

# MAINE STATE LEGISLATURE

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# STATE OF MAINE



## MANAGEMENT LETTER to the Single Audit Report and Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2024

Office of the State Auditor  
Matthew Dunlap, CIA  
State Auditor

**State of Maine  
Management Letter to the Single Audit Report and  
the Annual Comprehensive Financial Report  
Fiscal Year Ended June 30, 2024**

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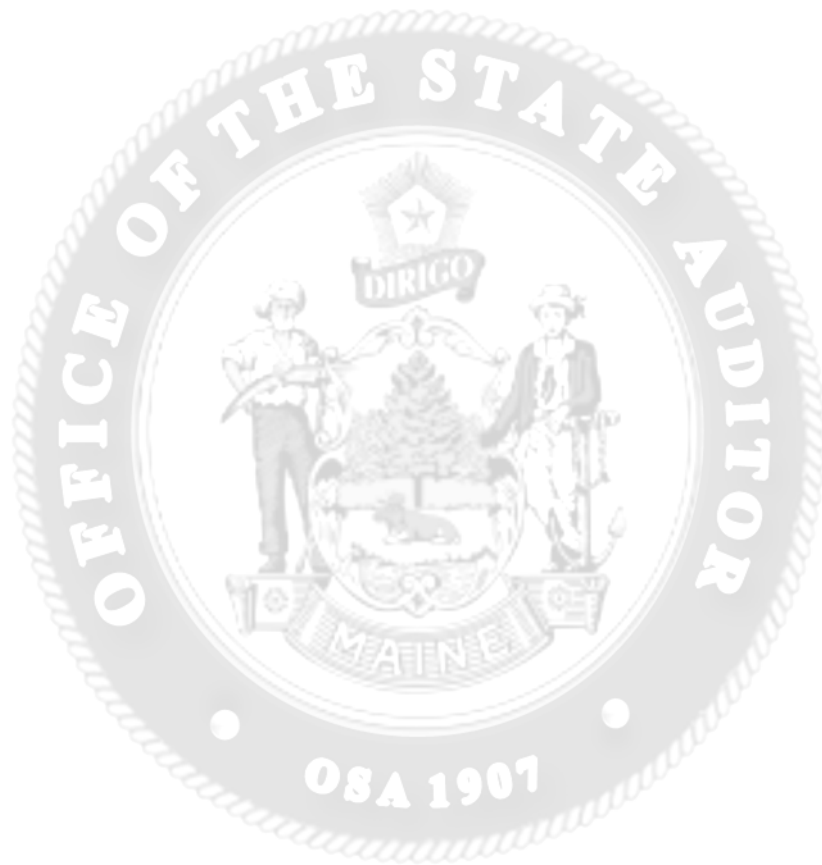
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\*This management letter comment is also addressed to the Department of Agriculture, Conservation and Forestry.

\*\*This management letter comment is also addressed to the Department of Administrative and Financial Services.

†This management letter comment has been redacted consistent with Government Auditing Standards, also known as the Yellow Book (Chapter 6, Standards for Financial Audits, Reporting Confidential or Sensitive Information, Requirements: Reporting Confidential or Sensitive Information, paragraphs 6.63 through 6.65)





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**LETTER OF TRANSMITTAL**

Honorable Members of the Legislative Council, 132<sup>nd</sup> Maine Legislature;

Honorable Janet T. Mills  
Governor of the State of Maine

I am pleased to submit the State of Maine Management Letter for the fiscal year ended June 30, 2024. During our audit of the State of Maine, we became aware of matters that offer opportunities for our government to improve its operations. Recommendations regarding these matters accompany this Management Letter as “management letter comments.”

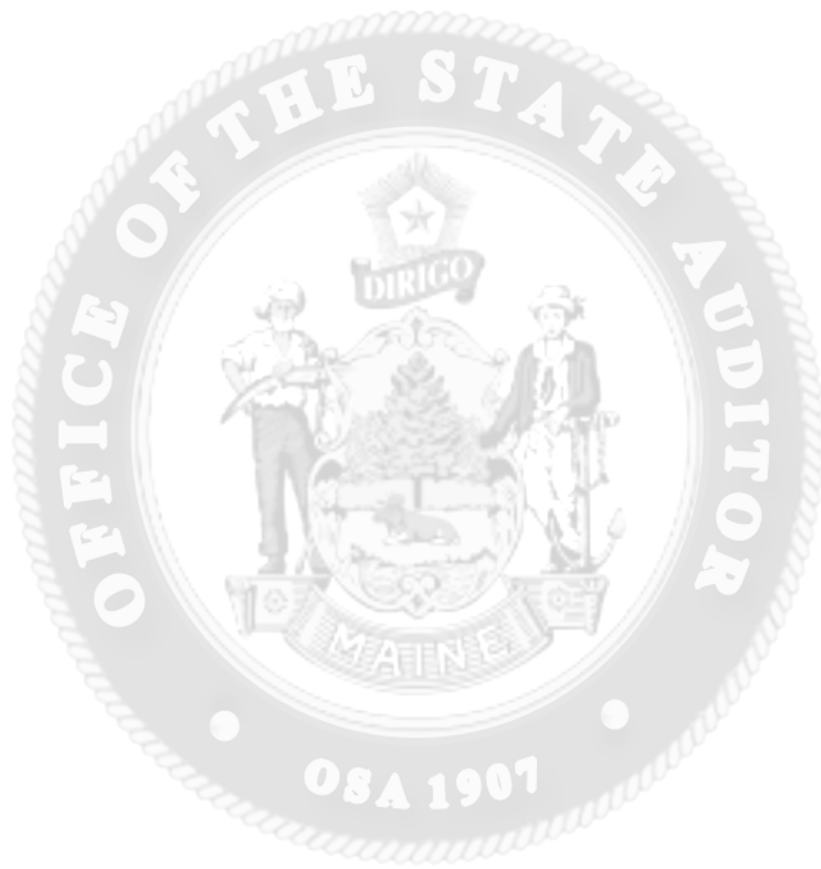
This publication of our Management Letter includes two sections: management letter comments previously issued in relation to the Annual Comprehensive Financial Report (ACFR) audit; and management letter comments newly issued in relation to the Single Audit. Management letter comments related to the ACFR audit were separately issued on January 28, 2025, and are included in this report to provide the reader with a comprehensive set of our recommendations.

