259,655. Additionally, no allowance was established for estimated uncollectible corporate taxes receivable.

Department of Finance (cont.)

Bureau of Taxation

(12) Finding: No reconciliation of individual and corporate income taxes (Prior Year Finding)

Bureau of Taxation personnel have not reconciled individual and corporate income taxes since the new state accounting package (MFASIS) was implemented in January of 1990. Net revenues for these taxes were in excess of \$6 million for the 1990 fiscal year. Bureau of Taxation and Bureau of Accounts and Control personnel are working to develop MFASIS reports that will provide information necessary for reconciliation.

Recommendation:

We recommend that the bureau assign responsibility for coordinating efforts between the bureaus so that all necessary information for a complete reconciliation is available.

Auditee Response:

Due to the complexity of reconciling individual and corporate income taxes since the implementation of MFASIS, we have only been able to reconcile through April 1991. The Controller's Office has been reminded of our need for improvements in MFASIS reports. They indicate that an attempt will be made to make the improvements. Until the improvements occur, the likelihood of not being able to reconcile remains high.

Department of Human Services

Office of Management and Budget - Division of Audit

(13) Finding: Noncompliance with state law audit requirements

Title 5, MRSA, §1653 (9) requires that financial and compliance audits of all state and federal funds passed through the state to community agencies be conducted no less frequently than every two years. For over two years the division has not audited federal and state funds amounting to \$5,195,199 and \$3,082,094, respectively, that were disbursed by DHS.

MAAP §.04 (B)(a)(xvii) requires that single audits be completed and reports issued within 12 months following receipt of the financial statements. It should be noted that of the 34 unaudited community agencies 32 had not submitted financial statements when due. DHS had not audited 17 community agencies with federal and state funds totaling \$2,520,904 and \$1,531,586 in the year following the receipt of the financial statements.

Recommendation:

We recommend that the division ensure that audits are completed within the required time frame following receipt of the financial statements.

Auditee Response:

We agree DHS had not audited the subrecipients because 32 of 34 subrecipients had either not submitted any financial statements at all or they were very late in filing their statements. Obviously, subrecipient noncompliance has a significant impact on DHS audit planning capabilities. There are no current sanctions to prohibit this type of occurrence.

Department of Labor

Office of Administrative Services

(14) Finding: Allowance for uncollectible accounts not correctly stated

MDOL records all accounts receivable as uncollectible. This procedure results in understating net accounts receivable and revenues.

Recommendation:

We recommend that MDOL establish the allowance for uncollectible accounts offset based on historical collection data of both accounts and taxes receivable. The accounting offset for the amount established in the allowance account should be charged against revenue.

Auditee Response:

This procedure has been reviewed with the Bureau of Accounts and Control and proper accounts are now established on the Controller's records to record the accounts receivable, allowance for doubtful and deferred revenue accounts as part of the fund balance.

Bureau of Employment Security

(15) Finding: Detail and control accounts receivable records do not agree (Prior Year Finding)

Our review of the accounts receivable records for unemployment compensation payroll tax and benefit overpayments revealed a difference of \$1,199,838 between the total of the detail listing and the control total as of June 30, 1990.

Recommendation:

We recommend that MDOL maintain appropriate detail accounts and taxes receivable records for unemployment compensation payroll tax and benefit overpayment; and we recommend that each month it reconcile the detail to the control total.

Auditee Response:

MDOL attempted to use a PC solution to maintain appropriate detail accounts and taxes receivable records for unemployment compensation payroll taxes. This solution did not prove successful. We are including the correction of the problem of aging of accounts in the automation revision currently in progress. We will put into our procedures requests for a detailed listing to be run at the same time as the control total in order to correct the benefit overpayment problems.