Please feel free to contact me with questions you may have. Like you, we are committed to improving our State government for the benefit of our citizens. Healthy discussion of the problems found and solutions considered are part of a dialogue that aims at improvement. I welcome your thoughts and inquiries about these matters.

Respectfully submitted,

Matthew Dunlap,  
CIA State Auditor

May 12, 2025







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**MANAGEMENT LETTER TO THE SINGLE AUDIT REPORT**

Honorable Members of the Legislative Council for the 132<sup>nd</sup> Legislature;

Honorable Janet T. Mills  
Governor of the State of Maine

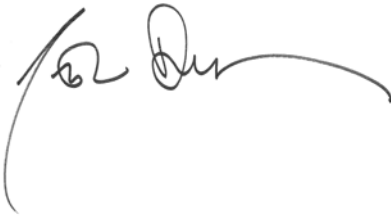
In planning and performing our audit of compliance for the State of Maine's Single Audit for the fiscal year ended June 30, 2024, on which we have issued our report dated March 27, 2025, we considered the State of Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Maine's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance and therefore, deficiencies may exist that have not been identified. However, during our audit, we became aware of certain matters that resulted in "management letter comments" which are presented for your consideration and offer opportunities for strengthening internal control and improving operating procedures of the State of Maine. The following pages contain our comments and suggestions that were not identified as findings in the following reports included in Maine's fiscal year 2024 Single Audit Report:

- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

This communication is intended solely for the information and use of the Legislature, the Governor, and others within State government, and is not intended to be, and should not be, used by anyone other than these specified parties.

We would be pleased to discuss these management letter comments in further detail at your convenience.

A handwritten signature in dark ink, appearing to read "M. Dunlap", with a long, sweeping horizontal line extending to the right.

Matthew Dunlap, CIA  
State Auditor

May 12, 2025

## **Department of Administrative and Financial Services**

**ML-24-1103-01**

**Title:** DHHS Cost Allocation Plan accounts

**State Department:** Administrative and Financial Services

**State Bureau:** Health and Human Services Service Center

**Observation:** A Cost Allocation Plan (CAP) is used when a cost cannot be identified to a particular cost objective (directly expensed). The Department of Health and Human Services' (DHHS) CAP is a written summary that documents how DHHS allocates cost pool accounts across multiple programs, including allocation methods by cost pool account, and is approved by the Federal government.

Of the 111 cost pool accounts tested to ensure allocations were in accordance with the Federally-approved CAP, three cost pool accounts were omitted from the DHHS CAP submitted to the Federal government; however, associated costs were appropriately allocated to the pertinent Federal programs.

**Recommendation:** We recommend that the Department enhance procedures and increase oversight to ensure all cost pool accounts are included in the DHHS CAP submitted to the Federal government for approval.

## **Department of Defense, Veterans and Emergency Management**

**ML-24-1502-05**

**Title:** DG – PA program subrecipient audit procedures

**State Department:** Defense, Veterans and Emergency Management

**State Bureau:** Maine Emergency Management Agency

**Observation:** The Department of Defense, Veterans and Emergency Management (DVEM) provides Federal awards to subrecipients to support the administration of the Disaster Grants – Public Assistance (DG – PA) program. DVEM must verify that every subrecipient is audited as required by 2 CFR 200, subpart F regarding audit requirements. Furthermore, DVEM must issue a management decision for audit findings that relate to Federal awards provided to the subrecipient within six months of acceptance of the audit report by the Federal Audit Clearinghouse (FAC).

The Office of the State Auditor tested DG – PA subrecipients subject to Single Audit requirements outlined in 2 CFR 200, subpart F and identified that DVEM only reviews FAC submissions annually. As a result, management decisions for audit findings may not be issued within six months of acceptance of the audit report by the FAC as required.

**Recommendation:** We recommend that DVEM establish procedures to ensure that subrecipient audit submissions are reviewed on a more frequent basis. This will ensure that management decisions for audit findings are issued within six months of acceptance of the audit report by the FAC.

## **Department of Education**

**ML-24-1208-01**

**Title:** Title I Part A high school graduation rate reporting policies and procedures

**State Department:** Education

**State Bureau:** Office of Federal Programs

**Condition:** The Maine Department of Education (DOE) and its Local Education Agencies (LEAs) must report graduation rate data for all public high schools at the school, LEA, and State levels using a four-year adjusted cohort rate. LEAs are required to report the information to DOE in the Graduation Certification Report.

To remove a student from the cohort, a school or LEA must confirm, in writing, that the student transferred out, emigrated to another country, transferred to a prison or juvenile facility, or is deceased. DOE is required to have policies and procedures over proper documentation for the removal of a student from the adjusted cohort.

While DOE's report instructions provide guidance on required documentation when removing a student from a cohort, the instructions do not specifically address maintenance of this documentation.

**Recommendation:** We recommend that DOE enhance policies and procedures to ensure that LEAs are maintaining proper documentation to support student removal from adjusted cohorts.

## **Department of Environmental Protection**

**ML-24-1699-08**

**Title:** Coronavirus State and Local Fiscal Recovery Funds program subrecipient risk evaluations

**State Department:** Environmental Protection

**State Bureau:** Water Quality

**Observation:** The Department is required to evaluate each subrecipient's risk of noncompliance with Federal regulations for the purpose of determining the appropriate level of subrecipient monitoring to be performed. The Department provided evidence to support that adequate subrecipient monitoring procedures were performed; however, documentation that risk evaluation procedures performed corresponded to the appropriate level of monitoring activities could not be provided.

**Recommendation:** We recommend that the Department establish procedures to ensure that subrecipient risk evaluations are documented and retained.

## **Department of Health and Human Services**

### **ML-24-1106-02**

**Title:** ICF/IID audit procedures

**State Department:** Health and Human Services

**State Bureau:** Division of Audit

**Observation:** The Department must perform periodic audits of financial and statistical records for Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IIDs). The timeframe required to complete the audit must be established by the State plan, as neither Federal requirements nor the MaineCare Benefits Manual specify a specific timeframe. The Department has not established a timeframe.

The Department's Division of Audit has audit responsibilities for 16 ICF/IIDs. The Office of the State Auditor reviewed all 16 ICF/IID audits completed by the Division in fiscal year 2024 and found that audits of cost reports received in:

- November 2021, May 2022, and November 2022 were completed between 14 to 24 months after the date of receipt.
- May 2023 were completed between 9 to 11 months after the date of receipt.

At the time of audit testing in September 2024, the Department had no ICF/IID audits outstanding.

**Recommendation:** We recommend that the Department continue to enhance and maintain policies and procedures related to the timeframe required for the completion of ICF/IID audits.

### **ML-24-1106-04**

**Title:** Medicaid cases opened due to potential fraud, abuse, or questionable practices

**State Department:** Health and Human Services

**State Bureau:** Office of MaineCare Services

**Condition:** When the State Medicaid Agency receives a complaint of Medicaid fraud or abuse, or identifies questionable practices, a preliminary investigation must be conducted to determine whether there is sufficient basis to warrant a full investigation. If the complaint appears to be valid, the complaint will be assigned to a reviewer. If the complaint is deemed not valid, the case is closed.

In the Office of the State Auditor's test of 55 cases related to potential fraud, abuse, or questionable practices, one case opened on February 28, 2019, has not been assigned to a reviewer. The Department stated that this case was deemed lower priority due to the dollar amount at risk, and thus was not assigned.

**Recommendation:** We recommend that the Department enhance oversight procedures to ensure case reviews and investigations that appear to be valid are assigned to a reviewer in accordance with Department policies and procedures.

#### **ML-24-1113-02**

**Title:** WIC program subrecipient grant award information

**State Department:** Health and Human Services

**State Bureau:** Maine Center for Disease Control & Prevention  
Division of Contract Management

**Observation:** The pass-through entity (PTE) is responsible for ensuring that all required Federal award information, including the Federal Award Identification number (FAIN), is provided to the subrecipient. The Maine Center for Disease Control and Prevention (MeCDC), as the PTE for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), collaborates with the Division of Contract Management (DCM) to draft and execute subawards. The contracts include a Federal funding attachment that lists all required Federal award information.

Of the 16 contracts for the eight subrecipients that administer the WIC program, three contracts did not include required FAIN information.

**Recommendation:** We recommend that DCM and MeCDC collaborate on the implementation of additional procedures to ensure subrecipient awards are complete, accurate and in accordance with Federal regulations.

#### **ML-24-1114-05**

**Title:** CCDF contract payment approval procedures

**State Department:** Health and Human Services

**State Bureau:** Office of Child and Family Services  
Division of Contract Management

**Observation:** The Child Care and Development Fund (CCDF) program is administered by the Office of Child and Family Services (OCFS) and provides funding to increase the availability, affordability, and quality of childcare services in the State. Some of this funding is provided to vendors under contract agreements for various services that support the CCDF program.

The Department's Division of Contract Management (DCM) solicits program approval of vendor invoices to ensure contract payments are allowable; however, the existing program approval process is not documented or consistently applied. The Office of the State Auditor tested 23 contract-related payments and found that in 20 cases, CCDF program approval was evidenced by email communications, and in three cases, program personnel were directly approving invoices in the DCM procurement information system. While all contract-related



contract-related payments were deemed appropriate, the Department does not have documented policies and procedures surrounding CCDF program approval of contract payments.

**Recommendation:** We recommend that the Department establish and maintain policies and procedures relating to CCDF program approval of contract payments. This will ensure consistent application of the approval process to support the allowability of costs charged to the Federal award.