Maine State Retirement System

Group Life Insurance Program

(16) Finding: Liability for anticipated claims (Prior Year Finding)

Title 5, MRSA, §18059 states that payment of premiums shall be based as determined by the board to be actuarially sufficient to pay anticipated claims. Title 5, MRSA,

Recommendation:

We recommend that the Group Life Insurance Program engage an actuary to determine liability for anticipated future claims, the reserves necessary to pay anticipated claims, and the premium rate necessary to accumulate sufficient assets to pay anticipated claims. Group Life

Maine State Retirement System (cont.)

§18060 requires an annual review of the Group Life Insurance Program to determine the reserves necessary to pay anticipated claims.

The Group Life Insurance Program has not determined liability for anticipated future claims. Operating revenues were not sufficient to pay benefits and general operating expenses for the fiscal year ended June 30, 1990. Consequently, there was a decrease in assets available for future benefits due.

should adjust premium rates to accommodate actuarial recommendations.

Auditee Response:

The Retirement System has requested Milliman & Robertson (the System's actuaries) to study the issue of premiums in force and make recommendations based on the need to meet anticipated claims and the expenses of operating the program. The work is currently underway and a report, with recommendations, is expected in the fall of 1991.

Group Life Insurance Program

(17) Finding: Inconsistencies in group life insurance coverage and premiums

Title 5, MRSA, §18056 states that the amount of life insurance benefits to be paid "....shall be equal to the participant's annual earnable compensation...." Title 5, MRSA, §17001, defines earnable compensation.

Chapter 710 of Public Laws 1989 changed 5, MRSA, §18056 by replacing the term "earnable compensation" with "annual base compensation"; and revised 5, MRSA, §17001 by defining "annual base compensation" to mean "earnable compensation." These revisions became effective July 14, 1990.

However, unlike the current procedure, the definition of "earnable compensation" does not clearly indicate whether longevity, shift differential and direct care payments, etc., should be included when calculating the annual base compensation. Group life insurance premiums and the amount of individual coverage are based solely on the calculated compensation base.

The ambiguity of the definition, together with the Bureau of Human Resources recommendation to calculate base compensation on payroll components different from those now used, suggests a need to clarify which payroll components should be included or excluded.

The following payroll components are currently used to determine the level of life insurance coverage:

1. Regular wages
2. Shift differential pay
3. Medication premium
4. Divers/Teachers stipend

Recommendation:

We recommend that the Maine State Retirement System compile and approve a specific listing of payroll components to be used in calculating annual base compensation; and that it establish procedures and controls to ensure it accurately determines the amount of life insurance coverage and premiums to be paid.

Auditee Response:

Action taken by the Maine State Retirement System Board of Trustees in the spring of 1991 has done much to alleviate the ambiguity of earnable compensation with respect to group life insurance coverage.

After hearing comments on proposed changes in rule, it was decided that the amount of gross pay that appears on a member's W-2 Statement of Wages for a given year will be the basis on which coverage will be provided in the following year.

This will become effective with amounts indicated for calendar year 1991 and be carried into 1992. We feel this approach will do much to clear up the inconsistencies cited in the finding.

Maine State Retirement System (cont.)

5. Recruitment/Retention stipend
6. Non-standard differential
7. Longevity pay
8. 5% in lieu of retirement pay

Using this component list, we tested life insurance coverage and associated premiums paid for twenty-seven individuals. In five cases both the level of insurance coverage and amount of premiums paid were incorrect.

Maine State Retirement System

(18) Finding: Interest calculations on refund payments are inconsistent with policy

The MSRS Board of Trustees determined that interest on member contributions would be earned at the rate of 7%, compounded annually. Our review disclosed that interest compounding occurs on a bi-weekly basis for state employees and, generally, on a quarterly basis for teachers and participating district employees. Neither method agrees with the policy established by the Board of Trustees. During fiscal year 1990, interest included in contributions refunded totalled \$2,070,271. We estimate that \$793,328 less interest would have been paid had MSRS followed the trustees' policy.

Recommendation:

We recommend that the MSRS undertake corrective action to ensure compliance with the Board of Trustees' policy.

Auditee Response:

Retirement System management has confirmed with the Board of Trustees that the current procedure of paying interest up to the refund date is to continue. The seven percent annual compounding applies to member contributions that continue on deposit for members that do not apply for a refund.