## **ML-24-1119-01**

**Title:** P-EBT Food Benefits policies and procedures

**State Department:** Health and Human Services

**State Bureau:** Office for Family Independence

**Observation:** The Office for Family Independence (OFI) is responsible for issuing Pandemic Electronic Benefit Transfer (P-EBT) benefits to eligible children. OFI is required to implement procedures to properly determine eligibility and benefits for the P-EBT program. OFI utilizes student data from the Department of Education and employs a manual process that includes formatting and cleaning this data. Additional eligibility criteria is applied prior to calculating benefits.

The Office of the State Auditor (OSA) tested 72 P-EBT benefit issuances and determined that OFI is in compliance with allowability and eligibility requirements for the P-EBT program; however, OFI could not provide documented policies and procedures relating to the manual P-EBT benefit issuance process.

**Recommendation:** OSA acknowledges that the P-EBT program has concluded; however, we recommend that the Department develop documented policies and procedures relating to the manual benefit issuance process. This will ensure compliance with Federal statutes, regulations and the terms and conditions of awards.

## **Department of Labor**

### **ML-24-1699-02**

**Title:** Coronavirus State and Local Fiscal Recovery Funds program oversight of expenditures

**State Department:** Labor

**State Bureau:** Commissioner's Office

**Observation:** The Department contracted with a provider to expand apprenticeship and training opportunities in the healthcare field under the Coronavirus State and Local Fiscal Recovery Fund. The contract requires the provider to submit detailed invoices, itemizing the dates of service, rates of pay, hours of work performed, and any other information to substantiate the amount invoiced for payment by the Department.

Documentation could not be provided to support that the Department substantiated the amount invoiced in accordance with the contract for one payment tested by the Office of the State Auditor.

**Recommendation:** We recommend that the Department enhance oversight to ensure that invoices are appropriately itemized according to the contract. This will ensure that invoices are for authorized and allowable purposes.

### **ML-24-1699-06**

**Title:** Coronavirus State and Local Fiscal Recovery Funds program subrecipient and contractor determinations

**State Department:** Labor

**State Bureau:** Commissioner's Office

**Observation:** The Department contracted with a provider to offer program marketing services under the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). The contract was written as a contractor relationship; however, the provider was inaccurately classified and reported as a subrecipient on the CSLFRF Quarterly Project and Expenditure Reports and the Schedule of Expenditures of Federal Awards, which includes the total amount provided to subrecipients from each Federal program and is submitted to the Federal government. In fiscal year 2024, CSLFRF funds provided to this contractor totaled \$399,888.

**Recommendation:** We recommend that the Department implement policies and procedures to ensure contractors and subrecipients are appropriately classified and reported on the CSLFRF Quarterly Project and Expenditure Reports and the Schedule of Expenditures of Federal Awards.

## **Governor's Energy Office**

**ML-24-1699-01**

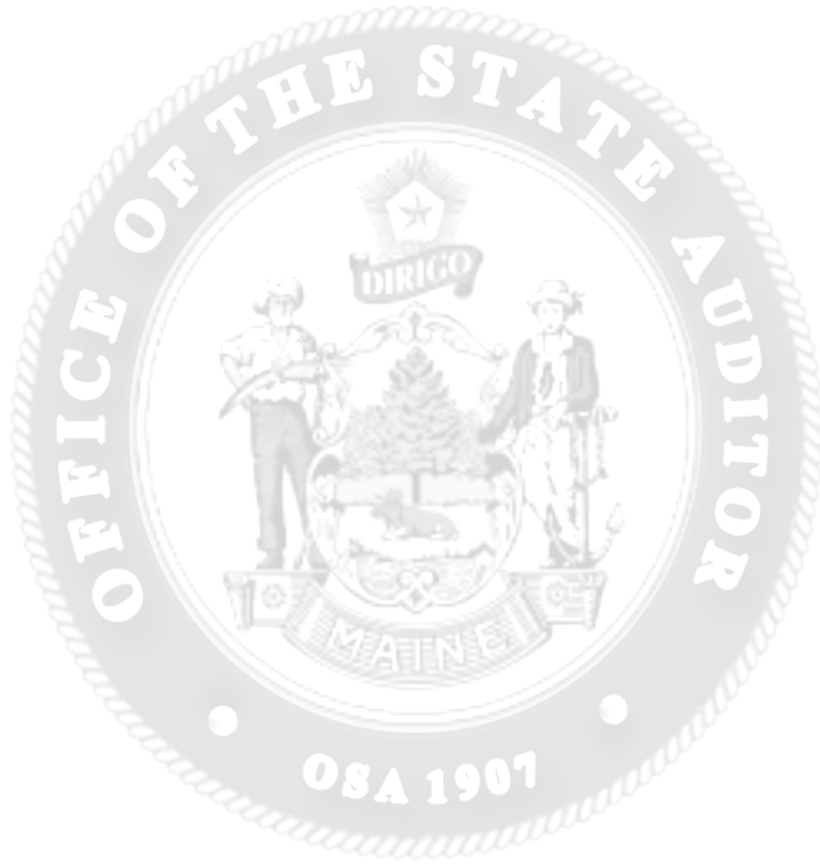
**Title:** Coronavirus State and Local Fiscal Recovery Funds program oversight of expenses

**State Department:** Governor's Energy Office

**Observation:** The Maine Governor's Energy Office (GEO) contracted with a provider to advance workforce development and training in the clean energy field under the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). The memorandum of understanding (MOU) with the provider prohibits requests for reimbursement of indirect costs; however, administrative costs are allowable under CSLFRF if they are direct and reasonable.