Maine State Retirement System

(19) Finding: Pending transactions incorrectly recorded (Prior Year Finding)

The Maine State Retirement System recorded pending investment purchases as decreases, and recorded sales as increases to fiduciary cash balances. Because cash balances were not affected until settlement date, pending purchases should have been recorded as accounts payable and pending sales recorded as accounts receivable. As a result, the following accounts were understated at fiscal year end.

Cash	\$ 905,350
Accounts receivable	4,773,721
Accounts payable	5,747,303

Recommendation:

We recommend that the MSRS correctly record pending transactions as accounts payable or accounts receivable until the transaction settlement date.

Auditee Response:

Extra journal entry transactions are needed to maintain the accounts payable/receivable for investment trade date items and past practice has dictated that all purchases and sales be netted against Fiduciary Cash. Until such time as an automated General Ledger accounting system is available at the Retirement System, to post these manually invites the introduction of error in the process.

An audit trail is clearly available in the Boston Safe Deposit Company reports to the Retirement System and the trade date items are reconciled monthly.

Maine State Retirement System (cont.)

Maine State Retirement System

(20) Finding: Documentation of internal control inadequate (Prior Year Finding)

The Maine State Retirement System must maintain records of participant data. Out of twenty-five recipient files that we sampled, one could not be located. In addition, we noted other problems related to inadequate documentation:

1. Official documents filed haphazardly in unsecured files;
2. No maintenance of inventory, or checklist of file contents;
3. Important benefit calculations on unofficial, unsigned and undated papers;
4. Benefit payment calculations crossed out and revised figures entered on official forms; changes not initialed and authorizations not documented; components of recalculations not identified;
5. Authorizations endorsed with facsimile signature stamp;
6. Missing documents on microfiche.

Recommendation:

We recommend that the MSRS personnel record all benefit computations on official forms authorized by the board. The forms should contain:

1. All components of calculations, references to authorizing statutes or rules;
2. The name of the employee completing the form;
3. The date of completion and signature of the authorized official who reviewed the form;
4. A document number for the form;
5. Only original signatures on authorizations.

Revisions to previously completed forms should be made on separate forms containing all of the foregoing information including an explanation or justification for change.

We further recommend that the MSRS determine what documentation is necessary and ensure that all files contain all necessary information organized in a consistent manner.

Auditee Response:

In the sample drawn, deficiencies were found in records for members who retired from 1979 through 1987. Management considers recent practices introduced to be an improvement in the recordkeeping process. Communication and calculations are now more formal and entries can be easily traced.

The use of a check list recommended by audit is to be implemented. A better ordering of the files is now taking place.

Maine State Retirement System (cont.)

Maine State Retirement System

(21) Finding: Accrued dividend income not recorded (Prior Year Finding)

The Maine State Retirement System did not record accrued dividend income of \$1,024,670. As a result, assets and operating revenue were understated.

Recommendation:

We recommend that the MSRS record all dividends receivable at fiscal year-end.

Auditee Response:

Accrued dividends have not been recorded as income by the Retirement System for almost the last twenty years. No effort is made to do this because unlike accrued interest, accrued dividends are not measurable until paid. While unlikely, it is possible for a company to reverse its decision to pay a dividend at any time prior to payment.

Accrued Dividends amount to less than one percent of total annual income for the Retirement System.

Maine State Retirement System

(22) Finding: Insufficient methods used to calculate retirement benefits

During our examination of the benefit calculation process we noted inconsistencies in MSRS determination of earned compensation, the basis of benefit payments, as well as errors in its computation of benefit amounts.

Inconsistencies result from vagaries in the definition of earned compensation which, depending upon the interpretation of the person calculating, causes variances in the amount of the benefit payment.

Calculation errors are due to human error which result from insufficient supervisory review of benefits calculated. In our sample, we found that six of twenty-five calculations for individuals who retired during FY 1990 were incorrect.

Recommendation:

We recommend that MSRS clearly define earned compensation to eliminate the need for individuals preparing benefit payments to interpret what should or should not be included in the calculation process. We also recommend that it strengthen controls over benefit calculation review by using procedural manuals, the assembly of benefit calculation data on a calculation worksheet, and supervisory review for accuracy of all data and computations.

Auditee Response:

An examination of the benefit calculations process applicable for members who retired from 1976 through 1989 revealed some inconsistencies in determining earnable compensation and errors in computing benefit amounts. A review of the accounts visited by audit resulted in no changes in two of the six questioned. The other four were in error and the result of incorrect payroll information on hand at the time of calculation and inconsistent clerical interpretation of earnable compensation. The Retirement System has introduced legislation in this session that would allow for more consistent definition of earnable compensation.

All documents that are used in calculating a member's retirement benefit must now be thoroughly reviewed and the results independently verified prior to passing the

Maine State Retirement System (cont.)

information to benefits payroll. As the process of automating the benefit calculation moves forward, the necessary procedure manuals will be developed to complement the procedure.

Maine State Retirement System

(23) Finding: Transaction detail unavailable

MSRS records income from investment transactions, retirement contributions, benefit payments, refunds, etc., directly to the various trust reserve accounts rather than to operating accounts. As a result of this and a flaw in the MFASIS computer system, no transaction detail summaries are available from the Controller's records. For audit purposes, we examined and tested for reasonableness detail information that MSRS provided.

Using MSRS data, we compared the net effect of operations on trust reserve balances to the Controller's year-end balances. These appear to have been accurately stated. Therefore, we believe that the net results of operations have been appropriately recorded on the state's records although we cannot verify that individual transactions were recorded correctly.

Recommendation:

We recommend that MSRS record transactions using income and expense reporting codes rather than record transactions directly to trust reserve accounts. By segregating income and expense items when recorded, auditable figures will be available at year-end without the need for reconstruction of records.

Auditee Response:

Examination of retirement system records and reporting of that result by the Audit Department would indicate that the balances reported by the system have been accurately stated. The unavailability of detail to support income records is an acknowledged shortcoming of the MFASIS computer system.

The Retirement System's recordkeeping procedures and protocols appear to be in order and we see no need to change in order to accommodate an inadequacy on the part of the state's new system. We urge the Audit Department to address the shortcoming with the appropriate party, the State Controller.

Maine State Retirement System

(24) Finding: Accrual of refunds (Prior Year Finding)

According to Governmental Accounting and Financial Reporting Standards (GASB), §1600 pension trust funds should be accounted for on the accrual basis, i.e., recognized when the related liability is incurred.

The Maine State Retirement System has not accrued a liability for the amount of contributions to be refunded to nonvested, terminated members.

Recommendation:

We recommend that the MSRS record a liability for accrued refunds payable for all nonvested terminated members who have not received refunds.

Auditee Response:

Contributions are held in trust by the Retirement System until such time as a member retires, dies, or requests a refund. Only individuals who have terminated service may request a refund of contributions.

Former members may leave funds on deposit with the

Maine State Retirement System (cont.)

Retirement System for extended periods of time. It's common for persons to have contributed large sums, leave service and wait years before applying for retirement benefits. It's inappropriate to recognize such funds as suggested by the Audit Department because these may never be refunded. No criteria exists by which to measure when or how much may ever be refunded. Listing the total amount would overstate such a liability.

Suggesting that such refunds would be classified as an accrued amount would require that these amounts meet the test of timeliness and measurability in the fiscal period. We feel the nature of the individual accounts precludes making such a judgement.

Department of Transportation

Bureau of Maintenance and Operations - Motor Transport Service

(25) Finding: Incorrect accounting for lease-purchase agreement (Prior Year Finding)

The MDOT Motor Transport Service used legislatively authorized Certificates of Participation to finance \$25 million in equipment lease-purchases. MTS personnel did not make appropriate accounting entries to record the transactions. At June 30, 1990 the following MTS Internal Service Fund accounts were understated:

1. Cash	\$11,363,834
2. Lease-purchases payable	12,329,317
3. Interest expense	692,385

Recommendation:

We recommend that MTS personnel make necessary accounting entries to reflect accurate account balances.