In one payment tested by the Office of the State Auditor, the provider was reimbursed for administrative costs that were calculated using the provider's Federally approved indirect cost rate. While allowable under CSLFRF, these indirect costs were not approved under the MOU.

**Recommendation:** We recommend that GEO enhance oversight to ensure that requests for reimbursement are allowable in accordance with the terms and conditions of the MOU.





# STATE OF MAINE

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### MANAGEMENT LETTER TO THE ANNUAL COMPREHENSIVE FINANCIAL REPORT

Honorable Members of the Legislative Council, 132<sup>nd</sup> Maine Legislature;

Honorable Janet T. Mills  
Governor of the State of Maine

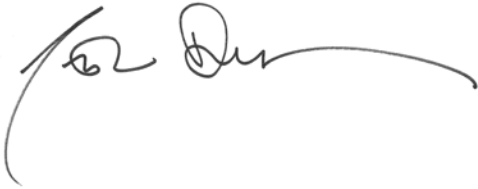
In planning and performing our audit of the financial statements of the State of Maine as of and for the year ended June 30, 2024, on which we have issued our report dated December 17, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the State of Maine's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Maine's internal control. This report is based on our knowledge as of the date of our report on the financial statements, obtained in performing our audit thereof, and should be read with that understanding.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all weaknesses or deficiencies in internal control. Given these limitations, not all weaknesses or deficiencies in controls may have been identified. However, during our audit we became aware of certain matters that resulted in "management letter comments," which are presented for your consideration and offer opportunities for strengthening internal control and improving operating procedures of the State of Maine. These matters were not identified as material weaknesses or significant deficiencies in a separate report titled Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The following pages contain our comments and suggestions regarding those matters.

One of the sixteen management letter comments is redacted because it relates to confidential and sensitive information. Redacting this information is consistent with the *Government Auditing Standards* promulgated by the U.S. Government Accountability Office.

This communication is intended solely for the information and use of the Legislature, the Governor, and others within State government, and is not intended to be, and should not be, used by anyone other than these specified parties.

We would be pleased to discuss these management letter comments in further detail at your convenience.

A handwritten signature in dark ink, appearing to read "M. Dunlap", with a long horizontal flourish extending to the right.

Matthew Dunlap, CIA  
State Auditor

January 28, 2025

## **Department of Administrative and Financial Services**

**ML-24-0121-02**

**Title:** Procedures over identification and review of potential public-private partnerships, public-public partnerships, and availability payment arrangements

**State Department:** Administrative and Financial Services  
Agriculture, Conservation and Forestry

**State Bureau:** Office of the State Controller  
Natural Resources Service Center  
Parks and Lands

**Observation:** The Office of the State Controller (OSC) is responsible for reporting Governmental Accounting Standards Board (GASB) Statement 94 arrangements, which include public-private partnerships, public-public partnerships, and availability payment arrangements (PPPs and APAs), on the State's financial statements. Departments should capitalize GASB Statement 94 assets that meet the minimum dollar threshold of \$1 million. To identify potential PPPs and APAs, OSC's procedures include performing expenditure queries of the State's accounting records and requesting agencies and service centers to complete and submit a GASB Statement 94 Survey. OSC reviewed survey responses to determine if any arrangements should be recorded and disclosed in the financial statements. No PPPs or APAs were recorded or disclosed for fiscal year 2024.

The Office of the State Auditor (OSA) reviewed OSC's procedures and found:

- OSC did not perform revenue queries of the State's accounting records. Potential PPPs and APAs would more likely be identified by reviewing revenue activity.
- completed GASB Statement 94 surveys from all pertinent agencies were not collected and considered before concluding no PPPs or APAs were required to be recorded and disclosed.

In addition, the Natural Resources Service Center (NRSC) processes accounting transactions for various State agencies including the Bureau of Parks and Lands (BPL). Though NRSC's survey response reflected they had not identified any PPPs or APAs, OSA's audit procedures identified that BPL may have potential PPPs or APAs that meet the capitalization threshold. Neither NRSC or BPL could provide documentation to support that they had considered any of the potential GASB 94 arrangements identified by OSA.

**Recommendation:** We recommend that OSC collaborate with NRSC, BPL, and other State agencies as deemed necessary to expand procedures to obtain adequate detail for determination of the existence and value of potential PPPs and APAs.

**ML-24-0900-05 CONFIDENTIAL**

**Title:** \_\_\_\_\_

*Pursuant to paragraph 6.63 of the U.S. Government Accountability Office's Government Auditing Standards (also known as the Yellow Book), we omitted details from this comment as they are confidential under the provisions of 5 MRSA 244-C (3). Though the content of this comment has been redacted, we provided the Department(s) with detailed information regarding the specific observation we noted, as well as our specific recommendations for improvement.*



## **Department of Defense, Veterans and Emergency Management**

**ML-24-0208-19**

**Title:** Department of Defense, Veterans and Emergency Management oversight of payment processing

**State Department:** Defense, Veterans and Emergency Management

**State Bureau:** Military

**Observation:** The Department of Defense, Veterans and Emergency Management (DVEM) utilizes the State Administrative and Accounting Manual to process payments using proper account coding as specified in a contract.

The Office of the State Auditor analyzed DVEM expenditures and found that \$1.7 million was paid to a vendor using account coding that was not in accordance with the contract requirements.

**Recommendation:** We recommend that DVEM increase oversight to ensure proper account coding is utilized when processing payments.

## **Department of Economic and Community Development**

**ML-24-0208-15**

**Title:** Department of Economic and Community Development oversight of procurement-related expenditures

**State Department:** Economic and Community Development

**State Bureau:** Commissioner's Office

**Observation:** Departments are required to adhere to the terms, conditions, and requirements set forth in the contracts they execute. This obligation ensures compliance with legal and regulatory standards, promotes accountability, and safeguards the effective use of public funds. Failure to follow contract provisions may result in financial, operational, or reputational risks for the department and the State.

In the Office of the State Auditor's (OSA) review of one procurement-related payment disbursed by the Department of Economic and Community Development (DECD), documentation could not be provided to support that DECD verified that the subrecipient receiving Federal funds obtained a Single Audit as required. OSA verified that the subrecipient did receive a Single Audit; however, the subrecipient received qualified opinions for the same Federal program for years ended December 31, 2023, and 2022.

**Recommendation:** We recommend that DECD enhance oversight to ensure that subrecipients adhere to contract terms, conditions, and requirements.

## **Department of Health and Human Services**

**ML-24-0208-05**

**Title:** MeCDC oversight of procurement-related expenditures

**State Department:** Health and Human Services

**State Bureau:** Maine Center for Disease Control & Prevention

**Observation:** State policy requires departments utilizing statewide master agreements to verify that prices charged conform to the discounted prices/rates outlined within those agreements before payment is made. The Maine Center for Disease Control & Prevention (MeCDC) utilized available statewide master agreements to make purchases of commodities during fiscal year 2024.

In the Office of the State Auditor's review of two procurement-related payments disbursed by MeCDC, documentation could not be provided to support that the Department compared prices charged to approved discounted prices/rates within statewide master agreements prior to payment.

**Recommendation:** We recommend that MeCDC enhance oversight to ensure that pricing standards are properly verified and conform to the terms established in applicable statewide master agreements prior to payment.

**ML-24-0208-06**

**Title:** Commissioner's Office oversight of procurement-related expenditures

**State Department:** Health and Human Services

**State Bureau:** Commissioner's Office

**Observation:** Departments are required to adhere to the terms, conditions, and requirements set forth in the contracts they execute. This obligation ensures compliance with legal and regulatory standards, promotes accountability, and safeguards the effective use of public funds. Failure to follow contract provisions may result in financial, operational, or reputational risks for the department and the State. Additionally, departments utilizing statewide master agreements must verify that prices charged conform to the discounted prices/rates outlined in those agreements before payment is made.

In the Office of the State Auditor's (OSA) review of five procurement-related payments disbursed by the Commissioner's Office, OSA identified:

- one disbursement that was made for an invoice contrary to approved contract payment standards. The contract stipulated that invoices must be submitted within 45 days following the end of the service month; however, the reviewed invoice was submitted 214 days after the services were performed which significantly exceeded the allowable timeframe.

- one payment that disclosed a violation of contract Rider B, which stipulated work could not begin until the agreement was fully executed and approved by the State Controller and the State Purchases Review Committee. The contract was fully executed on September 5, 2023, after the specified contract start date of January 1, 2023; however, eight invoices were paid in December 2023 for services rendered between January 1, 2023, and August 31, 2023, prior to the contract's execution date.
- three payments that were made utilizing statewide master agreements. In all three instances, documentation could not be provided to demonstrate that a comparison between the rates invoiced and the discounted prices/rates available using the statewide master agreements was performed prior to payment.

**Recommendation:** We recommend that the Commissioner's Office enhance oversight to ensure:

- contract terms, conditions, and requirements are reviewed prior to procurement-related payments.
- pricing standards are properly verified and conform to the terms established in statewide master agreements when utilized prior to payment.

#### **ML-24-0208-07**

**Title:** Office of Aging and Disability Services oversight of procurement-related expenditures

**State Department:** Health and Human Services

**State Bureau:** Office of Aging and Disability Services

**Observation:** Departments are required to adhere to the terms, conditions, and requirements set forth in the contracts they execute. This obligation ensures compliance with legal and regulatory standards, promotes accountability, and safeguards the effective use of public funds. Failure to follow contract provisions may result in financial, operational, or reputational risks for the department and the State.

In the Office of the State Auditor's (OSA) review of one procurement-related payment disbursed by the Office of Aging and Disability Services (OADS), documentation could not be provided to support that contract terms and conditions, including required contractual deliverables, were considered prior to payment. While OADS was able to provide a copy of a Bi-Annual Narrative and a quarterly Performance Measures Report received before payment processing, the required quarterly Deliverables Workbook provided to OSA contained an attestation by the vendor that was dated subsequent to disbursement. The attestation date was November 19, 2024, after both the payment processing date of April 24, 2024, and the date OSA requested support (November 18, 2024).

**Recommendation:** We recommend that OADS enhance oversight to ensure vendors adhere to contract terms, conditions, and requirements.