Auditee Response:

A review of lease purchase accounting transactions is currently being performed. The Internal Service Fund will reflect appropriate accounting entries prior to June 30, 1991.

Bureau of Transportation Services - Ports & Marine Transportation Division, Maine State Ferry Service; and Air Transportation Division

(26) Finding: Operating transfers from General Fund not correctly classified (Prior Year Finding)

Each of the department's enterprise funds receives an appropriation from the General Fund to defray operating costs.

Recommendation:

We recommend that the department account for additional General Fund subsidies as operating transfers. We also recommend that the department adjust accounts of prior periods for the cumulative effect to the donated surplus and unappropriated surplus.

Department of Transportation (cont.)

The appropriations made in fiscal year 1990 were:

Aeronautics	\$ 66,208
Ferry Service	1,524,042
Ports and Marine	120,322

The department by-passed the enterprise funds' operating statements by crediting \$672,388 of the appropriations for Ferry Service, and \$47,420 for Ports and Marine to donated surplus (contributed capital).

In prior years the department accounted for General Fund subsidies for all enterprise funds as contributed capital which resulted in overstatements of donated surplus by amounts that could not be determined. This treatment of General Fund appropriations contributed to the deficits reported in unappropriated surplus (retained earnings) in the enterprise funds' operating statements.

To properly account for the subsidies in accordance with Governmental Accounting and Financial Reporting Standards (GASB) 1800.106 the department should treat appropriations as operating transfers.

Auditee Response:

....Procedures have been changed to properly record operating subsidies. We will review and adjust the enterprise accounts to appropriately reflect donated surplus and unappropriated surplus for prior periods.

The adjustments set forth in the audit finding do not reflect entries made in June 30, 1990. \$990,764 was adjusted at that time. The remaining \$719,808 will be adjusted prior to the end of Fiscal Year 1991....

Status of Unresolved Significant or Material Findings and Recommendations

The Department of Audit has established a system to follow-up on the status of significant or material findings and recommendations. The following information is included to highlight areas that are an ongoing concern.

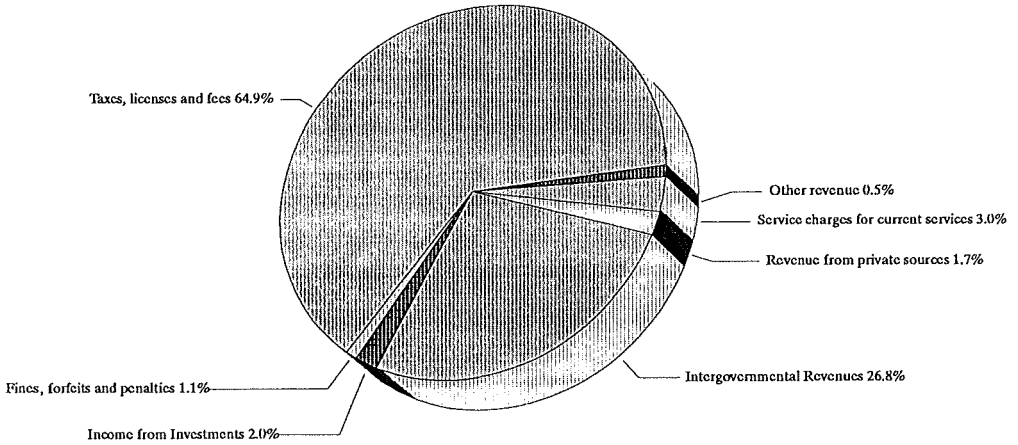
<u>Agency/Finding</u>	<u>Single Audit</u>	
	<u>Report 1989</u>	<u>Reference 1990</u>
Department of Administration - Bureau of Public Improvements		
Incomplete General Fixed Assets Account Group records	D-5	55
Department of Educational and Cultural Services		
Educational loans receivable	D-6	55
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Executive Department - Division of Community Services		
Subrecipient monitoring	E-4	73
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Lack of sufficient current policies and procedures	D-2	52
Wire transfers incorrectly recorded as accounts payable	D-11	57
Inadequate accounting for interfund transactions	D-11	179
Incorrect use of prepaid expense account	D-12	56