## ML-24-0208-08

**Title:** Office of Child and Family Services oversight of procurement-related expenditures

**State Department:** Health and Human Services

**State Bureau:** Office of Child and Family Services

**Observation:** Departments are required to adhere to the terms, conditions, and requirements set forth in the contracts they execute. This obligation ensures compliance with legal and regulatory standards, promotes accountability, and safeguards the effective use of public funds. Failure to follow contract provisions may result in financial, operational, or reputational risks for the department and the State. Additionally, departments utilizing statewide master agreements must verify that prices charged conform to the discounted prices/rates outlined in those agreements before payment is made.

In the Office of the State Auditor's (OSA) review of two procurement-related payments disbursed by the Office of Child and Family Services (OCFS), OSA identified:

- one disbursement that was made for an invoice contrary to the monitoring requirements of the approved blanket contract. The blanket contract stipulated that monitoring must be performed through the monthly comparison of Enterprise Information System data to information provided by the Department of Administrative and Financial Services; however, documentation could not be provided to demonstrate that monitoring had occurred and was considered regarding the disbursed payment.
- one payment was made utilizing a statewide master agreement where documentation could not be provided to support that a comparison between the rates invoiced and the discounted prices/rates available using the statewide master agreements was performed prior to disbursement.

**Recommendation:** We recommend that OCFS enhance oversight to ensure that:

- monitoring requirements of blanket contracts are reviewed prior to making related disbursements.
- pricing standards are properly verified and conform to the terms established in statewide master agreements when utilized prior to payment.

## ML-24-0208-09

**Title:** Office for Family Independence oversight of procurement-related expenditures

**State Department:** Health and Human Services

**State Bureau:** Office for Family Independence

**Observation:** Departments are required to adhere to the terms, conditions, and requirements set forth in the contracts they execute. This obligation ensures compliance with legal and regulatory standards, promotes accountability, and safeguards the effective use of public funds. Failure to follow contract provisions may result in financial, operational, or reputational risks for the department and the State.

In the Office of the State Auditor's (OSA) review of one procurement-related payment disbursed by the Office for Family Independence (OFI), documentation could not be provided to support that a required on-site review for fiscal year 2024 was performed. The last on-site review was conducted on May 19, 2023. Upon OSA's inquiry, OFI stated that the next on-site review is scheduled for December 7, 2024. In the interim, OFI has established monthly check-in meetings with the provider to verify the work detailed in the provider-submitted quarterly reports.

**Recommendation:** We recommend that OFI enhance oversight to ensure that providers adhere to contract terms, conditions, and requirements.

## **ML-24-0208-10**

**Title:** Office of MaineCare Services oversight of procurement-related expenditures

**State Department:** Health and Human Services

**State Bureau:** Office of MaineCare Services

**Observation:** Departments are required to adhere to the terms, conditions, and requirements set forth in the contracts they execute. This obligation ensures compliance with legal and regulatory standards, promotes accountability, and safeguards the effective use of public funds. Failure to follow contract provisions may result in financial, operational, or reputational risks for the department and the State.

In the Office of the State Auditor's review of one procurement-related payment disbursed by the Office of MaineCare Services (OMS), payment was made for an invoice received on May 13, 2024, for services performed on August 31, 2023. OMS could not provide documentation that the invoice was reviewed to confirm compliance with the grant in accordance with monitoring requirements in the approved contract. Additionally, the invoice for grant-related activities was paid after the grant liquidation period had closed. While the Department changed the funding source from 100 percent Federal Fund to 50 percent General Fund and 50 percent Federal Fund, no documentation was provided to support the appropriateness of changing the source of funding and the payment of a late invoice received for a closed grant.

**Recommendation:** We recommend that OMS review procedures for the payment of invoices received with large disparities between service dates and date of receipt. Additionally, we recommend that procedures related to the payment of invoices for closed contract periods and expired grant periods be reviewed and strengthened.

**ML-24-0208-11**

**Title:** Office of Behavioral Health oversight of procurement-related expenditures

**State Department:** Health and Human Services

**State Bureau:** Office of Behavioral Health

**Observation:** Departments are required to adhere to the terms, conditions, and requirements set forth in the contracts they execute. This obligation ensures compliance with legal and regulatory standards, promotes accountability, and safeguards the effective use of public funds. Failure to follow contract provisions may result in financial, operational, or reputational risks for the department and the State.

In the Office of the State Auditor's review of two procurement-related payments disbursed by the Office of Behavioral Health (OBH), documentation could not be provided to support that required reports were received and considered prior to payment. The related contracts required deliverables such as annual on-site reviews and quarterly performance, financial, and narrative reports. One of the contracts also required critical incident reports on a per incident basis, monthly client outcome measure reports, and a monthly waitlist report.

**Recommendation:** We recommend that OBH enhance oversight to ensure that providers adhere to contract terms, conditions, and requirements.

## **Department of Marine Resources**

**ML-24-0208-14**

**Title:** Department of Marine Resources oversight of procurement-related expenditures

**State Department:** Marine Resources

**State Bureau:** Marine Science

**Observation:** Departments are required to adhere to the terms, conditions, and requirements set forth in the contracts they execute. This obligation ensures compliance with legal and regulatory standards, promotes accountability, and safeguards the effective use of public funds. Failure to follow contract provisions may result in financial, operational, or reputational risks for the department and the State.

In the Office of the State Auditor's review of one procurement-related payment disbursed by the Department of Marine Resources (DMR), documentation could not be provided to support conformance with contractual requirements. The governing contract requires that construction costs are paid only upon verified completion and in accordance with an approved schedule of values. Documentation could not be provided to demonstrate that the invoice conformed to the approved schedule of values. Additionally, documentation for a processed change order did not include a required breakdown of costs consistent with the approved schedule of values.

**Recommendation:** We recommend that DMR enhance oversight to ensure that vendors adhere to contract terms, conditions, and requirements.



## **Department of Public Safety**

**ML-24-0208-12**

**Title:** Gambling Control Unit oversight of procurement-related expenditures

**State Department:** Public Safety

**State Bureau:** Gambling Control Unit

**Observation:** Departments are required to adhere to the terms, conditions, and requirements set forth in the contracts they execute. This obligation ensures compliance with legal and regulatory standards, promotes accountability, and safeguards the effective use of public funds. Failure to follow contract provisions may result in financial, operational, or reputational risks for the department and the State.

In the Office of the State Auditor's (OSA) review of one procurement-related payment disbursed by the Department of Public Safety (DPS) Gambling Control Unit, documentation could not be provided to support that the contract regarding IT system compliance was adequately monitored. One specific condition of contract approval was that the contract language be amended to include that an annual System and Organization Controls (SOC) 2 type 2 report be delivered no later than 60 days after completion at the vendor's expense. The Department did not inquire about the required annual SOC 2 type 2 report until OSA requested a copy on November 11, 2024. The vendor stated that a SOC audit was not performed and could not be performed as the system assets were destroyed and the associated personnel were terminated.

**Recommendation:** While OSA understands that the specific contractual relationship has concluded and there are no plans to engage another vendor for the same IT services due to a recent change in State statute, we recommend that DPS enhance oversight to ensure that vendors adhere to contract terms, conditions, and requirements. This will ensure that similar issues are addressed proactively for future contracts.

## **Department of the Secretary of State**

**ML-24-0208-16**

**Title:** Procedures over expenditures processed by the Secretary of State and the Office of the State Controller

**State Department:** Secretary of State  
Administrative and Financial Services

**State Bureau:** Finance and Administration  
Office of the State Controller

**Observation:** The Office of the State Controller (OSC) is responsible for recording an annual accrual of expenditures in the State's financial statements at fiscal year end. As required by OSC's financial reporting policies, the Department of the Secretary of State (SOS) must enter service date information in the State's accounting system for expenditures. OSC relies on this information to determine the correct amount of the accrual, as the service date field represents the date that the services were rendered or goods were received and the related liability was incurred. Costs that were incurred in fiscal year 2024 should be included in the State's financial statement balances for expenditures and accrued liabilities at year end.

SOS is responsible for entering accurate service dates for each expenditure processed. OSC's General Accounting Division is responsible for ensuring accurate service dates during final review and approval of expenditures over \$5,000.

The Office of the State Auditor identified two expenditures processed during the first period of fiscal year 2025 totaling \$763,000 that were processed by SOS using incorrect service dates. These two expenditures were incurred in fiscal year 2025, but due to incorrect service dates, \$693,000 of the total was recorded as an accrued liability in the State's fiscal year 2024 financial statements. Both expenditures were over \$5,000 and approved by OSC's General Accounting Division.

**Recommendation:** We recommend that SOS increase oversight to ensure expenditures are processed using accurate service dates. We recommend that OSC's General Accounting Division increase training for approving payments over \$5,000 to ensure accurate service dates are entered in the State's accounting system.

## **Department of Transportation**

**ML-24-0208-18**

**Title:** Procedures over MDOT financial processing

**State Department:** Transportation

**State Bureau:** Finance and Administration

**Observation:** The Maine Department of Transportation (MDOT) has defined policies and procedures for financial processing. Invoices and account coding should be consistent across all systems utilized by the Department for financial processing. The Department is responsible for ensuring discrepancies are reviewed and corrected prior to payment.

The Office of the State Auditor tested 49 expenditure transactions and found that six payments were processed with inconsistent vendor fields. MDOT incorrectly used the contract-related vendor fields on the invoice instead of payment-related vendor fields in the State's accounting systems.

**Recommendation:** We recommend that MDOT review and revise procedures to ensure vendor information on the invoice and within the State's accounting systems is consistent and accurate prior to approving payments.

## **Judicial Branch**

**ML-24-0208-13**

**Title:** Judicial Branch oversight of procurement-related expenditures

**State Department:** Judicial Branch

**State Bureau:** Administrative Office of the Courts

**Observation:** Departments are required to adhere to the terms, conditions, and requirements set forth in the contracts they execute. This obligation ensures compliance with legal and regulatory standards, promotes accountability, and safeguards the effective use of public funds. Failure to follow contract provisions may result in financial, operational, or reputational risks for the department and the State.

In the Office of the State Auditor's review of one procurement-related payment disbursed by the Judicial Branch, documentation could not be provided to verify that monitoring was conducted in accordance with the approved contract. The governing contract stipulates monthly service tours and evaluations of performance. The Judicial Branch has previously asserted that performance is continuously evaluated and that building managers address any performance issues immediately; however, the contract explicitly requires monitoring activities including monthly service tours and formal evaluations using designated checklists and forms. The results of the evaluations are used in the determination of monetary penalties for any identified deficiencies and in the consideration of contract renewals.

**Recommendation:** We recommend that the Judicial Branch enhance oversight to ensure adherence to the terms and conditions outlined in contracts before disbursement of related payments. Additionally, we recommend that the Judicial Branch amend the contract and adjust performance stipulations as deemed necessary.