<u>Agency/Finding</u>	<u>Single Audit Report Reference</u>	
	<u>1989</u>	<u>1990</u>
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Pending transactions incorrectly recorded	D-21	64
Documentation of internal control inadequate	D-22	65
Accrued interest and dividend income not recorded	D-24	66
Accrual of refunds	D-24	67
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<u>Agency/Finding</u>	<u>Single Audit</u>	
	<u>Report</u>	<u>Reference</u>
	<u>1989</u>	<u>1990</u>
Department of Mental Health and Mental Retardation - Augusta Mental Health Institute		
Billings for patient care and treatment not up-to-date	G-3	203
Department of Mental Health and Mental Retardation		
Subrecipient audits	E-4	73
Department of Transportation - Bureau of Aeronautics Ferry Service Ports and Marine		
Operating transfers from General Fund not properly recorded	D-25	68

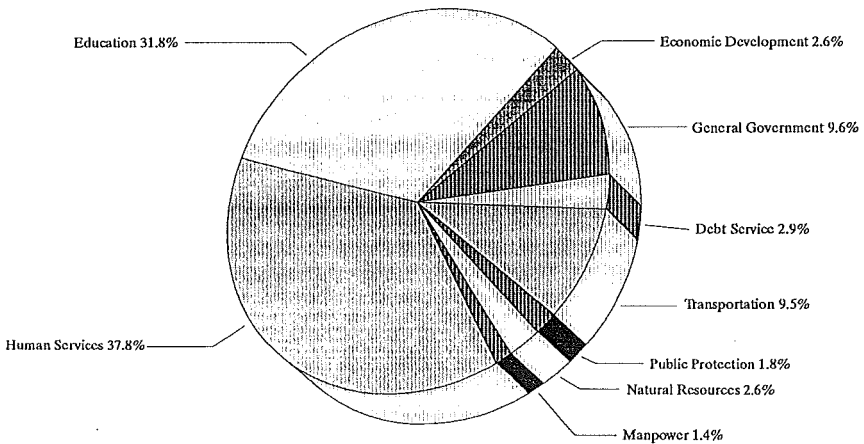
Revenues by Source

(All Governmental Fund Types)

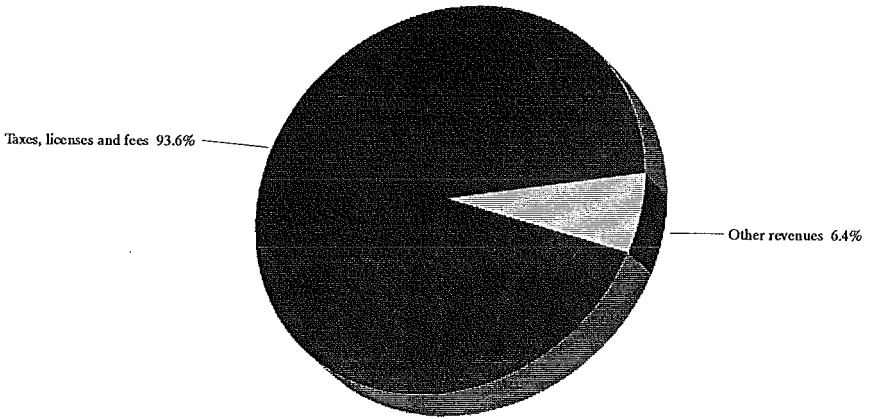


Expenditures by Function

(All Governmental Fund Types)



Revenues by Source (General Fund)



Expenditures by Function (General Fund)

